TD AMERITRADE HOLDING CORP
Form 10-K
November 26, 2012
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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, 2012

¨ **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: 1-35509

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	New York Stock Exchange

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 ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No 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 ¨

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 ¨

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. ¨

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

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

The aggregate market value of the common stock held by non-affiliates of the registrant was approximately $4.2 billion computed by reference to the closing sale price of the stock on the Nasdaq Global Select Market on March 30, 2012, 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 9, 2012 was 545,360,101 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Definitive Proxy Statement relating to the registrant s 2013 Annual Meeting of Stockholders to be filed hereafter (incorporated into Part III hereof).

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TD AMERITRADE HOLDING CORPORATION

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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.

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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.

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 37-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 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 mobile trading applications, 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 grow and manage 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 and do the best possible job they can to help their clients with their financial goals.

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

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clients trade a broad range of products including stock and stock options, index options, futures and futures options, foreign exchange, exchange-traded funds (ETFs), 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 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 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 website 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 certificates of deposit.

New and secondary 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.

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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.

Annuities. To help RIAs meet increasing client demand for retirement income solutions, TD Ameritrade Institutional now offers access to a full range of competitively priced fixed and variable annuities from highly-rated insurance carriers.

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 generate insured deposit account fees and investment product fee revenues. Other revenues include revenue from education services, miscellaneous securities brokerage fees and annuities. 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	**2012**	**2011**	**2010**
Commissions and transaction fees	41.2%	44.5%	46.6%
Net interest revenue	17.0%	17.8%	16.5%
Insured deposit account fees	31.4%	27.6%	26.6%
Investment product fees	7.4%	6.0%	5.1%
Other revenues	3.0%	4.1%	5.2%
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:

Websites. Our websites 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.

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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 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, reliability and security. 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. 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 websites. 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 websites, 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.

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 securities brokerage-related communications with the public are regulated by the Financial Industry Regulatory Authority (FINRA). All of our futures brokerage-related communications with the public are regulated by the National Futures Association (NFA).

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;

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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;

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 and futures industries are 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 futures commission merchant and is a member of, and the corresponding services functions are regulated by, the 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 under the SEC Uniform Net Capital Rule (Rule 15c3-1) and segregation of client funds under the SEC Customer Protection Rule (Rule 15c3-3), administered by the SEC and FINRA. TD Ameritrade, Inc. is also subject to regulations under the Commodity Exchange Act, administered by the CFTC and NFA, including CFTC Regulation 1.17, which requires the maintenance of minimum net capital, and CFTC Regulation 1.20, which requires segregation of client funds.

Net capital rules are designed to protect securities clients, counterparties and creditors by requiring a broker-dealer to have sufficient liquid resources available to satisfy its financial obligations. Net capital is a measure,

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defined by the SEC, of a broker-dealer s readily available liquid assets, reduced by its total liabilities other than approved subordinated debt. Under the Uniform Net Capital Rule, a broker-dealer may not repay any subordinated borrowings, pay cash dividends or make any unsecured advances or loans to its parent company or employees if such payment would result in a net capital amount below required levels.

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. TD Ameritrade Trust Company is chartered in the state of Maine as a state-regulated non-depository trust company.

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 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.

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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 holding company and broker-dealer subsidiary 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, 2012, we had 5,312 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. In April 2012, we surveyed our employees and found that 89% responded favorably to questions designed to measure employee engagement. This was the highest score we ve ever achieved and placed above the norm for U.S. high-performance companies as measured by Towers Watson.

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, 2012, 2011 and 2010 were derived from our operations in the United States.

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Internet Address

Additional information concerning our business can be found on our website 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. Website links provided in this report, although correct when published, may change in the future. We make available free of charge on our website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, 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.

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%, where it has remained. 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. Inability to meet our funding needs on a timely basis would have a material adverse effect on our business.

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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 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 website 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.

Failure to protect client data or prevent breaches of our information systems could expose us to liability or reputational damage.

The secure transmission of confidential information over public networks is a critical element of our operations. We are dependent on information technology networks and systems to securely process, transmit and store electronic information and to communicate among our locations and with our clients and vendors. As the breadth and complexity of this infrastructure continue to grow, the potential risk of security breaches and cyberattacks increases. In addition, vulnerabilities of our external service providers and other third parties could pose security risks to client information. Such breaches could lead to shutdowns or disruptions of our systems and potential unauthorized disclosure of confidential information.

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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 and mobile devices. Also, in 2007, we discovered and eliminated unauthorized code from our computer systems that had allowed an unauthorized third party to retrieve client email addresses, names, addresses and phone numbers from an internal database. Following the incident, the company incurred significant remediation costs.

In providing services to clients, we manage, utilize and store sensitive and confidential client data, including personal data. As a result, we are subject to numerous laws and regulations designed to protect this information, such as U.S. federal and state laws and foreign regulations governing the protection of personally identifiable information. These laws and regulations are increasing in complexity and number, change frequently and sometimes conflict. If any person, including any of our employees, negligently disregards or intentionally breaches our established controls with respect to client data, or otherwise mismanages or misappropriates that data, we could be subject to significant monetary damages, regulatory enforcement actions, fines and/or criminal prosecution in one or more jurisdictions. Unauthorized disclosure of sensitive or confidential client data, whether through systems failure, employee negligence, fraud or misappropriation, could damage our reputation and cause us to lose clients. Similarly, unauthorized access to or through our information systems, whether by our employees or third parties, including a cyberattack by computer programmers and hackers who may deploy viruses, worms or other malicious software programs, could result in negative publicity, significant remediation costs, legal liability, financial responsibility under our security guarantee to reimburse clients for losses resulting from unauthorized activity in their accounts and damage to our reputation and could have a material adverse effect on our results of operations. In addition, our liability insurance might not be sufficient in type or amount to cover us against claims related to security breaches, cyberattacks and other related breaches.

Aggressive 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 aggressive 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.

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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, exchanges and clearinghouses to execute and settle 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 interrupt our business, cause us to incur losses and 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

Legislation has and may continue to 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 applicable 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. Additional rulemaking or legislative action 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, Department of Labor, banking regulators and other regulatory agencies may be, and what impact this will have on our compliance costs, business, operations and profitability.

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.

Extensive regulation and 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. Regulations are intended to ensure the integrity of financial markets, the safety and soundness of broker-dealers and the protection of clients. These regulations often serve to limit our business activities through capital, client protection and market conduct requirements, as well as

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restrictions on the activities that we are authorized to conduct. Despite our efforts to comply with applicable regulations, risks remain, especially in areas where application of the regulations is unclear or where the regulators have revised or are revising prior guidance. 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 websites 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, know-your-customer rules, fiduciary obligations and suitability of financial products and services;
- clearinghouse cash deposit and collateral requirements;
- mutual fund and exchange-traded fund trading;
- fraud detection and anti-money laundering policies and procedures;
- client cash sweep arrangements;
- regulatory reporting obligations;
- risk management;
- valuation of financial instruments;
- best execution practices;
- system security, safeguarding practices and client privacy;
- system capacity and availability;
- advertising claims;
- brokerage services provided to investment advisors;

market access and manipulative trading;

trading in low-priced securities;

payment for order flow;

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.

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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 may 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. 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.

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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 minimum regulatory net capital covenants. 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, 2012, we had approximately $1.25 billion of long-term debt, consisting of $250 million of 2.950% Senior Notes with principal due in full on December 1, 2012, $500 million of 4.150% Senior Notes with principal due in full on December 1, 2014 and $500 million of 5.600% Senior Notes with principal due in full on December 1, 2019. Our ability to meet our cash requirements, including our debt repayment obligations, is dependent upon our future performance, which will be subject to financial, business and other factors affecting

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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 repayment 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, 2012, 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%, and 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, 2012, 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.

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We have extensive relationships and business transactions with TD and some of its affiliates, which if terminated or adversely 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 between us and affiliates of TD provides a significant portion of our revenue. This agreement enables our clients to invest in an FDIC-insured deposit product without the need for the Company to establish the significant levels of capital that would be required to maintain our own bank charter. During fiscal 2012, net revenues related to this agreement accounted for approximately 31% of our net revenues. For fiscal year 2012, the average balance of client cash swept to our insured deposit account offering was $59.4 billion. The average yield earned on the insured deposit account balances was 130 basis points higher than the average net yield earned on segregated cash balances during fiscal 2012. The termination or adverse modification of this agreement without replacing it on comparable terms with a different counterparty, which may not be available, could have a material adverse effect on our business, financial condition and results of operations. If this agreement was terminated or adversely modified and we elected to establish our own bank charter for purposes of offering an FDIC-insured deposit product, we would be required to establish and maintain significant levels of capital within a bank subsidiary. We would also be subject to various other risks associated with banking, including credit risk on loans and investments, liquidity risk associated with bank balance sheet management, operational risks associated with banking systems and infrastructure and additional regulatory requirements and supervision.

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 or ratifies 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.

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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 2013 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***

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 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.

On January 27, 2011, TD Ameritrade, Inc. entered into a settlement with the SEC, in which it 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 (PSC) filed an administrative order against TD Ameritrade, Inc. involving the sale of Yield Plus Fund securities to certain Pennsylvania clients. On September 19, 2012, the Company agreed to a settlement of the matter with the PSC. The settlement was not material to the Company s financial condition, results of operations or cash flows.

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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 SEC settlement, is approximately $36 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 Ross lawsuit, or the potential loss, if any, that may result. However, management believes the outcome 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 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.

Item 4. ***Mine Safety Disclosures***

Not applicable.

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PART II

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

Price Range of Common Stock

Prior to April 25, 2012, our common stock traded on the Nasdaq Global Select Market under the symbol AMTD. On April 25, 2012, our common stock began trading on the New York Stock Exchange (NYSE) 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 through April 24, 2012 and the NYSE thereafter. 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,			
	2012		2011	
	High	Low	High	Low
First Quarter	$ 17.62	$ 13.78	$ 19.01	$ 15.90
Second Quarter	$ 20.59	$ 15.69	$ 22.90	$ 18.44
Third Quarter	$ 20.17	$ 16.09	$ 22.60	$ 18.44
Fourth Quarter	$ 18.00	$ 15.09	$ 20.76	$ 13.43

The closing sale price of our common stock as reported on the NYSE on November 6, 2012 was $16.51 per share. As of that date there were 745 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 92,000 beneficial holders of our common stock.

Dividends

We declared a $0.06 per share and $0.05 per share quarterly cash dividend on our common stock during each quarter of fiscal 2012 and fiscal 2011, respectively. On October 29, 2012, we declared a $0.09 per share quarterly cash dividend, which was paid on November 23, 2012 to all holders of record of our common stock as of November 9, 2012. 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.

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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 30, 2007 in the Company s common stock, a broad-based stock index and the stocks comprising an industry peer group.

	Period Ended					
Index	**9/30/07**	**9/30/08**	**9/30/09**	**9/30/10**	**9/30/11**	**9/30/12**
TD Ameritrade Holding Corporation	100.00	91.49	107.74	88.64	81.56	86.46
S&P 500	100.00	78.02	72.63	80.01	80.93	105.37
Peer Group	100.00	104.57	77.55	57.69	45.64	51.42

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

E*TRADE Financial Corporation

The Charles Schwab Corporation

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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, 2012 July 31, 2012	439,406	$ 15.88	400,000	26,350,000
August 1, 2012 August 31, 2012	1,300,000	$ 16.47	1,300,000	25,050,000
September 1, 2012 September 30, 2012	134,644	$ 17.20	130,000	24,920,000
Total Three months ended September 30, 2012	1,874,050	$ 16.39	1,830,000	24,920,000

On October 20, 2011, our board of directors authorized the repurchase of up to 30 million shares of our common stock. We disclosed this authorization on November 18, 2011 in our annual report on Form 10-K. This program was the only stock repurchase program in effect and no programs expired during the fourth quarter of fiscal 2012.

During the quarter ended September 30, 2012, 44,050 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,				
	2012	2011	2010	2009	2008
	(In millions, except per share amounts)				
Consolidated Statements of Income Data:					
Net revenues	$ 2,641	$ 2,763	$ 2,560	$ 2,408	$ 2,537
Operating income	934	1,048	965	1,102	1,341
Net income	586	638	592	644	804
Earnings per share basic	$ 1.07	$ 1.12	$ 1.01	$ 1.11	$ 1.35
Earnings per share diluted	$ 1.06	$ 1.11	$ 1.00	$ 1.10	$ 1.33
Weighted average shares outstanding basic	548	570	585	579	594
Weighted average shares outstanding diluted	554	576	592	587	603
Dividends declared per share	$ 0.24	$ 0.20	$ 0.00	$ 0.00	$ 0.00

	As of September 30,				
	2012	2011	2010	2009	2008
			(In millions)		
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 915	$ 1,032	$ 741	$ 791	$ 674
Short-term investments	154	4	4	52	369
Total assets	19,513	17,126	14,727	18,372	15,952
Long-term obligations	1,350	1,348	1,323	1,443	1,445
Stockholders equity	4,425	4,116	3,772	3,551	2,925

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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, followed by or that include the words may, could, would, should, believe, exp anticipate, plan, estimate, target, project, intend and similar words or expressions. In particular, forward-looking statements contained in t 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; diluted earnings per share; average commissions and transaction fees per trade; amounts of commissions and transaction fees, asset-based revenues, net interest revenue, insured deposit account fees, investment product fees and other revenues; net interest margin; the average yield earned on insured deposit account assets; the effect of our migration of client cash balances into the insured deposit account offering; amounts of total operating expenses, advertising expense and other expenses; our effective income tax rate; our capital and liquidity needs and our plans to finance such needs; and our stock repurchase program.

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 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.

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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.

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. Futures accounts* are sub-accounts associated with a brokerage account for clients who wish to trade futures and/or options on futures.

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 EBITDA (earnings before interest, taxes, depreciation and amortization) 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.

EPS excluding amortization of intangible assets Earnings per share (EPS) excluding amortization of intangible assets is a non-GAAP financial measure. We define EPS excluding amortization of intangible assets as earnings (loss) per share, adjusted to remove the after-tax effect of amortization of acquired intangible assets. We consider EPS excluding amortization of intangible assets an important measure of our financial performance. Amortization of acquired intangible assets is excluded because we believe it is not indicative of underlying business performance. EPS excluding amortization of intangible assets 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.

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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.

Futures accounts Sub-accounts maintained by the Company on behalf of clients for trading in futures and/or options on futures. Each futures account must be associated with a *brokerage account*. Futures accounts are not counted separately for purposes of the Company s client account metrics.

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 point*s and the cost of FDIC insurance premiums.

Interest rate-sensitive assets Consist of *spread-based assets* and client cash invested in money market mutual funds.

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. Liquid assets management target is based on more conservative measures of broker-dealer net capital than liquid assets regulatory threshold (defined below) because we prefer to maintain significantly more conservative levels of net capital at the broker-dealer subsidiaries than the regulatory thresholds require. 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, such as the need to provide funding for significant strategic business transactions. 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

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excess of 5% of aggregate debit items and (ii) our introducing broker-dealer subsidiaries in excess of the applicable early warning net capital requirement 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, such as the need to provide funding for significant strategic business transactions. *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.

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. It also includes the value of open futures, foreign exchange and options 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.

Market fee-based investment balances Client assets invested in mutual funds (except money market funds) and Company programs such as AdvisorDirect® and Amerivest,™ on which we earn fee revenues that are largely based on a percentage of the market value of the investment. Market fee-based investment balances are a component of *fee-based investment balances*. Fee revenues earned on these balances are included in *investment product fees* on our Consolidated Statements of Income.

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* 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.

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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* 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 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

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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. 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.

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 on sale of investments represents gains 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. 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

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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.

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.

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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.

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 millions):

	Fiscal Year Ended September 30,					
	2012		2011		2010	
	$	% of Net Revenues	$	% of Net Revenues	$	% of Net Revenues
EBITDA	$ 1,098	41.6%	$ 1,213	43.9%	$ 1,114	43.5%
Less:						
Depreciation and amortization	(72)	(2.7)%	(67)	(2.4)%	(57)	(2.2)%
Amortization of acquired intangible assets	(92)	(3.5)%	(97)	(3.5)%	(100)	(3.9)%
Interest on borrowings	(28)	(1.1)%	(32)	(1.2)%	(45)	(1.8)%
Provision for income taxes	(320)	(12.1)%	(379)	(13.7)%	(320)	(12.5)%
Net income	$ 586	22.2%	$ 638	23.1%	$ 592	23.1%

Our EBITDA decreased 9% for fiscal 2012 compared to fiscal 2011, primarily due to a 4% decrease in net revenues, partially offset by a slight decrease in operating expenses. The decrease in net revenues was due primarily to a decrease of 30 basis points in net interest margin earned on spread-based balances and an 11% decrease in total client trades, partially offset by the effects of a 19% increase in average spread-based balances and a 16% increase in average market fee-based investment balances. Detailed analysis of net revenues and operating expenses is presented later in this discussion.

Our diluted earnings per share was $1.06, $1.11 and $1.00 for fiscal years 2012, 2011 and 2010, respectively. Based on our expectations for net revenues and expenses, we expect diluted earnings per share to range from $1.00 to $1.20 for fiscal year 2013. Details regarding our fiscal year 2013 expectations for net revenues and expenses are presented later in this discussion.

Operating Metrics

Our largest sources of revenues are asset-based revenues and transaction-based revenues. For fiscal 2012, asset-based revenues and transaction-based revenues accounted for 56% and 41% 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 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 and insured deposit account fees by average spread-based assets. Spread-

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

	Fiscal Year			12 vs. 11	11 vs. 10
	2012	2011	2010	Increase/ (Decrease)	Increase/ (Decrease)
Average interest-earning assets	$ 14,884	$ 13,783	$ 13,753	$ 1,101	$ 30
Average insured deposit account balances	59,384	48,537	39,187	10,847	9,350
Average spread-based balances	$ 74,268	$ 62,320	$ 52,940	$ 11,948	$ 9,380
Net interest revenue	$ 450	$ 492	$ 422	$ (42)	$ 70
Insured deposit account fee revenue	828	763	682	65	81
Spread-based revenue	$ 1,278	$ 1,255	$ 1,104	$ 23	$ 151
Average yield interest-earning assets	2.97%	3.52%	3.02%	(0.55)%	0.50%
Average yield insured deposit account fees	1.37%	1.55%	1.72%	(0.18)%	(0.17)%
Net interest margin (NIM)	1.69%	1.99%	2.06%	(0.30)%	(0.07)%

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

	Interest Revenue (Expense) Fiscal Year			12 vs. 11	11 vs. 10
	2012	2011	2010	Increase/ (Decrease)	Increase/ (Decrease)
Segregated cash	$ 4	$ 2	$ 6	$ 2	$ (4)
Client margin balances	345	390	333	(45)	57
Securities lending/borrowing, net	101	101	84		17
Other cash and interest-earning investments	1	1	2		(1)
Client credit balances	(1)	(2)	(3)	1	1
Net interest revenue	$ 450	$ 492	$ 422	$ (42)	$ 70

	Average Balance Fiscal Year			12 vs. 11	11 vs. 10
	2012	2011	2010	% Change	% Change
Segregated cash	$ 4,346	$ 3,016	$ 4,675	44%	(35)%
Client margin balances	8,200	8,756	6,991	(6)%	25%
Securities borrowing	804	760	1,017	6%	(25)%
Other cash and interest-earning investments	1,534	1,251	1,070	23%	17%
Interest-earning assets	$ 14,884	$ 13,783	$ 13,753	8%	0%
Client credit balances	$ 9,171	$ 8,351	$ 8,548	10%	(2)%

Securities lending	1,969	1,934	2,124	2%	(9)%
Interest-bearing liabilities	$ 11,140	$ 10,285	$ 10,672	8%	(4)%

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	Average Yield (Cost) Fiscal Year			12 vs. 11 Net Yield Increase/ (Decrease)	11 vs. 10 Net Yield Increase/ (Decrease)
	2012	2011	2010		
Segregated cash	0.08%	0.07%	0.13%	0.01%	(0.06)%
Client margin balances	4.13%	4.39%	4.70%	(0.26)%	(0.31)%
Other cash and interest-earning investments	0.09%	0.10%	0.16%	(0.01)%	(0.06)%
Client credit balances	(0.01)%	(0.02)%	(0.03)%	0.01%	0.01%
Net interest revenue	2.97%	3.52%	3.02%	(0.55)%	0.50%

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

	Fee Revenue Fiscal Year			12 vs. 11 Increase/ (Decrease)	11 vs. 10 Increase/ (Decrease)
	2012	2011	2010		
Money market mutual fund	$ 3	$ 8	$ 10	$ (5)	$ (2)
Market fee-based investment balances	193	158	119	35	39
Total investment product fees	$ 196	$ 166	$ 129	$ 30	$ 37

	Average Balance Fiscal Year			12 vs. 11 % Change	11 vs. 10 % Change
	2012	2011	2010		
Money market mutual fund	$ 5,113	$ 8,712	$ 9,846	(41)%	(12)%
Market fee-based investment balances	81,024	69,568	51,734	16%	34%
Total fee-based investment balances	$ 86,137	$ 78,280	$ 61,580	10%	27%

	Average Yield Fiscal Year			12 vs. 11 Increase/ (Decrease)	11 vs. 10 Increase/ (Decrease)
	2012	2011	2010		
Money market mutual fund	0.07%	0.09%	0.10%	(0.02)%	(0.01)%
Market fee-based investment balances	0.23%	0.22%	0.23%	0.01%	(0.01)%
Total investment product fees	0.22%	0.21%	0.21%	0.01%	0.00%

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			12 vs. 11 % Change	11 vs. 10 % Change
	2012	2011	2010		
Total trades (in millions)	89.91	100.74	93.33	(11)%	8%
Average commissions and transaction fees per trade(1)	$ 12.09	$ 12.18	$ 12.79	(1)%	(5)%
Average client trades per day	359,631	398,986	371,835	(10)%	7%
Average client trades per funded account (annualized)	15.8	18.2	17.3	(13)%	5%

Activity rate	funded accounts	6.3%	7.2%	6.9%	(13)%	4%
Trading days		250.0	252.5	251.0	(1)%	1%

(1) Average commissions and transaction fees per trade excludes the TD Waterhouse UK business.

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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		
	2012	**2011**	**2010**
New accounts opened	684,000	645,000	668,000
Funded accounts (beginning of year)	5,617,000	5,455,000	5,279,000
Funded accounts (end of year)	5,764,000	5,617,000	5,455,000
Percentage change during year	3%	3%	3%
Client assets (beginning of year, in billions)	$ 378.7	$ 354.8	$ 302.0
Client assets (end of year, in billions)	$ 472.3	$ 378.7	$ 354.8
Percentage change during year	25%	7%	17%
Net new assets (in billions)	$ 40.8	$ 41.5	$ 33.9
Net new assets annualized growth rate	11%	12%	11%

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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			12 vs. 11	11 vs. 10
	2012	2011	2010	% Change	% Change
Revenues:					
Transaction-based revenues:					
Commissions and transaction fees	$ 1,087	$ 1,228	$ 1,194	(11)%	3%
Asset-based revenues:					
Interest revenue	456	497	428	(8)%	16%
Brokerage interest expense	(6)	(5)	(6)	20%	(17)%
Net interest revenue	450	492	422	(9)%	17%
Insured deposit account fees	828	763	682	9%	12%
Investment product fees	196	166	129	18%	29%
Total asset-based revenues	1,474	1,421	1,233	4%	15%
Other revenues	80	114	133	(30)%	(14)%
Net revenues	2,641	2,763	2,560	(4)%	8%
Operating expenses:					
Employee compensation and benefits	690	675	622	2%	9%
Clearing and execution costs	89	100	90	(11)%	11%
Communications	111	107	107	4%	0%
Occupancy and equipment costs	150	142	143	6%	(1)%
Depreciation and amortization	72	67	57	7%	18%
Amortization of acquired intangible assets	92	97	100	(5)%	(3)%
Professional services	168	170	132	(1)%	29%
Advertising	248	253	250	(2)%	1%
Gains on money market funds and client guarantees			(13)	N/A	(100)%
Other	87	104	107	(16)%	(3)%
Total operating expenses	1,707	1,715	1,595	(0)%	8%
Operating income	934	1,048	965	(11)%	9%
Other expense (income):					
Interest on borrowings	28	32	45	(13)%	(29)%
Loss on debt refinancing		1	8	(100)%	(88)%
Gain on sale of investments		(2)		(100)%	N/A
Total other expense (income)	28	31	53	(10)%	(42)%
Pre-tax income	906	1,017	912	(11)%	12%
Provision for income taxes	320	379	320	(16)%	18%
Net income	$ 586	$ 638	$ 592	(8)%	8%
Other information:					
Effective income tax rate	35.3%	37.3%	35.1%		
Average debt outstanding	$ 1,257	$ 1,268	$ 1,303	(1)%	(3)%

Average interest rate incurred on borrowings	2.13%	2.28%	3.09%

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Fiscal Year Ended September 30, 2012 Compared to Fiscal Year Ended September 30, 2011

Net Revenues

Commissions and transaction fees decreased 11% to $1.09 billion, primarily due to decreased client trading activity and slightly lower average commissions and transaction fees per trade. Total trades decreased 11%, as average client trades per day decreased 10% to 359,631 for fiscal 2012 compared to 398,986 for fiscal 2011, and there were 2.5 fewer trading days during fiscal 2012 compared to fiscal 2011. Average client trades per funded account were 15.8 for fiscal 2012 compared to 18.2 for fiscal 2011. Average commissions and transaction fees per trade decreased to $12.09 per trade for fiscal 2012 from $12.18 for fiscal 2011, primarily due to (1) a higher percentage of reduced commission trades, including negotiated rates for our active trader clients and promotional trades to attract new accounts and client assets, (2) lower average contracts per trade on options trades and (3) increased futures and foreign exchange trades, which earn somewhat lower average commissions and transaction fees per trade and do not generate payment for order flow revenue. These decreases were partially offset by higher payment for order flow revenue per trade during fiscal 2012 compared to fiscal 2011. We expect average commissions and transaction fees to range between $11.90 and $12.40 per trade during fiscal 2013, 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 $1.06 billion to $1.27 billion for fiscal 2013, 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 4% to $1.47 billion, primarily due to the effects of a 19% increase in average spread-based assets and a 16% increase in market fee-based assets, partially offset by a decrease of 30 basis points in the net interest margin earned on spread-based assets. Our net interest margin decreased to 1.69% for fiscal 2012, compared to 1.99% for fiscal 2011. We expect net interest margin to decrease to between 1.40% and 1.50% for fiscal 2013, depending largely on the interest rate environment. We expect asset-based revenues to range from $1.38 billion to $1.54 billion for fiscal 2013, depending largely on our net interest margin 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 2013. 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 2013. Overall, we expect a decrease in our net interest margin, due to the expected continued low short- to medium-term interest rate environment, to be partially or completely offset by the effect of increased average spread-based and fee-based asset balances for fiscal 2013. The following paragraphs provide further analysis of the components of asset-based revenues.

Net interest revenue decreased 9% to $450 million, due primarily to a 6% decrease in average client margin balances and a decrease of 26 basis points in the average yield earned on client margin balances for fiscal 2012 compared to fiscal 2011. We expect net interest revenue to range from $431 million to $458 million for fiscal 2013.

Insured deposit account fees increased 9% to $828 million, due primarily to a 22% increase in average client IDA balances, partially offset by a decrease of 18 basis points in the average yield earned on the IDA assets during fiscal 2012 compared to fiscal 2011. We expect that, absent an increase in interest rates, the average yield earned on the IDA assets will continue to decrease somewhat, as investments in the IDA portfolio mature and are reinvested at lower rates. The increased IDA 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 IDA offering. During fiscal 2012, we moved approximately $3 billion of client cash out of money market mutual funds into the IDA offering. 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. We expect insured deposit account fees to range from $730 million to $830 million for fiscal 2013 due to a decrease in the expected average yield earned on the IDA assets, partially offset by expected growth in average insured deposit account balances.

Investment product fees increased 18% to $196 million, primarily due to a 16% increase in average market fee-based investment balances and an increase of 1 basis point in the average yield earned on those balances,

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partially offset by a 41% decrease in average client money market mutual fund balances during fiscal 2012 compared to fiscal 2011. The decrease in average money market mutual fund balances resulted primarily from our client cash migration strategy discussed above. We expect investment product fees to increase to between $222 million and $252 million for fiscal 2013, primarily due to expected growth in average market fee-based investment balances.

Other revenues decreased 30% to $80 million, primarily due to lower client education revenue and decreased fees from processing corporate securities reorganizations during fiscal 2012 compared to fiscal 2011, and the effect of $4 million of net gains on auction rate securities during fiscal 2011. We expect other revenues to decrease to between $53 million and $63 million for fiscal 2013, primarily due to lower expected client education revenue.

Operating Expenses

Total operating expenses decreased slightly to $1.71 billion during fiscal 2012 , as described below. We expect total operating expenses to range from $1.60 billion to $1.77 billion for fiscal 2013.

Employee compensation and benefits expense increased 2% to $690 million, primarily due to higher average headcount during fiscal 2012 compared to fiscal 2011, higher stock-based compensation expense during fiscal 2012 compared to fiscal 2011 due to the effect of retirement eligibility provisions in certain stock award agreements and an increase of approximately $5 million in severance costs related to staff reductions during fiscal 2012. These increases were partially offset by lower incentive-based compensation related to Company and individual performance compared to fiscal 2011. The average number of full-time equivalent employees was 5,400 for fiscal 2012 compared to 5,331 for fiscal 2011.

Clearing and execution costs decreased 11% to $89 million, primarily due to a decrease in outsourced clearing fees for our thinkorswim business and lower client trading volumes in fiscal 2012 compared to fiscal 2011. We completed the thinkorswim clearing conversion during the fourth quarter of fiscal 2011.

Occupancy and equipment costs increased 6% to $150 million, primarily due to upgrades to our technology infrastructure and facilities.

Advertising expense decreased 2% to $248 million, primarily due to lower investor education promotion costs during fiscal 2012 compared to fiscal 2011, partially offset by increased advertising during the fourth quarter of fiscal 2012 in connection with our sponsorship of the Summer Olympics. 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. We find trading volumes in the stock market to be an effective indicator of self-directed investor engagement. When self-directed investors are actively engaged in the stock market, we tend to experience more success with our advertising, resulting in a lower cost per new account. We also find that self-directed investors tend to demonstrate more interest in financial products and services during certain times of the year, such as in the months immediately preceding the annual April tax filing deadline, and less interest during certain other times, such as the summer months. In addition, in periods when advertising market demand is weak, we may adjust our spending to take advantage of attractive advertising rates. We expect advertising expense to range from $220 million to $250 million for fiscal 2013.

Other operating expenses decreased 16% to $87 million, primarily due to lower losses on disposal of property and lower client education travel and venue costs during fiscal 2012 compared to fiscal 2011. Fiscal 2012 included $10 million of losses on disposal of property, primarily related to our discontinued use of certain software and hardware. Fiscal 2011 included $17 million of losses on disposal of property, 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 10% to $28 million, due primarily to lower interest on borrowings during fiscal 2012 compared to fiscal 2011. We expect other expenses to range from $22 million to $32 million for fiscal 2013.

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Interest on borrowings decreased 13% to $28 million, due primarily to lower average interest rates incurred on our debt and an increase of $2 million in the amount of interest capitalized related to the construction of our Omaha campus during fiscal 2012 compared to fiscal 2011. The average interest rate incurred on our debt was 2.13% for fiscal 2012, compared to 2.28% for fiscal 2011. The lower average interest rate incurred on our debt during fiscal 2012 was primarily due to the effect of the fixed-for-variable interest rate swap on our $500 million 5.600% Senior Notes due 2019 entered into on January 7, 2011. We incur variable interest under this interest rate swap at a rate equal to three-month LIBOR plus 2.3745%, or approximately 2.79% as of September 30, 2012.

Our effective income tax rate was 35.3% for fiscal 2012, compared to 37.3% for fiscal 2011. The effective tax rate for fiscal 2012 was significantly lower than normal primarily due to $19 million of favorable resolutions of state income tax matters and a $3 million benefit resulting from the reversal of a valuation allowance related to a capital loss carryover. These items favorably impacted the Company s earnings for fiscal 2012 by approximately four cents per share. The effective tax rate for fiscal 2011 was somewhat lower than normal due to $6 million of favorable resolutions of state income tax matters and $1 million of favorable deferred income tax adjustments resulting from state income tax law changes. These items favorably impacted the Company s earnings for fiscal 2011 by approximately one cent per share. We expect our effective income tax rate to range from 38% to 39% for fiscal 2013, 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, 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) a higher percentage of reduced commission trades, including negotiated rates for our active trader clients 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.

Net interest revenue increased 17% to $492 million, due primarily to a 25% increase in average client margin balances and a $17 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 $763 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. 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 million, primarily due to a 34% increase in average market fee-based investment balances.

Other revenues decreased 14% to $114 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.

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Operating Expenses

Employee compensation and benefits expense increased 9% to $675 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 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 18% to $67 million, due primarily to depreciation on recent technology infrastructure upgrades and leasehold improvements.

Professional services increased 29% to $170 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.

Gains on money market funds and client guarantees during fiscal 2010 consisted of $10 million of recoveries on our Reserve Primary Fund holdings, $2 million of favorable fair market value adjustments to our Reserve International Liquidity Fund holdings and $1 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.

Other operating expenses decreased 3% to $104 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 $17 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

Interest on borrowings decreased 29% to $32 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 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 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 somewhat lower than normal due to $6 million of favorable resolutions of state income tax matters and $1 million of favorable deferred income tax adjustments resulting from state income tax law changes. These items favorably impacted the Company s earnings for fiscal 2011 by approximately one cent per share. The effective tax rate for fiscal 2010 was significantly lower than normal due to $32 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 five cents per share.

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Liquidity and Capital Resources

As a holding company, TD Ameritrade Holding Corporation conducts substantially all of its business through its operating subsidiaries, principally its broker-dealer subsidiaries.

We have historically financed our liquidity and capital needs primarily through the use of funds generated from subsidiary 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 2012 were financed primarily from our subsidiaries earnings and cash on hand. We plan to finance our operational capital and liquidity needs in fiscal 2013 primarily from our subsidiaries earnings, cash on hand and, if necessary, borrowings on our parent company and broker-dealer credit facilities. We intend to fund the repayment of our $250 million of 2.950% Senior Notes due December 1, 2012 with cash on hand.

Dividends from our subsidiaries are the primary 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.

Broker-dealer Subsidiaries

Our broker-dealer subsidiaries are subject to regulatory requirements that are intended to ensure their liquidity and general financial soundness. Under the SEC s Uniform Net Capital Rule (Rule 15c3-1 under the Securities Exchange Act of 1934, or the Exchange Act), 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 our clearing broker-dealer subsidiary, this minimum net capital level is determined by a calculation described in Rule 15c3-1 that is primarily based on the broker-dealer s aggregate debits, which primarily are a function of client margin balances at the clearing broker-dealer. 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.

Each of our broker-dealer subsidiaries may not repay any subordinated borrowings, pay cash dividends or make any unsecured advances or loans to its parent company or employees if such payment would result in a net capital amount of (a) less than 5% of aggregate debit balances, (b) less than 110% of its risk-based capital requirement under CFTC Regulation 1.17 or (c) less than 120% of its minimum dollar requirement. These net capital thresholds, which are specified in Rule 17a-11 under the Exchange Act and CFTC Regulation 1.12, are typically referred to as early warning net capital thresholds. As of September 30, 2012, our clearing and introducing broker-dealer subsidiaries had $1,302 million and $261 million of net capital, respectively, which exceeded the early warning net capital thresholds by $796 million and $252 million, respectively.

Our clearing broker-dealer subsidiary, TD Ameritrade Clearing, Inc. (TDAC), engages in such activities as settling client securities transactions with clearinghouses, extending credit to clients through margin lending, securities lending and borrowing transactions and processing client cash sweep transactions to and from insured deposit accounts and money market mutual funds. These types of broker-dealer activities require active daily liquidity management.

Most of TDAC s assets are readily convertible to cash, consisting primarily of cash and investments segregated for the exclusive benefit of clients, receivables from clients and receivables from brokers, dealers and clearing organizations. Cash and investments segregated for the exclusive benefit of clients may be held in cash, reverse repurchase agreements (collateralized by U.S. Treasury securities), U.S. Treasury securities and other qualified securities. Receivables from clients consist of margin loans, which are demand loan obligations secured by readily marketable securities. Receivables from brokers, dealers and clearing organizations primarily arise from current open transactions, which usually settle or can be settled within a few business days.

TDAC is subject to cash deposit and collateral requirements with clearinghouses such as the Depository Trust & Clearing Corporation (DTCC) and the Options Clearing Corporation (OCC), which may fluctuate

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significantly from time to time based on the nature and size of our clients trading activity. As of September 30, 2012, TDAC had $176 million of cash deposited with clearing organizations for the clearing of client equity and option trades.

TDAC s liquidity needs relating to client trading and margin borrowing are met primarily through cash balances in client brokerage accounts, which were $10.5 billion as of September 30, 2012. Cash balances in client brokerage accounts not used for client trading and margin borrowing activity are not generally available for other liquidity purposes and must be segregated for the exclusive benefit of clients under Rule 15c3-3 of the Exchange Act. At September 30, 2012, TDAC had $3.9 billion of cash and investments segregated in special reserve bank accounts for the exclusive benefit of clients under Rule 15c3-3.

For general liquidity needs, TDAC also maintains a senior unsecured revolving credit facility in an aggregate principal amount of $300 million. This facility is described under Loan Facilities later in this section. There were no borrowings outstanding on this facility as of September 30, 2012.

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.). Liquid assets management target is based on more conservative measures of broker-dealer net capital than liquid assets regulatory threshold (defined below) because we prefer to maintain significantly more conservative levels of net capital at the broker-dealer subsidiaries than the regulatory thresholds require. 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 the applicable early warning net capital requirement and (d) Tier 1 capital of our trust company in excess of the minimum dollar requirement. For more information about the regulatory capital requirements of our broker-dealer and trust subsidiaries, please see Note 10 Capital Requirements of the Notes to Consolidated Financial Statements under Item 8 Financial Statements and Supplementary Data. We consider liquid assets regulatory threshold to be a measure that reflects our liquidity that would be available for corporate investing or financing activities under unusual operating circumstances, such as the need to provide funding for significant strategic business transactions.

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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 millions):

	Liquid Assets Management Target September 30,			Liquid Assets Regulatory Threshold September 30,		
	2012	2011	Change	2012	2011	Change
Cash and cash equivalents	$ 915	$ 1,032	$ (117)	$ 915	$ 1,032	$ (117)
Less: Broker-dealer cash and cash equivalents	(406)	(656)	250	(406)	(656)	250
Trust company cash and cash equivalents	(95)	(109)	14	(95)	(109)	14
Investment advisory cash and cash equivalents	(11)	(7)	(4)	(11)	(7)	(4)
Corporate cash and cash equivalents	403	260	143	403	260	143
Plus: Corporate short-term investments	150		150	150		150
Excess trust company Tier 1 capital				10	9	1
Excess broker-dealer regulatory net capital	501	592	(91)	1,048	1,139	(91)
Liquid assets	$ 1,054	$ 852	$ 202	$ 1,611	$ 1,408	$ 203

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

	Liquid Assets Management Target	Liquid Assets Regulatory Threshold
Liquid assets as of September 30, 2011	$ 852	$ 1,408
Plus: EBITDA(1)	1,098	1,098
Proceeds from exercise of stock options	5	5
Other investing activities	8	8
Other changes in working capital and regulatory net capital	30	23
Less: Income taxes paid	(313)	(313)
Interest paid	(34)	(34)
Purchase of property and equipment	(186)	(186)
Purchase of investments	(44)	(44)
Purchase of treasury stock	(208)	(208)
Principal payments on capital lease obligations	(6)	(6)
Payment of cash dividends	(132)	(132)
Additional net capital requirement due to increase in aggregate debits	(16)	(8)
Liquid assets as of September 30, 2012	$ 1,054	$ 1,611

(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

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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, 2012, the weighted-average effective interest rate on the Senior Notes was 2.06%.

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, 2012, 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 public debt ratings. There were no borrowings outstanding under the Parent Revolving Facility as of September 30, 2012.

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, 2012.

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 ratings. 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 ratings. As of September 30, 2012, 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 ratings. There were no borrowings outstanding under the TDAC Revolving Facility as of September 30, 2012.

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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, 2012.

Stock Repurchase Programs

On August 5, 2010, our board of directors authorized the repurchase of up to 30 million shares of our common stock. During the first quarter of fiscal 2012, we completed the August 5, 2010 stock repurchase authorization by repurchasing the remaining 6.7 million shares at a weighted average purchase price of $15.91 per share. From the inception of the August 5, 2010 stock repurchase authorization through December 31, 2011, we repurchased a total of 30 million shares at a weighted average purchase price of $16.73 per share.

On October 20, 2011, our board of directors authorized the repurchase of up to an additional 30 million shares of our common stock. From the inception of the October 20, 2011 stock repurchase authorization through September 30, 2012, we repurchased approximately 5.1 million shares at a weighted average purchase price of $17.46 per share. As of September 30, 2012, we had approximately 24.9 million shares remaining on the October 20, 2011 stock repurchase authorization.

The Stockholders Agreement among TD, the Company and certain other stockholders imposes limitations on TD s ownership percentage of the Company s common stock. Further stock repurchases by the Company would result in TD being required to sell shares of Company common stock, recognizing accounting losses at current market prices. This fact, along with the availability of other good capital deployment opportunities, such as long-term debt repayment and increased cash dividends, has led the Company to suspend further repurchases under our current stock repurchase authorization until circumstances change.

Cash Dividends

We declared a $0.06 per share and a $0.05 per share quarterly cash dividend on our common stock during each quarter of fiscal 2012 and fiscal 2011, respectively. We paid a total of $132 million and $114 million to fund the dividends for fiscal 2012 and 2011, respectively. On October 29, 2012, we declared a $0.09 per share quarterly cash dividend on our common stock for the first quarter of fiscal 2013. We paid approximately $49 million on November 23, 2012 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: General Contingencies and 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 (31% of our net revenues for the fiscal year ended September 30, 2012) and enables our clients to invest in an FDIC-insured deposit product without the need for the Company to establish the significant levels of capital that would be required to maintain our own bank charter.

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Contractual Obligations

The following table summarizes our contractual obligations as of September 30, 2012 (dollars in millions):

		Payments Due by Period (Fiscal Years):			
Contractual Obligations	**Total**	**Less than 1 year 2013**	**1-3 years 2014-15**	**3-5 years 2016-17**	**More than 5 years After 2017**
Long-term debt obligations(1)	$ 1,374	$ 274	$ 540	$ 28	$ 532
Capital lease obligations	5	4	1		
Operating lease obligations	332	48	88	80	116
Purchase obligations(2)	204	135	41	14	14
Income taxes payable(3)	199	199			
Total	$ 2,114	$ 660	$ 670	$ 122	$ 662

(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, 2012 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.

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.

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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, 2012 indicate that a gradual 1% (100 basis points) increase in interest rates over a 12-month period would result in approximately $108 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 $46 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%.

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.

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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, 2012 and 2011, and the related consolidated statements of income, stockholders equity, and cash flows for each of the three years in the period ended September 30, 2012. 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, 2012 and 2011, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 30, 2012, 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, 2012, 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 26, 2012 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Chicago, Illinois

November 26, 2012

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TD AMERITRADE HOLDING CORPORATION

CONSOLIDATED BALANCE SHEETS

As of September 30, 2012 and 2011

	2012	2011
	(In millions)	
ASSETS		
Cash and cash equivalents	$ 915	$ 1,032
Short-term investments	154	4
Cash and investments segregated and on deposit for regulatory purposes	4,030	2,519
Receivable from brokers, dealers and clearing organizations	1,110	834
Receivable from clients, net	8,647	8,059
Receivable from affiliates	85	93
Other receivables, net	118	115
Securities owned, at fair value	343	447
Investments available-for-sale, at fair value	70	
Property and equipment at cost, net	444	341
Goodwill	2,467	2,467
Acquired intangible assets, net	932	1,024
Deferred income taxes	2	5
Other assets	196	186
Total assets	$ 19,513	$ 17,126
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Payable to brokers, dealers and clearing organizations	$ 1,992	$ 1,710
Payable to clients	10,728	8,979
Accounts payable and accrued liabilities	632	585
Payable to affiliates	4	4
Deferred revenue	28	42
Long-term debt	1,345	1,337
Capitalized lease obligations	5	11
Deferred income taxes	354	342
Total liabilities	15,088	13,010
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 million shares issued; 2012 545 million shares outstanding; 2011 554 million shares outstanding	6	6
Additional paid-in capital	1,587	1,584
Retained earnings	4,100	3,646
Treasury stock, common, at cost: 2012 86 million shares; 2011 77 million shares	(1,286)	(1,120)
Accumulated other comprehensive income	18	
Total stockholders' equity	4,425	4,116
Total liabilities and stockholders' equity	$ 19,513	$ 17,126

See notes to consolidated financial statements.

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TD AMERITRADE HOLDING CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended September 30, 2012, 2011 and 2010

	2012	2011	2010
	(In millions, except per share amounts)		
Revenues:			
Transaction-based revenues:			
Commissions and transaction fees	$ 1,087	$ 1,228	$ 1,194
Asset-based revenues:			
Interest revenue	456	497	428
Brokerage interest expense	(6)	(5)	(6)
Net interest revenue	450	492	422
Insured deposit account fees	828	763	682
Investment product fees	196	166	129
Total asset-based revenues	1,474	1,421	1,233
Other revenues	80	114	133
Net revenues	2,641	2,763	2,560
Operating expenses:			
Employee compensation and benefits	690	675	622
Clearing and execution costs	89	100	90
Communications	111	107	107
Occupancy and equipment costs	150	142	143
Depreciation and amortization	72	67	57
Amortization of acquired intangible assets	92	97	100
Professional services	168	170	132
Advertising	248	253	250
Gains on money market funds and client guarantees			(13)
Other	87	104	107
Total operating expenses	1,707	1,715	1,595
Operating income	934	1,048	965
Other expense (income):			
Interest on borrowings	28	32	45
Loss on debt refinancing		1	8
Gain on sale of investments		(2)	
Total other expense (income)	28	31	53
Pre-tax income	906	1,017	912
Provision for income taxes	320	379	320
Net income	$ 586	$ 638	$ 592

Earnings per share basic	$ 1.07	$ 1.12	$ 1.01
Earnings per share diluted	$ 1.06	$ 1.11	$ 1.00
Weighted average shares outstanding basic	548	570	585
Weighted average shares outstanding diluted	554	576	592
Dividends declared per share	$ 0.24	$ 0.20	$ 0.00

See notes to consolidated financial statements.

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TD AMERITRADE HOLDING CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

For the Years Ended September 30, 2012, 2011 and 2010

	Total Common Shares Outstanding	Total Stockholders' Equity	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income
				(In millions)			
Balance, September 30, 2009	587	$ 3,551	$ 6	$ 1,575	$ 2,530	$ (560)	$
Net income		592			592		
Repurchases of common stock	(15)	(266)				(266)	
Prepayment of structured stock repurchase		(169)		(169)			
Common stock issued for stock-based compensation, including tax effects	4	29		(49)		78	
Stock-based compensation expense		34		34			
Other		1				1	
Balance, September 30, 2010	576	3,772	6	1,391	3,122	(747)	
Net income		638			638		
Payment of cash dividends		(114)			(114)		
Repurchases of common stock	(21)	(349)				(349)	
Settlement of structured stock repurchase	(3)			50		(50)	
Return of prepayment on structured stock repurchase		119		119			
Common stock issued for stock-based compensation, including tax effects	2	13		(13)		26	
Stock-based compensation expense		35		35			
Other		2		2			
Balance, September 30, 2011	554	4,116	6	1,584	3,646	(1,120)	
Net income		586			586		
Net unrealized investment gain, net of $10 million tax		18					18
Total comprehensive income		604					
Payment of cash dividends		(132)			(132)		
Repurchases of common stock	(12)	(208)				(208)	
Common stock issued for stock-based compensation, including tax effects	3	4		(38)		42	
Stock-based compensation expense		41		41			
Balance, September 30, 2012	545	$ 4,425	$ 6	$ 1,587	$ 4,100	$ (1,286)	$ 18

See notes to consolidated financial statements.

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TD AMERITRADE HOLDING CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended September 30, 2012, 2011 and 2010

	2012	2011	2010
		(In millions)	
Cash flows from operating activities:			
Net income	$ 586	$ 638	$ 592
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	72	67	57
Amortization of acquired intangible assets	92	97	100
Deferred income taxes	5	2	154
Gain on sale of investments		(2)	
Loss on disposal of property	10	17	6
Gains on money market funds and client guarantees			(13)
Loss on debt refinancing		1	8
Stock-based compensation	41	35	34
Excess tax benefits on stock-based compensation	(9)	(10)	(16)
Other, net	(2)		
Changes in operating assets and liabilities:			
Cash and investments segregated and on deposit for regulatory purposes	(1,511)	(1,525)	4,820
Receivable from brokers, dealers and clearing organizations	(275)	373	570
Receivable from clients, net	(588)	(668)	(1,681)
Receivable from/payable to affiliates, net	7	1	2
Other receivables, net	(3)	(44)	5
Securities owned	104	(229)	(184)
Other assets		(6)	(3)
Payable to brokers, dealers and clearing organizations	282	(225)	(557)
Payable to clients	1,749	2,169	(3,104)
Accounts payable and accrued liabilities	46	120	(197)
Deferred revenue	(14)	(21)	(8)
Net cash provided by operating activities	592	790	585
Cash flows from investing activities:			
Purchase of property and equipment	(186)	(153)	(91)
Cash received in sale of business		5	
Cash transferred in disposal of subsidiary		(3)	
Purchase of short-term investments	(155)	(4)	(6)
Proceeds from sale and maturity of short-term investments	4	4	3
Proceeds from redemption of money market funds			52
Proceeds from sale of investments	2	3	
Purchase of investments	(44)	(5)	
Other, net	2	1	
Net cash used in investing activities	(377)	(152)	(42)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt			1,249
Payment of debt issuance costs		(2)	(11)
Principal payments on long-term debt		(4)	(1,411)
Principal payments on capital lease obligations	(6)	(10)	(14)
Proceeds from exercise of stock options	5	3	13
Purchase of treasury stock	(208)	(349)	(266)
Prepayment of structured stock repurchase			(169)
Return of prepayment on structured stock repurchase		119	
Payment of cash dividends	(132)	(114)	
Excess tax benefits on stock-based compensation	9	10	16

Net cash used in financing activities	(332)	(347)	(593)
Net increase (decrease) in cash and cash equivalents	(117)	291	(50)
Cash and cash equivalents at beginning of year	1,032	741	791
Cash and cash equivalents at end of year	$ 915	$ 1,032	$ 741
Supplemental cash flow information:			
Interest paid	$ 34	$ 43	$ 39
Income taxes paid	$ 313	$ 321	$ 353
Tax benefit on exercises and distributions of stock-based compensation	$ 8	$ 10	$ 20
Noncash financing activities:			
Settlement of structured stock repurchase	$	$ 50	$
Issuance of capital lease obligations	$	$	$ 6

See notes to consolidated financial statements.

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TD AMERITRADE HOLDING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2012, 2011 and 2010

1. Nature of Operations and Summary of Significant Accounting Policies

Basis of Presentation The consolidated financial statements include the accounts of TD Ameritrade Holding Corporation, a Delaware corporation, and its wholly-owned subsidiaries (collectively, the Company). Intercompany balances and transactions have been eliminated.

Nature of Operations The Company provides securities brokerage services, including trade execution, clearing services and margin lending, through its broker-dealer subsidiaries. The Company provides trustee, custodial and other trust-related services to retirement plans and other custodial accounts through its state-chartered trust company subsidiary. The Company s education subsidiary provides a comprehensive suite of investor education products and services. The Company also provides cash sweep and deposit account products through third-party relationships.

The Company s broker-dealer subsidiaries are subject to regulation by the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), the Commodity Futures Trading Commission (CFTC), the National Futures Association (NFA) and the various exchanges in which they maintain membership. Dividends from the Company s broker-dealer and trust company subsidiaries are a source of liquidity for the holding company. Requirements of the SEC, FINRA and CFTC relating to liquidity, net capital standards and the use of client funds and securities may limit funds available for the payment of dividends from the broker-dealer subsidiaries to the holding company. State regulatory requirements may limit funds available for the payment of dividends from the trust company subsidiary to the holding company.

Use of Estimates The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents The Company considers temporary, highly-liquid investments with an original maturity of three months or less to be cash equivalents, except for amounts required to be segregated for regulatory purposes.

Cash and Investments Segregated and on Deposit for Regulatory Purposes Cash and investments segregated and on deposit for regulatory purposes consists primarily of qualified deposits in special reserve bank accounts for the exclusive benefit of clients under Rule 15c3-3 of the Securities Exchange Act of 1934 (the Exchange Act) and other regulations. Funds can be held in cash, reverse repurchase agreements, U.S. Treasury securities and other qualified securities. Reverse repurchase agreements (securities purchased under agreements to resell) are treated as collateralized financing transactions and are carried at amounts at which the securities will subsequently be resold, plus accrued interest. The Company s reverse repurchase agreements are collateralized by U.S. Treasury securities and generally have a maturity of seven days. Cash and investments segregated and on deposit for regulatory purposes also includes amounts that have been segregated or secured for the benefit of futures clients according to the regulations of the CFTC governing futures commission merchants.

Securities Borrowed and Securities Loaned Securities borrowed and securities loaned transactions are recorded at the amount of cash collateral advanced or received. Securities borrowed transactions require the Company to provide the counterparty with collateral in the form of cash. The Company receives collateral in the form of cash for securities loaned transactions. For these transactions, the fees earned or incurred by the Company are recognized in the period earned or incurred and recorded as interest revenue and brokerage interest expense, respectively, on the Consolidated Statements of Income. The related interest receivable from and the brokerage interest payable to broker-dealers are included in other receivables and in accounts payable and accrued liabilities, respectively, on the Consolidated Balance Sheets.

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TD AMERITRADE HOLDING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Receivable from/Payable to Clients Receivable from clients primarily consists of margin loans to securities brokerage clients, which are collateralized by client securities, and is carried at the amount receivable, net of an allowance for doubtful accounts that is primarily based on the amount of unsecured margin balances. Payable to clients primarily consists of client cash held in brokerage accounts and is carried at the amount of client cash on deposit. The Company earns interest revenue and pays interest expense on its receivable from client and payable to client balances, respectively. The interest revenue and expense are included in net interest revenue on the Consolidated Statements of Income.

Securities Owned Securities owned are recorded on a trade-date basis and carried at fair value, and the related changes in fair value are generally included in other revenues on the Consolidated Statements of Income. Securities held by our broker-dealer subsidiaries for trading or investment purposes are included in securities owned on the Consolidated Balance Sheets.

Property and Equipment Property and equipment is recorded at cost, net of accumulated depreciation and amortization, except for land, which is recorded at cost. Depreciation is provided on a straight-line basis using estimated useful service lives of three to seven years. Leasehold improvements are amortized over the lesser of the economic useful life of the improvement or the term of the lease.

Software Development From the date technological feasibility has been established until beta testing is complete, software development costs are capitalized and included in property and equipment. Once the product is fully functional, such costs are amortized in accordance with the Company s normal accounting policies. Software development costs that do not meet capitalization criteria are expensed as incurred.

Goodwill The Company has recorded goodwill for purchase business combinations to the extent the purchase price of each completed acquisition exceeded the fair value of the net identifiable assets of the acquired company. The Company tests goodwill for impairment on at least an annual basis. In performing the impairment tests, the Company utilizes quoted market prices of the Company s common stock to estimate the fair value of the Company as a whole. The estimated fair value is then allocated to the Company s 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 the annual impairment tests.

Amortization of Acquired Intangible Assets Acquired intangible assets are amortized on a straight-line basis over their estimated useful lives, ranging from three to 23 years. The acquired intangible asset associated with a trademark license agreement is not subject to amortization because the term of the agreement is considered to be indefinite.

Long-Lived Assets and Acquired Intangible Assets The Company reviews its long-lived assets and acquired intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The Company evaluates recoverability by comparing the undiscounted cash flows associated with the asset to the asset s carrying amount. Long-lived assets classified as held for sale, if any, are reported at the lesser of carrying amount or fair value less cost to sell.

Income Taxes The Company files a consolidated U.S. income tax return with its subsidiaries on a calendar year basis, combined returns for state tax purposes where required and certain of its subsidiaries file separate state income tax returns where required. Deferred tax assets and liabilities are determined based on the differences between the financial statement carrying amounts and tax bases of assets and liabilities using enacted tax rates expected to apply to taxable income in the periods in which the deferred tax asset or liability is expected to be settled or realized. Uncertain tax positions are recognized if they are more likely than not to be sustained upon examination, based on the technical merits of the position. The amount of tax benefit recognized is the largest amount of benefit that is greater than 50% likely of being realized upon settlement. The Company recognizes interest and penalties, if any, related to income tax matters as part of the provision for income taxes on the Consolidated Statements of Income.

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TD AMERITRADE HOLDING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Capital Stock The authorized capital stock of the Company consists of a single class of common stock and one or more series of preferred stock as may be authorized for issuance by the Company s board of directors. Voting, dividend, conversion and liquidation rights of the preferred stock would be established by the board of directors upon issuance of such preferred stock.

Stock-Based Compensation The Company measures and recognizes compensation expense based on estimated grant date fair values for all stock-based payment arrangements. Stock-based compensation expense is based on awards expected to vest and therefore is reduced for estimated forfeitures. Forfeitures are estimated at the time of grant based on the Company s historical forfeiture experience and revised in subsequent periods if actual forfeitures differ from those estimates.

Comprehensive Income (Loss) Comprehensive income (loss) primarily consists of net income and unrealized gains (losses) on securities available-for-sale, net of related income taxes. These results are incorporated into the Consolidated Statements of Stockholders Equity.

Transaction-based Revenues Client securities trades are recorded on a settlement-date basis with such trades generally settling within three business days after the trade date. Revenues and expenses related to client trades, including revenues from execution agents (also referred to as payment for order flow) and revenues from markups on riskless principal trades in fixed-income securities, are recorded on a trade-date basis. Revenues related to client trades are recorded net of promotional allowances. Securities owned by clients, including those that collateralize margin or similar transactions, are not reflected in the accompanying consolidated financial statements.

Net Interest Revenue Net interest revenue primarily consists of income generated by client cash and interest charged to clients on margin balances, net of interest paid to clients on their credit balances. It also includes net interest revenue from securities borrowed and securities loaned transactions. Net interest revenue is recorded when earned.

Insured Deposit Account Fees Insured deposit account fees are recognized in the period earned and consist of revenues resulting from the 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 weighted average 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. The IDA agreement is described further in Note 18.

Investment Product Fees Investment product fee revenue is recognized in the period earned and consists of revenues earned on client assets invested in money market mutual funds, other mutual funds and certain Company-sponsored investment programs.

Education Revenue Recognition The Company recognizes education revenue in accordance with Accounting Standards Codification (ASC) 605, *Revenue Recognition*. Revenue is not recognized until it is realized or realizable and earned. The criteria to meet this guideline are: (a) persuasive evidence of an arrangement exists; (b) delivery has occurred or services have been rendered; (c) the price to the buyer is fixed or determinable; and (d) collectibility is reasonably assured. Education revenue is included in other revenues on the Consolidated Statements of Income.

The Company sells investor education products separately and in various bundles that contain multiple deliverables including on-demand coaching services, website subscriptions, educational workshops, online courses and other products and services. In accordance with ASC 605-25, *Multiple-Element Arrangements*, sales

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TD AMERITRADE HOLDING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

arrangements with multiple deliverables are divided into separate units of accounting if the deliverables in the arrangement meet the following criteria: (a) the product has value to the client on a standalone basis and (b) delivery or performance of any undelivered item is probable and substantially in the Company s control. Each of the significant deliverables in our various investor education bundles qualifies as a separate unit of accounting. The relative selling price method is utilized to allocate the arrangement consideration to each deliverable at the inception of the arrangement. The selling price of each deliverable is generally determined by vendor-specific objective evidence, consisting of actual prices charged by the Company when sold separately. In certain arrangements, the Company offers these products bundled together at a discount. The discount is allocated pro rata to each deliverable based on the relative selling price of each deliverable. Deferred revenue arises because the payments are received before the services have been rendered. Deferred revenue is generally recognized into revenue for each deliverable: (a) upon attendance at educational events; (b) upon usage of on-demand services; or (c) over contractual service periods which are usually less than two years.

The Company provides some limited rights of return in connection with investor education products and services. The Company estimates its returns based on historical experience and maintains an allowance for estimated returns, which is included in deferred revenue on the Consolidated Balance Sheets.

Advertising The Company expenses advertising costs the first time the advertising takes place.

Derivatives and Hedging Activities The Company occasionally utilizes derivative instruments to manage risks, which may include market price, interest rate and foreign currency risks. The Company does not use derivative instruments for speculative or trading purposes. Derivatives are recorded on the Consolidated Balance Sheets as assets or liabilities at fair value. Derivative instruments properly designated to hedge exposure to changes in the fair value of assets or liabilities are accounted for as fair value hedges. Derivative instruments properly designated to hedge exposure to the variability of expected future cash flows or other forecasted transactions are accounted for as cash flow hedges. The Company formally documents the risk management objective and strategy for each hedge transaction. Derivative instruments that do not qualify for hedge accounting are carried at fair value on the Consolidated Balance Sheets with unrealized gains and losses recorded currently on the Consolidated Statements of Income. Cash flows from derivative instruments accounted for as fair value hedges or cash flow hedges are classified in the same category on the Consolidated Statements of Cash Flows as the cash flows from the items being hedged.

Earnings Per Share Basic earnings per share (EPS) is computed by dividing net income by the weighted average common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock, except when such assumed exercise or conversion would have an antidilutive effect on EPS.

Recently Adopted Accounting Pronouncements

ASU 2011-04 On January 1, 2012, the Company adopted 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 for measuring fair value and for disclosing information about fair value measurements. Some of the amendments clarify the intent of the Financial Accounting Standards Board (FASB) 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. The adoption of ASU 2011-04 did not have a material impact on the Company s financial statements.

Recently Issued Accounting Pronouncements

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

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TD AMERITRADE HOLDING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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. Therefore, ASU 2011-08 will be effective for the Company s fiscal year beginning October 1, 2012. Adoption of ASU 2011-08 is not expected to have a material impact on the Company s financial statements.

ASU 2011-11 In December 2011, the FASB issued ASU 2011-11, *Disclosures about Offsetting Assets and Liabilities.* The amendments in ASU 2011-11 will enhance disclosures by requiring improved information about financial and derivative instruments that are either (1) offset (netting assets and liabilities) in accordance with Section 210-20-45 or Section 815-10-45 of the FASB Accounting Standards Codification or (2) subject to an enforceable master netting arrangement or similar agreement. ASU 2011-11 is effective for annual periods beginning on or after January 1, 2013, and interim periods within those annual periods, and requires retrospective disclosures for comparative periods presented. Therefore, ASU 2011-11 will be effective for the Company s fiscal year beginning October 1, 2013. Adoption of ASU 2011-11 is not expected to have a material impact on the Company s financial statements.

ASU 2012-02 In July 2012, the FASB issued ASU 2012-02, *Testing Indefinite-Lived Intangible Assets for Impairment.* The amendments in ASU 2012-02 will allow entities to first to assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that an indefinite-lived intangible asset is impaired. If, after assessing the totality of events and circumstances, an entity concludes that it is not more likely than not that the indefinite-lived intangible asset is impaired, then the entity is not required to take further action. However, if an entity concludes otherwise, then it is required to determine the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test by comparing the fair value with the carrying amount. Entities will have the option to bypass the qualitative assessment for any indefinite-lived intangible asset in any period and proceed directly to performing the quantitative impairment test. ASU 2012-02 is effective for annual and interim indefinite-lived intangible asset impairment tests performed for fiscal years beginning after September 15, 2012. Therefore, ASU 2011-08 will be effective for the Company s fiscal year beginning October 1, 2012. Adoption of ASU 2012-02 is not expected to have a material impact on the Company s financial statements.

2. Goodwill and Acquired Intangible Assets

The Company has recorded goodwill for purchase business combinations to the extent the purchase price of each completed acquisition exceeded the fair value of the net identifiable tangible and intangible assets of each

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TD AMERITRADE HOLDING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

acquired company. There were no material changes in the carrying amount of goodwill during the fiscal years ended September 30, 2012 and 2011.

Acquired intangible assets consist of the following (dollars in millions):

	September 30,					
	2012			2011		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Client relationships	$ 1,228	$ (493)	$ 735	$ 1,228	$ (416)	$ 812
Technology and content	99	(48)	51	99	(34)	65
Non-competition agreement	5	(5)		5	(4)	1
Trademark license	146		146	146		146
	$ 1,478	$ (546)	$ 932	$ 1,478	$ (454)	$ 1,024

Amortization expense on acquired intangible assets was $92 million, $97 million and $100 million for fiscal years 2012, 2011 and 2010, respectively. Estimated future amortization expense for acquired intangible assets outstanding as of September 30, 2012 is as follows (dollars in millions):

Fiscal Year	Estimated Amortization Expense
2013	$ 91
2014	90
2015	90
2016	85
2017	76
Thereafter (to 2025)	354
Total	$ 786

3. Cash and Cash Equivalents

The Company s cash and cash equivalents is summarized in the following table (dollars in millions):

	September 30,	
	2012	2011
Corporate	$ 403	$ 260
Broker-dealer subsidiaries	406	656
Trust company subsidiary	95	109

Investment advisory subsidiaries	11	7
Total	$ 915	$ 1,032

Capital requirements may limit the amount of cash available for dividend from the broker-dealer and trust company subsidiaries to the parent company. Cash and cash equivalents of the investment advisory subsidiaries is generally not available for corporate purposes.

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TD AMERITRADE HOLDING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Cash and Investments Segregated and on Deposit for Regulatory Purposes

Cash and investments segregated and on deposit for regulatory purposes consists of the following (dollars in millions):

	September 30, 2012	2011
Reverse repurchase agreements	$ 2,181	$ 1,923
U.S. government debt securities	1,564	
Cash in demand deposit accounts	179	596
Cash on deposit with futures commission merchant	96	
U.S. government debt securities on deposit with futures commission merchant	10	
Total	$ 4,030	$ 2,519

5. Receivable from and Payable to Brokers, Dealers and Clearing Organizations

Amounts receivable from and payable to brokers, dealers and clearing organizations consist of the following (dollars in millions):

	September 30, 2012	2011
Receivable:		
Deposits paid for securities borrowed	$ 924	$ 495
Broker-dealers	2	4
Deposits with clearing organizations	177	326
Securities failed to deliver	7	9
Total	$ 1,110	$ 834
Payable:		
Deposits received for securities loaned	$ 1,940	$ 1,658
Broker-dealers	3	1
Clearing organizations		13
Securities failed to receive	49	38
Total	$ 1,992	$ 1,710

6. Allowance for Doubtful Accounts on Receivables

The following table summarizes activity in the Company s allowance for doubtful accounts on client and other receivables for the fiscal years indicated (dollars in millions):

	2012	2011	2010
Beginning balance	$ 18	$ 11	$ 13
Provision for doubtful accounts	9	9	3
Write-off of doubtful accounts	(6)	(2)	(5)
Ending balance	$ 21	$ 18	$ 11

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TD AMERITRADE HOLDING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Property and Equipment

Property and equipment consists of the following (dollars in millions):

	September 30, 2012	2011
Leasehold improvements	$ 147	$ 123
Software	117	92
Computer equipment	190	184
Building construction in process	164	65
Other property and equipment	61	56
	679	520
Less: Accumulated depreciation and amortization	(235)	(179)
Property and equipment, net	$ 444	$ 341

8. Long-term Debt

Long-term debt consists of the following (dollars in millions):

September 30, 2012	Face Value	Unamortized Discount	Fair Value Adjustment(1)	Net Carrying Value
Senior Notes:				
2.950% Senior Notes due 2012	$ 250	$	$ 1	$ 251
4.150% Senior Notes due 2014	500		27	527
5.600% Senior Notes due 2019	500	(1)	68	567
Total long-term debt	$ 1,250	$ (1)	$ 96	$ 1,345

September 30, 2011	Face Value	Unamortized Discount	Fair Value Adjustment(1)	Net Carrying Value
Senior Notes:				
2.950% Senior Notes due 2012	$ 250	$	$ 4	$ 254
4.150% Senior Notes due 2014	500		33	533
5.600% Senior Notes due 2019	500	(1)	51	550
Total long-term debt	$ 1,250	$ (1)	$ 88	$ 1,337

(1)

Fair value adjustments relate to changes in the fair value of the debt while in a fair value hedging relationship. See Interest Rate Swaps below.

Fiscal year maturities on long-term debt outstanding at September 30, 2012 are as follows (dollars in millions):

2013	$ 250
2014	
2015	500
2016	
2017	
Thereafter	500
Total	$ 1,250

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TD AMERITRADE HOLDING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Senior Notes On November 25, 2009 the Company 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). The Senior Notes were issued at an aggregate discount of $1 million, which is being amortized to interest expense over the terms of the respective Senior Notes. Interest on the Senior Notes is payable semi-annually in arrears on June 1 and December 1 of each year. On November 25, 2009, the Company used the net proceeds from the issuance of the Senior Notes, together with approximately $158 million of cash on hand, to repay in full the outstanding principal under the Company s January 23, 2006 credit agreement.

The Senior Notes are jointly and severally and fully and unconditionally guaranteed by each of the Company s current and future subsidiaries that is or becomes a borrower or a guarantor under the TD Ameritrade Holding Corporation Credit Agreement, dated as of June 28, 2011, as described below. Currently, the only subsidiary guarantor of the obligations under the Senior Notes is TD Ameritrade Online Holdings Corp. (TDAOH). The Senior Notes and the guarantee by TDAOH are the general senior unsecured obligations of the Company and TDAOH.

The Company 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 The Company is exposed to changes in the fair value of its fixed-rate Senior Notes resulting from interest rate fluctuations. To hedge this exposure, on December 30, 2009, the Company 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, the Company 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, the Company receives semi-annual fixed-rate interest payments based on the same rates applicable to the Senior Notes, and makes 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, 2012, the weighted-average effective interest rate on the Senior Notes was 2.06%.

The interest rate swaps are accounted for as fair value hedges and qualify for the shortcut method of accounting. Changes in the payment of interest resulting from the interest rate swaps are recorded in interest on borrowings on the Consolidated Statements of Income. Changes in fair value of the interest rate swaps are completely offset by changes in fair value of the related notes, resulting in no effect on net income. The following table summarizes gains and losses resulting from changes in the fair value of the interest rate swaps and the hedged fixed-rate debt for the fiscal years indicated (dollars in millions):

	2012	2011	2010
Gain (loss) on fair value of interest rate swaps	$ 8	$ 39	$ 49
Gain (loss) on fair value of hedged fixed-rate debt	(8)	(39)	(49)
Net gain (loss) recorded in interest on borrowings	$	$	$

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TD AMERITRADE HOLDING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table summarizes the fair value of outstanding derivatives designated as hedging instruments on the Consolidated Balance Sheets (dollars in millions):

	September 30, 2012	2011
Derivatives recorded under the caption Other assets:		
Interest rate swap assets	$ 96	$ 88

The interest rate swaps are subject to counterparty credit risk. Credit risk 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. As of September 30, 2012, the interest rate swap counterparties for the Senior Notes had pledged $113 million of collateral to the Company in the form of cash. As of September 30, 2011, the interest rate swap counterparty for the 2012 Notes and 2014 Notes had pledged $50 million of collateral to the Company in the form of U.S. Treasury securities and the interest rate swap counterparty for the 2019 Notes had pledged $58 million of collateral in the form of cash. A liability for collateral pledged to the Company in the form of cash is recorded in accounts payable and accrued liabilities on the Consolidated Balance Sheets.

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, 2012, 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 public debt ratings. There were no borrowings outstanding under the Parent Revolving Facility as of September 30, 2012.

The obligations under the Parent Revolving Facility are guaranteed by TDAOH and each significant subsidiary (as defined in SEC Rule 1-02(w) of Regulation S-X) of the Parent, other than broker-dealer subsidiaries, futures commission merchant subsidiaries and controlled foreign corporations. Currently, the only subsidiary guarantor of the obligations under the Parent Revolving Facility is TDAOH.

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, 2012.

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 ratings. 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 ratings. As of September 30, 2012, 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 ratings. There were no borrowings outstanding under the TDAC Revolving Facility as of September 30, 2012.

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, 2012.

9. Income Taxes

Provision for income taxes is comprised of the following for the fiscal years indicated (dollars in millions):

	2012	2011	2010
Current expense (benefit):			
Federal	$ 314	$ 357	$ 169
State	1	20	(3)
	315	377	166
Deferred expense (benefit):			
Federal	(2)	(5)	145
State	7	7	9
	5	2	154
Provision for income taxes	$ 320	$ 379	$ 320

A reconciliation of the federal statutory tax rate to the effective tax rate applicable to pre-tax income follows for the fiscal years indicated:

	2012	2011	2010
Federal statutory rate	35.0%	35.0%	35.0%
State taxes, net of federal tax effect	2.1	2.3	2.4
Adjustments to estimated state income taxes	0.1	(0.1)	0.5
Interest recorded on unrecognized tax benefits, net	0.1	0.5	(0.2)
Reversal of accruals for unrecognized tax benefits	(1.7)	(0.5)	(2.5)
Reversal of capital loss valuation allowance	(0.4)		
Other	0.1	0.1	(0.1)

35.3% 37.3% 35.1%

The Company s effective income tax rate for fiscal year 2012 was 35.3%, compared to 37.3% and 35.1% for fiscal years 2011 and 2010, respectively. The provision for income taxes for fiscal year 2012 was significantly

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

lower than normal primarily due to $19 million of favorable resolutions of state income tax matters and a $3 million benefit resulting from the reversal of a valuation allowance related to a capital loss carryover. These items favorably impacted the Company s earnings for fiscal year 2012 by approximately four cents per share. The provision for income taxes for fiscal year 2011 was somewhat lower than normal due to $6 million of favorable resolutions of state income tax matters and $1 million of favorable deferred income tax adjustments resulting from state income tax law changes. These items favorably impacted the Company s earnings for fiscal year 2011 by approximately one cent per share. The provision for income taxes for fiscal year 2010 was significantly lower than normal due to $32 million of favorable resolutions of certain federal and state income tax matters. These items favorably impacted the Company s earnings for fiscal year 2010 by approximately five cents per share.

Deferred tax assets (liabilities) are comprised of the following (dollars in millions):

	September 30,	
	2012	2011
Deferred tax assets:		
Accrued liabilities	$ 69	$ 77
Intangible assets, state tax benefit	15	16
Stock-based compensation	30	27
Allowance for doubtful accounts	8	6
Unrealized tax gain on IDA agreement	9	12
Operating loss carryforwards	40	39
Other deferred tax assets	6	8
Gross deferred tax assets	177	185
Less: Valuation allowance	(37)	(37)
Net deferred tax assets	140	148
Deferred tax liabilities:		
Property and intangible assets	(478)	(481)
Unrealized investment gains	(10)	
Other deferred tax liabilities	(4)	(4)
Total deferred tax liabilities	(492)	(485)
Net deferred tax liabilities	$ (352)	$ (337)

Included in deferred tax assets above as of September 30, 2012 and 2011, is approximately $2 million and $5 million, respectively, of deferred tax benefits relating to intangible asset amortization deductions expected to be claimed in various state taxing jurisdictions, which may not be offset by deferred tax liabilities arising from different taxing jurisdictions on the Consolidated Balance Sheets. These amounts are presented separately as assets on the Consolidated Balance Sheets.

The unrealized tax gain on IDA agreement in the table above is attributable to the tax basis in the Company s marketing fee associated with the IDA agreement described in Note 18. The tax basis represents the tax gains recorded based on the increase in the fair market values of the underlying securities held by the Depository Institutions, which are supported by the client insured deposit account balances.

As of September 30, 2012, the Company has recorded a tax benefit for approximately $3 million of federal net operating loss carryover that was acquired as part of the thinkorswim Group Inc. acquisition in fiscal 2009.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The net operating loss expires in 2019, and is subject to substantial annual limitations on the utilization of the net operating loss. The amount of tax benefit recorded in the financial statements represents the amount that is more likely than not to be realized within the carryforward period. At September 30, 2012, subsidiaries of the Company have approximately $692 million of separate state operating loss carryforwards. These carryforwards expire between fiscal 2013 and 2031. Because the realization of the tax benefit from state loss carryforwards is dependent on certain subsidiaries generating sufficient state taxable income in future periods, as well as annual limitations on future utilization, the Company has provided a valuation allowance against the computed benefit in order to reflect the tax benefit expected to be realized.

A reconciliation of the activity related to unrecognized tax benefits follows for the fiscal years indicated (dollars in millions):

	2012	2011	2010
Beginning balance	$ 145	$ 149	$ 310
Additions based on tax positions related to the current year	10	10	16
Additions for tax positions of prior years	8	7	3
Reductions for tax positions of prior years	(3)	(12)	(6)
Reductions due to settlements with taxing authorities	(5)	(1)	(171)
Reductions due to lapsed statute of limitations	(16)	(8)	(3)
Ending balance	$ 139	$ 145	$ 149

The balance of unrecognized tax benefits as of September 30, 2012 was $139 million ($91 million net of the federal benefit on state matters), of which $89 million (net of the federal benefit on state matters) represents the amount that, if recognized, would favorably affect the effective income tax rate in any future periods. The balance of unrecognized tax benefits as of September 30, 2011 was $145 million ($94 million net of the federal benefit on state matters), of which $90 million (net of the federal benefit on state matters) represents the amount that, if recognized, would favorably affect the effective income tax rate in any future periods. The Company s income tax returns are subject to review and examination by federal, state and local taxing authorities. The federal returns for 2009 through 2011 remain open under the statute of limitations. The years open to examination by state and local government authorities vary by jurisdiction, but the statute of limitations is generally three to four years from the date the tax return is filed. It is reasonably possible that the gross unrecognized tax benefits as of September 30, 2012 could decrease by up to $10 million ($7 million net of the federal benefit on state matters) within the next twelve months as a result of settlements of certain examinations or expiration of the statute of limitations with respect to other tax filings.

The Company recognized $3 million of net benefits for interest and penalties (net of the federal income tax effect) on the Consolidated Statement of Income for fiscal year 2012, due to the favorable resolution of an uncertain tax position. The Company recognized interest and penalties expense (net of the federal benefit) of $5 million and $0.4 million for fiscal years 2011 and 2010, respectively. As of September 30, 2012 and 2011, accrued interest and penalties related to unrecognized tax benefits was $44 million and $46 million, respectively.

10. Capital Requirements

The Company s broker-dealer subsidiaries are subject to the SEC Uniform Net Capital Rule (Rule 15c3-1 under the Exchange Act), administered by the SEC and FINRA, which requires the maintenance of minimum net capital, as defined. Net capital and the related net capital requirement may fluctuate on a daily basis.

TDAC, the Company s clearing broker-dealer subsidiary, and TD Ameritrade, Inc., the Company s introducing broker-dealer subsidiary, compute net capital under the alternative method as permitted by Rule 15c3-1. TDAC is

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

required to maintain minimum net capital of the greater of $1.5 million, which is based on the type of business conducted by the broker-dealer, or 2% of aggregate debit balances arising from client transactions.

Under Rule 15c3-1, TD Ameritrade, Inc. is required to maintain minimum net capital of the greater of $250,000 or 2% of aggregate debit balances. As a futures commission merchant registered with the CFTC, TD Ameritrade, Inc. is also subject to CFTC Regulation 1.17 under the Commodity Exchange Act, administered by the CFTC and the NFA, which requires the maintenance of minimum net capital of the greatest of (a) $1.0 million, (b) its futures risk-based capital requirement, equal to 8% of the total risk margin requirement for all futures positions carried by the futures commission merchant in client and nonclient accounts, or (c) its Rule 15c3-1 net capital requirement.

Under the alternative method, a broker-dealer may not repay any subordinated borrowings, pay cash dividends or make any unsecured advances or loans to its parent company or employees if such payment would result in a net capital amount of (a) less than 5% of aggregate debit balances, (b) less than 110% of its risk-based capital requirement under CFTC Regulation 1.17, or (c) less than 120% of its minimum dollar requirement. These net capital thresholds, which are specified in Exchange Act Rule 17a-11 and CFTC Regulation 1.12, are typically referred to as early warning net capital thresholds.

Net capital and net capital requirements for the Company s broker-dealer subsidiaries are summarized in the following tables (dollars in millions):

	TD Ameritrade Clearing, Inc.				
Date	Net Capital	Required Net Capital (2% of Aggregate Debit Balances)	Net Capital in Excess of Required Net Capital	Net Capital in Excess of Early Warning Threshold (5% of Aggregate Debit Balances)	Ratio of Net Capital to Aggregate Debit Balances
September 30, 2012	$ 1,302	$ 203	$ 1,099	$ 796	12.86%
September 30, 2011	$ 1,263	$ 199	$ 1,064	$ 765	12.68%

	TD Ameritrade, Inc.			
Date	Net Capital	Required Net Capital (8% of Total Risk Margin or Minimum Dollar Requirement)	Net Capital in Excess of Required Net Capital	Net Capital in Excess of Early Warning Threshold (110% or 120% of Required Net Capital)
September 30, 2012	$ 261	$ 8	$ 253	$ 252
September 30, 2011	$ 375	$ 1	$ 374	$ 374

The Company s non-depository trust company subsidiary, TD Ameritrade Trust Company (TDATC), is subject to capital requirements established by the State of Maine, which require TDATC to maintain minimum Tier 1 capital, as defined. TDATC s Tier 1 capital was $20 million and $19 million as of September 30, 2012 and 2011, respectively, which exceeded the required Tier 1 capital by $10 million and $9 million, respectively.

11. Stock-based Compensation

The Company has two stock incentive plans under which Company stock-based awards may be granted: the TD Ameritrade Holding Corporation Long-Term Incentive Plan (the LTIP) and the 2006 Directors Incentive Plan (the Directors Plan). The Company also assumed stock incentive plans in connection with past business combinations. New stock awards can no longer be granted under the assumed plans.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The LTIP authorizes the award of options to purchase common stock, common stock appreciation rights, restricted stock, restricted stock units, performance shares and performance units. Under the LTIP, 42,104,174 shares of the Company s common stock are reserved for issuance to eligible employees, consultants and non-employee directors. The Directors Plan authorizes the award of options to purchase common stock, common stock appreciation rights, restricted stock units and restricted stock. Under the Directors Plan, 1,830,793 shares of the Company s common stock are reserved for issuance to non-employee directors.

Stock options, except for replacement options granted in connection with business combinations, are granted by the Company with an exercise price not less than the fair market value of the Company s common stock on the grant date. Stock options generally vest over a one- to four-year period and expire 10 years after the grant date. Restricted Stock Units (RSUs) are awards that entitle the holder to receive shares of Company common stock following a vesting period. RSUs granted to employees generally vest after the completion of a three-year period. RSUs granted to non-employee directors generally vest over a one-year period.

Stock-based compensation expense was $41 million, $35 million and $34 million for fiscal years 2012, 2011 and 2010, respectively. The related income tax benefits were $15 million, $13 million and $13 million for fiscal years 2012, 2011 and 2010, respectively.

The following is a summary of option activity in the Company s stock incentive plans for the fiscal year ended September 30, 2012:

	Number of Options (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in millions)
Outstanding at beginning of year	8,529	$ 8.48		
Exercised	(1,335)	$ 4.01		
Expired	(4)	$ 14.42		
Outstanding at end of year	7,190	$ 9.31	2.5	$ 52
Exercisable at end of year	6,848	$ 8.85	2.3	$ 52

The weighted-average grant-date fair value of options granted during fiscal year 2010 was $10.15. No options were granted during fiscal years 2012 and 2011. The total intrinsic value of options exercised during fiscal years 2012, 2011 and 2010 was $21 million, $10 million and $54 million, respectively. As of September 30, 2012, there was no unrecognized compensation cost related to nonvested stock option awards.

The fair value of stock options granted was estimated using a Black-Scholes valuation model with the following assumptions:

	2010
Risk-free interest rate	2.49%
Expected dividend yield	0%
Expected volatility	50%
Expected option life (years)	6.2

The risk-free interest rate assumptions were based on U.S. Treasury note yields with remaining terms comparable to the expected option life assumptions used in the valuation models. The expected volatility was based on historical daily price changes of the Company s stock since September 2002. The expected option life was the average number of years that the Company estimated that the options will be outstanding, based primarily on historical employee option exercise behavior.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company measures the fair value of RSUs based upon the volume-weighted average market price of the underlying common stock as of the date of grant. RSUs are amortized over their applicable vesting period using the straight-line method, reduced by expected forfeitures.

The following is a summary of RSU activity in the Company s stock incentive plans for the fiscal year ended September 30, 2012:

	Number of Units (in thousands)	Weighted Average Grant Date Fair Value
Nonvested at beginning of year	4,650	$ 16.91
Granted	2,012	$ 16.26
Dividend equivalents	46	$ 17.57
Vested	(1,982)	$ 14.22
Forfeited	(587)	$ 17.93
Nonvested at end of year	4,139	$ 17.74

As of September 30, 2012, there was $24 million of estimated unrecognized compensation cost related to nonvested RSUs, which was expected to be recognized over a weighted average period of 1.8 years.

Although the Company does not have a formal policy for issuing shares upon stock option exercises, such shares are generally issued from treasury stock. The Stockholders Agreement entered into in connection with the acquisition of TD Waterhouse requires the Company to repurchase its common stock from time to time to offset dilution resulting from stock option exercises and other stock awards subsequent to the acquisition. As of September 30, 2012, the Company was not obligated to repurchase additional shares pursuant to the Stockholders Agreement. The Company cannot estimate the amount and timing of repurchases that may be required as a result of future stock option exercises.

12. Employee Benefit Plans

The Company has a 401(k) and profit-sharing plan under which annual profit-sharing contributions are determined at the discretion of the board of directors. The Company also makes matching contributions pursuant to the plan document. Profit-sharing and matching contributions expense was $28 million, $31 million and $26 million for fiscal years 2012, 2011 and 2010, respectively.

13. Earnings Per Share

The following is a reconciliation of the numerator and denominator used in the computation of basic and diluted earnings per share for the fiscal years indicated (in millions, except per share amounts):

	2012	2011	2010
Net income	$ 586	$ 638	$ 592
Weighted average shares outstanding basic	548	570	585
Effect of dilutive securities:			

Common stock equivalent shares related to stock-based compensation	6	6	7
Weighted average shares outstanding diluted(1)	554	576	592
Earnings per share basic	$ 1.07	$ 1.12	$ 1.01
Earnings per share diluted	$ 1.06	$ 1.11	$ 1.00

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(1) The Company excluded from the calculation of diluted earnings per share 2.5 million, 1.5 million and 2.6 million shares underlying stock-based compensation awards for the fiscal years ended September 30, 2012, 2011 and 2010, respectively, because their inclusion would have been antidilutive.

14. Commitments and Contingencies

Lease Commitments The Company has various non-cancelable operating leases on facilities and certain office equipment requiring annual payments as follows (dollars in millions):

Fiscal Year	Minimum Lease Payments
2013	$ 48
2014	46
2015	42
2016	40
2017	40
Thereafter (to 2028)	116
Total	$ 332

A majority of the leases for the Company s branch offices contain provisions for renewal at the Company s option. Rental expense, net of sublease income, was approximately $50 million, $50 million and $48 million for fiscal years 2012, 2011 and 2010, respectively.

The Company has capital leases on computer equipment. The amortization of equipment under capital leases is included in depreciation and amortization on the Consolidated Statements of Income. Future minimum lease payments under capital leases are $4 million and $1 million for fiscal years 2013 and 2014, respectively, and the present value of the minimum lease payments is $5 million.

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 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.

On January 27, 2011, TD Ameritrade, Inc. entered into a settlement with the SEC, in which it 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 (PSC) filed an administrative order against TD Ameritrade, Inc. involving the sale of Yield Plus Fund securities to certain Pennsylvania clients. On September 19, 2012, the Company agreed to a settlement of the matter with the PSC. The settlement was not material to the Company s financial condition, results of operations or cash flows.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 SEC settlement, is approximately $36 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 Ross lawsuit, or the potential loss, if any, that may result. However, management believes the outcome 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 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.

Income Taxes The Company s federal and state income tax returns are subject to examination by taxing authorities. Because the application of tax laws and regulations to many types of transactions is subject to varying interpretations, amounts reported in the consolidated financial statements could be significantly changed at a later date upon final determinations by taxing authorities. TD has agreed to indemnify the Company for tax obligations, if any, pertaining to activities of TD Waterhouse Group, Inc. (TD Waterhouse) prior to the Company s acquisition of TD Waterhouse in January 2006.

General Contingencies In the ordinary course of business, there are various contingencies that are not reflected in the consolidated financial statements. These include the Company s broker-dealer subsidiaries client activities involving the execution, settlement and financing of various client securities, options, futures and foreign exchange transactions. These activities may expose the Company to credit risk in the event the clients are unable to fulfill their contractual obligations.

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The Company extends margin credit and leverage to its clients. In margin transactions, the Company extends credit to the client, subject to various regulatory and internal margin requirements, collateralized by cash and securities in the client s account. In connection with these activities, the Company also executes and clears client transactions involving the sale of securities not yet purchased (short sales). Such margin-related transactions may expose the Company to credit risk in the event a client s assets are not sufficient to fully cover losses that the client may incur. Leverage involves securing a large potential future obligation with a lesser amount of cash and securities. The risks associated with margin credit and leverage increase during periods of rapid market movements, or in cases where leverage or collateral is concentrated and market movements occur. In the event the client fails to satisfy its obligations, the Company has the authority to purchase or sell financial instruments in the client s account at prevailing market prices in order to fulfill the client s obligations. However, during periods of rapid market movements, clients who utilize margin credit or leverage and who have collateralized their obligations with securities may find that the securities have a rapidly depreciating value and may not be sufficient to cover their obligations in the event of liquidation. The Company seeks to mitigate the risks associated with its client margin and leverage activities by requiring clients to maintain margin collateral in compliance with various regulatory and internal guidelines. The Company monitors required margin levels throughout each trading day and, pursuant to such guidelines, requires clients to deposit additional collateral, or to reduce positions, when necessary.

The Company loans securities temporarily to other broker-dealers in connection with its broker-dealer business. The Company receives cash as collateral for the securities loaned. Increases in securities prices may cause the market value of the securities loaned to exceed the amount of cash received as collateral. In the event the counterparty to these transactions does not return the loaned securities, the Company may be exposed to the risk of acquiring the securities at prevailing market prices in order to satisfy its client obligations. The Company mitigates this risk by requiring credit approvals for counterparties, by monitoring the market value of securities loaned on a daily basis and requiring additional cash as collateral when necessary, and by participating in a risk-sharing program offered through the Options Clearing Corporation (OCC).

The Company borrows securities temporarily from other broker-dealers in connection with its broker-dealer business. The Company deposits cash as collateral for the securities borrowed. Decreases in securities prices may cause the market value of the securities borrowed to fall below the amount of cash deposited as collateral. In the event the counterparty to these transactions does not return the cash deposited, the Company may be exposed to the risk of selling the securities at prevailing market prices. The Company mitigates this risk by requiring credit approvals for counterparties, by monitoring the collateral values on a daily basis and requiring collateral to be returned by the counterparties when necessary, and by participating in a risk-sharing program offered through the OCC.

The Company transacts in reverse repurchase agreements (securities purchased under agreements to resell) in connection with its broker-dealer business. The Company s policy is to take possession or control of securities with a market value in excess of the principal amount loaned, plus accrued interest, in order to collateralize resale agreements. The Company monitors the market value of the underlying securities that collateralize the related receivable on resale agreements on a daily basis and may require additional collateral when deemed appropriate.

As of September 30, 2012, client excess margin securities of approximately $12.0 billion and stock borrowings of approximately $0.9 billion were available to the Company to utilize as collateral on various borrowings or for other purposes. The Company had loaned approximately $1.9 billion and repledged approximately $1.2 billion of that collateral as of September 30, 2012.

Guarantees The Company is a member of and provides guarantees to securities clearinghouses and exchanges in connection with client trading activities. Under related agreements, the Company is generally required to guarantee the performance of other members. Under these agreements, if a member becomes unable to satisfy its obligations to the clearinghouse, other members would be required to meet shortfalls. The

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Company s liability under these arrangements is not quantifiable and could exceed the cash and securities it has posted to the clearinghouse as collateral. However, the potential for the Company to be required to make payments under these agreements is considered remote. Accordingly, no contingent liability is carried on the Consolidated Balance Sheets for these guarantees.

The Company clears its clients futures transactions on an omnibus account basis through an unaffiliated clearing firm. The Company has agreed to indemnify the unaffiliated clearing firm for any loss that it may incur for the client transactions introduced to it by the Company.

See Insured Deposit Account Agreement in Note 18 for a description of a guarantee included in that agreement.

Employment Agreements The Company has entered into employment agreements with several of its key executive officers. These employment agreements generally provide for annual base salary and incentive compensation, as well as stock award acceleration and severance payments in the event of termination of employment under certain defined circumstances or changes in control of the Company. Incentive compensation, a portion of which is awarded in the form of stock-based compensation, is based on the Company s financial performance and other factors.

15. Fair Value Disclosures

Fair Value Measurement Definition and Hierarchy

FASB ASC 820-10, *Fair Value Measurement*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date.

ASC 820-10 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability, developed based on market data obtained from sources independent of the Company. Unobservable inputs reflect the Company s own assumptions about the assumptions market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels, as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. This category includes active exchange-traded funds, money market mutual funds, mutual funds and equity securities.

Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Such inputs include quoted prices in markets that are not active, quoted prices for similar assets and liabilities in active and inactive markets, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data by correlation or other means. This category includes most debt securities and other interest-sensitive financial instruments. This category also includes convertible preferred equity securities for which the fair value is measured on an as-converted basis.

Level 3 Unobservable inputs for the asset or liability, where there is little, if any, observable market activity or data for the asset or liability. This category includes assets and liabilities related to money market and other mutual funds managed by The Reserve for which the net asset value has declined below $1.00 per share and the funds are being liquidated. This category also includes auction rate securities for which the periodic auctions have failed.

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TD AMERITRADE HOLDING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following tables present the Company s fair value hierarchy for assets and liabilities measured at fair value on a recurring basis as of September 30, 2012 and 2011 (dollars in millions):

	As of September 30, 2012			
	Level 1	Level 2	Level 3	Fair Value
Assets:				
Cash equivalents:				
Money market mutual funds	$ 768	$	$	$ 768
U.S. government debt securities		50		50
Subtotal Cash equivalents	768	50		818
Short-term investments:				
U.S. government debt securities		154		154
Investments segregated for regulatory purposes:				
U.S. government debt securities		1,574		1,574
Securities owned:				
Auction rate securities			6	6
Money market and other mutual funds			1	1
U.S. government debt securities		333		333
Other	1	2		3
Subtotal Securities owned	1	335	7	343
Investments available-for-sale:				
Convertible preferred equity securities		70		70
Other assets:				
Interest rate swaps(1)		96		96
Total assets at fair value	$ 769	$ 2,279	$ 7	$ 3,055
Liabilities:				
Accounts payable and accrued liabilities:				
Securities sold, not yet purchased:				
Equity securities	$ 3	$	$	$ 3

(1) See Interest Rate Swaps in Note 8 for details.

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TD AMERITRADE HOLDING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	As of September 30, 2011			
	Level 1	Level 2	Level 3	Fair Value
Assets:				
Cash equivalents:				
Money market mutual funds	$ 950	$	$	$ 950
Short-term investments:				
U.S. government debt securities		3		3
U.S. government agency debt securities		1		1
Subtotal Short-term investments		4		4
Securities owned:				
Auction rate securities			20	20
Money market and other mutual funds			1	1
U.S. government debt securities		423		423
Other	1	2		3
Subtotal Securities owned	1	425	21	447
Other assets:				
Interest rate swaps(1)		88		88
Total assets at fair value	$ 951	$ 517	$ 21	$ 1,489
Liabilities:				
Accounts payable and accrued liabilities:				
Securities sold, not yet purchased:				
Equity securities	$ 5	$	$	$ 5

(1) See Interest Rate Swaps in Note 8 for details.

There were no transfers between any levels of the fair value hierarchy during the periods presented in the tables below. The following tables present the changes in Level 3 assets measured at fair value on a recurring basis for the fiscal years ended September 30, 2012, 2011 and 2010 (dollars in millions):

	Year Ended September 30, 2012 Securities Owned	
	Auction Rate Securities	Money Market and Other Mutual Funds
Balance, beginning of year	$ 20	$ 1
Purchases	1	
Sales	(2)	
Settlements	(13)	

Balance, end of year	$ 6	$ 1

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TD AMERITRADE HOLDING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Year Ended September 30, 2011			Year Ended September 30, 2010		
	Securities Owned		Short-term Investments	Securities Owned		
	Auction Rate Securities	Money Market and Other Mutual Funds	Money Market Mutual Funds	Auction Rate Securities	Money Market and Other Mutual Funds	
Balance, beginning of year	$ 209	$ 5	$ 51	$ 15	$ 5	
Net gains included in earnings	5 (1)		1 (2)	8 (1)	10 (2)	
Purchases, sales, issuances and settlements, net	(194)	(4)	(52)	186	(10)	
Balance, end of year	$ 20	$ 1	$	$ 209	$ 5	

(1) Net gains on auction rate securities are recorded in other revenues on the Consolidated Statements of Income. For the year ended September 30, 2011, substantially all of the net gains on auction rate securities related to assets not held as of September 30, 2011. For the year ended September 30, 2010, net gains on auction rate securities included $4 million of net unrealized gains related to assets held as of September 30, 2010.

(2) Gains on money market and other mutual funds relate to shares of The Reserve Primary and International Liquidity Funds that the Company held as of September 30, 2010. These gains are included in gains on money market funds and client guarantees on the Consolidated Statements of Income.

There were no nonfinancial assets or liabilities measured at fair value during the fiscal years ended September 30, 2012, 2011 and 2010.

Valuation Techniques

In general, and where applicable, the Company uses quoted prices in active markets for identical assets or liabilities to determine fair value. This pricing methodology applies to the Company s Level 1 assets and liabilities. If quoted prices in active markets for identical assets and liabilities are not available to determine fair value, then the Company uses quoted prices for similar assets and liabilities or inputs other than the quoted prices that are observable, either directly or indirectly. This pricing methodology applies to the Company s Level 2 assets and liabilities.

Level 2 Measurements:

Convertible Preferred Equity Securities These securities represent the Company s investment in 39,000 shares of Knight Capital Group, Inc. (Knight) 2% convertible preferred shares. Each preferred share is convertible to 666.667 shares of Knight Class A common stock. The fair value of the preferred securities is based on quoted market prices of Knight Class A common stock on an as-converted basis.

Debt Securities Fair values for debt securities are based on prices obtained from an independent pricing vendor. The primary inputs to the valuation include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields and credit spreads. The Company validates the vendor pricing by periodically comparing it to pricing from another independent pricing service. The Company has not adjusted prices obtained from the independent pricing vendor for any periods presented in the Consolidated Financial Statements because no significant pricing differences have been observed.

Interest Rate Swaps These derivatives are valued by the counterparties using a model that incorporates interest rate yield curves, which are observable for substantially the full term of the contract. The valuation

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TD AMERITRADE HOLDING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

model is widely accepted in the financial services industry and does not involve significant judgment because most of the inputs are observable in the marketplace. Counterparty credit risk is not an input to the valuation because the Company has possession of collateral, in the form of cash or U.S. Treasury securities, in amounts equal to or exceeding the fair value of the interest rate swaps. The Company validates the counterparty valuations by comparing them to a valuation model provided by another third party service.

Level 3 Measurements:

Money Market and Other Mutual Funds The fair value of positions in money market and other mutual funds managed by The Reserve is estimated by management based on the underlying portfolio holdings data published by The Reserve.

Auction Rate Securities ARS are long-term variable rate securities tied to short-term interest rates that are reset through a Dutch auction process, which generally occurs every seven to 35 days. Holders of ARS were previously able to liquidate their holdings to prospective buyers by participating in the auctions. During fiscal 2008, the Dutch auction process failed and holders were no longer able to liquidate their holdings through the auction process. The fair value of Company ARS holdings is primarily estimated based on an internal pricing model. The pricing model takes into consideration the characteristics of the underlying securities, as well as multiple inputs, including counterparty credit quality, expected timing of redemptions and an estimated yield premium that a market participant would require over otherwise comparable securities to compensate for the illiquidity of the ARS. These inputs require significant management judgment.

The following table summarizes quantitative information about Level 3 unobservable inputs as of September 30, 2012:

Asset	Valuation Technique	Unobservable Input	Range	Weighted Average
Auction Rate Securities	Discounted cash flow	Constant prepayment rate (Annual)	15% - 20%	17%
		Yield premium for illiquidity	2%	2%

Fair Value of Financial Instruments Not Recorded at Fair Value

Cash and cash equivalents, receivable from/payable to brokers, dealers and clearing organizations, receivable from/payable to clients, receivable from/payable to affiliates and other receivables are short-term in nature and accordingly are carried at amounts that approximate fair value. Cash and cash equivalents include cash and highly-liquid investments with an original maturity of three months or less (categorized as Level 1 of the fair value hierarchy). Receivable from/payable to brokers, dealers and clearing organizations, receivable from/payable to clients, receivable from/payable to affiliates and other receivables are recorded at or near their respective transaction prices and historically have been settled or converted to cash at approximately that value (categorized as Level 2 of the fair value hierarchy).

Cash and investments segregated and on deposit for regulatory purposes includes reverse repurchase agreements (securities purchased under agreements to resell). Reverse repurchase agreements are treated as collateralized financing transactions and are carried at amounts at which the securities will subsequently be resold, plus accrued interest. The Company s reverse repurchase agreements generally have a maturity of seven days and are collateralized by U.S. Treasury securities in amounts exceeding the carrying value of the resale agreements. Accordingly, the carrying value of reverse repurchase agreements approximates fair value (categorized as Level 2 of the fair value hierarchy). In addition, this category includes cash held in demand deposit accounts and on deposit with a futures commission merchant, for which the carrying values approximate

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TD AMERITRADE HOLDING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

the fair value (categorized as Level 1 of the fair value hierarchy). See Note 4 for a summary of cash and investments segregated and on deposit for regulatory purposes.

Senior Notes As of September 30, 2012, the Company s Senior Notes had an aggregate estimated fair value, based on quoted market prices (categorized as Level 1 of the fair value hierarchy), of approximately $1.373 billion, compared to the aggregate carrying value of the Senior Notes on the Consolidated Balance Sheet of $1.345 billion. As of September 30, 2011, the Company s Senior Notes had an aggregate estimated fair value, based on quoted market prices, of approximately $1.338 billion, compared to the aggregate carrying value of the Senior Notes on the Consolidated Balance Sheet of $1.337 billion.

16. Segment and Geographic Area Information

The Company primarily operates in the securities brokerage industry and has no other reportable segments. Substantially all of the Company s revenues from external clients for the fiscal years ended September 30, 2012, 2011 and 2010 were derived from its operations in the United States.

17. Structured Stock Repurchase

On August 20, 2010, the Company entered into an agreement with an investment bank counterparty to effect a structured repurchase of up to 12 million shares of its common stock. The Company entered into this structured stock repurchase agreement in order to lower the average cost of acquiring shares of its common stock. The Company evaluated the contingent exercise provisions and settlement provisions of the agreement, as well as all other conditions for equity accounting under ASC 815-40, *Contracts in Entity s Own Equity*, and determined that the agreement qualified for treatment as an equity instrument. Under the terms of the agreement, the Company prepaid $169 million to the counterparty, which was recorded as a reduction of additional paid-in capital on the Consolidated Balance Sheet. Settlement of the transaction occurred on December 1, 2010 and the Company purchased approximately 3.2 million shares for approximately $50 million ($15.94 per share). The number of shares the Company purchased from the counterparty and the purchase price were based on the average of the daily volume-weighted average share price of the Company s common stock over the measurement period for the transaction, less a pre-determined discount. Upon settlement of the transaction, the Company was entitled to receive the excess prepayment amount of $119 million in the form of cash or shares, at the Company s option. The Company elected to receive cash, which was recorded as additional paid-in capital.

18. Related Party Transactions

Transactions with TD and Affiliates

As a result of the Company s acquisition of TD Waterhouse during fiscal 2006, TD became an affiliate of the Company. TD owned approximately 45.4% of the Company s common stock as of September 30, 2012, of which 45% is permitted to be voted under the terms of the Stockholders Agreement among TD, the Company and certain other stockholders. Pursuant to the Stockholders Agreement, TD has the right to designate five of twelve members of the Company s board of directors. The Company transacts business and has extensive relationships with TD and certain of its affiliates. Transactions with TD and its affiliates are discussed and summarized below.

Insured Deposit Account Agreement

The Company is party to an IDA agreement with TD and certain Depository Institutions affiliated with TD. Under the IDA agreement, 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

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TD AMERITRADE HOLDING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Company a fee based on the weighted average 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.

The IDA agreement has a term of five years beginning July 1, 2008, and is automatically renewable for successive five-year terms, provided that it may be terminated by any party upon two years prior written notice. As of September 30, 2012, neither the Company nor TD has exercised its termination rights. The fee earned on the IDA agreement is calculated based on two primary components: (a) the yield on fixed-rate investments, based on prevailing fixed rates for identical balances and maturities in the interest rate swap market (generally LIBOR-based) at the time such investments were added to the IDA portfolio (including any adjustments required to adjust the variable rate leg of such swaps to a one-month reset frequency and the overall swap payment frequency to monthly) and (b) the yield on floating-rate investments, based on the monthly average rate for 30-day LIBOR. The agreement provides that, from time to time, the Company may request amounts and maturity dates for the fixed-rate investments in the IDA portfolio, subject to the approval of the Depository Institutions. For example, if the Company requests (and the Depository Institutions agree) that $100 million of deposits should be invested in 5-year fixed rate investments, and on the day such investment is approved the prevailing fixed yield for the applicable 5-year U.S. dollar LIBOR-based swaps is 1.00%, then the Company will earn a gross fixed yield of 1.00% on that portion of the portfolio (before any deductions for interest paid to clients, the flat 25 basis point fee to the Depository Institutions and the cost of FDIC insurance premiums). The interest rates paid to clients are set by the Depository Institutions, in consideration of Company recommendations, and are not linked to any index. As of September 30, 2012, the IDA portfolio was comprised of approximately 92% fixed rate investments and 8% floating rate investments.

In the event the fee computation results in a negative amount, the Company must pay the Depository Institutions the negative amount. This effectively results in the Company guaranteeing the Depository Institutions revenue of 25 basis points on the IDA agreement, plus the reimbursement of FDIC insurance premiums. The fee computation under the IDA agreement is affected by many variables, including the type, duration, principal balance and yield of the investment portfolio at the Depository Institutions, the prevailing interest rate environment, the amount of client deposits and the yield paid on client deposits. Because a negative IDA fee computation would arise only if there were extraordinary movements in many of these variables, the maximum potential amount of future payments the Company could be required to make under this arrangement cannot be reasonably estimated. Management believes the potential for the fee calculation to result in a negative amount is remote. Accordingly, no contingent liability is carried on the Consolidated Balance Sheets for the IDA agreement.

In addition, the Company has various other services agreements and transactions with TD and its affiliates. The following tables summarize revenues and expenses resulting from transactions with TD and its affiliates for the fiscal years indicated (dollars in millions):

	Statement of Income	Revenues from TD and Affiliates		
Description	**Classification**	**2012**	**2011**	**2010**
Insured Deposit Account Agreement	Insured deposit account fees	$ 828	$ 763	$ 682
Mutual Fund Agreements	Investment product fees	3	8	10
Referral and Strategic Alliance Agreement	Various	8	4	1
Securities borrowing and lending, net	Net interest revenue	3	4	2
Other	Various	2	3	1
Total revenues		$ 844	$ 782	$ 696

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TD AMERITRADE HOLDING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Statement of Income	Expenses to TD and Affiliates		
Description	**Classification**	**2012**	**2011**	**2010**
Canadian Call Center Serivces Agreement	Professional Services	$ 18	$ 18	$ 17
Other	Various	4	4	4
Total expenses		$ 22	$ 22	$ 21

The following table summarizes the classification and amount of receivables from and payables to TD and its affiliates on the Consolidated Balance Sheets resulting from related party transactions (dollars in millions):

	September 30,	
	2012	**2011**
Assets:		
Receivable from brokers, dealers and clearing organizations	$ 1	$
Receivable from affiliates	85	93
Liabilities:		
Payable to brokers, dealers and clearing organizations	$ 125	$ 88
Payable to affiliates	4	4

Receivables from and payables to TD affiliates resulting from client cash sweep activity are generally settled in cash the next business day. Receivables from and payables to brokers, dealers and clearing organizations primarily relate to securities borrowing and lending activity and are settled in accordance with the contractual terms. Other receivables from and payables to affiliates of TD are generally settled in cash on a monthly basis.

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TD AMERITRADE HOLDING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Condensed Consolidating Financial Information

The Senior Notes are jointly and severally and fully and unconditionally guaranteed by TDAOH. Presented below is condensed consolidating financial information for the Company, its guarantor subsidiary and its non-guarantor subsidiaries for the periods indicated.

CONDENSED CONSOLIDATING BALANCE SHEET

As of September 30, 2012

	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Total
			(In millions)		
ASSETS					
Cash and cash equivalents	$ 178	$ 6	$ 731	$	$ 915
Short-term investments	151		3		154
Cash and investments segregated and on deposit for regulatory purposes			4,030		4,030
Receivable from brokers, dealers and clearing organizations			1,110		1,110
Receivable from clients, net			8,647		8,647
Investments in subsidiaries	5,456	5,250	548	(11,254)	
Receivable from affiliates	5	3	83	(6)	85
Goodwill			2,467		2,467
Acquired intangible assets, net		146	786		932
Other, net	230	7	961	(25)	1,173
Total assets	$ 6,020	$ 5,412	$ 19,366	$ (11,285)	$ 19,513
LIABILITIES AND STOCKHOLDERS EQUITY					
Liabilities:					
Payable to brokers, dealers and clearing organizations	$	$	$ 1,992	$	$ 1,992
Payable to clients			10,728		10,728
Accounts payable and accrued liabilities	249		391	(8)	632
Payable to affiliates	1		9	(6)	4
Long-term debt	1,345				1,345
Other		48	356	(17)	387
Total liabilities	1,595	48	13,476	(31)	15,088
Stockholders equity	4,425	5,364	5,890	(11,254)	4,425
Total liabilities and stockholders equity	$ 6,020	$ 5,412	$ 19,366	$ (11,285)	$ 19,513

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TD AMERITRADE HOLDING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

CONDENSED CONSOLIDATING BALANCE SHEET

As of September 30, 2011

	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Total
			(In millions)		
ASSETS					
Cash and cash equivalents	$ 94	$ 7	$ 931	$	$ 1,032
Short-term investments			4		4
Cash and investments segregated and on deposit for regulatory purposes			2,519		2,519
Receivable from brokers, dealers and clearing organizations			834		834
Receivable from clients, net			8,059		8,059
Investments in subsidiaries	5,431	5,240	556	(11,227)	
Receivable from affiliates	6	4	89	(6)	93
Goodwill			2,467		2,467
Acquired intangible assets, net		146	878		1,024
Other, net	149	6	970	(31)	1,094
Total assets	$ 5,680	$ 5,403	$ 17,307	$ (11,264)	$ 17,126
LIABILITIES AND STOCKHOLDERS' EQUITY					
Liabilities:					
Payable to brokers, dealers and clearing organizations	$	$	$ 1,710	$	$ 1,710
Payable to clients			8,979		8,979
Accounts payable and accrued liabilities	227		364	(6)	585
Payable to affiliates			10	(6)	4
Long-term debt	1,337				1,337
Other		49	371	(25)	395
Total liabilities	1,564	49	11,434	(37)	13,010
Stockholders' equity	4,116	5,354	5,873	(11,227)	4,116
Total liabilities and stockholders' equity	$ 5,680	$ 5,403	$ 17,307	$ (11,264)	$ 17,126

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TD AMERITRADE HOLDING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

CONDENSED CONSOLIDATING STATEMENT OF INCOME

For the Year Ended September 30, 2012

	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Total
			(In millions)		
Net revenues	$ 32	$	$ 2,641	$ (32)	$ 2,641
Operating expenses	28		1,711	(32)	1,707
Operating income	4		930		934
Other expense (income)	29		(1)		28
Income (loss) before income taxes and equity in income of subsidiaries	(25)		931		906
Provision for (benefit from) income taxes	(19)	(3)	342		320
Income (loss) before equity in income of subsidiaries	(6)	3	589		586
Equity in income of subsidiaries	592	577	33	(1,202)	
Net income	$ 586	$ 580	$ 622	$ (1,202)	$ 586

CONDENSED CONSOLIDATING STATEMENT OF INCOME

For the Year Ended September 30, 2011

	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Total
			(In millions)		
Net revenues	$ 17	$	$ 2,763	$ (17)	$ 2,763
Operating expenses	16		1,716	(17)	1,715
Operating income	1		1,047		1,048
Other expense (income)	33		(2)		31
Income (loss) before income taxes and equity in income of subsidiaries	(32)		1,049		1,017
Provision for (benefit from) income taxes	(13)	(1)	393		379
Income (loss) before equity in income of subsidiaries	(19)	1	656		638
Equity in income of subsidiaries	657	673	38	(1,368)	
Net income	$ 638	$ 674	$ 694	$ (1,368)	$ 638

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TD AMERITRADE HOLDING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

CONDENSED CONSOLIDATING STATEMENT OF INCOME

For the Year Ended September 30, 2010

	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Total
			(In millions)		
Net revenues	$ 16	$	$ 2,560	$ (16)	$ 2,560
Operating expenses	13	(3)	1,601	(16)	1,595
Operating income	3	3	959		965
Other expense	52		1		53
Income (loss) before income taxes and equity in income of subsidiaries	(49)	3	958		912
Provision for (benefit from) income taxes	(33)	(6)	359		320
Income (loss) before equity in income of subsidiaries	(16)	9	599		592
Equity in income of subsidiaries	608	596	10	(1,214)	
Net income	$ 592	$ 605	$ 609	$ (1,214)	$ 592

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TD AMERITRADE HOLDING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

For the Year Ended September 30, 2012

	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Total
		(In millions)		
Net cash provided by operating activities	$ 46	$ 2	$ 544	$ 592
Cash flows from investing activities:				
Purchase of property and equipment			(186)	(186)
Purchase of short-term investments	(152)		(3)	(155)
Purchase of investments	(43)		(1)	(44)
Other, net	2		6	8
Net cash used in investing activities	(193)		(184)	(377)
Cash flows from financing activities:				
Purchase of treasury stock	(208)			(208)
Payment of cash dividends	(132)			(132)
Other, net	4		4	8
Net cash provided by (used in) financing activities	(336)		4	(332)
Intercompany investing and financing activities, net	567	(3)	(564)	
Net increase (decrease) in cash and cash equivalents	84	(1)	(200)	(117)
Cash and cash equivalents at beginning of year	94	7	931	1,032
Cash and cash equivalents at end of year	$ 178	$ 6	$ 731	$ 915

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TD AMERITRADE HOLDING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

For the Year Ended September 30, 2011

	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Total
		(In millions)		
Net cash provided by (used in) operating activities	$ (45)	$ 202	$ 633	$ 790
Cash flows from investing activities:				
Purchase of property and equipment			(153)	(153)
Purchase of short-term investments			(4)	(4)
Other, net			5	5
Net cash used in investing activities			(152)	(152)
Cash flows from financing activities:				
Principal payments on long-term debt			(4)	(4)
Purchase of treasury stock	(349)			(349)
Return of prepayment on structured stock repurchase	119			119
Payment of cash dividends	(114)			(114)
Other, net	13		(12)	1
Net cash used in financing activities	(331)		(16)	(347)
Intercompany investing and financing activities, net	403	(220)	(183)	
Net increase (decrease) in cash and cash equivalents	27	(18)	282	291
Cash and cash equivalents at beginning of year	67	25	649	741
Cash and cash equivalents at end of year	$ 94	$ 7	$ 931	$ 1,032

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TD AMERITRADE HOLDING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

For the Year Ended September 30, 2010

	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Total
		(In millions)		
Net cash provided by (used in) operating activities	$ (129)	$ (1)	$ 715	$ 585
Cash flows from investing activities:				
Purchase of property and equipment			(91)	(91)
Purchase of short-term investments			(6)	(6)
Proceeds from redemption of money market funds		52		52
Other, net			3	3
Net cash provided by (used in) investing activities		52	(94)	(42)
Cash flows from financing activities:				
Proceeds from issuance of long-term debt	1,249			1,249
Principal payments on long-term debt	(1,407)		(4)	(1,411)
Purchase of treasury stock	(266)			(266)
Prepayment of structured stock repurchase	(169)			(169)
Other, net	18		(14)	4
Net cash used in financing activities	(575)		(18)	(593)
Intercompany investing and financing activities, net	726	(135)	(591)	
Net increase (decrease) in cash and cash equivalents	22	(84)	12	(50)
Cash and cash equivalents at beginning of year	45	109	637	791
Cash and cash equivalents at end of year	$ 67	$ 25	$ 649	$ 741

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TD AMERITRADE HOLDING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Quarterly Data (Unaudited)

(Dollars in millions, except per share amounts)

	For the Fiscal Year Ended September 30, 2012			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net revenues	$ 653	$ 673	$ 667	$ 647
Operating income	$ 228	$ 219	$ 254	$ 232
Net income	$ 152	$ 137	$ 154	$ 143
Basic earnings per share	$ 0.28	$ 0.25	$ 0.28	$ 0.26
Diluted earnings per share	$ 0.27	$ 0.25	$ 0.28	$ 0.26

	For the Fiscal Year Ended September 30, 2011			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net revenues	$ 656	$ 718	$ 685	$ 704
Operating income	$ 234	$ 283	$ 262	$ 269
Net income	$ 145	$ 172	$ 157	$ 164
Basic earnings per share	$ 0.25	$ 0.30	$ 0.28	$ 0.29
Diluted earnings per share	$ 0.25	$ 0.30	$ 0.27	$ 0.29

Quarterly amounts may not sum to fiscal year totals due to rounding.

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Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***
None.

Item 9A. ***Controls and Procedures***

MANAGEMENT S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of TD Ameritrade Holding Corporation and its subsidiaries (the Company) is responsible for the preparation, consistency, integrity, and fair presentation of the consolidated financial statements. The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles applied on a consistent basis and, in management s opinion, are fairly presented. The financial statements include amounts that are based on management s informed judgments and best estimates.

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Management has established and maintains comprehensive systems of internal control that provide reasonable assurance as to the consistency, integrity, and reliability of the preparation and presentation of financial statements; the safeguarding of assets; the effectiveness and efficiency of operations; and compliance with applicable laws and regulations. The concept of reasonable assurance is based upon the recognition that the cost of the controls should not exceed the benefit derived. Management monitors the systems of internal control and maintains an independent internal auditing program that assesses the effectiveness of internal control. Management assessed the Company s disclosure controls and procedures and the Company s systems of internal control over financial reporting for financial presentations in conformity with U.S. generally accepted accounting principles; the effectiveness and efficiency of operations; and compliance with applicable laws and regulations. This assessment was based on criteria for effective internal control established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO Report).

Based on this assessment, management believes that the Company maintained effective systems of internal control that provided reasonable assurance as to adequate design and effective operation of the Company s disclosure controls and procedures and the Company s systems of internal control over financial reporting for financial presentations in conformity with U.S. generally accepted accounting principles as of September 30, 2012. In addition, management believes that the Company maintained effective systems of internal control that provided reasonable assurance as to the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2012.

The board of directors exercises its oversight role with respect to the Company s systems of internal control primarily through its Audit Committee, which is comprised solely of independent outside directors. The Committee oversees the Company s systems of internal control and financial reporting to assess whether their quality, integrity, and objectivity are sufficient to protect shareholders investments.

The Company s consolidated financial statements have been audited by Ernst & Young LLP (Ernst & Young), an independent registered public accounting firm. As part of their audit, Ernst & Young considers the Company s internal control to plan the audit and determine the nature, timing, and extent of audit procedures considered necessary to render their opinion as to the fair presentation, in all material respects, of the consolidated financial statements, which is based on independent audits made in accordance with the standards of the Public Company Accounting Oversight Board (United States).

Ernst & Young has issued an audit opinion on the Company s internal control over financial reporting. That opinion appears on the next page.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders

TD Ameritrade Holding Corporation

We have audited TD Ameritrade Holding Corporation s internal control over financial reporting as of September 30, 2012, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). TD Ameritrade Holding Corporation s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company s internal control over financial reporting based on our audit.

We conducted our audit 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

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

In our opinion, TD Ameritrade Holding Corporation maintained, in all material respects, effective internal control over financial reporting as of September 30, 2012, based on the COSO criteria**.**

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of TD Ameritrade Holding Corporation as of September 30, 2012 and 2011, and the related consolidated statements of income, stockholders equity, and cash flows for each of the three years in the period ended September 30, 2012 and our report dated November 26, 2012 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Chicago, Illinois

November 26, 2012

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Disclosure Controls and Procedures

Management, including the Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of the Company s disclosure controls and procedures as of September 30, 2012. Management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of September 30, 2012.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company s internal control over financial reporting during the most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

Item 9B. ***Other Information***

None.

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance***

The information required to be furnished pursuant to this item is incorporated by reference from our definitive proxy statement for our 2013 annual meeting of stockholders to be filed with the SEC pursuant to Regulation 14A within 120 days after September 30, 2012 (the Proxy Statement).

Item 11. ***Executive Compensation***

The information required to be furnished pursuant to this item is incorporated by reference from the Proxy Statement.

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

The information required to be furnished pursuant to this item, with the exception of the equity compensation plan information presented below, is incorporated by reference from the Proxy Statement.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table summarizes, as of September 30, 2012, information about compensation plans under which equity securities of the Company are authorized for issuance:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	11,487,357 (1)	$ 9.31 (2)	13,804,334 (3)

(1) Consists of 7,189,999 stock options, 4,139,415 restricted stock units and 157,943 deferred stock units outstanding under the Company s stock incentive plans.

(2) The weighted-average exercise price does not take into account awards that have no exercise price, such as restricted stock units and deferred stock units.

(3) The TD Ameritrade Holding Corporation Long-Term Incentive Plan (the LTIP) and the 2006 Directors Incentive Plan (the Directors Plan) authorize the issuance of shares of common stock as well as options. As of September 30, 2012, there were 12,712,070 shares and 1,092,264 shares remaining available for issuance pursuant to the LTIP and the Directors Plan, respectively.

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The previous table includes the following options assumed in connection with the Company s acquisition of thinkorswim Group Inc. in fiscal 2009:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)
Equity compensation plans approved by security holders	141,248	$ 24.91

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

The information required to be furnished pursuant to this item is incorporated by reference from the Proxy Statement.

Item 14. ***Principal Accounting Fees and Services***

The information required to be furnished pursuant to this item is incorporated by reference from the Proxy Statement.

PART IV

Item 15. ***Exhibits, Financial Statement Schedules***

(a) Documents filed as part of this Report

1. Financial Statements

See Item 8, Financial Statements and Supplementary Data.

2. Financial Statement Schedules

Consolidated Financial Statement Schedules have been omitted because the required information is not present, or not present in amounts sufficient to require submission of the schedules, or because the required information is provided in the Consolidated Financial Statements or Notes.

3. Exhibits

See Item 15(b) below.

(b) Exhibits

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation of TD Ameritrade Holding Corporation, dated January 24, 2006 (incorporated by reference to Exhibit 3.1 of the Company s Form 8-K filed on January 27, 2006)
3.2	Amended and Restated By-Laws of TD Ameritrade Holding Corporation, effective March 9, 2006 (incorporated by reference to Exhibit 3.1 of the Company s Form 8-K filed on March 15, 2006)
4.1	Form of Certificate for Common Stock (incorporated by reference to Exhibit 4.1 of the Company s Form 8-A filed on September 5, 2002)
4.2	First Supplemental Indenture, dated November 25, 2009, among TD Ameritrade Holding Corporation, TD Ameritrade Online Holdings Corp., as guarantor, and The Bank of New York Mellon Trust Company, National Association, as trustee (incorporated by reference to Exhibit 4.1 of the Company s Form 8-K filed on November 25, 2009)
4.3	Form of 2.950% Senior Note due 2012 (included in Exhibit 4.2)
4.4	Form of 4.150% Senior Note due 2014 (included in Exhibit 4.2)
4.5	Form of 5.600% Senior Note due 2019 (included in Exhibit 4.2)

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Exhibit No.	Description
10.1*	Form of Indemnification Agreement, dated as of May 30, 2006, between TD Ameritrade Holding Corporation and several current and previous members of the Company s board of directors (incorporated by reference to Exhibit 10.1 of the Company s Form 8-K filed on June 5, 2006)
10.2*	Chairman of the Board of Directors Term Sheet, effective as of June 1, 2011, between Joseph H. Moglia and TD Ameritrade Holding Corporation (incorporated by reference to Exhibit 10.2 of the Company s Annual Report on Form 10-K filed on November 18, 2011)
10.3*	Non-Qualified Stock Option Agreement, dated as of March 1, 2003, between Joseph H. Moglia and Ameritrade Holding Corporation (incorporated by reference to Exhibit 10.9 of the Company s Annual Report on Form 10-K filed on December 9, 2004)
10.4*	Employment Agreement, as amended and restated, effective as of May 16, 2008, between Fredric J. Tomczyk and TD Ameritrade Holding Corporation (incorporated by reference to Exhibit 10.2 of the Company s quarterly report on Form 10-Q filed on August 8, 2008)
10.5*	Non-Qualified Stock Option Agreement, dated May 15, 2008, between Fredric J. Tomczyk and TD Ameritrade Holding Corporation (incorporated by reference to Exhibit 10.3 of the Company s quarterly report on Form 10-Q filed on August 8, 2008)
10.6*	Employment Agreement, as amended and restated, effective as of October 13, 2008, between Ellen L.S. Koplow and TD Ameritrade Holding Corporation (incorporated by reference to Exhibit 10.9 of the Company s Form 10-K filed on November 26, 2008)
10.7*	Executive Employment Term Sheet, effective as of April 11, 2011, between Marvin W. Adams and TD Ameritrade Holding Corporation (incorporated by reference to Exhibit 10.4 of the Company s quarterly report on Form 10-Q filed on May 6, 2011)
10.8*	TD Ameritrade Holding Corporation Long-Term Incentive Plan, as amended and restated (incorporated by reference to Exhibit 10.1 of the Company s Form 8-K filed on February 18, 2011)
10.9*	Form of 1996 Long Term Incentive Plan Non-Qualified Stock Option Agreement for Executives (incorporated by reference to Exhibit 10.25 of the Company s Annual Report on Form 10-K filed on December 9, 2004)
10.10*	Form of Performance Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.1 of the Company s Form 8-K filed on March 9, 2006)
10.11*	Form of Restricted Stock Unit Agreement for Employees (incorporated by reference to Exhibit 10.1 of the Company s quarterly report on Form 10-Q filed on February 4, 2011)
10.12*	TD Ameritrade Holding Corporation 2006 Directors Incentive Plan, effective as of November 15, 2006 (incorporated by reference to Appendix A of the Company s Proxy Statement filed on January 24, 2007)
10.13*	Form of Directors Incentive Plan Non-Qualified Stock Option Agreement (incorporated by reference to Exhibit 10.27 of the Company s Annual Report on Form 10-K filed on December 9, 2004)
10.14*	Form of Directors Incentive Plan Restricted Stock Agreement (incorporated by reference to Exhibit 10.28 of the Company s Annual Report on Form 10-K filed on December 9, 2004)
10.15*	Form of Restricted Stock Unit Agreement for Non-employee Directors (incorporated by reference to Exhibit 10.2 of the Company s quarterly report on Form 10-Q filed on February 4,2011)
10.16*	Amended and Restated Ameritrade Holding Corporation Executive Deferred Compensation Program effective December 28, 2005 (incorporated by reference to Exhibit 10.1 of the Company s Form 8-K filed on December 30, 2005)
10.17*	TD Ameritrade Holding Corporation Management Incentive Plan, as amended effective as of February 24, 2010 (incorporated by reference to Exhibit 10.2 of the Company s Form 8-K filed on February 18, 2011)
10.18*	Datek Online Holdings Corp. 2001 Stock Incentive Plan, as amended and restated effective as of September 9, 2002 (incorporated by reference to Exhibit 4.2 of the Company s Registration Statement on Form S-8, File No. 333-99353, filed on September 10, 2002)

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Exhibit No.	Description
10.19*	First Amendment of Datek Online Holdings Corp. 2001 Stock Incentive Plan, effective as of September 25, 2004 (incorporated by reference to Exhibit 10.34 of the Company s Annual Report on Form 10-K filed on December 9, 2004)
10.20	Stockholders Agreement among Ameritrade Holding Corporation, The Toronto-Dominion Bank, J. Joe Ricketts and certain of his affiliates dated as of June 22, 2005 (incorporated by reference to Exhibit 10.1 of the Company s Form 8-K filed on June 28, 2005)
10.21	Amendment No. 1 to Stockholders Agreement among TD Ameritrade Holding Corporation, The Toronto-Dominion Bank and certain other stockholders of TD Ameritrade, dated February 22, 2006 (incorporated by reference to Exhibit 10.4 of the Company s quarterly report on Form 10-Q filed on May 8, 2006)
10.22	Amendment No. 2 and Waiver to Stockholders Agreement among TD Ameritrade Holding Corporation, The Toronto-Dominion Bank and certain other stockholders of TD Ameritrade, dated August 3, 2009 (incorporated by reference to Exhibit 10.33 of the Company s Annual Report on Form 10-K filed on November 13, 2009)
10.23	Amendment No. 3 to Stockholders Agreement among TD Ameritrade Holding Corporation, The Toronto-Dominion Bank and certain other stockholders of TD Ameritrade, dated August 6, 2010 (incorporated by reference to Exhibit 10.35 of the Company s Annual Report on Form 10-K filed on November 19, 2010)
10.24	Amendment No. 4 to Stockholders Agreement among TD Ameritrade Holding Corporation, The Toronto-Dominion Bank and certain other stockholders of TD Ameritrade, dated October 31, 2011 (incorporated by reference to Exhibit 10.1 of the Company s quarterly report on Form 10-Q filed on February 7, 2012)
10.25	Amended and Restated Registration Rights Agreement by and among Ameritrade Holding Corporation, The Toronto-Dominion Bank, J. Joe Ricketts and certain of his affiliates, entities affiliated with Silver Lake Partners, and entities affiliated with TA Associates, dated as of June 22, 2005 (incorporated by reference to Exhibit 99.1 of the Company s Form 8-K filed on September 12, 2005)
10.26	Trademark License Agreement among The Toronto-Dominion Bank and Ameritrade Holding Corporation, dated as of June 22, 2005 (incorporated by reference to Exhibit 99.3 of the Company s Form 8-K filed on September 12, 2005)
10.27	Credit Agreement, dated June 28, 2011, among TD Ameritrade Holding Corporation, TD Ameritrade Online Holdings Corp., as guarantor, the lenders party thereto, Bank of America, N.A., as syndication agent, and JPMorgan Chase Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 of the Company s Form 8-K filed on July 5, 2011)
10.28	Credit Agreement, dated June 28, 2011, among TD Ameritrade Clearing, Inc., the lenders party thereto, Bank of America, N.A., as syndication agent, and JPMorgan Chase Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.2 of the Company s Form 8-K filed on July 5, 2011)
10.29	Letter Agreement to effect a structured stock repurchase, dated as of August 20, 2010, between TD Ameritrade Holding Corporation and Barclays Capital Inc., acting as agent for Barclays Bank PLC (incorporated by reference to Exhibit 10.1 of the Company s Form 8-K filed on June 1, 2012)
10.30	Guaranteed Maximum Price Amendment between TD Ameritrade Services Company, Inc. and Kiewit Building Group, Inc., effective November 28, 2011 (incorporated by reference to Exhibit 10.1 of the Company s Form 8-K filed on December 2, 2011)
10.31	Construction agreement between TD Ameritrade Services Company, Inc. and Kiewit Building Group, Inc., dated December 1, 2009 (incorporated by reference to Exhibit 10.2 of the Company s Form 8-K filed on July 13, 2011)
12	Statement Re: Computation of Ratio of Earnings to Fixed Charges
14	Code of Ethics (incorporated by reference to Exhibit 14 of the Company s quarterly report on Form 10-Q filed February 4, 2011)
21.1	Subsidiaries of the Registrant
23.1	Consent of Ernst & Young LLP

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Exhibit No.	Description
31.1	Certification of Fredric J. Tomczyk, Principal Executive Officer, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of William J. Gerber, Principal Financial Officer, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation
101.LAB	XBRL Taxonomy Extension Label
101.PRE	XBRL Taxonomy Extension Presentation
101.DEF	XBRL Taxonomy Extension Definition

* Management contracts and compensatory plans and arrangements required to be filed as exhibits under Item 15(b) of this report.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 26th day of November, 2012.

TD AMERITRADE HOLDING CORPORATION

By: /s/ FREDRIC J. TOMCZYK
Fredric J. Tomczyk
President, Chief Executive Officer and Director
(Principal Executive Officer)

By: /s/ WILLIAM J. GERBER
William J. Gerber
Executive Vice President, Chief Financial Officer
(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on this 26th day of November, 2012.

/s/ JOSEPH H. MOGLIA
Joseph H. Moglia
Chairman of the Board

/s/ W. EDMUND CLARK
W. Edmund Clark
Vice Chairman of the Board

/s/ MARSHALL A. COHEN
Marshall A. Cohen
Director

/s/ DAN W. COOK III
Dan W. Cook III
Director

/s/ KAREN E. MAIDMENT

/s/ KERRY PEACOCK
Kerry Peacock
Director

/s/ WILBUR J. PREZZANO
Wilbur J. Prezzano
Director

/s/ J. PETER RICKETTS
J. Peter Ricketts
Director

/s/ TODD M. RICKETTS
Todd M. Ricketts
Director

/s/ ALLAN R. TESSLER

Karen E. Maidment

Director

Allan R. Tessler

Director

/s/ MARK L. MITCHELL

Mark L. Mitchell

Director