TD AMERITRADE HOLDING CORP
Form 10-K
November 18, 2011

Table of Contents

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

Form 10-K

þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended September 30, 2011

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

Commission file number: 0-49992

TD Ameritrade Holding Corporation
(Exact name of registrant as specified in its charter)

Delaware	**82-0543156**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

4211 South 102nd Street,
Omaha, Nebraska 68127
(Address of principal executive offices) (Zip Code)
(402) 331-7856
(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock $0.01 par value	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:

(Title of class)
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o

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 o No þ

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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. o

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No þ

The aggregate market value of the common stock held by non-affiliates of the registrant was approximately $4.6 billion computed by reference to the closing sale price of the stock on the Nasdaq Global Select Market on March 31, 2011, the last trading day of the registrant s most recently completed second fiscal quarter.

The number of shares of common stock outstanding as of November 10, 2011 was 549,169,937 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Definitive Proxy Statement relating to the registrant s 2012 Annual Meeting of Stockholders to be filed hereafter (incorporated into Part III hereof).

TD AMERITRADE HOLDING CORPORATION

INDEX

		Page No.
	Part I	
Item 1.	Business	3
Item 1A.	Risk Factors	10
Item 1B.	Unresolved Staff Comments	19
Item 2.	Properties	19
Item 3.	Legal Proceedings	19
	Part II	
Item 5.	Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	21
Item 6.	Selected Financial Data	23
Item 7.	Management s Discussion and Analysis of Financial Condition and Results of Operations	23
	Glossary of Terms	24
	Financial Statement Overview	28
	Critical Accounting Policies and Estimates	29
	Results of Operations	30
	Liquidity and Capital Resources	40
	Off-Balance Sheet Arrangements	43
	Contractual Obligations	44
	Recently Issued Accounting Pronouncements	44
Item 7A.	Quantitative and Qualitative Disclosures about Market Risk	45
Item 8.	Financial Statements and Supplementary Data	47
	Report of Ernst & Young LLP	47
	Consolidated Balance Sheets	48
	Consolidated Statements of Income	49
	Consolidated Statements of Stockholders Equity	50
	Consolidated Statements of Cash Flows	51
	Notes to Consolidated Financial Statements	52
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	89
Item 9A.	Controls and Procedures	89
Item 9B.	Other Information	91
	Part III	
Item 10.	Directors, Executive Officers and Corporate Governance	91
Item 11.	Executive Compensation	91
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	91
Item 13.	Certain Relationships and Related Transactions, and Director Independence	92

Item 14.	Principal Accounting Fees and Services	92
	Part IV	
Item 15.	Exhibits, Financial Statement Schedules	92
	Exhibit Index	92
	Signatures	96

EX-10.2
EX-12
EX-21.1
EX-23.1
EX-31.1
EX-31.2
EX-32.1
EX-101 INSTANCE DOCUMENT
EX-101 SCHEMA DOCUMENT
EX-101 CALCULATION LINKBASE DOCUMENT
EX-101 LABELS LINKBASE DOCUMENT
EX-101 PRESENTATION LINKBASE DOCUMENT
EX-101 DEFINITION LINKBASE DOCUMENT

Table of Contents

Unless otherwise indicated, references to we, us, our, Company, or TD Ameritrade mean TD Ameritrade Holding Corporation and its subsidiaries, and references to fiscal mean the Company s fiscal year ended September 30. References to the parent company mean TD Ameritrade Holding Corporation.

PART I

Item 1. *Business*

Form of Organization

The Company was established in 1971 as a local investment banking firm and began operations as a retail discount securities brokerage firm in 1975. The parent company is a Delaware corporation.

Operations

We are a leading provider of securities brokerage services and technology-based financial services to retail investors, traders and independent registered investment advisors (RIAs). We provide our services predominantly through the Internet, a national branch network and relationships with RIAs. We believe that our services appeal to a broad market of independent, value-conscious retail investors, traders, financial planners and institutions. We use our efficient platform to offer brokerage services to retail investors and institutions under a simple, low-cost commission structure.

We have been an innovator in electronic brokerage services since entering the retail securities brokerage business in 1975. We believe that we were the first brokerage firm to offer the following products and services to retail clients: touch-tone trading; trading over the Internet; unlimited, streaming, free real-time quotes; extended trading hours; direct access to market destinations; and commitment on the speed of order execution. Since initiating online trading, we have substantially increased our number of brokerage accounts, average daily trading volume and total assets in client accounts. We have also built, and continue to invest in, a proprietary trade processing platform that is both cost-efficient and highly scalable, significantly lowering our operating costs per trade. In addition, we have made significant and effective investments in building the TD Ameritrade brand.

Strategy

We intend to capitalize on the growth and consolidation of the retail brokerage industry in the United States and leverage our low-cost infrastructure to grow our market share and profitability. Our long-term growth strategy is to increase our market share of total assets in client accounts by providing superior offerings to long-term investors, RIAs and active traders. We strive to enhance the client experience by providing sophisticated asset management products and services, enhanced trading tools and capabilities and a superior, proprietary, single-platform system to support RIAs. The key elements of our strategy are as follows:

Focus on brokerage services. We continue to focus on attracting active traders, long-term investors and RIAs to our brokerage services. This focused strategy is designed to enable us to maintain our low operating cost structure while offering our clients outstanding products and services. We primarily execute client securities transactions on an agency, rather than a principal, basis. We maintain only a small inventory of fixed income securities to meet client requirements.

Provide a comprehensive long-term investor solution. We continue to expand our suite of diversified investment products and services to best serve investors needs. We help clients make investment decisions by providing simple-to-use investment tools, guidance, education and objective third-party research.

Maintain industry leadership and market share with active traders. We help active traders make better-informed investment decisions by offering fast access to markets, insight into market trends and innovative tools such as strategy back-testing and comprehensive options research and trading capabilities.

Continue to be a leader in the RIA industry. We provide RIAs with comprehensive brokerage and custody services supported by our robust integrated technology platform, customized personal service and practice management solutions.

Table of Contents

Leverage our infrastructure to add incremental revenue. Through our proprietary technology, we are able to provide a very robust online experience for long-term investors and active traders. Our low-cost, scalable systems provide speed, reliability and quality trade execution services for clients. The scalable capacity of our trading system allows us to add a significant number of transactions while incurring minimal additional fixed costs.

Continue to be a low-cost provider of quality services. We achieve low operating costs per trade by creating economies of scale, utilizing our proprietary transaction-processing systems, continuing to automate processes and locating much of our operations in low-cost geographical areas. This low fixed-cost infrastructure provides us with significant financial flexibility.

Continue to differentiate our offerings through innovative technologies and service enhancements. We have been an innovator in our industry over our 36-year history. We continually strive to provide our clients with the ability to customize their trading experience. We provide our clients greater choice by tailoring our features and functionality to meet their specific needs.

Leverage the TD Ameritrade brand. We believe that we have a superior brand identity and that our advertising has established TD Ameritrade as a leading brand in the retail brokerage market.

Continue to aggressively pursue growth through acquisitions. When evaluating potential acquisitions, we look for transactions that will give us operational leverage, technological leverage, increased market share or other strategic opportunities.

Most recently, on June 11, 2009, we acquired thinkorswim Group Inc. (thinkorswim). The acquisition enhanced our industry leadership position in client trades per day and provides our clients with access to thinkorswim s advanced trading technology, tools and services, as well as a leading investor education program.

Client Offerings

We deliver products and services aimed at providing a comprehensive, personalized experience for active traders, long-term investors and independent RIAs. Our client offerings are described below:

TD Ameritrade® is our core offering for self-directed retail investors. We offer sophisticated tools and services, including Trade Architect®, SnapTicket,™ Trade Triggers,™ QuoteScope,™ Market Motion Detector and WealthRuler.™ We offer futures and foreign exchange trading to TD Ameritrade brokerage clients through our thinkorswim from TD Ameritrade desktop application. We offer TD Ameritrade Apex™ for clients who place an average of five trades per month over a three-month period or maintain a total account value of at least $100,000. Apex clients receive free access to services that are normally available on a paid subscription basis, as well as access to exclusive services and content.

TD Ameritrade Institutional is a leading provider of comprehensive brokerage and custody services to more than 4,000 independent RIAs and their clients. Our advanced technology platform, coupled with personal support from our dedicated service teams, allows RIAs to run their practices more effectively and efficiently while optimizing time with clients. Additionally, TD Ameritrade Institutional provides a robust offering of products, programs and services. These services are all designed to help advisors build their businesses.

thinkorswim by TD Ameritrade provides a suite of trading platforms serving self-directed and institutional traders and money managers. thinkorswim platforms have easy-to-use interfaces, sophisticated analytical and research tools, and fast and efficient order execution for complex trading strategies. thinkorswim clients trade a broad range of products including stock and stock options, index options, futures and futures options, foreign exchange, mutual funds and fixed income.

Investools offers a comprehensive suite of investor education products and services for stock, option, foreign exchange, futures, mutual fund and fixed-income investors. Investools educational products and services are primarily built around an investing method that is designed to teach both experienced and beginning investors how to approach the selection process for investment securities and actively manage their investment portfolios. Course offerings are generally combined with web-based tools, personalized instruction techniques and ongoing service and support and are offered in a variety of learning formats. Designed for the advanced student, continuing education programs offer students comprehensive access to a multitude of products and services priced either individually or on a bundled basis. Typically included in the continuing education bundles are additional curriculum, online courses, live workshops and coaching services.

Amerivest™ is an online advisory service that develops portfolios of exchange-traded funds (ETFs) or mutual funds, along with cash and cash alternatives, to help long-term investors pursue their financial goals. Our subsidiary, Amerivest Investment Management, LLC, recommends an investment portfolio based on our proprietary automated five-step process centered on an investor s goals and risk tolerance.

TD Ameritrade Corporate Services provides self-directed brokerage services to employees and executives of corporations, either directly in partnership with the employer or through joint marketing relationships with third-party administrators, such as 401(k) providers and employee benefit consultants. Trust and custody services are also offered to a wide range of plan types through our TD Ameritrade Trust Company subsidiary.

Products and Services

We strive to provide the best value of retail brokerage services to our clients. The products and services available to our clients include:

Common and preferred stock. Clients can purchase common and preferred stocks, American Depository Receipts and closed-end funds traded on any United States exchange or quotation system.

Exchange-Traded Funds. ETFs are baskets of securities (stocks or bonds) that typically track recognized indices. They are similar to mutual funds, except that they trade on an exchange like stocks. Our ETF Market Center offers our clients over 100 commission-free ETFs, each of which has been selected by independent experts at Morningstar Associates. Trades in these ETFs are commission-free, provided the funds are held for 30 days or longer. Our Web site includes an ETF screener, along with independent research and commentary to assist investors in their decision-making.

Options. We offer a full range of option trades, including complex, multi-leg option strategies. All option trades, including complex trades, are accessible on our trading platform.

Futures. We offer futures trades, as well as options on futures, in a wide variety of commodities, stock indices and currencies.

Foreign exchange. We offer access to trading in over 100 different currency pairs.

Mutual funds. Clients can compare and select from a portfolio of over 13,000 mutual funds from leading fund families, including a broad range of no-transaction-fee (NTF) funds. Clients can also easily exchange funds within the same mutual fund family.

Fixed income. We offer our clients access to a variety of Treasury, corporate, government agency and municipal bonds, as well as mortgage-backed securities and certificates of deposit.

New issue securities. We offer primary and secondary offerings of fixed income securities, closed-end funds and preferred stock.

Margin lending. We extend credit to clients that maintain margin accounts.

Cash management services. Through third-party banking relationships, we offer FDIC-insured deposit accounts and money market mutual funds to our clients as cash sweep alternatives. Through these relationships, we also offer free standard checking, free online bill pay and ATM services with unlimited ATM fee reimbursements at any machine nationwide.

We earn commissions and transaction fees on client trades in common and preferred stock, ETFs, closed-end funds, options, futures, foreign exchange, mutual funds and fixed income securities. Margin lending and the related securities lending business generate net interest revenue. Cash management services and fee-based mutual funds

Table of Contents

generate insured deposit account fees and investment product fee revenues. The following table presents the percentage of net revenues contributed by each class of similar services during the last three fiscal years:

	Percentage of Net Revenues Fiscal Year Ended September 30,		
Class of Service	**2011**	**2010**	**2009**
Commissions and transaction fees	44.5%	46.6%	52.0%
Net interest revenue	17.8%	16.5%	14.4%
Insured deposit account fees	27.6%	26.6%	23.6%
Investment product fees	6.0%	5.1%	7.7%
Other revenues	4.1%	5.2%	2.3%
Net revenues	100.0%	100.0%	100.0%

We provide our clients with an array of channels to access our products and services. These include the Internet, our network of retail branches, mobile trading applications, interactive voice response and registered representatives via telephone.

Client Service and Support

We strive to provide the best client service in the industry as measured by: (1) speed of response time to telephone calls, (2) turnaround time responding to client inquiries and (3) client satisfaction with the account relationship.

We endeavor to optimize our highly-rated client service by:

Ensuring prompt response to client service calls through adequate staffing with properly trained and motivated personnel in our client service departments, a majority of whom hold the Series 7 license;

Tailoring client service to the particular expectations of the clients of each of our client segments; and

Expanding our use of technology to provide automated responses to the most typical inquiries generated in the course of clients securities trading and related activities.

We provide access to client service and support through the following means:

Web sites. Our Web sites provide basic information on how to use our services, as well as an in-depth education center that includes a guide to online investing and an encyclopedia of finance. Ted , our Virtual Investment Consultant, is a Web tool that allows retail clients to interact with a virtual representative to ask questions regarding our products, tools and services.

Branches. We offer a nationwide network of over 100 retail branches, located primarily in large metropolitan areas.

E-mail. Clients are encouraged to use e-mail to contact our client service representatives. Our operating standards require a response within 24 hours of receipt of the e-mail; however, we strive to respond within four hours after receiving the original message.

Telephone. For clients who choose to call or whose inquiries necessitate calling one of our client service representatives, we provide a toll-free number that connects to advanced call handling systems. These systems provide automated answering and directing of calls to the proper department. Our systems also allow linkage between caller identification and the client database to give the client service representative immediate access to the client s account data when the call is received. Client service representatives are available 24 hours a day, seven days a week.

Technology and Information Systems

Our technological capabilities and systems are central to our business and are critical to our goal of providing the best execution at the best value to our clients. Our operations require reliable, scalable systems that can handle

Table of Contents

complex financial transactions for our clients with speed and accuracy. We maintain sophisticated and proprietary technology that automates traditionally labor-intensive securities transactions. Our ability to effectively leverage and adopt new technology to improve our services is a key component of our success.

We continue to make investments in technology and information systems. We have spent a significant amount of resources to increase capacity and improve speed and reliability. To provide for system continuity during potential power outages, we have equipped our data centers with uninterruptible power supply units and back-up generators.

Our trading platforms currently have the capacity to process approximately 1,500,000 trades per day and approximately 33,000 client login connections per second. The greatest number of trades our clients have made in a single day is approximately 895,000.

Advertising and Marketing

We intend to continue to grow and increase our market share by advertising online, on television, in print and direct mail and on our own Web sites. We invest heavily in advertising programs designed to bring greater brand recognition to our services. We intend to continue to aggressively advertise our services. From time to time, we may choose to increase our advertising to target specific groups of investors or to decrease advertising in response to market conditions.

Advertising for retail clients is generally conducted through Web sites, financial news networks and other television and cable networks. We also place print advertisements in a broad range of business publications and use direct mail advertising. Advertising for institutional clients is significantly less than for retail clients and is generally conducted through highly-targeted media. We also utilize third-party partners to market our investor education offerings at live events.

To monitor the success of our various marketing efforts, we use a data gathering and tracking system. This system enables us to determine the type of advertising that best appeals to our target market so that we can invest in these programs in the future. Additionally, through the use of our database tools, we are working to more efficiently determine the needs of our various client segments and tailor our services to their individual needs. We intend to utilize this system to strengthen our client relationships and support marketing campaigns to attract new clients. Our uses of client information are disclosed in our privacy statement.

All of our brokerage-related communications with the public are regulated by the Financial Industry Regulatory Authority (FINRA).

Clearing Operations

Our subsidiary, TD Ameritrade Clearing, Inc. (TDAC), provides clearing and execution services to TD Ameritrade, Inc., our introducing broker-dealer subsidiary. Clearing services include the confirmation, receipt, settlement, delivery and record-keeping functions involved in processing securities transactions. Our clearing broker-dealer subsidiary provides the following back office functions:

- Maintaining client accounts;
- Extending credit in a margin account to the client;
- Engaging in securities lending and borrowing transactions;

Settling securities transactions with clearinghouses such as The Depository Trust & Clearing Corporation and The Options Clearing Corporation;

Settling commissions and transaction fees;

Preparing client trade confirmations and statements;

Performing designated cashiering functions, including the delivery and receipt of funds and securities to or from the client;

Table of Contents

Possession, control and safeguarding of funds and securities in client accounts;

Processing cash sweep transactions to and from insured deposit accounts and money market mutual funds;

Transmitting tax accounting information to the client and to the applicable tax authority; and

Forwarding prospectuses, proxy materials and other shareholder information to clients.

During August 2011, we completed the conversion of thinkorswim s securities clearing brokerage operations from an outsourced clearing broker-dealer to the TDAC clearing platform. We continue to contract with an external provider for futures clearing and related back-office services. We also contract with external providers to facilitate foreign exchange trading for our clients.

Competition

We believe that the principal determinants of success in the retail brokerage market are brand recognition, size of client base and client assets, ability to attract new clients and client assets, client trading activity, efficiency of operations, technology infrastructure and access to financial resources. We also believe that the principal factors considered by clients in choosing a brokerage firm are reputation, client service quality, price, convenient locations, product offerings, quality of trade execution, platform capabilities, innovation and overall value. Based on our experience, focus group research and the success we have enjoyed to date, we believe that we presently compete successfully in each of these categories.

The market for brokerage services, particularly electronic brokerage services, continues to evolve and is highly competitive. We experience significant competition and expect this competitive environment to continue. We encounter direct competition from numerous other brokerage firms, many of which provide online brokerage services. These competitors include E*TRADE Financial Corporation, The Charles Schwab Corporation, Fidelity Investments and Scottrade, Inc. We also encounter competition from established full-commission brokerage firms such as Merrill Lynch and Morgan Stanley Smith Barney, as well as financial institutions, mutual fund sponsors and other organizations, some of which provide online brokerage services.

Regulation

The securities industry is subject to extensive regulation under federal and state law. Broker-dealers are required to register with the U.S. Securities and Exchange Commission (SEC) and to be members of FINRA. In addition, our introducing broker-dealer subsidiary (TD Ameritrade, Inc.) is registered with the Commodity Futures Trading Commission (CFTC) as a non-clearing futures commission merchant and is a member of, and the corresponding services functions are regulated by, the National Futures Association (NFA). Our broker-dealer subsidiaries are subject to the requirements of the Securities Exchange Act of 1934 (the Exchange Act) relating to broker-dealers, including, among other things, minimum net capital requirements. For our clearing broker-dealer subsidiary (TDAC), this minimum net capital level is determined by a calculation described in Rule 15c3-1 that is primarily based on aggregate debits, which primarily are a function of client margin balances. TDAC is required to maintain minimum net capital of 2% of aggregate debits. Since our aggregate debits may fluctuate significantly, our minimum net capital requirements may also fluctuate significantly from period to period. TD Ameritrade, Inc. is required to maintain minimum net capital of $1.0 million.

Certain of our subsidiaries are also registered as investment advisors under the Investment Advisers Act of 1940. We are also subject to regulation in all 50 states and the District of Columbia, including registration requirements.

In its capacity as a securities clearing firm, TDAC is a member of The Depository Trust & Clearing Corporation and The Options Clearing Corporation, each of which is registered as a clearing agency with the SEC. As a member of these clearing agencies, TDAC is required to comply with the rules of such clearing agencies, including rules relating to possession or control of client funds and securities, margin lending and execution and settlement of transactions.

Margin lending activities are subject to limitations imposed by regulations of the Federal Reserve System and FINRA. In general, these regulations provide that, in the event of a significant decline in the value of securities

Table of Contents

collateralizing a margin account, we are required to obtain additional collateral from the borrower or liquidate security positions.

We are subject to a number of state and federal laws applicable to companies conducting business on the Internet that address client privacy, system security and safeguarding practices and the use of client information. For additional, important information relating to government regulation, please review the information set forth under the heading Risk Factors Relating to the Regulatory Environment in Item 1A Risk Factors.

Risk Management

Our business activities expose us to various risks. Identifying and measuring our risks is critical to our ability to manage risk within acceptable tolerance levels in order to minimize the effect on our business, results of operations and financial condition.

Our management team is responsible for managing risk, and it is overseen by our board of directors, primarily through the board s Risk Committee. We use risk management processes and have policies and procedures for identifying, measuring and managing risks, including establishing threshold levels for our most significant risks. Our risk management, compliance, internal audit, and legal departments assist management in identifying and managing risks. Our management team s Enterprise Risk Committee (ERC) is responsible for reviewing risk exposures and risk mitigation. Subcommittees of the ERC have been established to assist in identifying and managing specific areas of risk.

Our business exposes us to the following broad categories of risk:

Operational Risk Operational risk is the risk of loss resulting from inadequate or failed internal processes or controls, human error, systems and technology problems or from external events. It also involves compliance with regulatory and legal requirements. Operational risk is the most prevalent form of risk in our risk profile. We manage operational risk by establishing policies and procedures to accomplish timely and efficient processing, obtaining periodic internal control attestations from management and conducting internal audit reviews to evaluate the effectiveness of internal controls.

Market Risk Market risk is the risk of loss resulting from adverse movements in market factors, such as asset prices, foreign exchange rates and interest rates. Our market risk related to asset prices is mitigated by our execution of client securities transactions primarily on an agency, rather than a principal, basis and our maintenance of only a small inventory of fixed-income securities to meet client requirements. Interest rate risk is our most prevalent form of market risk. For more information about our interest rate risk and how we manage it, see Item 7A Quantitative and Qualitative Disclosures About Market Risk.

Credit Risk Credit risk is the risk of loss resulting from failure of obligors to honor their payments. Our exposure to credit risk mainly arises from client margin lending and leverage activities, securities lending activities and other counterparty credit risks. For more information about our credit risk and how we manage it, see Item 7A Quantitative and Qualitative Disclosures About Market Risk.

Liquidity Risk - Liquidity risk is the risk of loss resulting from the inability to meet current and future cash flow needs. We actively monitor our liquidity position at the subsidiary and holding company levels. For more information, see Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.

Strategic Risk Strategic risk is the risk of loss arising from ineffective business strategies, improper implementation of business strategies, or lack of responsiveness to changes in the business and competitive environment. Our executive management is responsible for establishing an appropriate corporate strategy intended to create value for stockholders, clients and employees, with oversight by our board of directors. Our management is responsible for defining the priorities, initiatives and resources necessary to execute the strategic plan, and is evaluated by the board of directors based on its success in doing so.

Reputational Risk Reputational risk is the risk arising from possible negative perceptions, whether true or not, of the Company among our clients, counterparties, stockholders, suppliers, employees and regulators. The potential for either enhancing or damaging our reputation is inherent in almost all aspects of business activity. We manage this risk through our commitment to a set of core values that emphasize and reward high standards of ethical behavior, maintaining a culture of compliance and by being responsive to client and regulatory requirements.

Risk is inherent in our business, and therefore, despite our efforts to manage risk, there can be no assurance that we will not sustain unexpected losses. For a discussion of the factors that could materially affect our business, financial condition or future results of operations, see Item 1A Risk Factors.

Intellectual Property Rights

Our success and ability to compete are significantly dependent on our intellectual property, which includes our proprietary technology, trade secrets and client base. We rely on copyright, trade secret, trademark, domain name, patent and contract laws to protect our intellectual property and have utilized the various methods available to us, including filing applications for patents and trademark registrations with the United States Patent and Trademark Office and entering into written licenses and other technology agreements with third parties. Our patented and patent pending technologies include stock indexing and investor education technologies, as well as innovative trading and analysis tools. Our trademarks include both our primary brand, TD Ameritrade, as well as brands for other products and services. A substantial portion of our intellectual property is protected by trade secrets. The source and object code for our proprietary software is also protected using applicable methods of intellectual property protection and general protections afforded to confidential information. In addition, it is our policy to enter into confidentiality and intellectual property ownership agreements with our employees and confidentiality and noncompetition agreements with our independent contractors and business partners and to control access to and distribution of our intellectual property.

Employees

As of September 30, 2011, we had 5,451 full-time equivalent employees. None of our employees is covered by a collective bargaining agreement. We believe that our relations with our employees are good.

Financial Information about Segments and Geographic Areas

We primarily operate in the securities brokerage industry and have no other reportable segments. Substantially all of our revenues from external clients for the fiscal years ended September 30, 2011, 2010 and 2009 were derived from our operations in the United States.

Internet Address

Additional information concerning our business can be found on our Web site at www.amtd.com. We ask that interested parties visit or subscribe to newsfeeds at www.amtd.com for the most up-to-date corporate financial information, presentation announcements, transcripts and archives. Web site links provided in this report, although correct when published, may change in the future. We make available free of charge on our Web site our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, as soon as reasonably practicable after we electronically file such material with or furnish it to the SEC.

Item 1A. ***Risk Factors***

In addition to the other information set forth in this report, you should carefully consider the following factors which could materially affect our business, financial condition or future results of operations. Although the risks described below are those that management believes are the most significant, these are not the only risks facing our company.

Additional risks and uncertainties not currently known to us or that we currently do not deem to be material also may materially affect our business, financial condition or future results of operations.

Table of Contents

Risk Factors Relating to Our Business Operations

Economic conditions and other securities industry risks could adversely affect our business.

Substantially all of our revenues are derived from our securities brokerage business. Like other securities brokerage businesses, we are directly affected by economic and political conditions, broad trends in business and finance and changes in volume and price levels of securities transactions. Events in global financial markets in recent years, including failures and government bailouts of large financial services companies, resulted in substantial market volatility and increased client trading volume. However, any sustained downturn in general economic conditions or U.S. equity markets could result in reduced client trading volume and net revenues. For example, events such as the terrorist attacks in the United States on September 11, 2001 and the invasion of Iraq in 2003 resulted in periods of substantial market volatility and reductions in trading volume and net revenues. Severe market fluctuations or weak economic conditions could reduce our trading volume and net revenues and have a material adverse effect on our profitability.

We have exposure to interest rate risk.

As a fundamental part of our brokerage business, we invest in interest-earning assets and are obligated on interest-bearing liabilities. In addition, we earn fees on our FDIC-insured deposit account arrangement with TD Bank USA, N.A. and TD Bank N.A., which are subject to interest rate risk. During fiscal 2009, the Federal Open Market Committee reduced the federal funds rate from 2.00% to between 0% and 0.25%. In addition, medium- to long-term interest rates have also decreased substantially since fiscal 2009. This lower interest rate environment has compressed our net interest spread and reduced our spread-based revenues. It has also resulted in our voluntarily waiving fees on certain money market mutual funds in order to prevent our clients yields on such funds from becoming negative. Changes in interest rates could affect the interest earned on assets differently than interest paid on liabilities. A rising interest rate environment generally results in our earning a larger net interest spread. Conversely, a falling interest rate environment generally results in our earning a smaller net interest spread. If we are unable to effectively manage our interest rate risk, changes in interest rates could have a material adverse effect on our profitability.

Our brokerage operations have exposure to liquidity risk.

Maintaining adequate liquidity is crucial to our brokerage operations, including key functions such as transaction settlement and margin lending. Our liquidity needs to support interest-earning assets are primarily met by client cash balances or financing created from our securities lending activities. A reduction of funds available from these sources may require us to seek other potentially more expensive forms of financing, such as borrowings on our revolving credit facility. Our liquidity could be constrained if we are unable to obtain financing on acceptable terms, or at all, due to a variety of unforeseen market disruptions. If we are unable to meet our funding needs on a timely basis, our business would be adversely affected.

We are exposed to credit risk with clients and counterparties.

We extend margin credit and leverage to clients, which are collateralized by client cash and securities. We also borrow and lend securities in connection with our broker-dealer business. A significant portion of our net revenues is derived from interest on margin loans. By permitting clients to purchase securities on margin and exercise leverage on futures positions, we are subject to risks inherent in extending credit, especially during periods of rapidly declining markets in which the value of the collateral held by us could fall below the amount of a client s indebtedness. In addition, in accordance with regulatory guidelines, we collateralize borrowings of securities by depositing cash or securities with lenders. Sharp changes in market values of substantial amounts of securities and the failure by parties to the borrowing transactions to honor their commitments could have a material adverse effect on our revenues and profitability.

Our clearing operations expose us to liability for errors in clearing functions.

Our broker-dealer subsidiary, TDAC, provides clearing and execution services to our introducing broker-dealer subsidiary, TD Ameritrade, Inc. Clearing and execution services include the confirmation, receipt, settlement

Table of Contents

and delivery functions involved in securities transactions. Clearing brokers also assume direct responsibility for the possession or control of client securities and other assets and the clearing of client securities transactions. However, clearing brokers also must rely on third-party clearing organizations, such as The Depository Trust & Clearing Corporation and The Options Clearing Corporation, in settling client securities transactions. Clearing securities firms, such as TDAC, are subject to substantially more regulatory control and examination than introducing brokers that rely on others to perform clearing functions. Errors in performing clearing functions, including clerical and other errors related to the handling of funds and securities held by us on behalf of clients, could lead to regulatory fines and civil penalties as well as losses and liability in related legal proceedings brought by clients and others.

Systems failures, delays and capacity constraints could harm our business.

We receive and process trade orders through a variety of electronic channels, including the Internet, mobile trading applications and our interactive voice response system. These methods of trading are heavily dependent on the integrity of the electronic systems supporting them. Our systems and operations are vulnerable to damage or interruption from human error, natural disasters, power loss, computer viruses, distributed denial of service (DDOS) attacks, spurious spam attacks, intentional acts of vandalism and similar events. It could take several hours or more to restore full functionality following any of these events. Extraordinary trading volumes could cause our computer systems to operate at an unacceptably slow speed or even fail. Extraordinary Internet traffic caused by DDOS or spam attacks could cause our Web site to be unavailable or slow to respond. While we have made significant investments to upgrade the reliability and scalability of our systems and added hardware to address extraordinary Internet traffic, there can be no assurance that our systems will be sufficient to handle such extraordinary circumstances. We may not be able to project accurately the rate, timing or cost of any increases in our business or to expand and upgrade our systems and infrastructure to accommodate any increases in a timely manner. Systems failures and delays could occur and could cause, among other things, unanticipated disruptions in service to our clients, slower system response time resulting in transactions not being processed as quickly as our clients desire, decreased levels of client service and client satisfaction and harm to our reputation. The occurrence of any of these events could have a material adverse effect on our business, results of operations and financial condition.

Our networks and client information could be vulnerable to security risks.

The secure transmission of confidential information over public networks is a critical element of our operations. Our networks could be vulnerable to unauthorized access, computer viruses, phishing schemes and other security problems, as evidenced by the spam litigation described under Item 3, Legal Proceedings. In addition, vulnerabilities of our external service providers could pose security risks to client information. We, along with the financial services industry in general, have experienced losses related to clients login and password information being compromised, generally caused by clients use of public computers or vulnerabilities of clients private computers.

Persons who circumvent security measures could wrongfully use our confidential information or our clients confidential information or cause interruptions or malfunctions in our operations. We could be required to expend significant additional resources to protect against the threat of security breaches or to alleviate problems caused by any breaches, and we could suffer reputational damage as a result of such breaches, which could negatively affect our ability to attract and retain clients. We may not be able to implement security measures that will protect against all security risks. Because we provide a security guarantee under which we reimburse clients for losses resulting from unauthorized activity in their accounts, significant unauthorized activity could have a material adverse effect on our results of operations.

Substantial competition could reduce our market share and harm our financial performance.

The market for electronic brokerage services is continually evolving and is intensely competitive. The retail brokerage industry has experienced significant consolidation, which may continue in the future, and which may increase competitive pressures in the industry. Consolidation could enable other firms to offer a broader range of products and services than we do, or offer them at lower prices. There has been substantial price competition in the industry, including various free trade offers. We expect this competitive environment to continue in the future. We face direct competition from numerous retail brokerage firms, including E*TRADE Financial Corporation, The Charles Schwab Corporation, Fidelity Investments and Scottrade, Inc. We also encounter competition from the broker-dealer affiliates of established full-commission brokerage firms, such as Merrill Lynch and Morgan Stanley Smith Barney, as well as from financial institutions, mutual fund sponsors and other organizations, some of which provide online brokerage services. Some of our competitors have greater financial, technical, marketing and other resources, offer a wider range of services and financial products, and have greater name recognition and a more extensive client base than we do. We believe that the general financial success of companies within the retail securities industry will continue to attract new competitors to the industry, such as banks, software development companies, insurance companies, providers of online financial information and others. These companies may provide a more comprehensive suite of services than we do. Increased competition, including pricing pressure, could have a material adverse effect on our results of operations and financial condition.

We will need to introduce new products and services and enhance existing products and services to remain competitive.

Our future success depends in part on our ability to develop and enhance our products and services. In addition, the adoption of new Internet, networking or telecommunications technologies or other technological changes could require us to incur substantial expenditures to enhance or adapt our services or infrastructure. There are significant technical and financial costs and risks in the development of new or enhanced products and services, including the risk that we might be unable to effectively use new technologies, adapt our services to emerging industry standards or develop, introduce and market enhanced or new products and services. An inability to develop new products and services, or enhance existing offerings, could have a material adverse effect on our profitability.

We rely on external service providers to perform certain key functions.

We rely on a number of external service providers for certain key technology, processing, service and support functions. These include the services of other broker-dealers, market makers and exchanges to execute client orders. We contract with external providers for futures and foreign exchange clearing and related back-office services. External content providers provide us with financial information, market news, charts, option and stock quotes, research reports and other fundamental data that we offer to clients. These service providers face technological and operational risks of their own. Any significant failures by them, including improper use or disclosure of our confidential client, employee or company information, could cause us to incur losses and could harm our reputation.

We cannot assure that any external service providers will be able to continue to provide these services in an efficient, cost-effective manner or that they will be able to adequately expand their services to meet our needs. An interruption in or the cessation of service by any external service provider as a result of systems failures, capacity constraints, financial constraints or problems, unanticipated trading market closures or for any other reason, and our inability to make alternative arrangements in a smooth and timely manner, if at all, could have a material adverse effect on our business, results of operations and financial condition.

Risk Factors Relating to the Regulatory Environment

Recent legislation will result in changes to rules and regulations applicable to our business, which may negatively impact our business and financial results.

In July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) was signed into law. The Dodd-Frank Act requires many federal agencies to adopt new rules and regulations that will apply to the financial services industry and also calls for many studies regarding various industry practices. In particular, the Dodd-Frank Act gives the SEC discretion to adopt rules regarding standards of conduct for broker-dealers providing investment advice to retail customers. The various studies required by the legislation could result in additional rulemaking or legislative action, which could negatively impact our business and financial results. While we have not yet been required to make material changes to our business or operations as a result of the Dodd-Frank Act, it is not certain what the scope of future rulemaking or interpretive guidance from the SEC, FINRA, banking regulators and other regulatory agencies may be, and what impact this will have on our compliance costs, business, operations and profitability.

Table of Contents

Our profitability could also be affected by rules and regulations that impact the business and financial communities generally, including changes to the laws governing banking, fiduciary duties, conflicts of interest, taxation, electronic commerce, client privacy and security of client data.

Failure to comply with net capital requirements could adversely affect our business.

The SEC, FINRA, CFTC, NFA and various other regulatory agencies have stringent rules with respect to the maintenance of specific levels of net capital by securities broker-dealers. Net capital is a measure, defined by the SEC, of a broker-dealer s readily available liquid assets, reduced by its total liabilities other than approved subordinated debt. Our broker-dealer subsidiaries are required to comply with net capital requirements. If we fail to maintain the required net capital, the SEC could suspend or revoke our registration, or FINRA could expel us from membership, which could ultimately lead to our liquidation, or they could impose censures, fines or other sanctions. If the net capital rules are changed or expanded, or if there is an unusually large charge against net capital, then our operations that require capital could be limited. A large operating loss or charge against net capital could have a material adverse effect on our ability to maintain or expand our business.

Regulatory uncertainties could harm our business.

The securities industry is subject to extensive regulation and broker-dealers are subject to regulations covering all aspects of the securities business. The SEC, FINRA, CFTC, NFA, Department of Labor and other self-regulatory organizations and state and foreign regulators can, among other things, censure, fine, issue cease-and-desist orders to, suspend or expel a broker-dealer or any of its officers or employees. We could fail to establish and enforce procedures to comply with applicable regulations, which could have a material adverse effect on our business.

Our Web sites are accessible world-wide over the Internet, and we currently have account holders located outside the United States. These accounts comprise approximately 1.5% of our total accounts and are spread across many jurisdictions. Adverse action by foreign regulators with respect to regulatory compliance by us in foreign jurisdictions could adversely affect our revenues from clients in such countries or regions.

Various regulatory and enforcement agencies have been reviewing the following areas, among others, related to the brokerage industry:

- sales practices and suitability of financial products and services;
- money market mutual funds;
- mutual fund and exchange-traded fund trading;
- anti-money laundering policies and procedures;
- client cash sweep arrangements;
- regulatory reporting obligations;
- risk management;
- valuation of financial instruments;
- best execution practices;

client privacy;

system security and safeguarding practices;

advertising claims;

brokerage services provided to investment advisors;

systemic risk;

fraud detection;

market access and manipulative trading;

- trading in low-priced securities;
- use of social media; and
- financial and liquidity risk.

These reviews could result in enforcement actions, fines, penalties, significant new regulations or clarification of existing regulations, which could adversely affect our operations.

In addition, we use the Internet as a major distribution channel to provide services to our clients. A number of regulatory agencies have adopted regulations regarding client privacy, system security and safeguarding practices and the use of client information by service providers. Additional laws and regulations relating to the Internet and safeguarding practices could be adopted in the future, including laws related to identity theft and regulations regarding the pricing, taxation, content and quality of products and services delivered over the Internet. Complying with these laws and regulations may be expensive and time-consuming and could limit our ability to use the Internet as a distribution channel, which would have a material adverse effect on our business and profitability.

We are subject to litigation and regulatory investigations and proceedings and may not always be successful in defending against such claims and proceedings.

The financial services industry faces substantial litigation and regulatory risks. We are subject to arbitration claims and lawsuits in the ordinary course of our business, as well as class actions and other significant litigation. We also are the subject of inquiries, investigations and proceedings by regulatory and other governmental agencies. Actions brought against us may result in settlements, awards, injunctions, fines, penalties and other results adverse to us. Predicting the outcome of such matters is inherently difficult, particularly where claims are brought on behalf of various classes of claimants or by a large number of claimants, when claimants seek substantial or unspecified damages or when investigations or legal proceedings are at an early stage. A substantial judgment, settlement, fine or penalty could be material to our operating results or cash flows for a particular period, depending on our results for that period, or could cause us significant reputational harm, which could harm our business prospects. In market downturns, the volume of legal claims and amount of damages sought in litigation and regulatory proceedings against financial services companies have historically increased. We are also increasingly subject to litigation claims from third parties alleging infringement of their intellectual property rights. Such litigation can require the expenditure of significant resources, regardless of whether the claims have merit. If we were found to have infringed a third-party patent or other intellectual property right, then we could incur substantial liability and in some circumstances could be enjoined from using the relevant technology or providing related products and services, which could have a material adverse effect on our business and results of operations.

Risk Factors Relating to Strategic Acquisitions and the Integration of Acquired Operations

Acquisitions involve risks that could adversely affect our business.

We intend to pursue strategic acquisitions of businesses and technologies. Acquisitions may entail numerous risks, including:

- difficulties in the integration of acquired operations, services and products;
- failure to achieve expected synergies;

diversion of management s attention from other business concerns;

assumption of unknown material liabilities of acquired companies;

amortization of acquired intangible assets, which could reduce future reported earnings;

potential loss of clients or key employees of acquired companies; and

dilution to existing stockholders.

As part of our growth strategy, we regularly consider, and from time to time engage in, discussions and negotiations regarding strategic transactions, such as acquisitions, mergers and combinations within our industry.

Table of Contents

The purchase price for possible acquisitions could be paid in cash, through the issuance of common stock or other securities, borrowings or a combination of these methods.

We cannot be certain that we will be able to continue to identify, consummate and successfully integrate strategic transactions, and no assurance can be given with respect to the timing, likelihood or business effect of any possible transaction. For example, we could begin negotiations that we subsequently decide to suspend or terminate for a variety of reasons. However, opportunities may arise from time to time that we will evaluate. Any transactions that we consummate would involve risks and uncertainties to us. These risks could cause the failure of any anticipated benefits of an acquisition to be realized, which could have a material adverse effect on our revenues and profitability.

Risk Factors Relating to Owning Our Stock

The market price of our common stock has experienced, and may continue to experience, substantial volatility.

Our common stock, and the U.S. securities markets in general, can experience significant price fluctuations. The market prices of securities of financial services companies, in particular, have been especially volatile. The price of our common stock could decrease substantially. Among the factors that may affect our stock price are the following:

- speculation in the investment community or the press about, or actual changes in, our competitive position, organizational structure, executive team, operations, financial condition, financial reporting and results, effectiveness of cost reduction initiatives, or strategic transactions;
- the announcement of new products, services, acquisitions, or dispositions by us or our competitors; and
- increases or decreases in revenue or earnings, changes in earnings estimates by the investment community, and variations between estimated financial results and actual financial results.

Changes in the stock market generally or as it concerns our industry, as well as geopolitical, economic, and business factors unrelated to us, may also affect our stock price.

Because the market price of our common stock can fluctuate significantly, we could become the object of securities class action litigation, which could result in substantial costs and a diversion of management s attention and resources and could have a material adverse effect on our business and the price of our common stock.

We are restricted by the terms of our revolving credit facilities and senior notes.

Our senior unsecured revolving credit facilities contain various negative covenants and restrictions that may limit our ability to:

- incur additional indebtedness;
- create liens;
- sell all or substantially all of our assets;
- change the nature of our business;
- merge or consolidate with another entity; and

conduct transactions with affiliates.

Under our revolving credit facilities, we are also required to maintain compliance with a maximum consolidated leverage ratio covenant (not to exceed 3.00:1.00) and a minimum consolidated interest coverage ratio covenant (not less than 4.00:1:00). TDAC is required to maintain compliance with a minimum consolidated tangible net worth covenant and our broker-dealer subsidiaries are required to maintain compliance with a minimum regulatory net capital covenant. As a result of the covenants and restrictions contained in the revolving credit facilities and our senior unsecured notes, we are limited in how we conduct our business. We cannot guarantee that we will be able to remain in compliance with these covenants or be able to obtain waivers for noncompliance in the future. A failure to comply with these covenants could have a material adverse effect on our financial condition by impairing our ability to secure and maintain financing.

Our corporate debt level may limit our ability to obtain additional financing.

As of September 30, 2011, we had approximately $1.3 billion of long-term debt. Our ability to meet our cash requirements, including our debt service obligations, is dependent upon our future performance, which will be subject to financial, business and other factors affecting our operations, many of which are or may be beyond our control. We cannot provide assurance that our business will generate sufficient cash flows from operations to fund our cash requirements. If we are unable to meet our cash requirements from operations, we would be required to obtain alternative financing. The degree to which we may be leveraged as a result of the indebtedness we have incurred could materially and adversely affect our ability to obtain financing for working capital, acquisitions or other purposes, could make us more vulnerable to industry downturns and competitive pressures or could limit our flexibility in planning for, or reacting to, changes and opportunities in our industry, which may place us at a competitive disadvantage. There can be no assurance that we would be able to obtain alternative financing, that any such financing would be on acceptable terms or that we would be permitted to do so under the terms of existing financing arrangements. In the absence of such financing, our ability to respond to changing business and economic conditions, make future acquisitions, react to adverse operating results, meet our debt service obligations or fund required capital expenditures could be materially and adversely affected.

Our business, financial position, and results of operations could be harmed by adverse rating actions by credit rating agencies.

If our counterparty credit rating or the credit ratings of our outstanding indebtedness are downgraded, or if rating agencies indicate that a downgrade may occur, our business, financial position, and results of operations could be adversely affected and perceptions of our financial strength could be damaged. A downgrade would have the effect of increasing our incremental borrowing costs and could decrease the availability of funds for borrowing. In addition, a downgrade could adversely affect our relationships with our clients.

TD and the Ricketts holders exercise significant influence over TD Ameritrade.

As of September 30, 2011, TD and J. Joe Ricketts, our founder, members of his family and trusts held for their benefit (which we collectively refer to as the Ricketts holders), owned approximately 45% and 15%, respectively, of our outstanding common stock. As a result, TD and the Ricketts holders have the ability to significantly influence the outcome of any matter submitted for the vote of our stockholders. TD is permitted under a stockholders agreement to exercise voting rights only with respect to 45% of our outstanding shares of common stock until termination of the stockholders agreement (which will occur no later than January 24, 2016). There is no restriction on the ability of TD to vote its shares following the complete termination of the stockholders agreement. Under the stockholders agreement, if our stock repurchases cause TD s ownership percentage to increase, TD is only permitted to own up to 48% of our outstanding common stock and has until January 24, 2014 to reduce its ownership to 45%. The Ricketts holders are permitted under the stockholders agreement to own up to 29% of our outstanding common stock, with no restriction on the number of shares they may own following the termination of the stockholders agreement. As a result of their significant share ownership in TD Ameritrade, TD or the Ricketts holders may have the power, subject to applicable law, to significantly influence actions that might be favorable to TD or the Ricketts holders, but not necessarily favorable to our other stockholders.

The stockholders agreement also provides that TD may designate five of the twelve members of our board of directors and the Ricketts holders may designate three of the twelve members of our board of directors, subject to adjustment based on their respective ownership positions in TD Ameritrade. As of September 30, 2011, based on their ownership positions, TD and the Ricketts holders may designate five and two of the twelve members of our board of directors, respectively. Accordingly, TD and the Ricketts holders are able to significantly influence the outcome of all matters that come before our board.

The ownership position and governance rights of TD and the Ricketts holders could also discourage a third party from proposing a change of control or other strategic transaction concerning TD Ameritrade. As a result, our common stock could trade at prices that do not reflect a takeover premium to the same extent as do the stocks of similarly situated companies that do not have a stockholder with an ownership interest as large as TD s and the Ricketts holders combined ownership interest.

We have extensive relationships and business transactions with TD and some of its affiliates, which if terminated or modified could have a material adverse effect on our business, financial condition and results of operations.

We have extensive relationships and business transactions with TD and certain of its affiliates. The insured deposit account agreement and mutual fund agreements between us and affiliates of TD provide a significant portion of our revenue. During fiscal 2011, net revenues related to these agreements accounted for approximately 28% of our net revenues. The termination or modification of these agreements without replacing them with comparable terms, which may not be available, could have a material adverse effect on our business, financial condition and results of operations.

Conflicts of interest may arise between TD Ameritrade and TD, which may be resolved in a manner that adversely affects our business, financial condition or results of operations.

Conflicts of interest may arise between us and TD in areas relating to past, ongoing and future relationships, including corporate opportunities, potential acquisitions or financing transactions, sales or other dispositions by TD of its interests in TD Ameritrade and the exercise by TD of its influence over our management and affairs. Some of the directors on our board are persons who are also officers or directors of TD or its subsidiaries. Service as a director or officer of both TD Ameritrade and TD or its other subsidiaries could create conflicts of interest if such directors or officers are faced with decisions that could have materially different implications for us and for TD. Our amended and restated certificate of incorporation contains provisions relating to the avoidance of direct competition between us and TD. In addition, an independent committee of our board of directors reviews and approves transactions with TD and its affiliates. We have not established any other formal procedures to resolve potential or actual conflicts of interest between us and TD. There can be no assurance that any of the foregoing potential conflicts would be resolved in a manner that does not adversely affect our business, financial condition or results of operations. In addition, the provisions of the stockholders agreement related to non-competition are subject to numerous exceptions and qualifications and may not prevent us and TD from competing with each other to some degree in the future.

The terms of the stockholders agreement, our charter documents and Delaware law could inhibit a takeover that stockholders may consider favorable.

Provisions in the stockholders agreement among TD and the Ricketts holders, our certificate of incorporation and bylaws and Delaware law will make it difficult for any party to acquire control of us in a transaction not approved by the requisite number of directors. These provisions include:

- the presence of a classified board of directors;
- the ability of the board of directors to issue and determine the terms of preferred stock;
- advance notice requirements for inclusion of stockholder proposals at stockholder meetings; and
- the anti-takeover provisions of Delaware law.

These provisions could delay or prevent a change of control or change in management that might provide stockholders with a premium to the market price of their common stock.

Our future ability to pay regular dividends to holders of our common stock is subject to the discretion of our board of directors and will be limited by our ability to generate sufficient earnings and cash flows.

On October 26, 2010, we declared the first quarterly cash dividend on our common stock. Any future payment of dividends will depend on our ability to generate earnings and cash flows. However, sufficient cash may not be available to pay such dividends. Payment of future dividends, if any, will be at the discretion of our board of directors and will depend upon a number of factors that the board of directors deems relevant, including future earnings, the success of our business activities, capital requirements, the general financial condition and future prospects of our business and general business conditions. If we are unable to generate sufficient earnings and cash flows from our business, we may not be able to pay dividends on our common stock.

Our ability to pay cash dividends on our common stock is also dependent on the ability of our subsidiaries to pay dividends to the parent company. Some of our subsidiaries are subject to requirements of the SEC, FINRA, the CFTC, the NFA and other regulators relating to liquidity, capital standards and the use of client funds and securities, which may limit funds available for the payment of dividends to the parent company.

Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

Our corporate headquarters is located in Omaha, Nebraska and occupies approximately 74,000 square feet of leased space. The lease expires in April 2019. In the Omaha metropolitan area, we also lease approximately 398,000 square feet of building space for administrative and operational facilities. The leases on these other Omaha-area locations expire on various dates from 2012 through 2020. We are currently constructing new facilities in Omaha on land we purchased to create a corporate campus. The transition to the new campus is scheduled to take place in phases and to be completed in 2013.

We lease approximately 190,000 and 140,000 square feet of building space for additional operations centers in Jersey City, New Jersey and Ft. Worth, Texas, respectively. The Jersey City and Ft. Worth leases expire in 2020 and 2015, respectively. We lease smaller administrative and operational facilities in California, Colorado, Illinois, Maryland, Texas and Utah. We also lease over 100 branch offices located in large metropolitan areas in 34 states. We believe that our facilities are suitable and adequate to meet our needs.

Item 3. *Legal Proceedings*

Spam Litigation A purported class action, captioned *Elvey v. TD Ameritrade, Inc.*, was filed on May 31, 2007 in the United States District Court for the Northern District of California. The complaint alleged that there was a breach in TD Ameritrade, Inc. s systems, which allowed access to e-mail addresses and other personal information of account holders, and that as a result account holders received unsolicited e-mail from spammers promoting certain stocks and have been subjected to an increased risk of identity theft. The complaint requested unspecified damages and injunctive and other equitable relief. A second lawsuit, captioned *Zigler v. TD Ameritrade, Inc.*, was filed on September 26, 2007, in the same jurisdiction on behalf of a purported nationwide class of account holders. The factual allegations of the complaint and the relief sought were substantially the same as those in the first lawsuit. The cases were consolidated under the caption *In re TD Ameritrade Accountholders Litigation* and a consolidated complaint was filed. The Company hired an independent consultant to investigate whether identity theft occurred as a result of the breach. The consultant conducted four investigations from August 2007 to June 2008 and reported that it found no evidence of identity theft. On September 12, 2011, TD Ameritrade, Inc. received final Court approval of a class settlement agreement between TD Ameritrade, Inc. and plaintiffs Richard Holober and Brad Zigler. Under the settlement, the Company will pay no less than $2.5 million in settlement benefits. Total compensation to be paid to all eligible members of the settlement class will not exceed $6.5 million, inclusive of any award of attorneys fees and costs. In addition, the settlement agreement provides that the Company will retain an independent information technology security consultant to assess whether the Company has met certain information technology security standards.

Reserve Fund Matters During September 2008, The Reserve, an independent mutual fund company, announced that the net asset value of the Reserve Yield Plus Fund declined below $1.00 per share. The Yield Plus Fund was not a money market mutual fund, but its stated objective was to maintain a net asset value of $1.00 per share. TD Ameritrade, Inc. s clients continue to hold shares in the Yield Plus Fund (now known as Yield Plus Fund In Liquidation), which is being liquidated. On July 23, 2010, The Reserve announced that through that date it had distributed approximately 94.8% of the Yield Plus Fund assets as of September 15, 2008 and that the Yield Plus Fund had approximately $39.7 million in total remaining assets. The Reserve stated that the fund s Board

Table of Contents

of Trustees has set aside almost the entire amount of the remaining assets to cover potential claims, fees and expenses. The Company estimates that TD Ameritrade, Inc. clients current positions held in the Reserve Yield Plus Fund amount to approximately 79% of the fund.

TD Ameritrade, Inc. has received subpoenas and other requests for documents and information from the SEC and other regulatory authorities regarding TD Ameritrade, Inc. s offering of the Yield Plus Fund to clients. TD Ameritrade, Inc. is cooperating with the investigations and requests. On January 27, 2011, TD Ameritrade, Inc. entered into a settlement with the SEC, agreeing to the entry of an Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions (Order). In the Order, the SEC finds that TD Ameritrade, Inc. failed reasonably to supervise its registered representatives with a view to preventing their violations of Section 17(a)(2) of the Securities Act of 1933 in connection with their offer and sale of the Yield Plus Fund. TD Ameritrade, Inc. did not admit or deny any of the findings in the Order, and no fine was imposed. Under the settlement agreement, TD Ameritrade, Inc. agreed to pay $0.012 per share to all eligible current or former clients that purchased shares of the Yield Plus Fund and continued to own those shares. Clients who purchased Yield Plus Fund shares through independent registered investment advisors were not eligible for the payment. In February 2011, the Company paid clients approximately $10 million under the settlement agreement.

The Pennsylvania Securities Commission has filed an administrative order against TD Ameritrade, Inc. involving the sale of Yield Plus Fund securities to certain Pennsylvania clients. An administrative hearing will be held to determine whether there have been violations of certain provisions of the Pennsylvania Securities Act of 1972 and rules thereunder and to determine what, if any, administrative sanctions should be imposed. TD Ameritrade, Inc. is defending the action.

In November 2008, a purported class action lawsuit was filed with respect to the Yield Plus Fund. The lawsuit is captioned *Ross v. Reserve Management Company, Inc. et al.* and is pending in the U.S. District Court for the Southern District of New York. The Ross lawsuit is on behalf of persons who purchased shares of Reserve Yield Plus Fund. On November 20, 2009, the plaintiffs filed a first amended complaint naming as defendants the fund s advisor, certain of its affiliates and the Company and certain of its directors, officers and shareholders as alleged control persons. The complaint alleges claims of violations of the federal securities laws and other claims based on allegations that false and misleading statements and omissions were made in the Reserve Yield Plus Fund prospectuses and in other statements regarding the fund. The complaint seeks an unspecified amount of compensatory damages including interest, attorneys fees, rescission, exemplary damages and equitable relief. On January 19, 2010, the defendants submitted motions to dismiss the complaint. The motions are pending.

The Company estimates that its clients current aggregate shortfall, based on the original par value of their holdings in the Yield Plus Fund, less the value of fund distributions to date and the value of payments under the Company s SEC settlement, is approximately $37 million. This amount does not take into account any assets remaining in the fund that may become available for future distributions.

The Company is unable to predict the outcome or the timing of the ultimate resolution of the Pennsylvania action and the Ross lawsuit, or the potential loss, if any, that may result from these unresolved matters. However, management believes the outcome of these pending proceedings is not likely to have a material adverse effect on the financial condition, results of operations or cash flows of the Company.

Other Legal and Regulatory Matters The Company is subject to other lawsuits, arbitrations, claims and other legal proceedings in connection with its business. Some of these legal actions include claims for substantial or unspecified compensatory and/or punitive damages. A substantial adverse judgment or other unfavorable resolution of these matters could have a material adverse effect on the Company s financial condition, results of operations and cash flows or could cause the Company significant reputational harm. Management believes the Company has adequate legal defenses with respect to these legal proceedings to which it is a defendant or respondent and the outcome of these pending proceedings is not likely to have a material adverse effect on the financial condition, results of operations or cash flows of the Company. However, the Company is unable to predict the outcome or the timing of the ultimate resolution of these matters, or the potential losses, if any, that may result from these matters.

In the normal course of business, the Company discusses matters with its regulators raised during regulatory examinations or otherwise subject to their inquiry. These matters could result in censures, fines, penalties or other

Table of Contents

sanctions. Management believes the outcome of any resulting actions will not be material to the Company s financial condition, results of operations or cash flows. However, the Company is unable to predict the outcome or the timing of the ultimate resolution of these matters, or the potential fines, penalties or injunctive or other equitable relief, if any, that may result from these matters.

PART II

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

Price Range of Common Stock

Our common stock trades on the Nasdaq Global Select Market under the symbol AMTD. The following table shows the high and low sales prices for our common stock for the periods indicated, as reported by the Nasdaq Global Select Market. The prices reflect inter-dealer prices and do not include retail markups, markdowns or commissions.

	Common Stock Price For the Fiscal Year Ended September 30,			
	2011		2010	
	High	Low	High	Low
First Quarter	$ 19.01	$ 15.90	$ 21.30	$ 17.91
Second Quarter	$ 22.90	$ 18.44	$ 20.06	$ 16.55
Third Quarter	$ 22.60	$ 18.44	$ 20.58	$ 15.18
Fourth Quarter	$ 20.76	$ 13.43	$ 16.98	$ 14.53

The closing sale price of our common stock as reported on the Nasdaq Global Select Market on November 3, 2011 was $17.06 per share. As of that date there were 862 holders of record of our common stock based on information provided by our transfer agent. The number of stockholders of record does not reflect the number of individual or institutional stockholders that beneficially own our stock because most stock is held in the name of nominees. Based on information available to us, we believe there are approximately 111,000 beneficial holders of our common stock.

Dividends

We declared a $0.05 per share quarterly cash dividend on our common stock during each quarter of fiscal 2011. We did not declare or pay cash dividends on our common stock during fiscal 2010. On October 20, 2011, we declared a $0.06 per share quarterly cash dividend, which is payable on November 15, 2011 to all holders of record of our common stock as of November 1, 2011. The payment of any future dividends will be at the discretion of our board of directors and will depend upon a number of factors that the board of directors deems relevant, including future earnings, the success of our business activities, capital requirements, the general financial condition and future prospects of our business and general business conditions.

Our ability to pay cash dividends on our common stock is also dependent on the ability of our subsidiaries to pay dividends to the parent company. Some of our subsidiaries are subject to requirements of the SEC, FINRA, the CFTC, the NFA and other regulators relating to liquidity, capital standards and the use of client funds and securities, which may limit funds available for the payment of dividends to the parent company. See Item 7, Management s Discussion and Analysis of Results of Operations and Financial Condition Liquidity and Capital Resources for further information.

Securities Authorized for Issuance Under Equity Compensation Plans

Information about securities authorized for issuance under the Company s equity compensation plans is contained in Item 12 Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Table of Contents

Performance Graph

The following Company common stock performance information is not deemed to be soliciting material or to be filed with the SEC or subject to the SEC s proxy rules or to the liabilities of Section 18 of the Exchange Act and shall not be deemed to be incorporated by reference into any prior or subsequent filing by the Company under the Securities Act of 1933, as amended, or the Exchange Act.

The following graph and table set forth information comparing the cumulative total return through the end of the Company s most recent fiscal year from a $100 investment on September 29, 2006 in the Company s common stock, a broad-based stock index and the stocks comprising an industry peer group.

	Period Ended					
Index	**9/29/06**	**9/30/07**	**9/30/08**	**9/30/09**	**9/30/10**	**9/30/11**
TD Ameritrade Holding Corporation	100.00	96.66	88.44	104.14	85.68	78.83
S&P 500	100.00	116.44	90.85	84.58	93.17	94.24
Peer Group	100.00	105.26	110.07	81.62	60.72	48.04

The Peer Group is comprised of the following companies that have significant retail brokerage operations:

E*TRADE Financial Corporation
The Charles Schwab Corporation

Table of Contents

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares that May Yet Be Purchased Under the Program
July 1, 2011 July 31, 2011	2,114,696	$ 18.91	2,100,859	17,888,170
August 1, 2011 August 31, 2011	5,311,651	$ 14.99	5,311,651	12,576,519
September 1, 2011 September 30, 2011	5,844,486	$ 14.49	5,831,870	6,744,649
Total Three months ended September 30, 2011	13,270,833	$ 15.39	13,244,380	6,744,649

On August 5, 2010, our board of directors authorized the repurchase of up to 30 million shares of our common stock. We disclosed this authorization on August 9, 2010 in our quarterly report on Form 10-Q. This program was the only stock repurchase program in effect and no programs expired during the fourth quarter of fiscal 2011.

During the quarter ended September 30, 2011, 26,453 shares were repurchased from employees for income tax withholding in connection with distributions of stock-based compensation.

Item 6. ***Selected Financial Data***

	Fiscal Year Ended September 30,				
	2011	2010	2009	2008	2007
	(In thousands, except per share amounts)				
Consolidated Statements of Income Data:					
Net revenues	$ 2,762,659	$ 2,560,691	$ 2,407,926	$ 2,537,356	$ 2,176,946
Operating income	1,047,842	965,373	1,101,478	1,341,021	1,146,995
Net income	637,753	592,188	643,705	803,917	645,900
Earnings per share basic	$ 1.12	$ 1.01	$ 1.11	$ 1.35	$ 1.08
Earnings per share diluted	$ 1.11	$ 1.00	$ 1.10	$ 1.33	$ 1.06
Weighted average shares outstanding basic	570,314	585,128	578,972	593,746	598,503
Weighted average shares outstanding diluted	576,462	591,922	587,252	603,133	608,263

Dividends declared per share	$ 0.20	$ 0.00	$ 0.00	$ 0.00	$ 0.00

	As of September 30,				
	2011	2010	2009	2008	2007
	(In thousands)				
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 1,031,963	$ 741,492	$ 791,211	$ 674,135	$ 413,787
Total assets	17,125,762	14,726,918	18,371,810	15,951,522	18,092,443
Long-term obligations	1,347,573	1,323,068	1,443,465	1,444,544	1,481,948
Stockholders equity	4,115,817	3,771,879	3,551,283	2,925,038	2,154,921

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

This discussion contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. Forward-looking statements include statements preceded by,

Table of Contents

followed by or that include the words may, could, would, should, believe, expect, anticipate, plan, est project, intend and similar words or expressions. In particular, forward-looking statements contained in this discussion include our expectations regarding: the effect of client trading activity on our results of operations; the effect of changes in interest rates on our net interest spread; average commissions and transaction fees per trade; amounts of commissions and transaction fees, asset-based revenues and other revenues; the effect of our migration of client cash balances into the insured deposit account offering; amounts of total operating expenses and other expenses; our effective income tax rate; our capital and liquidity needs and our plans to finance such needs; and the impact of recently issued accounting pronouncements.

The Company s actual results could differ materially from those anticipated in such forward-looking statements. Important factors that may cause such differences include, but are not limited to: general economic and political conditions and other securities industry risks; fluctuations in interest rates; stock market fluctuations and changes in client trading activity; credit risk with clients and counterparties; increased competition; systems failures, delays and capacity constraints; network security risks; liquidity risk; new laws and regulations affecting our business; regulatory and legal matters and uncertainties and the other risks and uncertainties set forth under Item 1A. Risk Factors of this Form 10-K. The forward-looking statements contained in this report speak only as of the date on which the statements were made. We undertake no obligation to publicly update or revise these statements, whether as a result of new information, future events or otherwise, except to the extent required by the federal securities laws.

Glossary of Terms

In discussing and analyzing our business, we utilize several metrics and other terms that are defined in the following Glossary of Terms. *Italics* indicate other defined terms that appear elsewhere in the Glossary. The term GAAP refers to U.S. generally accepted accounting principles.

Activity rate funded accounts *Average client trades per day* during the period divided by the average number of *funded accounts* during the period.

Asset-based revenues Revenues consisting of (1) *net interest revenue*, (2) *insured deposit account* fees and (3) *investment product fees*. The primary factors driving our asset-based revenues are average balances and average rates. Average balances consist primarily of average *client margin balances*, average *segregated cash* balances, average *client credit balances*, average client *insured deposit account* balances, average *fee-based investment balances* and average *securities borrowing* and *securities lending* balances. Average rates consist of the average interest rates and fees earned and paid on such balances.

Average client trades per funded account (annualized) *Total trades* divided by the average number of *funded accounts* during the period, annualized based on the number of *trading days* in the fiscal year.

Average client trades per day *Total trades* divided by the number of *trading days* in the period. This metric is also known as *daily average revenue trades (DARTs).*

Average commissions and transaction fees per trade Total commissions and transaction fee revenues as reported on the Company s Consolidated Statements of Income (excluding revenues from the active trader business acquired from thinkorswim Group Inc. (thinkorswim) and clearing revenues from TD Waterhouse UK) divided by *total trades* for the period. Commissions and transaction fee revenues primarily consist of trading commissions, revenue-sharing arrangements with market destinations (also referred to as payment for order flow) and markups on riskless principal transactions in fixed-income securities.

Basis point When referring to interest rates, one basis point represents one one-hundredth of one percent.

Beneficiary accounts *Brokerage accounts* managed by a custodian, guardian, conservator or trustee on behalf of one or more beneficiaries. Examples include accounts maintained under the Uniform Gift to Minors Act (UGMA) or Uniform Transfer to Minors Act (UTMA), guardianship, conservatorship and trust arrangements and pension or profit plan for small business accounts.

Table of Contents

Brokerage accounts Accounts maintained by the Company on behalf of clients for securities brokerage activities. The primary types of brokerage accounts are *cash accounts, margin accounts, IRA accounts* and *beneficiary accounts.*

Cash accounts *Brokerage accounts* that do not have *margin account* approval.

Client assets The total value of cash and securities in *brokerage accounts.*

Client cash and money market assets The sum of all client cash balances, including *client credit balances* and client cash balances swept into *insured deposit accounts* or money market mutual funds.

Client credit balances Client cash held in *brokerage accounts,* excluding balances generated by client short sales on which no interest is paid. Interest paid on client credit balances is a reduction of *net interest revenue.* Client credit balances are included in payable to clients on our Consolidated Balance Sheets.

Client margin balances The total amount of cash loaned to clients in *margin accounts.* Such loans are secured by client assets. Interest earned on client margin balances is a component of *net interest revenue.* Client margin balances are included in receivable from clients on our Consolidated Balance Sheets.

Conduit-based assets Deposits paid on *securities borrowing* associated with our conduit-based securities borrowing/lending business. In our conduit business, we act as an intermediary by borrowing securities from one counterparty and lending the same securities to another counterparty. We generally earn a net interest spread equal to the excess of interest earned on *securities borrowing* deposits over the interest paid on *securities lending* deposits.

Daily average revenue trades (DARTs) *Total trades* divided by the number of *trading days* in the period. This metric is also known as *average client trades per day.*

EBITDA and EBITDA excluding investment gains/losses EBITDA (earnings before interest, taxes, depreciation and amortization) and EBITDA excluding investment gains/losses are non-GAAP financial measures. We consider EBITDA and EBITDA excluding investment gains/losses to be important measures of our financial performance and of our ability to generate cash flows to service debt, fund capital expenditures and fund other corporate investing and financing activities. EBITDA is used as the denominator in the consolidated leverage ratio calculation for covenant purposes under our holding company s senior revolving credit facility. EBITDA eliminates the non-cash effect of tangible asset depreciation and amortization and intangible asset amortization. EBITDA excluding investment gains/losses also eliminates the effect of non-brokerage investment-related gains and losses that are not likely to be indicative of the ongoing operations of our business. EBITDA and EBITDA excluding investment gains/losses should be considered in addition to, rather than as a substitute for, pre-tax income, net income and cash flows from operating activities.

EPS excluding investment gains/losses Earnings per share (EPS) excluding investment gains/losses is a non-GAAP financial measure. We define EPS excluding investment gains/losses as earnings (loss) per share, adjusted to remove the after-tax effect of non-brokerage investment-related gains and losses. We consider EPS excluding investment gains/losses an important measure of our financial performance. Gains/losses on non-brokerage investments and investment-related derivatives are excluded because we believe they are not likely to be indicative of the ongoing operations of our business. EPS excluding investment gains/losses should be considered in addition to, rather than as a substitute for, GAAP earnings per share.

EPS from ongoing operations EPS from ongoing operations is a non-GAAP financial measure. We define EPS from ongoing operations as earnings (loss) per share, adjusted to remove any significant unusual gains or charges. We consider EPS from ongoing operations an important measure of the financial performance of our ongoing business.

Unusual gains and charges are excluded because we believe they are not likely to be indicative of the ongoing operations of our business. EPS from ongoing operations should be considered in addition to, rather than as a substitute for, GAAP earnings per share.

Fee-based investment balances Client assets invested in money market mutual funds, other mutual funds and Company programs such as AdvisorDirect® and Amerivest,™ on which we earn fee revenues. Fee revenues earned on these balances are included in *investment product fees* on our Consolidated Statements of Income.

Funded accounts All open client accounts with a total *liquidation value* greater than zero.

Table of Contents

Insured deposit account The Company is party to an Insured Deposit Account (IDA) agreement with TD Bank USA, N.A. (TD Bank USA), TD Bank, N.A. and The Toronto-Dominion Bank (TD). Under the IDA agreement, TD Bank USA and TD Bank, N.A. (together, the Depository Institutions) make available to clients of the Company FDIC-insured money market deposit accounts as either designated sweep vehicles or as non-sweep deposit accounts. The Company provides marketing, recordkeeping and support services for the Depository Institutions with respect to the money market deposit accounts. In exchange for providing these services, the Depository Institutions pay the Company a fee based on the yield earned on the client IDA assets, less the actual interest paid to clients, a flat fee to the Depository Institutions of 25 basis points and the cost of FDIC insurance premiums.

Investment product fees Revenues earned on *fee-based investment balances.* Investment product fees include fees earned on money market mutual funds, other mutual funds and through Company programs such as AdvisorDirect® and Amerivest™.

IRA accounts (Individual Retirement Arrangements) A personal trust account for the exclusive benefit of a U.S. individual (or his or her beneficiaries) that provides tax advantages in accumulating funds to save for retirement or other qualified purposes. These accounts are subject to numerous restrictions on additions to and withdrawals from the account, as well as prohibitions against certain investments or transactions conducted within the account. The Company offers traditional, Roth, Savings Incentive Match Plan for Employees (SIMPLE) and Simplified Employee Pension (SEP) IRA accounts.

Liquid assets management target Liquid assets management target is a non-GAAP financial measure. We define liquid assets management target as the sum of (a) corporate cash and cash equivalents, (b) corporate short-term investments and (c) regulatory net capital of (i) our clearing broker-dealer subsidiary in excess of 10% of aggregate debit items and (ii) our introducing broker-dealer subsidiaries in excess of a minimum operational target established by management ($50 million in the case of our primary introducing broker-dealer, TD Ameritrade, Inc.). We include the excess capital of our broker-dealer subsidiaries in liquid assets management target, rather than simply including broker-dealer cash and cash equivalents, because capital requirements may limit the amount of cash available for dividend from the broker-dealer subsidiaries to the parent company. Excess capital, as defined under clause (c) above, is generally available for dividend from the broker-dealer subsidiaries to the parent company. We consider liquid assets management target to be a measure that reflects our liquidity that would be readily available for corporate investing and financing activities under normal operating circumstances. *Liquid assets regulatory threshold* is a related metric that reflects our liquidity that would be available for corporate investing and financing activities under unusual operating circumstances. Our liquid assets metrics should be considered as supplemental measures of liquidity, rather than as substitutes for cash and cash equivalents.

Liquid assets regulatory threshold Liquid assets regulatory threshold is a non-GAAP financial measure. We define liquid assets regulatory threshold as the sum of (a) corporate cash and cash equivalents, (b) corporate short-term investments, (c) regulatory net capital of (i) our clearing broker-dealer subsidiary in excess of 5% of aggregate debit items and (ii) our introducing broker-dealer subsidiaries in excess of 120% of the minimum dollar net capital requirement or in excess of 81/3% of aggregate indebtedness and (d) Tier 1 capital of our trust company in excess of the minimum dollar requirement. We include the excess capital of our broker-dealer and trust company subsidiaries in liquid assets regulatory threshold, rather than simply including broker-dealer and trust company cash and cash equivalents, because capital requirements may limit the amount of cash available for dividend from the broker-dealer and trust company subsidiaries to the parent company. Excess capital, as defined under clauses (c) and (d) above, is generally available for dividend from the broker-dealer and trust company subsidiaries to the parent company. We consider liquid assets regulatory threshold to be a measure that reflects our liquidity that would be available for corporate investing and financing activities under unusual operating circumstances. *Liquid assets management target* is a related metric that reflects our liquidity that would be readily available for corporate investing and financing activities under normal operating circumstances. Our liquid assets metrics should be considered as supplemental measures of liquidity, rather than as substitutes for cash and cash equivalents.

Table of Contents

Liquidation value The net value of a client s account holdings as of the close of a regular trading session. Liquidation value includes client cash and the value of long security positions, less margin balances and the cost to buy back short security positions.

Margin accounts *Brokerage accounts* in which clients may borrow from the Company to buy securities or for any other purpose, subject to regulatory and Company-imposed limitations.

Net interest margin (NIM) A measure of the net yield on our average *spread-based assets.* Net interest margin is calculated for a given period by dividing the annualized sum of *net interest revenue* (excluding *net interest revenue* from *conduit-based assets*) and *insured deposit account* fees by average *spread-based assets*.

Net interest revenue Net interest revenue is interest revenues less brokerage interest expense. Interest revenues are generated by charges to clients on margin balances maintained in *margin accounts,* the investment of cash from operations and *segregated cash* in short-term marketable securities and interest earned on *securities borrowing*. Brokerage interest expense consists of amounts paid or payable to clients based on credit balances maintained in *brokerage accounts* and interest incurred on *securities lending*. Brokerage interest expense does not include interest on Company non-brokerage borrowings.

Net new assets Consists of total client asset inflows, less total client asset outflows, excluding activity from business combinations. Client asset inflows include interest and dividend payments and exclude changes in client assets due to market fluctuations. Net new assets are measured based on the market value of the assets as of the date of the inflows and outflows.

Net new asset growth rate (annualized) Annualized *net new assets* as a percentage of *client assets* as of the beginning of the period.

New accounts The number of new client accounts (funded and unfunded) opened in a specified period.

Operating expenses excluding advertising Operating expenses excluding advertising is a non-GAAP financial measure. Operating expenses excluding advertising consists of total operating expenses, adjusted to remove advertising expense. We consider operating expenses excluding advertising an important measure of the financial performance of our ongoing business. Advertising spending is excluded because it is largely at the discretion of the Company, can vary significantly from period to period based on market conditions and generally relates to the acquisition of future revenues through new accounts rather than current revenues from existing accounts. Operating expenses excluding advertising should be considered in addition to, rather than as a substitute for, total operating expenses.

Return on client assets (ROCA) Annualized pre-tax income divided by average *client assets* during the period.

Securities borrowing We borrow securities temporarily from other broker-dealers in connection with our broker-dealer business. We deposit cash as collateral for the securities borrowed, and generally earn interest revenue on the cash deposited with the counterparty.

Securities lending We loan securities temporarily to other broker-dealers in connection with our broker-dealer business. We receive cash as collateral for the securities loaned, and generally incur interest expense on the cash deposited with us.

Segregated cash Client cash and investments segregated in compliance with Rule 15c3-3 of the Securities Exchange Act of 1934 (the Customer Protection Rule) and other regulations. Interest earned on segregated cash is a component of *net interest revenue.*

Spread-based assets Client and brokerage-related asset balances, including *client margin balances*, *segregated cash*, *insured deposit account* balances, deposits paid on *securities borrowing* (excluding *conduit-based assets*) and other cash and interest-earning investment balances. Spread-based assets is used in the calculation of our *net interest margin*.

Total trades Revenue-generating client securities trades, which are executed by the Company s broker-dealer subsidiaries, excluding trades related to the active trader business acquired from thinkorswim and trades processed for TD Waterhouse UK. Total trades are a significant source of the Company s revenues. Such trades include, but are not limited to, trades in equities, options, futures, foreign exchange, mutual funds and debt instruments. Trades generate revenue from commissions, markups on riskless principal transactions in fixed income securities, transaction fees and/or revenue-sharing arrangements with market destinations (also known as payment for order flow).

Trading days Days in which the U.S. equity markets are open for a full trading session. Reduced exchange trading sessions are treated as half trading days.

Transaction-based revenues Revenues generated from client trade execution, consisting primarily of commissions, markups on riskless principal transactions in fixed income securities, transaction clearing fees and revenue sharing arrangements with market destinations (also known as payment for order flow).

Financial Statement Overview

We provide securities brokerage and clearing services to our clients through our introducing and clearing broker-dealers. Substantially all of our net revenues are derived from our brokerage activities and clearing and execution services. Our primary focus is serving retail clients and independent registered investment advisors by providing services with straightforward, affordable pricing.

Our largest sources of revenues are asset-based revenues and transaction-based revenues. The primary factors driving our asset-based revenues are average balances and average rates. Average balances consist primarily of average client margin balances, average segregated cash balances, average client credit balances, average client insured deposit account balances, average fee-based investment balances and average securities borrowing and lending balances. Average rates consist of the average interest rates and fees earned and paid on such balances. The primary factors driving our transaction-based revenues are total client trades and average commissions and transaction fees per trade. We also receive payment for order flow, which results from arrangements we have with many execution agents to receive cash payments in exchange for routing trade orders to these firms for execution. Payment for order flow revenue is included in commissions and transaction fees on our Consolidated Statements of Income.

Our largest operating expense generally is employee compensation and benefits. Employee compensation and benefits expense includes salaries, bonuses, stock-based compensation, group insurance, contributions to benefit programs, recruitment, severance and other related employee costs.

Clearing and execution costs include incremental third-party expenses that tend to fluctuate as a result of fluctuations in client accounts or trades. Examples of expenses included in this category are outsourced clearing services, statement and confirmation processing and postage costs and clearing expenses paid to the National Securities Clearing Corporation, option exchanges and other market centers. Communications expense includes telecommunications, other postage, news and quote costs. Occupancy and equipment costs include the costs of leasing and maintaining our office spaces and the lease expenses on computer and other equipment. Depreciation and amortization includes depreciation on property and equipment and amortization of leasehold improvements. Amortization of acquired intangible assets consists of amortization of amounts allocated to the value of intangible assets acquired in business combinations.

Professional services expense includes costs paid to outside firms for assistance with legal, accounting, technology, regulatory, marketing and general management issues. Advertising costs include production and placement of advertisements in various media, including online, television, print and direct mail, as well as client promotion and development costs. Advertising expenses may fluctuate significantly from period to period.

(Gains) losses on money market funds and client guarantees include gains and losses related to: (a) money market fund holdings and (b) our guarantee related to auction rate securities (ARS) settlement agreements. See Guarantees under Note 14 of the Notes to Consolidated Financial Statements for information regarding the ARS settlement agreements. Other operating expenses include provision for bad debt losses, fraud and error losses, gains or losses on disposal of property, insurance expenses, travel expenses and other miscellaneous expenses.

Table of Contents

Interest on borrowings consists of interest expense on our long-term debt, capital leases and other borrowings. Loss on debt refinancing consists of charges to write off the unamortized balance of debt issuance costs associated with credit facilities that were refinanced or replaced. (Gain) loss on sale of investments represents gains and losses realized on the sale of corporate (non broker-dealer) investments.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements requires us to make judgments and estimates that may have a significant impact upon our financial results. Note 1, under Item 8, Financial Statements and Supplementary Data Notes to Consolidated Financial Statements, of this Form 10-K contains a summary of our significant accounting policies, many of which require the use of estimates and assumptions. We believe that the following areas are particularly subject to management s judgments and estimates and could materially affect our results of operations and financial position.

Valuation of goodwill and acquired intangible assets

We test goodwill for impairment on at least an annual basis, or whenever events and circumstances indicate that the carrying value may not be recoverable. In performing the impairment tests, we utilize quoted market prices of our common stock to estimate the fair value of the Company as a whole. The estimated fair value is then allocated to our reporting units, if applicable, based on operating revenues, and is compared with the carrying value of the reporting units. No impairment charges have resulted from our annual impairment tests. We review our acquired intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such asset may not be recoverable. We evaluate recoverability by comparing the undiscounted cash flows associated with the asset to the asset s carrying amount. We also evaluate the remaining useful lives of intangible assets each reporting period to determine if events or trends warrant a revision to the remaining period of amortization. We have had no events or trends that have warranted a material revision to the originally estimated useful lives.

Valuation of stock-based compensation

Stock-based compensation cost is measured at the grant date based on the value of the award and is recognized as expense over the requisite service period based on the number of awards for which the requisite service is expected to be rendered. We must make assumptions regarding the number of stock-based awards that will be forfeited. For performance-based awards, we must also make assumptions regarding the likelihood of achieving performance goals. If actual results differ significantly from these estimates, stock-based compensation expense and our results of operations could be materially affected.

Estimates of effective income tax rates, deferred income taxes and related valuation allowances

We estimate our income tax expense based on the various jurisdictions where we conduct business. This requires us to estimate our current income tax obligations and to assess temporary differences between the financial statement carrying amounts and tax bases of assets and liabilities. Temporary differences result in deferred income tax assets and liabilities. We must evaluate the likelihood that deferred income tax assets will be realized. To the extent we determine that realization is not more likely than not , we establish a valuation allowance. Establishing or increasing a valuation allowance results in a corresponding increase to income tax expense in our Consolidated Statements of Income. Conversely, to the extent circumstances indicate that a valuation allowance can be reduced or is no longer necessary, that portion of the valuation allowance is reversed, reducing income tax expense.

We must make significant judgments to calculate our provision for income taxes, our deferred income tax assets and liabilities and any valuation allowance against our deferred income tax assets. We must also exercise judgment in determining the need for, and amount of, any accruals for uncertain tax positions. Because the application of tax laws and regulations to many types of transactions is subject to varying interpretations, amounts reported in our consolidated financial statements could be significantly changed at a later date upon final determinations by taxing authorities.

Table of Contents

Accruals for contingent liabilities

Accruals for contingent liabilities, such as legal and regulatory claims and proceedings, reflect an estimate of probable losses for each matter. In making such estimates, we consider many factors, including the progress of the matter, prior experience and the experience of others in similar matters, available defenses, insurance coverage, indemnification provisions and the advice of legal counsel and other experts. In many matters, such as those in which substantial or indeterminate damages or fines are sought, or where cases or proceedings are in the early stages, it is not possible to determine whether a loss will be incurred, or to estimate the range of that loss, until the matter is close to resolution, in which case no accrual is made until that time. Because matters may be resolved over long periods of time, accruals are adjusted as more information becomes available or when an event occurs requiring a change. Significant judgment is required in making these estimates, and the actual cost of resolving a matter may ultimately differ materially from the amount accrued.

Valuation of guarantees

We enter into guarantees in the ordinary course of business, primarily to meet the needs of our clients and to manage our asset-based revenues. We record a liability for the estimated fair value of the guarantee at its inception. If actual results differ significantly from these estimates, our results of operations could be materially affected. For further details regarding our guarantees, see the following sections under Item 8, Financial Statements and Supplementary Data Notes to Consolidated Financial Statements: Guarantees under Note 14 Commitments and Contingencies and Insured Deposit Account Agreement under Note 18 Related Party Transactions.

Results of Operations

Conditions in the U.S. equity markets significantly impact the volume of our clients trading activity. There is a direct correlation between the volume of our clients trading activity and our results of operations. We cannot predict future trading volumes in the U.S. equity markets. If client trading activity increases, we expect that it would have a positive impact on our results of operations. If client trading activity declines, we expect that it would have a negative impact on our results of operations.

Changes in average balances, especially client margin, credit, insured deposit account and mutual fund balances, may significantly impact our results of operations. Changes in interest rates also significantly impact our results of operations. We seek to mitigate interest rate risk by aligning the average duration of our interest-earning assets with that of our interest-bearing liabilities. We cannot predict the direction of interest rates or the levels of client balances. If interest rates rise, we generally expect to earn a larger net interest spread. Conversely, a falling interest rate environment generally would result in our earning a smaller net interest spread.

Financial Performance Metrics

Pre-tax income, net income, earnings per share and EBITDA are key metrics we use in evaluating our financial performance. EBITDA is a non-GAAP financial measure.

We consider EBITDA to be an important measure of our financial performance and of our ability to generate cash flows to service debt, fund capital expenditures and fund other corporate investing and financing activities. EBITDA is used as the denominator in the consolidated leverage ratio calculation for covenant purposes under our holding company s senior revolving credit facility. EBITDA eliminates the non-cash effect of tangible asset depreciation and amortization and intangible asset amortization. EBITDA should be considered in addition to, rather than as a substitute for, pre-tax income, net income and cash flows from operating activities.

30

Table of Contents

The following table sets forth EBITDA in dollars and as a percentage of net revenues for the periods indicated, and provides reconciliations to net income, which is the most directly comparable GAAP measure (dollars in thousands):

	Fiscal Year Ended September 30,					
	2011		2010		2009	
	$	% of Net Revenues	$	% of Net Revenues	$	% of Net Revenues
EBITDA	$ 1,212,373	43.9%	$ 1,114,438	43.5%	$ 1,219,236	50.6%
Less:						
Depreciation and amortization	(66,759)	(2.4)%	(57,032)	(2.2)%	(45,891)	(1.9)%
Amortization of acquired intangible assets	(97,126)	(3.5)%	(100,463)	(3.9)%	(73,870)	(3.1)%
Interest on borrowings	(32,017)	(1.2)%	(44,858)	(1.8)%	(40,070)	(1.7)%
Provision for income taxes	(378,718)	(13.7)%	(319,897)	(12.5)%	(415,700)	(17.3)%
Net income	$ 637,753	23.1%	$ 592,188	23.1%	$ 643,705	26.7%

Our EBITDA increased for fiscal 2011 compared to fiscal 2010, primarily due to an 8% increase in net revenues, partially offset by a 7% increase in total operating expenses. The increase in net revenues was due primarily to growth in average spread-based and other fee-based investment balances and an 8% increase in total client trades, partially offset by lower net interest margin earned on the spread-based balances and lower average commissions and transaction fees per trade. The increase in total operating expenses was due primarily to increases in employee compensation and benefits and professional services expenses during fiscal 2011 and the effect of a $12.7 million gain on money market funds and client guarantees during fiscal 2010. Detailed analysis of net revenues and operating expenses is presented later in this discussion.

Operating Metrics

Our largest sources of revenues are asset-based revenues and transaction-based revenues. For fiscal 2011, asset-based revenues and transaction-based revenues accounted for 51% and 44% of our net revenues, respectively. Asset-based revenues consist of (1) net interest revenue, (2) insured deposit account fees and (3) investment product fees. The primary factors driving our asset-based revenues are average balances and average rates. Average balances consist primarily of average client margin balances, average segregated cash balances, average client credit balances, average client insured deposit account balances, average fee-based investment balances and average securities borrowing and lending balances. Average rates consist of the average interest rates and fees earned and paid on such balances. The primary factors driving our transaction-based revenues are total client trades and average commissions and transaction fees per trade. We also consider client account and client asset metrics, although we believe they are generally of less significance to our results of operations for any particular period than our metrics for asset-based and transaction-based revenues.

Asset-Based Revenue Metrics

We calculate the return on our interest-earning assets (excluding conduit-based assets) and our insured deposit account balances using a measure we refer to as net interest margin. Net interest margin is calculated for a given period by dividing the annualized sum of net interest revenue (excluding net interest revenue from conduit-based assets) and insured deposit account fees by average spread-based assets. Spread-based assets consist of client and brokerage-related asset balances, including client margin balances, segregated cash, insured deposit account balances, deposits paid on securities borrowing (excluding conduit-based assets) and other cash and interest-

Table of Contents

earning investment balances. The following table sets forth net interest margin and average spread-based assets (dollars in millions):

	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2009	11 vs. 10 Increase/ (Decrease)	10 vs. 09 Increase/ (Decrease)
Average interest-earning assets (excluding conduit business)	$ 13,495	$ 13,272	$ 9,917	$ 223	$ 3,355
Average insured deposit account balances	48,537	39,187	22,003	9,350	17,184
Average spread-based balances	$ 62,032	$ 52,459	$ 31,920	$ 9,573	$ 20,539
Net interest revenue (excluding conduit business)	$ 491.6	$ 420.9	$ 342.7	$ 70.7	$ 78.2
Insured deposit account fee revenue	762.5	682.2	568.1	80.3	114.1
Spread-based revenue	$ 1,254.1	$ 1,103.1	$ 910.8	$ 151.0	$ 192.3
Average yield interest-earning assets (excluding conduit business)	3.59%	3.13%	3.41%	0.46%	(0.28)%
Average yield insured deposit account fees	1.55%	1.72%	2.55%	(0.17)%	(0.83)%
Net interest margin (NIM)	1.99%	2.07%	2.81%	(0.08)%	(0.74)%

The following tables set forth key metrics that we use in analyzing net interest revenue, which, exclusive of the conduit business, is a component of net interest margin (dollars in millions):

	Interest Revenue (Expense) Fiscal Year 2011	2010	2009	11 vs. 10 Increase/ (Decrease)	10 vs. 09 Increase/ (Decrease)
Segregated cash	$ 2.2	$ 6.3	$ 6.6	$ (4.1)	$ (0.3)
Client margin balances	389.5	333.1	234.2	56.4	98.9
Securities borrowing (excluding conduit business)	102.9	84.9	105.4	18.0	(20.5)
Other cash and interest-earning investments	1.3	1.7	4.9	(0.4)	(3.2)
Client credit balances	(1.7)	(2.9)	(4.1)	1.2	1.2
Securities lending (excluding conduit business)	(2.6)	(2.2)	(4.3)	(0.4)	2.1
Net interest revenue (excluding conduit business)	491.6	420.9	342.7	70.7	78.2
Securities borrowing conduit business	0.8	1.7	10.9	(0.9)	(9.2)
Securities lending conduit business	(0.6)	(0.9)	(6.7)	0.3	5.8
Net interest revenue	$ 491.8	$ 421.7	$ 346.9	$ 70.1	$ 74.8

Table of Contents

	Average Balance Fiscal Year 2011	2010	2009	11 vs. 10 % Change	10 vs. 09 % Change
Segregated cash	$ 3,016	$ 4,675	$ 3,916	(35)%	19%
Client margin balances	8,756	6,991	4,491	25%	56%
Securities borrowing (excluding conduit business)	472	536	450	(12)%	19%
Other cash and interest-earning investments	1,251	1,070	1,060	17%	1%
Interest-earning assets (excluding conduit business)	13,495	13,272	9,917	2%	34%
Securities borrowing conduit business	288	481	1,242	(40)%	(61)%
Interest-earning assets	$ 13,783	$ 13,753	$ 11,159	0%	23%
Client credit balances	$ 8,351	$ 8,548	$ 6,219	(2)%	37%
Securities lending (excluding conduit business)	1,646	1,643	1,231	0%	33%
Interest-bearing liabilities (excluding conduit business)	9,997	10,191	7,450	(2)%	37%
Securities lending conduit business	288	481	1,242	(40)%	(61)%
Interest-bearing liabilities	$ 10,285	$ 10,672	$ 8,692	(4)%	23%

	Average Yield (Cost) Fiscal Year 2011	2010	2009	11 vs. 10 Net Yield Increase/ (Decrease)	10 vs. 09 Net Yield Increase/ (Decrease)
Segregated cash	0.07%	0.13%	0.17%	(0.06)%	(0.04)%
Client margin balances	4.39%	4.70%	5.14%	(0.31)%	(0.44)%
Other cash and interest-earning investments	0.10%	0.16%	0.46%	(0.06)%	(0.30)%
Client credit balances	(0.02)%	(0.03)%	(0.07)%	0.01%	0.04%
Net interest revenue (excluding conduit business)	3.59%	3.13%	3.41%	0.46%	(0.28)%
Securities borrowing conduit business	0.28%	0.34%	0.86%	(0.06)%	(0.52)%
Securities lending conduit business	(0.18)%	(0.19)%	(0.53)%	0.01%	0.34%
Net interest revenue	3.52%	3.02%	3.07%	0.50%	(0.05)%

The following tables set forth key metrics that we use in analyzing investment product fee revenues (dollars in millions):

	Fee Revenue Fiscal Year 2011	2010	2009	11 vs. 10 Increase/ (Decrease)	10 vs. 09 Increase/ (Decrease)
Money market mutual fund	$ 8.5	$ 9.9	$ 108.5	$ (1.4)	$ (98.6)
Other investment product fees	157.9	119.4	75.8	38.5	43.6
Total investment product fees	$ 166.4	$ 129.3	$ 184.3	$ 37.1	$ (55.0)

	Average Balance Fiscal Year 2011	2010	2009	11 vs. 10 % Change	10 vs. 09 % Change
Money market mutual fund	$ 8,712	$ 9,846	$ 23,312	(12)%	(58)%
Other fee-based investment balances	69,568	51,734	36,113	34%	43%
Total fee-based investment balances	$ 78,280	$ 61,580	$ 59,425	27%	4%

Table of Contents

	Average Yield			11 vs. 10	10 vs. 09
		Fiscal Year		Increase/	Increase/
	2011	2010	2009	(Decrease)	(Decrease)
Money market mutual fund	0.10%	0.10%	0.46%	0.00%	(0.36)%
Other investment product fees	0.22%	0.23%	0.21%	(0.01)%	0.02%
Total investment product fees	0.21%	0.21%	0.31%	0.00%	(0.10)%

Transaction-Based Revenue Metrics

The following table sets forth several key metrics regarding client trading activity, which we utilize in measuring and evaluating performance and the results of our operations:

		Fiscal Year		11 vs. 10 %	10 vs. 09 %
	2011	2010	2009	Change	Change
Total trades (in millions)	100.74	93.33	93.27	8%	0%
Average commissions and transaction fees per trade(1)	$ 12.18	$ 12.79	$ 13.35	(5)%	(4)%
Average client trades per day	398,986	371,835	371,579	7%	0%
Average client trades per funded account (annualized)	18.2	17.3	18.2	5%	(5)%
Activity rate funded accounts	7.2%	6.9%	7.3%	4%	(5)%
Trading days	252.5	251.0	251.0	1%	0%

(1) Average commissions and transaction fees per trade excludes thinkorswim active trader and TD Waterhouse UK businesses.

Client Account and Client Asset Metrics

The following table sets forth certain metrics regarding client accounts and client assets, which we use to analyze growth and trends in our client base:

		Fiscal Year	
	2011	2010	2009
New accounts opened	645,000	668,000	737,000
Funded accounts (beginning of year)	5,455,000	5,279,000	4,918,000
Funded accounts (end of year)	5,617,000	5,455,000	5,279,000
Percentage change during year	3%	3%	7%
Client assets (beginning of year, in billions)	$ 354.8	$ 302.0	$ 278.0
Client assets (end of year, in billions)	$ 378.7	$ 354.8	$ 302.0

Percentage change during year	7%	17%	9%
Net new assets (in billions)	$ 41.5	$ 33.9	$ 26.6
Net new assets annualized growth rate	12%	11%	10%

In connection with our purchase of thinkorswim on June 11, 2009, we acquired approximately 113,000 funded accounts and approximately $4 billion in client assets.

Table of Contents

Consolidated Statements of Income Data

The following table summarizes certain data from our Consolidated Statements of Income for analysis purposes (dollars in millions):

	Fiscal Year			11 vs. 10 % Change	10 vs. 09 % Change
	2011	2010	2009		
Revenues:					
Transaction-based revenues:					
Commissions and transaction fees	$ 1,228.1	$ 1,193.8	$ 1,253.2	3%	(5)%
Asset-based revenues:					
Interest revenue	496.7	427.7	362.1	16%	18%
Brokerage interest expense	(4.8)	(6.1)	(15.2)	(20)%	(60)%
Net interest revenue	491.8	421.7	346.9	17%	22%
Insured deposit account fees	762.5	682.2	568.1	12%	20%
Investment product fees	166.4	129.3	184.3	29%	(30)%
Total asset-based revenues	1,420.8	1,233.2	1,099.3	15%	12%
Other revenues	113.8	133.8	55.4	(15)%	141%
Net revenues	2,762.7	2,560.7	2,407.9	8%	6%
Operating expenses:					
Employee compensation and benefits	674.9	622.4	511.2	8%	22%
Clearing and execution costs	100.1	90.4	70.9	11%	27%
Communications	106.5	106.9	83.1	(0)%	29%
Occupancy and equipment costs	142.4	142.9	124.3	(0)%	15%
Depreciation and amortization	66.8	57.0	45.9	17%	24%
Amortization of acquired intangible assets	97.1	100.5	73.9	(3)%	36%
Professional services	169.8	132.2	127.6	28%	4%
Advertising	253.2	250.0	197.1	1%	27%
(Gains) losses on money market funds and client guarantees		(12.7)	13.8	(100)%	N/A
Other	104.1	105.7	58.7	(2)%	80%
Total operating expenses	1,714.8	1,595.3	1,306.4	7%	22%
Operating income	1,047.8	965.4	1,101.5	9%	(12)%
Other expense (income):					
Interest on borrowings	32.0	44.9	40.1	(29)%	12%
Loss on debt refinancing	1.4	8.4		(83)%	N/A
(Gain) loss on sale of investments	(2.1)	0.0	2.0	N/A	(98)%

Total other expense (income)	31.4	53.3	42.1	(41)%	27%
Pre-tax income	1,016.5	912.1	1,059.4	11%	(14)%
Provision for income taxes	378.7	319.9	415.7	18%	(23)%
Net income	$ 637.8	$ 592.2	$ 643.7	8%	(8)%
Other information:					
Effective income tax rate	37.3%	35.1%	39.2%		
Average debt outstanding	$ 1,267.6	$ 1,303.0	$ 1,444.3	(3)%	(10)%
Average interest rate incurred on borrowings	2.28%	3.09%	2.44%		

Note: Details may not sum to totals and subtotals due to rounding differences. Change percentages are based on non-rounded Consolidated Statements of Income amounts.

Fiscal Year Ended September 30, 2011 Compared to Fiscal Year Ended September 30, 2010

Net Revenues

Commissions and transaction fees increased 3% to $1.23 billion, primarily due to increased total client trades, partially offset by lower average commissions and transaction fees per trade. Total trades increased 8%, as average client trades per day increased 7% to 398,986 for fiscal 2011 compared to 371,835 for fiscal 2010, and there were 1.5 more trading days during fiscal 2011 compared to fiscal 2010. Average client trades per funded account were 18.2 for fiscal 2011 compared to 17.3 for fiscal 2010. Average commissions and transaction fees per trade decreased to $12.18 per trade for fiscal 2011 from $12.79 for fiscal 2010, primarily due to (1) lower payment for order flow revenue per trade, (2) decreased trading activity from our long-term investor clients, while our active trader clients, many of whom have negotiated rates, continued to trade at similar levels and (3) higher futures and foreign exchange trading activity, which earn lower average commissions and transaction fees per trade and do not generate payment for order flow revenue. We expect average commissions and transaction fees to range between $11.70 and $12.20 per trade during fiscal 2012, depending on the mix of client trading activity, level of payment for order flow revenue and other factors. We expect revenues from commissions and transaction fees to range from $1.08 billion to $1.31 billion for fiscal 2012, depending on the volume of client trading activity, average commissions and transaction fees per trade and other factors.

Asset-based revenues, which consists of net interest revenue, insured deposit account fees and investment product fees, increased 15% to $1.42 billion, as described below. We expect asset-based revenues to range from $1.41 billion to $1.64 billion for fiscal 2012, depending largely on the interest rate environment and the rate of growth in spread-based and fee-based asset balances. The low end of this estimated range assumes no change in the federal funds rate or LIBOR yield curve for fiscal 2012. The high end of the estimated range also assumes no change in the federal funds rate, but assumes a gradually increasing LIBOR yield curve for fiscal 2012. Overall, we expect increased average spread-based and fee-based asset balances for fiscal 2012 to be partially or completely offset by a decrease in the expected average yield earned on spread-based assets, due to the expected continued low short- to medium-term interest rate environment.

Net interest revenue increased 17% to $491.8 million, due primarily to a 25% increase in average client margin balances and a $17.0 million increase in net interest revenue from our securities borrowing/lending program, partially offset by a decrease of 31 basis points in the average yield earned on client margin balances for fiscal 2011 compared to fiscal 2010.

Insured deposit account fees increased 12% to $762.5 million, due primarily to a 24% increase in average client insured deposit account balances during fiscal 2011 compared to fiscal 2010. The increased insured deposit account balances are partly due to our success in attracting net new client assets over the past year and partly due to our strategy of migrating client cash held in credit balances or swept to money market mutual funds to the insured deposit account offering. We began migrating client cash in April 2009 and completed the initial program in January 2010. We expect our migration strategy to position the Company to earn higher net revenues, as we generally earn a higher yield on insured deposit account balances than on money market mutual fund or client credit balances. The effect of the increased insured deposit account balances was partially offset by a decrease of 17 basis points in the average yield earned on the insured deposit account assets during fiscal 2011 compared to fiscal 2010.

Investment product fees increased 29% to $166.4 million, primarily due to a 34% increase in average other fee-based investment balances.

Other revenues decreased 15% to $113.8 million, primarily due to lower client education revenues for fiscal 2011 compared to fiscal 2010 and lower software fee revenue related to a legacy thinkorswim product that was discontinued in fiscal 2011. We expect other revenues to range from $96 million to $122 million for fiscal 2012.

Operating Expenses

Total operating expenses increased 7% to $1.71 billion during fiscal 2011, as described below. We expect total operating expenses to range from $1.67 billion to $1.83 billion for fiscal 2012.

Table of Contents

Employee compensation and benefits expense increased 8% to $674.9 million, primarily due to higher incentive-based compensation related to Company and individual performance, including our continued success in attracting net new client assets, and increased severance costs related to the departure of our chief operating officer and related management changes in fiscal 2011 compared to fiscal 2010.

Clearing and execution costs increased 11% to $100.1 million, due primarily to an increase in outsourced clearing fees for our thinkorswim business in fiscal 2011 compared to fiscal 2010, including additional costs associated with the completion of the thinkorswim clearing conversion during the fourth quarter of fiscal 2011.

Depreciation and amortization increased 17% to $66.8 million, due primarily to depreciation on recent technology infrastructure upgrades and leasehold improvements.

Professional services increased 28% to $169.8 million, primarily due to higher usage of consulting and contract services during fiscal 2011 compared to fiscal 2010 in connection with new product development, technology infrastructure upgrades and the integration of thinkorswim.

Advertising expense increased 1% to $253.2 million. We generally adjust our level of advertising spending in relation to stock market activity and other market conditions in an effort to maximize the number of new accounts while minimizing the advertising cost per new account.

Gains on money market funds and client guarantees during fiscal 2010 consisted of $9.4 million of recoveries on our Reserve Primary Fund holdings, $1.9 million of favorable fair market value adjustments to our Reserve International Liquidity Fund holdings and $1.4 million of gains related to the final fulfillment of our auction rate securities and Primary Fund client guarantees. The Reserve funds were money market mutual funds for which the net asset value declined below $1.00 per share during fiscal 2008, resulting in our incurring losses related to client guarantees and corporate holdings. Our auction rate securities client guarantee is discussed further under Item 8 Financial Statements and Supplementary Data Notes to Consolidated Financial Statements: Guarantees under Note 14 Commitments and Contingencies.

Other operating expenses decreased 2% to $104.1 million, primarily due to decreased litigation, arbitration and regulatory expenses during fiscal 2011 compared to fiscal 2010. This decrease was partially offset by higher bad debt expense associated with increased client trading activity in fiscal 2011, and $16.9 million of losses on disposal of property during fiscal 2011, primarily related to our decision to cease development of a new back office system, as well as technology assets written off related to exiting our Kansas City data center.

Other Expenses and Income Taxes

Other expenses decreased 41% to $31.4 million, due primarily to lower average interest rates incurred on our debt during fiscal 2011 compared to fiscal 2010 and due to higher debt refinancing charges during fiscal 2010 compared to fiscal 2011. We expect other expenses to range from $27 million to $30 million for fiscal 2012.

Interest on borrowings decreased 29% to $32.0 million, due primarily to lower average interest rates incurred on our debt and a decrease of approximately $35 million in average debt outstanding during fiscal 2011 compared to fiscal 2010. The average interest rate incurred on our debt was 2.28% for fiscal 2011, compared to 3.09% for fiscal 2010. The lower average interest rate incurred on our debt during fiscal 2011 was due to the effect of the fixed-for-variable interest rate swaps on our Senior Notes entered into during fiscal 2010 and 2011.

Loss on debt refinancing of $1.4 million during fiscal 2011 consisted of a charge to write off the unamortized balance of debt issuance costs associated with our holding company s prior unsecured revolving credit facility. On June 28, 2011, our holding company replaced its prior revolving credit facility with a new senior unsecured revolving credit facility. Loss on debt refinancing of $8.4 million during fiscal 2010 consisted of a charge to write off the unamortized balance of debt issuance costs associated with the Term A and Term B credit facilities under our January 23, 2006 credit agreement. On November 25, 2009, we refinanced our long-term debt by issuing the Senior Notes and used the proceeds from the issuance of the Senior Notes, together with cash on hand, to repay in full the outstanding principal under our January 23, 2006 credit agreement.

Our effective income tax rate was 37.3% for fiscal 2011, compared to 35.1% for fiscal 2010. The effective tax rate for fiscal 2011 was lower than normal due to $6.1 million of favorable resolutions of state income tax matters and $1.2 million of favorable deferred income tax adjustments resulting from recent state income tax law changes. These items favorably impacted the Company s earnings for fiscal 2011 by approximately $0.01 per share. The effective tax rate for fiscal 2010 was unusually low due to $32.0 million of favorable resolutions of certain federal and state income tax matters during fiscal 2010. These items favorably impacted our earnings for fiscal 2010 by approximately $0.05 per share. We expect our effective income tax rate to range from 38% to 39% for fiscal 2012, excluding the effect of any adjustments related to remeasurement or resolution of uncertain tax positions. However, we expect to experience some volatility in our quarterly and annual effective income tax rate because current accounting rules for uncertain tax positions require that any change in measurement of a tax position taken in a prior tax year be recognized as a discrete event in the period in which the change occurs.

Fiscal Year Ended September 30, 2010 Compared to Fiscal Year Ended September 30, 2009

Net Revenues

Commissions and transaction fees decreased 5% to $1.19 billion, primarily due to lower average commissions and transaction fees per trade. Average commissions and transaction fees per trade decreased to $12.79 per trade for fiscal 2010 from $13.35 for fiscal 2009, primarily due to lower payment for order flow revenue per trade and the full-year effect of thinkorswim trading activity, which earns somewhat lower average commissions and transaction fees per trade, during fiscal 2010. These decreases were partially offset by a higher percentage of option trades and a decrease in promotional trades during fiscal 2010. Average client trades per day were virtually unchanged at 371,835 for fiscal 2010 compared to 371,579 for fiscal 2009. However, on a pro forma basis combined with thinkorswim, average client trades per day decreased 11% from 418,639 for fiscal 2009. Average client trades per funded account were 17.3 for fiscal 2010 compared to 18.2 for fiscal 2009.

Net interest revenue increased 22% to $421.7 million, due primarily to a 56% increase in average client margin balances, partially offset by a decrease of 44 basis points in the average yield earned on client margin balances and a $21.8 million decrease in net interest revenue from our securities borrowing/lending program for fiscal 2010 compared to fiscal 2009.

Insured deposit account fees increased 20% to $682.2 million, due primarily to a 78% increase in average client insured deposit account balances during fiscal 2010 compared to fiscal 2009 and the effect of a $13.3 million (6 basis points) FDIC special regulatory assessment during fiscal 2009. The increased insured deposit account balances are primarily due to our strategy of migrating client cash held in client credit balances or swept to money market mutual funds to the insured deposit account offering beginning in April 2009. In January 2010, we moved an additional $4.2 billion of client cash held in client credit balances into the insured deposit account offering. The effect of the increased insured deposit account balances was significantly offset by a decrease of 89 basis points (excluding the effect of the FDIC special regulatory assessment mentioned above) in the average yield earned on the insured deposit account assets during fiscal 2010.

Investment product fees decreased 30% to $129.3 million, primarily due to a 58% decrease in average money market mutual fund balances and a decrease of 36 basis points in the average yield earned on client money market mutual fund balances, partially offset by a 43% increase in average other fee-based investment balances in fiscal 2010 compared to fiscal 2009. The decrease in average money market mutual fund balances resulted primarily from our client cash migration strategy discussed above. The decrease in the average yield earned in fiscal 2010 was primarily due to our decision to voluntarily begin waiving fees on certain money market mutual funds during the first quarter of fiscal 2009 in order to prevent our clients yields on such funds from becoming negative. The unfavorable impact of the fee waivers on the average yield earned gradually increased during fiscal 2009.

Other revenues increased to $133.8 million, primarily due to an increase in education revenues as a result of the thinkorswim acquisition.

Operating Expenses

Employee compensation and benefits expense increased 22% to $622.4 million, primarily due to an increase in average headcount resulting from the thinkorswim acquisition and higher incentive-based compensation related to actual Company and individual performance, including our success in attracting net new client assets, in fiscal 2010 compared to fiscal 2009. The average number of full-time equivalent employees was 5,281 for fiscal 2010 compared to 4,788 for fiscal 2009.

Clearing and execution costs increased 27% to $90.4 million, due primarily to expenses associated with the additional accounts and transaction processing volumes resulting from the thinkorswim acquisition, partially offset by lower client statement processing costs in fiscal 2010 compared to fiscal 2009.

Communications expense increased 29% to $106.9 million, due primarily to expenses associated with the additional accounts and transaction processing volumes resulting from the thinkorswim acquisition, increased telecommunications costs resulting from our migration to a new secondary data center during fiscal 2009 and increased costs for quotes and market information.

Occupancy and equipment costs increased 15% to $142.9 million due primarily to upgrades to our technology infrastructure and facilities and due to the addition of thinkorswim occupancy and equipment costs.

Depreciation and amortization increased 24% to $57.0 million, due primarily to depreciation on recent technology infrastructure upgrades and leasehold improvements and due to depreciation of assets recorded in the thinkorswim acquisition.

Amortization of acquired intangible assets increased 36% to $100.5 million, due to amortization of intangible assets recorded in the thinkorswim acquisition.

Professional services increased 4% to $132.2 million, primarily due to higher usage of consulting and contract services during fiscal 2010 in connection with new product development, technology infrastructure upgrades and the integration of thinkorswim. These increases were significantly offset by the effect of a $13 million acquisition earn-out payment and a $5 million write-off of software development costs during fiscal 2009.

Advertising expense increased 27% to $250.0 million, primarily due to increased spending for the TD Ameritrade brand in response to competitive market share opportunities and the full year effect of marketing support for the thinkorswim business.

Gains on money market funds and client guarantees during fiscal 2010 consists of $9.4 million of recoveries on our Reserve Primary Fund holdings, $1.9 million of favorable fair market value adjustments to our Reserve International Liquidity Fund holdings and $1.4 million of gains related to the final fulfillment of our auction rate securities and Primary Fund client guarantees. Losses on money market funds and client guarantees during fiscal 2009 consists of losses associated with our client commitments related to auction rate securities settlement agreements. The Reserve funds were money market mutual funds for which the net asset value declined below $1.00 per share during fiscal 2008, resulting in our incurring losses related to client guarantees and corporate holdings. Our auction rate securities client guarantee is discussed further under Item 8 Financial Statements and Supplementary Data Notes to Consolidated Financial Statements: Guarantees under Note 14 Commitments and Contingencies.

Other operating expenses increased 80% to $105.7 million, primarily due to increased litigation, arbitration and regulatory expenses and additional expenses related to the thinkorswim business, including education travel and venue costs, in fiscal 2010 compared to fiscal 2009.

Other Expenses and Income Taxes

Interest on borrowings increased 12% to $44.9 million, due primarily to higher average interest rates incurred on our debt, partially offset by a 10% decrease in average debt outstanding during fiscal 2010 compared to fiscal 2009. The average interest rate incurred on our debt was 3.09% for fiscal 2010, compared to 2.44% for fiscal 2009, primarily due to the refinancing of our long-term debt on November 25, 2009.

Loss on debt refinancing of $8.4 million consists of a charge to write off the unamortized balance of debt issuance costs associated with the Term A and Term B credit facilities under our January 23, 2006 credit agreement. On November 25, 2009, we refinanced our long-term debt by issuing the Senior Notes and used the proceeds from the issuance of the Senior Notes, together with cash on hand, to repay in full the outstanding principal under our January 23, 2006 credit agreement.

Our effective income tax rate decreased to 35.1% for fiscal 2010, compared to 39.2% for fiscal 2009. The effective tax rate for fiscal 2010 was unusually low due to $32.0 million of favorable resolutions of certain federal and state income tax matters during fiscal 2010. These items favorably impacted our earnings for fiscal 2010 by approximately $0.05 per share. The effective tax rate for fiscal 2009 was slightly higher than normal due to unfavorable deferred income tax adjustments of approximately $8.9 million resulting from state income tax law changes and capital loss limitations on certain money market mutual fund holdings. These items unfavorably impacted our earnings for fiscal 2009 by approximately $0.02 per share.

Liquidity and Capital Resources

We have historically financed our liquidity and capital needs primarily through the use of funds generated from operations and from borrowings under our credit agreements. We have also issued common stock and long-term debt to finance mergers and acquisitions and for other corporate purposes. Our liquidity needs during fiscal 2011 were financed primarily from our earnings and cash on hand. We plan to finance our operational capital and liquidity needs in fiscal 2012 primarily from our earnings, cash on hand and, if necessary, borrowings on our parent company and broker-dealer credit facilities.

Dividends from our subsidiaries are a source of liquidity for the parent company. Some of our subsidiaries are subject to requirements of the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), the Commodity Futures Trading Commission (CFTC), the National Futures Association (NFA) and other regulators relating to liquidity, capital standards and the use of client funds and securities, which may limit funds available for the payment of dividends to the parent company.

Under the SEC s Uniform Net Capital Rule (Rule 15c3-1 under the Securities Exchange Act of 1934), our broker-dealer subsidiaries are required to maintain, at all times, at least the minimum level of net capital required under Rule 15c3-1. For clearing broker-dealers, this minimum net capital level is determined by a calculation described in Rule 15c3-1 that is primarily based on each broker-dealer s aggregate debits, which primarily are a function of client margin balances at our clearing broker-dealer subsidiary. Since our aggregate debits may fluctuate significantly, our minimum net capital requirements may also fluctuate significantly from period to period. The parent company may make cash capital contributions to our broker-dealer subsidiaries, if necessary, to meet minimum net capital requirements.

Liquid Assets

We consider our liquid assets metrics to be important measures of our liquidity and of our ability to fund corporate investing and financing activities. Our liquid assets metrics are considered non-GAAP financial measures. We include the excess capital of our broker-dealer and trust company subsidiaries in the calculation of our liquid assets metrics, rather than simply including broker-dealer and trust company cash and cash equivalents, because capital requirements may limit the amount of cash available for dividend from the broker-dealer and trust company subsidiaries to the parent company. Excess capital, as defined below, is generally available for dividend from the broker-dealer and trust company subsidiaries to the parent company. The liquid assets metrics should be considered as supplemental measures of liquidity, rather than as substitutes for cash and cash equivalents.

We define liquid assets management target as the sum of (a) corporate cash and cash equivalents, (b) corporate short-term investments and (c) regulatory net capital of (i) our clearing broker-dealer subsidiary in excess of 10% of aggregate debit items and (ii) our introducing broker-dealer subsidiaries in excess of a minimum operational target established by management ($50 million in the case of our primary introducing broker-dealer, TD Ameritrade, Inc.). We consider liquid assets management target to be a measure that reflects our liquidity that would be readily available for corporate investing or financing activities under normal operating circumstances.

We define liquid assets regulatory threshold as the sum of (a) corporate cash and cash equivalents, (b) corporate short-term investments, (c) regulatory net capital of (i) our clearing broker-dealer subsidiary in excess of 5% of aggregate debit items and (ii) our introducing broker-dealer subsidiaries in excess of 120% of the minimum dollar net capital requirement or in excess of 81/3% of aggregate indebtedness and (d) Tier 1 capital of our trust company in excess of the minimum dollar requirement. We consider liquid assets regulatory threshold to be

Table of Contents

a measure that reflects our liquidity that would be available for corporate investing or financing activities under unusual operating circumstances.

The following table sets forth a reconciliation of cash and cash equivalents, which is the most directly comparable GAAP measure, to our liquid assets metrics (dollars in thousands):

	Liquid Assets- Management Target September 30, 2011	Liquid Assets- Management Target September 30, 2010	Liquid Assets- Management Target Change	Liquid Assets- Regulatory Threshold September 30, 2011	Liquid Assets- Regulatory Threshold September 30, 2010	Liquid Assets- Regulatory Threshold Change
Cash and cash equivalents	$ 1,031,963	$ 741,492	$ 290,471	$ 1,031,963	$ 741,492	$ 290,471
Less: Broker-dealer cash and cash equivalents	(656,206)	(426,618)	(229,588)	(656,206)	(426,618)	(229,588)
Trust company cash and cash equivalents	(108,587)	(50,937)	(57,650)	(108,587)	(50,937)	(57,650)
Investment advisory cash and cash equivalents	(7,184)	(28,944)	21,760	(7,184)	(28,944)	21,760
Corporate cash and cash equivalents	259,986	234,993	24,993	259,986	234,993	24,993
Plus: Excess trust company Tier 1 capital				8,555	12,284	(3,729)
Excess broker-dealer regulatory net capital	591,902	326,368	265,534	1,138,972	828,979	309,993
Liquid assets	$ 851,888	$ 561,361	$ 290,527	$ 1,407,513	$ 1,076,256	$ 331,257

The increase in liquid assets is summarized as follows (dollars in thousands):

	Liquid Assets Management Target	Liquid Assets Regulatory Threshold
Liquid assets as of September 30, 2010	$ 561,361	$ 1,076,256
Plus: EBITDA(1)	1,212,373	1,212,373
Proceeds from exercise of stock options	3,351	3,351
Cash received in sale of business	5,228	5,228
Proceeds from sale of investments	2,581	2,581
Return of prepayment on structured stock repurchase	118,834	118,834
Other changes in working capital and regulatory net capital	61,142	47,712
Less: Income taxes paid	(321,100)	(321,100)
Interest paid	(43,409)	(43,409)

Purchase of property and equipment	(152,889)	(152,889)
Cash transferred in disposal of subsidiary	(3,453)	(3,453)
Purchase of investments	(5,006)	(5,006)
Purchase of treasury stock	(348,534)	(348,534)
Payment of debt issuance costs	(1,783)	(1,783)
Principal payments on long-term debt	(4,262)	(4,262)
Principal payments on capital lease obligations	(10,015)	(10,015)
Payment of cash dividends	(114,212)	(114,212)
Additional net capital requirement due to increase in aggregate debits	(108,319)	(54,159)
Liquid assets as of September 30, 2011	$ 851,888	$ 1,407,513

(1) See Financial Performance Metrics earlier in this section for a description of EBITDA.

Loan Facilities

Senior Notes - On November 25, 2009 we sold, through a public offering, $1.25 billion aggregate principal amount of unsecured senior notes, consisting of $250 million aggregate principal amount of 2.950% Senior Notes due December 1, 2012 (the 2012 Notes), $500 million aggregate principal amount of 4.150% Senior Notes due December 1, 2014 (the 2014 Notes) and $500 million aggregate principal amount of 5.600% Senior Notes due December 1, 2019 (the 2019 Notes and, collectively with the 2012 Notes and the 2014 Notes, the Senior Notes). Interest on the Senior Notes is payable semi-annually in arrears on June 1 and December 1 of each year.

We may redeem each series of the Senior Notes, in whole at any time or in part from time to time, at a redemption price equal to the greater of (a) 100% of the principal amount of the notes being redeemed, and (b) the sum of the present values of the remaining scheduled payments of principal and interest on the notes being redeemed, discounted to the date of redemption on a semi-annual basis at the comparable U.S. Treasury rate, plus: 25 basis points in the case of the 2012 Notes, 30 basis points in the case of the 2014 Notes and 35 basis points in the case of the 2019 Notes, plus, in each case, accrued and unpaid interest to the date of redemption.

Interest Rate Swaps We are exposed to changes in the fair value of our fixed-rate Senior Notes resulting from interest rate fluctuations. To hedge this exposure, on December 30, 2009, we entered into fixed-for-variable interest rate swaps on the 2012 Notes and 2014 Notes for notional amounts of $250 million and $500 million, respectively, with maturity dates matching the respective maturity dates of the 2012 Notes and 2014 Notes. In addition, on January 7, 2011, we entered into a fixed-for-variable interest rate swap on the 2019 Notes for a notional amount of $500 million, with a maturity date matching the maturity date of the 2019 Notes. The interest rate swaps effectively change the fixed-rate interest on the Senior Notes to variable-rate interest. Under the terms of the interest rate swap agreements, we receive semi-annual fixed-rate interest payments based on the same rates applicable to the Senior Notes, and make quarterly variable-rate interest payments based on three-month LIBOR plus (a) 0.9693% for the swap on the 2012 Notes, (b) 1.245% for the swap on the 2014 Notes and (c) 2.3745% for the swap on the 2019 Notes. As of September 30, 2011, the weighted-average effective interest rate on the Senior Notes was 1.97%.

TD Ameritrade Holding Corporation Credit Agreement On June 28, 2011, TD Ameritrade Holding Corporation (the Parent) entered into a credit agreement consisting of a senior unsecured revolving credit facility in the aggregate principal amount of $300 million (the Parent Revolving Facility). The Parent Revolving Facility replaced the Parent s prior $300 million unsecured revolving credit facility, which was scheduled to expire on December 31, 2012. The maturity date of the Parent Revolving Facility is June 28, 2014.

The applicable interest rate under the Parent Revolving Facility is calculated as a per annum rate equal to, at the option of the Parent, (a) LIBOR plus an interest rate margin (Parent LIBOR loans) or (b) (i) the highest of (x) the prime rate, (y) the federal funds effective rate plus 0.50% or (z) one-month LIBOR plus 1.00%, plus (ii) an interest rate margin (Base Rate loans). The interest rate margin ranges from 1.25% to 2.25% for Parent LIBOR loans and from 0.25% to 1.25% for Base Rate loans, determined by reference to the Company s public debt ratings. The Parent is obligated to pay a commitment fee ranging from 0.15% to 0.375% on any unused amount of the Parent Revolving Facility, determined by reference to the Parent s public debt ratings. As of September 30, 2011, the interest rate margin would have been 1.50% for Parent LIBOR loans and 0.50% for Base Rate loans, and the commitment fee was 0.20%, each determined by reference to the Parent s Standard & Poor s public debt rating of A-. There were no borrowings outstanding under the Parent Revolving Facility as of September 30, 2011.

The Parent Revolving Facility contains negative covenants that limit or restrict, subject to certain exceptions, the incurrence of liens, indebtedness of subsidiaries, mergers, consolidations, transactions with affiliates, change in nature of business and the sale of all or substantially all of the assets of the Company. The Parent is also required to maintain compliance with a maximum consolidated leverage ratio covenant and a minimum consolidated interest coverage ratio covenant, and the Parent s broker-dealer subsidiaries are required to maintain compliance with a minimum regulatory net capital covenant. The Company was in compliance with all covenants under the Parent Revolving Facility as of September 30, 2011.

TD Ameritrade Clearing, Inc. Credit Agreement On June 28, 2011, TD Ameritrade Clearing, Inc. (TDAC), the Company s clearing broker-dealer subsidiary, entered into a credit agreement consisting of a senior unsecured revolving credit facility in the aggregate principal amount of $300 million (the TDAC Revolving Facility). The maturity date of the TDAC Revolving Facility is June 28, 2014.

The applicable interest rate under the TDAC Revolving Facility is calculated as a per annum rate equal to, at the option of TDAC, (a) LIBOR plus an interest rate margin (TDAC LIBOR loans) or (b) the federal funds effective rate plus an interest rate margin (Fed Funds Rate loans). The interest rate margin ranges from 1.00% to 2.00% for both TDAC LIBOR loans and Fed Funds Rate loans, determined by reference to the Company s public debt rating. TDAC is obligated to pay a commitment fee ranging from 0.125% to 0.30% on any unused amount of the TDAC Revolving Facility, determined by reference to the Company s public debt rating. As of September 30, 2011, the interest rate margin would have been 1.25% for both TDAC LIBOR loans and Fed Funds Rate loans, and the commitment fee was 0.15%, each determined by reference to the Parent s public debt rating. There were no borrowings outstanding under the TDAC Revolving Facility as of September 30, 2011.

The TDAC Revolving Facility contains negative covenants that limit or restrict, subject to certain exceptions, the incurrence of liens, indebtedness of TDAC, mergers, consolidations, change in nature of business and the sale of all or substantially all of the assets of TDAC. TDAC is also required to maintain minimum tangible net worth and is required to maintain compliance with minimum regulatory net capital requirements. TDAC was in compliance with all covenants under the TDAC Revolving Facility as of September 30, 2011.

Stock Repurchase Programs

On August 5, 2010, our board of directors authorized the repurchase of up to 30 million shares of our common stock. On August 20, 2010, we entered into an agreement with an investment bank counterparty to effect a structured repurchase of up to 12 million shares of our common stock. Under the terms of this agreement, we prepaid $169.2 million to the counterparty. Settlement of the transaction occurred on December 1, 2010 and we purchased approximately 3.2 million shares for approximately $50.4 million ($15.94 per share). The number of shares we purchased from the counterparty and the purchase price were based on the average of the daily volume-weighted average share price of our common stock over the measurement period for the transaction, less a pre-determined discount. Upon settlement of this transaction, the excess prepayment amount of $118.8 million was returned to us in cash.

From the inception of the August 5, 2010 stock repurchase authorization through September 30, 2011, we have repurchased an aggregate of approximately 23.3 million shares at a weighted average purchase price of $16.96 per share. As of September 30, 2011, we had approximately 6.7 million shares remaining on the August 5, 2010 stock repurchase authorization. On October 20, 2011, our board of directors authorized the repurchase of up to an additional 30 million shares of our common stock.

Cash Dividends

Our board of directors declared a $0.05 per share quarterly cash dividend on our common stock during each quarter of fiscal 2011. We paid a total of $114.2 million to fund the dividends for fiscal 2011. On October 20, 2011, our board of directors declared a $0.06 per share quarterly cash dividend on our common stock for the first quarter of fiscal 2012. We expect to pay approximately $33 million on November 15, 2011 to fund this dividend.

Off-Balance Sheet Arrangements

We enter into guarantees and other off-balance sheet arrangements in the ordinary course of business, primarily to meet the needs of our clients and to manage our asset-based revenues. For information on these arrangements, see the following sections under Item 8, Financial Statements and Supplementary Data Notes to Consolidated Financial Statements: Guarantees under Note 14 Commitments and Contingencies and Insured Deposit Account Agreement under Note 18 Related Party Transactions. The IDA agreement accounts for a significant percentage of our net revenues (28% of our net revenues for the fiscal year ended September 30, 2011) and enables our clients to invest in an FDIC-insured deposit product without the need for the Company to maintain a bank charter.

Table of Contents

Contractual Obligations

The following table summarizes our contractual obligations as of September 30, 2011 (dollars in thousands):

		Payments Due by Period (Fiscal Years):			
Contractual Obligations	Total	Less Than 1 Year 2012	1-3 Years 2013-14	3-5 Years 2015-16	More Than 5 Years After 2016
Long-term debt obligations(1)	$ 1,395,879	$ 26,050	$ 295,955	$ 529,398	$ 544,476
Capital lease obligations	11,329	6,397	4,932		
Operating lease obligations	360,526	48,482	91,323	78,138	142,583
Purchase obligations(2)	303,196	194,697	85,308	7,890	15,301
Income taxes payable(3)	195,053	195,053			
Total	$ 2,265,983	$ 470,679	$ 477,518	$ 615,426	$ 702,360

(1) Represents scheduled principal payments, estimated interest payments and commitment fees pursuant to the Senior Notes, the interest rate swaps and the revolving credit facilities. Actual amounts of interest may vary depending on changes in variable interest rates associated with the interest rate swaps.

(2) Purchase obligations primarily relate to agreements for goods and services such as computer hardware and software, telecommunications, market information, advertising and marketing, professional services, property and construction, and employee compensation and benefits.

(3) A significant portion of our income taxes payable as of September 30, 2011 consists of liabilities for uncertain tax positions and related interest and penalties. The timing of payments, if any, on liabilities for uncertain tax positions cannot be predicted with reasonable accuracy.

Recently Issued Accounting Pronouncements

ASU 2011-04   In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs.* The amendments in ASU 2011-04 change the wording used to describe many of the requirements in U.S. Generally Accepted Accounting Principles (U.S. GAAP) for measuring fair value and for disclosing information about fair value measurements. Some of the amendments clarify FASB s intent about the application of existing fair value measurement and disclosure requirements. Other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. ASU 2011-04 is effective during interim and annual periods beginning after December 15, 2011. Therefore, ASU 2011-04 will be effective for the Company s fiscal quarter beginning January 1, 2012 (the Company s second quarter of fiscal 2012). Adoption of ASU 2011-04 is not expected to have a material impact on the Company s financial statements.

ASU 2011-05   In June 2011, the FASB issued ASU 2011-05, *Presentation of Comprehensive Income.* ASU 2011-05 eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders equity and allows two options for presenting the components of net income and other comprehensive income: (1) in a single continuous statement of comprehensive income or (2) in two separate but consecutive statements, consisting of a statement of net income followed by a separate statement of other comprehensive income. ASU 2011-05 requires retrospective application and is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Therefore, ASU 2011-05 will be effective for the Company s fiscal year beginning October 1, 2012. The adoption of ASU 2011-05 will change the manner in which the components of other comprehensive income are presented in the financial statements, but is not expected to have any other material impact on the Company s financial statements.

ASU 2011-08 In September 2011, the FASB issued ASU 2011-08, *Testing Goodwill for Impairment*. The amendments under ASU 2011-08 will allow entities to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. Under these amendments, an entity would not be required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. The amendments include a number of events and circumstances for entities to consider in conducting the qualitative assessment. Entities will have the option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the first step of the two-step quantitative goodwill impairment test. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, and early adoption is permitted. Adoption of ASU 2011-08 is not expected to have a material impact on the Company s financial statements.

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

Market risk generally represents the risk of loss that may result from the potential change in the value of a financial instrument as a result of fluctuations in interest rates and market prices. We have established policies, procedures and internal processes governing our management of market risks in the normal course of our business operations.

Market-related Credit Risk

Two primary sources of credit risk inherent in our business are 1) client credit risk related to margin lending and leverage and 2) counterparty credit risk related to securities lending and borrowing. We manage risk on client margin lending and leverage by requiring clients to maintain margin collateral in compliance with regulatory and internal guidelines. The risks associated with margin lending and leverage increase during periods of rapid market movements, or in cases where leverage or collateral is concentrated and market movements occur. We monitor required margin levels daily and, pursuant to such guidelines, require our clients to deposit additional collateral, or to reduce positions, when necessary. We continuously monitor client accounts to detect excessive concentration, large orders or positions, patterns of day trading and other activities that indicate increased risk to us. We manage risks associated with our securities lending and borrowing activities by requiring credit approvals for counterparties, by monitoring the market value of securities loaned and collateral values for securities borrowed on a daily basis and requiring additional cash as collateral for securities loaned or return of collateral for securities borrowed when necessary and by participating in a risk-sharing program offered through the Options Clearing Corporation.

The interest rate swaps on our Senior Notes are subject to counterparty credit risk. Credit risk on derivative financial instruments is managed by limiting activity to approved counterparties that meet a minimum credit rating threshold and by entering into credit support agreements. The bilateral credit support agreements related to the interest rate swaps require daily collateral coverage, in the form of cash or U.S. Treasury securities, for the aggregate fair value of the interest rate swaps.

Interest Rate Risk

As a fundamental part of our brokerage business, we invest in interest-earning assets and are obligated on interest-bearing liabilities. In addition, we earn fees on our insured deposit account arrangement with TD Bank USA, N.A. and TD Bank, N.A. and on money market mutual funds, which are subject to interest rate risk. Changes in interest rates could affect the interest earned on assets differently than interest paid on liabilities. A rising interest rate environment generally results in our earning a larger net interest spread. Conversely, a falling interest rate environment generally results in our earning a smaller net interest spread.

Our most prevalent form of interest rate risk is referred to as gap risk. This risk occurs when the interest rates we earn on our assets change at a different frequency or amount than the interest rates we pay on our liabilities. We have an Asset/Liability Committee as the governance body with the responsibility of managing interest rate risk, including gap risk.

We use net interest simulation modeling techniques to evaluate the effect that changes in interest rates might have on pre-tax income. Our model includes all interest-sensitive assets and liabilities of the Company and interest-sensitive assets and liabilities associated with the insured deposit account arrangement. The simulations involve assumptions that are inherently uncertain and, as a result, cannot precisely predict the impact that changes in interest rates will have on pre-tax income. Actual results may differ from simulated results due to differences in timing and frequency of rate changes, changes in market conditions and changes in management strategy that lead to changes in the mix of interest-sensitive assets and liabilities.

The simulations assume that the asset and liability structure of our Consolidated Balance Sheet and the insured deposit account arrangement would not be changed as a result of a simulated change in interest rates. The results of the simulations based on our financial position as of September 30, 2011 indicate that a gradual 1% (100 basis points) increase in interest rates over a 12-month period would result in approximately $91 million higher pre-tax income, while a gradual 1% (100 basis points) decrease in interest rates over a 12-month period would result in approximately $37 million lower pre-tax income. The results of the simulations reflect the fact that short-term interest rates remain at historically low levels, including the federal funds target rate, which is currently a range of zero to 0.25%.

Market Risk on Auction Rate Securities

As of September 30, 2011, we held ARS with a fair value of $20 million. A hypothetical 10% decrease in the fair value of our ARS would reduce our pre-tax income by approximately $2 million.

Other Market Risks

Substantially all of our revenues and financial instruments are denominated in U.S. dollars. We generally do not enter into derivative transactions, except for hedging purposes.

Item 8. *Financial Statements and Supplementary Data*

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
TD Ameritrade Holding Corporation

We have audited the accompanying consolidated balance sheets of TD Ameritrade Holding Corporation (the Company) as of September 30, 2011 and 2010, and the related consolidated statements of income, stockholders equity, and cash flows for each of the three years in the period ended September 30, 2011. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of TD Ameritrade Holding Corporation at September 30, 2011 and 2010, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 30, 2011, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), TD Ameritrade Holding Corporation s internal control over financial reporting as of September 30, 2011, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 18, 2011 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Minneapolis, Minnesota
November 18, 2011

Table of Contents

TD AMERITRADE HOLDING CORPORATION

CONSOLIDATED BALANCE SHEETS
As of September 30, 2011 and 2010

	2011	2010
	(In thousands)	
ASSETS		
Cash and cash equivalents	$ 1,031,963	$ 741,492
Cash and investments segregated in compliance with federal regulations	2,519,249	994,026
Receivable from brokers, dealers and clearing organizations	834,469	1,207,723
Receivable from clients, net	8,059,410	7,393,855
Receivable from affiliates	92,963	90,523
Other receivables, net	115,316	68,928
Securities owned, at fair value	446,609	217,234
Property and equipment, net	340,690	272,211
Goodwill	2,466,978	2,467,013
Acquired intangible assets, net	1,024,352	1,124,259
Deferred income taxes	4,642	9,915
Other assets	189,121	139,739
Total assets	$ 17,125,762	$ 14,726,918
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Payable to brokers, dealers and clearing organizations	$ 1,709,572	$ 1,934,315
Payable to clients	8,979,327	6,810,391
Accounts payable and accrued liabilities	585,720	476,306
Payable to affiliates	3,912	3,244
Deferred revenue	42,230	63,512
Long-term debt	1,336,789	1,302,269
Capitalized lease obligations	10,784	20,799
Deferred income taxes	341,611	344,203
Total liabilities	13,009,945	10,955,039
Stockholders equity:		
Preferred stock, $0.01 par value, 100 million shares authorized; none issued		
Common stock, $0.01 par value, one billion shares authorized; 631,381,860 shares issued; 2011 554,285,716 outstanding; 2010 576,134,924 outstanding	6,314	6,314
Additional paid-in capital	1,583,327	1,390,283
Retained earnings	3,645,846	3,122,305
Treasury stock, common, at cost: 2011 77,096,144 shares; 2010 55,246,936 shares	(1,119,969)	(747,271)
Deferred compensation	146	196

Accumulated other comprehensive income	153	52
Total stockholders equity	4,115,817	3,771,879
Total liabilities and stockholders equity	$ 17,125,762	$ 14,726,918

See notes to consolidated financial statements.

Table of Contents

TD AMERITRADE HOLDING CORPORATION

CONSOLIDATED STATEMENTS OF INCOME
For the Years Ended September 30, 2011, 2010 and 2009

	2011	2010	2009
	(In thousands, except per share amounts)		
Revenues:			
Transaction-based revenues:			
Commissions and transaction fees	$ 1,228,064	$ 1,193,761	$ 1,253,154
Asset-based revenues:			
Interest revenue	496,661	427,723	362,076
Brokerage interest expense	(4,826)	(6,065)	(15,165)
Net interest revenue	491,835	421,658	346,911
Insured deposit account fees	762,527	682,206	568,084
Investment product fees	166,394	129,308	184,341
Total asset-based revenues	1,420,756	1,233,172	1,099,336
Other revenues	113,839	133,758	55,436
Net revenues	2,762,659	2,560,691	2,407,926
Operating expenses:			
Employee compensation and benefits	674,866	622,449	511,170
Clearing and execution costs	100,060	90,367	70,877
Communications	106,547	106,933	83,121
Occupancy and equipment costs	142,412	142,902	124,296
Depreciation and amortization	66,759	57,032	45,891
Amortization of acquired intangible assets	97,126	100,463	73,870
Professional services	169,764	132,218	127,572
Advertising	253,206	250,007	197,121
(Gains) losses on money market funds and client guarantees		(12,732)	13,829
Other	104,077	105,679	58,701
Total operating expenses	1,714,817	1,595,318	1,306,448
Operating income	1,047,842	965,373	1,101,478
Other expense (income):			
Interest on borrowings	32,017	44,858	40,070
Loss on debt refinancing	1,435	8,392	
(Gain) loss on sale of investments	(2,081)	38	2,003

Total other expense (income)		31,371		53,288		42,073
Pre-tax income		1,016,471		912,085		1,059,405
Provision for income taxes		378,718		319,897		415,700
Net income	$	637,753	$	592,188	$	643,705
Earnings per share basic	$	1.12	$	1.01	$	1.11
Earnings per share diluted	$	1.11	$	1.00	$	1.10
Weighted average shares outstanding basic		570,314		585,128		578,972
Weighted average shares outstanding diluted		576,462		591,922		587,252
Dividends declared per share	$	0.20	$	0.00	$	0.00

See notes to consolidated financial statements.

Table of Contents

TD AMERITRADE HOLDING CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY
For the Years Ended September 30, 2011, 2010 and 2009

	Total Common Shares Outstanding	Total Stockholders Equity	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Deferred Compensation	Accumulated Other Comprehensive Income (Loss)
				(In thousands)				
Balance, September 30, 2008	593,131	$ 2,925,038	$ 6,314	$ 1,613,700	$ 1,886,412	$ (580,664)	$ 146	$ (870)
Net income		643,705			643,705			
Net unrealized investment loss, net of $0.2 million tax		(302)						(302)
Reclassification adjustment for realized loss on investment securities included in net income, net of $0.8 million tax		1,330						1,330
Foreign currency translation		(232)						(232)
Total comprehensive income		644,501						
Acquisition of thinkorswim Group Inc.	27,083	385,639		(24,209)		409,848		
Repurchases of common stock	(39,030)	(466,144)				(466,144)		
Issuances of common stock	1,557			(18,412)		18,412		
Options exercised, including tax benefit	4,366	37,227		(21,411)		58,638		
Deferred compensation	2	2		(49)		27	24	
Stock-based compensation expense		25,020		25,019			1	
Balance, September 30, 2009	587,109	3,551,283	6,314	1,574,638	2,530,117	(559,883)	171	(74)
Net income		592,188			592,188			
Net unrealized investment gain		1						1

Foreign currency translation		125						125
Total comprehensive income		592,314						
Repurchases of common stock	(15,376)	(265,599)				(265,599)		
Prepayment of structured stock repurchase		(169,200)		(169,200)				
Issuances of common stock	842			(14,677)		14,677		
Options exercised, including tax benefit	3,531	28,189		(34,846)		63,035		
Deferred compensation	29	544		20		499	25	
Stock-based compensation expense		34,348		34,348				
Balance, September 30, 2010	576,135	3,771,879	6,314	1,390,283	3,122,305	(747,271)	196	52
Net income		637,753			637,753			
Net unrealized investment loss		(3)						(3)
Foreign currency translation		104						104
Total comprehensive income		637,854						

