TD AMERITRADE HOLDING CORP
Form 10-K
November 22, 2013
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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, 2013

¨ **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.)*

200 South 108th Avenue,

Omaha, Nebraska 68154

(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 ¨ (Do not check if a smaller reporting company)	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 $5.1 billion computed by reference to the closing sale price of the stock on the New York Stock Exchange on March 28, 2013, 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 8, 2013 was 550,487,088 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Definitive Proxy Statement relating to the registrant s 2014 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 related 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, while maintaining a leadership position in client trading, 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 trades on an agency, rather than a principal, basis. We maintain only a small inventory of fixed income securities to meet client requirements.

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

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

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

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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 38-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 evaluate opportunities for 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.

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:

Trading and Investing Platforms

tdameritrade.com Web Platform is our core offering for self-directed retail investors. We offer sophisticated tools and services, including alerts, screeners, conditional orders, free fundamental third-party research and a customizable workspace. SnapTicket™ conveniently stays at the bottom of the browser window no matter where investors navigate on the site, so that quotes may be accessed and trades placed seamlessly at a moment s notice. Free planning tools are also provided, such as Portfolio Planner to efficiently create a bundle of securities to trade, invest and rebalance and WealthRuler™ to realistically assess retirement needs.

Trade Architect® is a powerful and intuitive web-based platform that helps active investors and traders identify opportunities and stay informed. It includes advanced features such as complex options, Level II equity and option quotes, streaming news from CNBC and Dow Jones, free reports from S&P Capital IQ and Morningstar and visual position profit/loss analysis.

thinkorswim® is a downloadable desktop platform designed for advanced traders, featuring easy-to-use interfaces, elite-level trading and analytical tools, and fast and efficient order execution for complex trading strategies. thinkorswim clients trade a broad range of products including stock and stock options, index options, futures and futures options, foreign exchange and exchange-traded funds (ETFs).

TD Ameritrade Mobile allows on-the-go investors and traders to trade and monitor accounts from web-enabled mobile devices with features such as alerts, research and streaming market commentary. Access is available through the TD Ameritrade Mobile App, the more advanced TD Ameritrade Mobile Trader App or via a mobile browser at the TD Ameritrade Mobile Site.

TD Ameritrade Institutional is a leading provider of comprehensive brokerage and custody services to more than 4,500 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.

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Other Offerings

TD Ameritrade Apex™ status offers top benefits to retail 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 certain services for free that are otherwise subject to service fees, as well as discounts on certain premium content.

Investools® offers a comprehensive suite of investor education products and services for stock, option, foreign exchange, futures, mutual fund and fixed-income investors. Our education subsidiary, Investools, Inc., offers educational products and services 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 an investor s objective, time horizon 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, LLC. 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. In 2013, we began offering the ability to trade mini-options on certain high-priced securities. Mini-option contracts are 1/10 the size of a standard option contract and were created to respond to the evolving needs of investors who utilize options as part of their trading strategies.

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, common stock and preferred stock.

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

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

Annuities. We offer access to a full range of competitively priced fixed and variable annuities provided by 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	**2013**	**2012**	**2011**
Commissions and transaction fees	42.4%	41.2%	44.5%
Net interest revenue	17.0%	17.0%	17.8%
Insured deposit account fees	29.1%	31.4%	27.6%
Investment product fees	9.0%	7.4%	6.0%
Other revenues	2.5%	3.0%	4.1%
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 selection of online investing courses. 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.

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

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

Technology and Information Systems

Our technological capabilities and systems are central to our business and are critical to our goal of providing the best execution at the best value to our clients. Our operations require reliable, scalable systems that can handle 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, and utilizing various forms of social media. 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. How we share client information is 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;

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- Extending credit in a margin account to the client;
- Engaging in securities lending and borrowing transactions;
- Settling securities transactions with clearinghouses such as The Depository Trust & Clearing Corporation and The Options Clearing Corporation;
- Settling commissions and transaction fees;
- Preparing client trade confirmations and statements;
- Performing designated cashiering functions, including the delivery and receipt of funds and securities to or from the client;
- 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.

We contract with an external provider for futures clearing. 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, convenience, 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 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, defined by the SEC, of a broker-dealer s readily available liquid assets, reduced by its total liabilities other than approved

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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 trades primarily on an agency, rather than a principal, basis and our maintenance of only a small inventory of fixed-income securities to meet client requirements. Interest rate risk is our most prevalent form of market risk. For more information about our interest rate risk and how we manage it, see Item 7A Quantitative and Qualitative Disclosures About Market Risk.

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

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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, the success of which is regularly evaluated by the board of directors.

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, 2013, we had 5,429 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 fiscal 2013, we surveyed our employees and found that 89% responded favorably to questions designed to measure employee engagement. This score placed us above the benchmark 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, 2013, 2012 and 2011 were derived from our operations in the United States.

Website and Social Media Disclosure

From time to time, the Company may use its website and/or Twitter as distribution channels of material information. Financial and other important information regarding the Company is routinely accessible through and posted on the Company s website at www.amtd.com and its Twitter account @TDAmeritradePR. We ask that interested parties visit or subscribe to newsfeeds at www.amtd.com/newsroom to automatically receive email alerts and other information, including the most up-to-date corporate financial information, presentation announcements, transcripts and archives. The website to access the Company s Twitter account is https://twitter.com/TDAmeritrade. 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. 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. For example, in the current low interest rate environment, sharp increases in short-term interest rates could result in net interest spread compression if the yields paid on interest-bearing client balances were to increase faster than our earnings on interest-earning assets. 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.

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 with options and 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 cyber-attacks increases. As a financial services company, we are continuously subject to cyber-attacks by third parties. 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.

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 cyber-attack 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, cyber-attacks 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.

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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.

Advisory services subject us to additional risks.

We provide investment advisory services to investors through our SEC-registered investment advisors, TD Ameritrade, Inc., Amerivest Investment Management, LLC (Amerivest) and Red Option Advisors, Inc. (Red Option). TD Ameritrade, Inc. offers AdvisorDirect®, a service that refers a client to an independent RIA, and the Managed Assets Program, a service available to our independent RIAs that provides personalized investment management using many of the industry s leading money managers. 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. Red Option provides an option advisory service for self-directed investors. The risks associated with these investment advisory activities include those arising from possible conflicts of interest, unsuitable investment recommendations, inadequate due diligence, inadequate disclosure and fraud. Realization of these risks could lead to liability for client losses, regulatory fines, civil penalties and harm to our reputation and business.

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. 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 and Legislative 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 or other rulemaking or legislative action, 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 new or modified rules and regulations that impact the business and financial communities generally, including changes to the laws governing banking, the securities market, fiduciary duties, conflicts of interest, taxation, electronic commerce, client privacy and security of client data.

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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 financial services companies 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 client assets. These regulations often serve to limit our business activities through capital, client protection and market conduct requirements, as well as 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 regulated entity 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 1.2% 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 securities industry:

- sales and supervision 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, financial and trade reporting obligations;
- risk management;
- valuation of financial instruments;

best execution practices;

disclosure of conflicts of interest;

system security, safeguarding practices and client privacy;

system capacity and availability;

advertising claims;

brokerage services provided to investment advisors;

safekeeping of client assets;

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- market access and manipulative trading;
- trading in low-priced securities;
- payment for order flow;
- use of automated investment advice;
- use of social media; and
- financial and liquidity risk.

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

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

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

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

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

Acquisitions involve risks that could adversely affect our business.

We 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;

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- 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.

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

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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, 2013, we had approximately $1 billion of long-term debt, consisting of $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 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, 2013, 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 42% and 12%, 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 on up to 45% of our outstanding shares of common stock until termination of the stockholders agreement (which will occur no later than January 24, 2016). There is no restriction on the ability of TD to vote its shares following the complete termination of the stockholders agreement. Under the stockholders agreement, if our stock repurchases cause TD s ownership percentage to increase, TD is only permitted to own up to 48% of our outstanding common stock and has until January 24, 2014 to reduce its ownership to 45%. The Ricketts holders are permitted under the stockholders agreement to own up to 29% of our outstanding common stock. There is no restriction on the number of shares TD or the Ricketts holders 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, 2013, based on their ownership positions, TD and the Ricketts holders have designated five and two of the twelve members of our board of directors, respectively. Accordingly, TD and the Ricketts holders are able to significantly influence the outcome of all matters that come before our board.

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

We have extensive relationships and business transactions with TD and some of its affiliates, which if terminated or 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 2013, net revenues related to this agreement accounted for approximately 29% of our net revenues. For fiscal year 2013, the average balance of client cash swept to our insured deposit account offering was $68 billion. The average yield earned on the insured deposit account balances was 106 basis points higher than the average net yield earned on segregated cash balances during fiscal 2013. 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;

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advance notice requirements for inclusion of stockholder proposals at stockholder meetings; and

the anti-takeover provisions of Delaware law.

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

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

Payment of future cash dividends on our common stock 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***

During fiscal 2013, we completed construction of a new Company-owned corporate headquarters facility in Omaha, Nebraska. The new headquarters facility provides approximately 578,000 square feet of building space. We also lease approximately 178,000 square feet of building space on property adjacent to the headquarters for administrative and operational facilities. These leases expire on various dates from 2016 through 2020.

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, agreeing 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.

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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 payments to clients 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 a number of 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. In addition, 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. Accounting Standards Codification (ASC) 450, *Loss Contingencies,* governs the recognition and disclosure of loss contingencies, including potential losses from legal and regulatory matters. ASC 450 categorizes loss contingencies using three terms based on the likelihood of occurrence of events that result in a loss: probable means that the future event or events are likely to occur; remote means that the chance of the future event or events occurring is slight; and reasonably possible means that the chance of the future event or events occurring is more than remote but less than likely. Under ASC 450, the Company accrues for losses that are considered both probable and reasonably estimable. The Company may incur losses in addition to the amounts accrued where the losses are greater than estimated by management, or for matters for which an unfavorable outcome is considered reasonably possible, but not probable.

The Company estimates that the aggregate range of reasonably possible losses in excess of amounts accrued is from $0 to $50 million as of September 30, 2013. This estimated aggregate range of reasonably possible losses is based upon currently available information for those legal and regulatory matters in which the Company is involved, taking into account the Company s best estimate of reasonably possible losses for those cases as to which an estimate can be made. For certain cases, the Company does not believe an estimate can currently be made, as some cases are in preliminary stages and some cases have no specific amounts claimed. The Company s estimate involves significant judgment, given the varying stages of the proceedings and the inherent uncertainty of predicting outcomes. The estimated range will change from time to time as the underlying matters, stages of proceedings and available information change. Actual losses may vary significantly from the current estimated range.

The Company believes, based on its current knowledge and after consultation with counsel, that the ultimate disposition of these legal and regulatory matters, individually or in the aggregate, is not likely to have a material adverse effect on the financial condition or cash flows of the Company. However, in light of the uncertainties involved in such matters, the Company is unable to predict the outcome or the timing of the ultimate resolution of these matters, or the potential losses, fines, penalties or equitable relief, if any, that may result, and it is possible that the ultimate resolution of one or more of these matters may be material to the Company s results of operations for a particular reporting period.

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,			
	2013		2012	
	High	Low	High	Low
First Quarter	$ 17.24	$ 15.20	$ 17.62	$ 13.78
Second Quarter	$ 21.56	$ 17.07	$ 20.59	$ 15.69
Third Quarter	$ 24.51	$ 18.79	$ 20.17	$ 16.09
Fourth Quarter	$ 28.12	$ 24.17	$ 18.00	$ 15.09

The closing sale price of our common stock as reported on the NYSE on November 5, 2013 was $27.50 per share. As of that date there were 725 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 42,000 beneficial holders of our common stock.

Dividends

We declared a $0.09 per share and a $0.06 per share quarterly cash dividend on our common stock during each quarter of fiscal years 2013 and 2012, respectively. We also declared and paid a $0.50 per share special cash dividend on our common stock during the first quarter of fiscal 2013. On October 29, 2013, we declared a $0.12 per share quarterly cash dividend for the first quarter of fiscal 2014 and another $0.50 per share special cash dividend on our common stock. We paid the quarterly cash dividend on November 19, 2013 to all holders of record of our common stock as of November 7, 2013 and the special cash dividend is payable on December 17, 2013 to all holders of record of our common stock as of December 3, 2013. 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, 2008 in the Company s common stock, a broad-based stock index and the stocks comprising an industry peer group.

	Period Ended					
Index	**9/30/08**	**9/30/09**	**9/30/10**	**9/30/11**	**9/30/12**	**9/30/13**
TD Ameritrade Holding Corporation	100.00	117.76	96.88	89.14	94.50	168.78
S&P 500	100.00	93.09	102.55	103.72	135.05	161.17
Peer Group	100.00	74.15	55.16	43.64	49.17	83.76

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, 2013 July 31, 2013	12,028	$ 26.14		24,920,000
August 1, 2013 August 31, 2013		N/A		24,920,000
September 1, 2013 September 30, 2013	2,142	$ 26.07		24,920,000
Total Three months ended September 30, 2013	14,170	$ 26.13		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 2013.

During the quarter ended September 30, 2013, 14,170 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, (In millions, except per share amounts)				
	2013	2012	2011	2010	2009
Consolidated Statements of Income Data:					
Net revenues	$ 2,764	$ 2,641	$ 2,763	$ 2,560	$ 2,408
Operating income	1,056	934	1,048	965	1,102
Net income	675	586	638	592	644
Earnings per share basic	$ 1.23	$ 1.07	$ 1.12	$ 1.01	$ 1.11
Earnings per share diluted	$ 1.22	$ 1.06	$ 1.11	$ 1.00	$ 1.10
Weighted average shares outstanding basic	549	548	570	585	579
Weighted average shares outstanding diluted	554	554	576	592	587
Dividends declared per share	$ 0.86	$ 0.24	$ 0.20	$ 0.00	$ 0.00

	As of September 30, (In millions)				
	2013	2012	2011	2010	2009
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 1,062	$ 915	$ 1,032	$ 741	$ 791
Short-term investments available-for-sale, at fair value	4	154	4	4	52
Total assets	21,836	19,513	17,126	14,727	18,372
Long-term obligations	1,052	1,350	1,348	1,323	1,443
Stockholders equity	4,676	4,425	4,116	3,772	3,551

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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; growth in spread-based, fee-based and interest-earning asset balances; amounts of total operating expenses, advertising expense and other expense; our effective income tax rate; and our capital and liquidity needs and our plans to finance such needs.

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 accountsAverage 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, net on our Consolidated Balance Sheets.

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.

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 an aggregate marketing fee based on the yield earned on the client IDA assets, less the actual interest paid to clients, a servicing fee to the Depository Institutions 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 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 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* and interest earned on *securities borrowing/securities lending*. Brokerage interest expense consists of amounts paid or payable to clients based on credit balances maintained in *brokerage accounts* and interest incurred on *securities borrowing/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.

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.

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. We also incur interest expense for borrowing certain securities.

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. We also earn revenue for lending certain securities.

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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 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 investments represents net gains realized on 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 and our indefinite-lived acquired intangible asset for impairment on at least an annual basis, or whenever events and circumstances indicate that the carrying values may not be recoverable. In performing the goodwill 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 goodwill impairment tests.

To determine if the indefinite-lived intangible asset is impaired, we first assess certain qualitative factors. Based on this assessment, if it is determined that more likely than not the fair value of the indefinite-lived intangible asset is less than its carrying amount, we perform a quantitative impairment test. No impairment charges have resulted from the annual indefinite-lived intangible asset impairment tests.

We review our finite-lived 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.

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

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

We must make significant judgments to calculate our provision for income taxes, our deferred income tax assets and liabilities and any valuation allowance against our deferred income tax assets. We must also exercise judgment in determining the need for, and amount of, any accruals for uncertain tax positions. Because the

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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 15 Commitments and Contingencies and Insured Deposit Account Agreement under Note 19 Related Party Transactions.

Results of Operations

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

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

Financial Performance Metrics

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

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

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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,					
	2013		2012		2011	
	$	% of Net Revenues	$	% of Net Revenues	$	% of Net Revenues
EBITDA	$ 1,290	46.7%	$ 1,098	41.6%	$ 1,213	43.9%
Less:						
Depreciation and amortization	(86)	(3.1)%	(72)	(2.7)%	(67)	(2.4)%
Amortization of acquired intangible assets	(91)	(3.3)%	(92)	(3.5)%	(97)	(3.5)%
Interest on borrowings	(25)	(0.9)%	(28)	(1.1)%	(32)	(1.2)%
Provision for income taxes	(413)	(14.9)%	(320)	(12.1)%	(379)	(13.7)%
Net income	$ 675	24.4%	$ 586	22.2%	$ 638	23.1%

Our EBITDA increased 17% for fiscal 2013 compared to fiscal 2012, primarily due to a 5% increase in net revenues and $57 million of net gains on investments, while operating expenses were effectively unchanged. The increase in net revenues was primarily due to an 8% increase in transaction-based revenues and a 3% increase in asset-based revenues, partially offset by a 13% decrease in other revenues. Detailed analysis of our operating results is presented later in this discussion.

Our diluted earnings per share was $1.22, $1.06 and $1.11 for fiscal years 2013, 2012 and 2011, respectively. Higher EBITDA was partially offset by a higher effective income tax rate for fiscal 2013, resulting in a 15% increase in net income compared to fiscal 2012. Our effective income 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 diluted EPS for fiscal 2012 by approximately four cents per share. Based on our expectations for net revenues and expenses, we expect diluted earnings per share to range from $1.20 to $1.40 for fiscal year 2014. Details regarding our fiscal year 2014 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 2013, asset-based revenues and transaction-based revenues accounted for 55% and 42% 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-based assets consist of client and brokerage-related asset balances, including client margin balances, segregated

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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 2013	Fiscal Year 2012	Fiscal Year 2011	13 vs. 12 Increase/ (Decrease)	12 vs. 11 Increase/ (Decrease)
Average interest-earning assets	$ 15,857	$ 14,884	$ 13,783	$ 973	$ 1,101
Average insured deposit account balances	67,981	59,384	48,537	8,597	10,847
Average spread-based balances	$ 83,838	$ 74,268	$ 62,320	$ 9,570	$ 11,948
Net interest revenue	$ 469	$ 450	$ 492	$ 19	$ (42)
Insured deposit account fee revenue	804	828	763	(24)	65
Spread-based revenue	$ 1,273	$ 1,278	$ 1,255	$ (5)	$ 23
Average yield interest-earning assets	2.92%	2.97%	3.52%	(0.05)%	(0.55)%
Average yield insured deposit account fees	1.17%	1.37%	1.55%	(0.20)%	(0.18)%
Net interest margin (NIM)	1.50%	1.69%	1.99%	(0.19)%	(0.30)%

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 2013	2012	2011	13 vs. 12 Increase/ (Decrease)	12 vs. 11 Increase/ (Decrease)
Segregated cash	$ 6	$ 4	$ 2	$ 2	$ 2
Client margin balances	345	345	390		(45)
Securities lending/borrowing, net	118	101	101	17	
Other cash and interest-earning investments	1	1	1		
Client credit balances	(1)	(1)	(2)		1
Net interest revenue	$ 469	$ 450	$ 492	$ 19	$ (42)

	Average Balance Fiscal Year 2013	2012	2011	13 vs. 12 % Change	12 vs. 11 % Change
Segregated cash	$ 4,626	$ 4,346	$ 3,016	6%	44%
Client margin balances	8,576	8,200	8,756	5%	(6)%
Securities borrowing	1,056	804	760	31%	6%
Other cash and interest-earning investments	1,599	1,534	1,251	4%	23%
Interest-earning assets	$ 15,857	$ 14,884	$ 13,783	7%	8%
Client credit balances	$ 9,469	$ 9,171	$ 8,351	3%	10%
Securities lending	2,139	1,969	1,934	9%	2%
Interest-bearing liabilities	$ 11,608	$ 11,140	$ 10,285	4%	8%

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	Average Yield (Cost) Fiscal Year			13 vs. 12 Net Yield Increase/ (Decrease)	12 vs. 11 Net Yield Increase/ (Decrease)
	2013	2012	2011		
Segregated cash	0.12%	0.08%	0.07%	0.04%	0.01%
Client margin balances	3.97%	4.13%	4.39%	(0.16)%	(0.26)%
Other cash and interest-earning investments	0.08%	0.09%	0.10%	(0.01)%	(0.01)%
Client credit balances	(0.01)%	(0.01)%	(0.02)%	0.00%	0.01%
Net interest revenue	2.92%	2.97%	3.52%	(0.05)%	(0.55)%

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

	Fee Revenue Fiscal Year			13 vs. 12 Increase/ (Decrease)	12 vs. 11 Increase/ (Decrease)
	2013	2012	2011		
Money market mutual fund	$ 1	$ 3	$ 8	$ (2)	$ (5)
Market fee-based investment balances	249	193	158	56	35
Total investment product fees	$ 250	$ 196	$ 166	$ 54	$ 30

	Average Balance Fiscal Year			13 vs. 12 % Change	12 vs. 11 % Change
	2013	2012	2011		
Money market mutual fund	$ 5,163	$ 5,113	$ 8,712	1%	(41)%
Market fee-based investment balances	107,653	81,024	69,568	33%	16%
Total fee-based investment balances	$ 112,816	$ 86,137	$ 78,280	31%	10%

	Average Yield Fiscal Year			13 vs. 12 Increase/ (Decrease)	12 vs. 11 Increase/ (Decrease)
	2013	2012	2011		
Money market mutual fund	0.02%	0.07%	0.09%	(0.05)%	(0.02)%
Market fee-based investment balances	0.23%	0.23%	0.22%	0.00%	0.01%
Total investment product fees	0.22%	0.22%	0.21%	0.00%	0.01%

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			13 vs. 12 % Change	12 vs. 11 % Change
	2013	2012	2011		
Total trades (in millions)	92.85	89.91	100.74	3%	(11)%
Average commissions and transaction fees per trade(1)	$ 12.61	$ 12.09	$ 12.18	4%	(1)%
Average client trades per day	373,630	359,631	398,986	4%	(10)%
Average client trades per funded account (annualized)	15.8	15.8	18.2	0%	(13)%
Activity rate funded accounts	6.3%	6.3%	7.2%	0%	(13)%
Trading days	248.5	250.0	252.5	(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	
	2013	**2012**	**2011**
Funded accounts (beginning of year)	5,764,000	5,617,000	5,455,000
Funded accounts (end of year)	5,993,000	5,764,000	5,617,000
Percentage change during year	4%	3%	3%
Client assets (beginning of year, in billions)	$ 472.3	$ 378.7	$ 354.8
Client assets (end of year, in billions)	$ 555.9	$ 472.3	$ 378.7
Percentage change during year	18%	25%	7%
Net new assets (in billions)	$ 49.5	$ 40.8	$ 41.5
Net new assets annualized growth rate	10%	11%	12%

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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			13 vs. 12 % Change	12 vs. 11 % Change
	2013	**2012**	**2011**		
Revenues:					
Transaction-based revenues:					
Commissions and transaction fees	$ 1,171	$ 1,087	$ 1,228	8%	(11)%
Asset-based revenues:					
Interest revenue	476	456	497	4%	(8)%
Brokerage interest expense	(7)	(6)	(5)	17%	20%
Net interest revenue	469	450	492	4%	(9)%
Insured deposit account fees	804	828	763	(3)%	9%
Investment product fees	250	196	166	28%	18%
Total asset-based revenues	1,523	1,474	1,421	3%	4%
Other revenues	70	80	114	(13)%	(30)%
Net revenues	2,764	2,641	2,763	5%	(4)%
Operating expenses:					
Employee compensation and benefits	692	690	675	0%	2%
Clearing and execution costs	109	89	100	22%	(11)%
Communications	113	111	107	2%	4%
Occupancy and equipment costs	160	150	142	7%	6%
Depreciation and amortization	86	72	67	19%	7%
Amortization of acquired intangible assets	91	92	97	(1)%	(5)%
Professional services	145	168	170	(14)%	(1)%
Advertising	239	248	253	(4)%	(2)%
Other	73	87	104	(16)%	(16)%
Total operating expenses	1,708	1,707	1,715	0%	(0)%
Operating income	1,056	934	1,048	13%	(11)%
Other expense (income):					
Interest on borrowings	25	28	32	(11)%	(13)%
Loss on debt refinancing			1	N/A	(100)%
Gain on investments, net	(57)		(2)	N/A	(100)%
Total other expense (income)	(32)	28	31	N/A	(10)%
Pre-tax income	1,088	906	1,017	20%	(11)%
Provision for income taxes	413	320	379	29%	(16)%
Net income	$ 675	$ 586	$ 638	15%	(8)%

Other information:					
Effective income tax rate	38.0%	35.3%	37.3%		
Average debt outstanding	$ 1,151	$ 1,257	$ 1,268	(8)%	(1)%
Average interest rate incurred on borrowings	2.07%	2.13%	2.28%		

Fiscal Year Ended September 30, 2013 Compared to Fiscal Year Ended September 30, 2012

Net Revenues

Commissions and transaction fees increased 8% to $1.17 billion, primarily due to growth in funded accounts and higher average commissions and transaction fees per trade, partially offset by the effect of 1.5 fewer trading days during fiscal 2013 compared to fiscal 2012. Total trades increased 3%, as average client trades per day increased 4% to 373,630 for fiscal 2013 compared to 359,631 for fiscal 2012. Funded accounts increased 4% during fiscal 2013, while average client trades per funded account was unchanged at 15.8 for fiscal 2013 and fiscal 2012. Two trading days were lost during fiscal 2013 due to unscheduled market closures resulting from Hurricane Sandy. Average commissions and transaction fees per trade increased to $12.61 for fiscal 2013 from $12.09 for fiscal 2012, primarily due to higher payment for order flow revenue per trade and, to a lesser extent, a higher percentage of option trades, which earn higher average commissions and transaction fees per trade. We expect average commissions and transaction fees to range between $12.40 and $12.65 per trade during fiscal 2014, 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 $1.14 billion to $1.35 billion for fiscal 2014, 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 3% to $1.52 billion for fiscal 2013, primarily due to a 33% increase in average market fee-based investment balances and a 13% increase in average spread-based assets, partially offset by a decrease of 19 basis points in the net interest margin earned on spread-based assets. Our net interest margin was 1.50% for fiscal 2013, compared to 1.69% for fiscal 2012. We expect net interest margin to range between 1.40% and 1.50% for fiscal 2014, depending largely on the interest rate environment. We expect asset-based revenues to increase to between $1.61 billion and $1.77 billion for fiscal 2014, primarily due to expected 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 2014. The high end of the estimated range also assumes no change in the federal funds rate, but assumes a gradual increase in interest rates across the LIBOR yield curve for fiscal 2014. Overall, we expect the effect of increased average spread-based and fee-based asset balances for fiscal 2014 to exceed the effect of any decrease in our net interest margin due to the expected continued low short- to medium-term interest rate environment. The following paragraphs provide further analysis of the components of asset-based revenues.

Net interest revenue increased 4% to $469 million, due primarily to a $17 million increase in net interest revenue from our securities borrowing/lending program and a 5% increase in average client margin balances, partially offset by a decrease of 16 basis points in the average yield earned on client margin balances. We expect net interest revenue to increase to between $485 million and $525 million for fiscal 2014, primarily due to expected growth in average interest-earning asset balances, partially offset by a slight decrease in the expected average yield earned on those balances.

Insured deposit account fees decreased 3% to $804 million, primarily due to a decrease of 20 basis points in the average yield earned on the IDA assets, partially offset by a 14% increase in average client IDA balances during fiscal 2013 compared to fiscal 2012. The increased IDA balances are mostly due to our success in attracting net new client assets over the past year and, to a lesser extent, due to our strategy of migrating client cash held in client 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. We expect our migration strategy to position the Company to earn higher net revenues, as we generally earn a higher yield on IDA balances than on money market mutual fund or client credit balances. We expect insured deposit account fees to increase to between $835 million and $930 million for fiscal 2014, primarily due to expected growth in average insured deposit account balances, which may be partially offset by a slight decrease in the average yield earned on those balances.

During fiscal 2013, interest rates on 5- to 7-year LIBOR-based swaps increased by approximately 80 to 100 basis points. If such rates were to remain stable at these higher levels, this would prospectively result in most investments in the IDA portfolio no longer being reinvested at lower interest rates upon maturity. However, we

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expect that, absent further increases in interest rates, the average yield earned on IDA assets will continue to decrease somewhat, as any growth in IDA balances is invested at a shorter average duration and a lower average yield than the existing IDA portfolio. The expected decrease in the average yield earned on IDA assets will be mitigated somewhat by the terms of the new IDA agreement, which became effective as of January 1, 2013. Compared to the old IDA agreement, the new IDA agreement will improve the average yield earned on the IDA assets during a low interest rate environment, due primarily to lower servicing fees on floating-rate and short-term fixed rate assets in the IDA portfolio. During the last nine months of fiscal 2013, the new IDA agreement favorably impacted the net yield earned on the IDA assets by approximately 4 basis points. However, in the event of a rising interest rate environment under the new IDA agreement, once certain interest rate thresholds are met, the rate earned by the Company on new fixed-rate notional investments in the IDA portfolio will gradually be reduced by up to 10 basis points. Based on economists current interest rate projections, we expect that these interest rate thresholds will not be attained until fiscal 2016, and that reductions in the rate earned by the Company will phase in gradually over a number of years thereafter as investments in the IDA portfolio mature and are reinvested. For more information about the new IDA agreement, please see Note 19 Related Party Transactions under Item 8, Financial Statements and Supplementary Data Notes to Consolidated Financial Statements.

Investment product fees increased 28% to $250 million, primarily due to a 33% increase in average market fee-based investment balances for fiscal 2013 compared to fiscal 2012. We expect investment product fees to increase to between $285 million and $310 million for fiscal 2014, primarily due to expected growth in average fee-based investment balances.

Other revenues decreased 13% to $70 million, due primarily to lower client education revenue, partially offset by increased fees from processing corporate securities reorganizations for fiscal 2013 compared to fiscal 2012. We expect other revenues to decrease to between $50 million and $60 million for fiscal 2014, primarily due to lower expected client education revenue. Over the past few years, we have reduced our focus on client education as a fee revenue source in favor of focusing on development of our clients trading and investing skills.

Operating Expenses

Total operating expenses was unchanged overall at approximately $1.71 billion for both fiscal 2013 and fiscal 2012. Analysis of the individual components of operating expenses is provided below. We expect total operating expenses to range from $1.71 billion to $1.88 billion for fiscal 2014.

Employee compensation and benefits expense increased slightly to $692 million, primarily due to annual merit increases and higher incentive-based compensation related to Company and individual performance, including our continued success in attracting net new client assets. These items were mostly offset by the effect of higher costs during the prior year for severance related to staff reductions and for stock-based compensation expense due to the effect of retirement eligibility provisions in certain stock award agreements.

Clearing and execution costs increased 22% to $109 million, primarily due to higher futures and option trade execution costs resulting from increased client futures and option trading activity, increased client statement processing costs, and the effect of a favorable adjustment during the prior year related to the thinkorswim clearing conversion.

Occupancy and equipment costs increased 7% to $160 million, primarily due to upgrades to our technology infrastructure and facilities and costs associated with exiting our previous headquarters building and placing our new Omaha corporate campus in service during fiscal 2013.

Depreciation and amortization increased 19% to $86 million, primarily due to depreciation on our new Omaha corporate campus, which was placed in service in April 2013, and on recent technology infrastructure upgrades and leasehold improvements.

Professional services decreased 14% to $145 million, primarily due to lower usage of consulting and contract services.

Advertising expense decreased 4% to $239 million, primarily due to lower investor education promotion costs during fiscal 2013. 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 $230 million to $275 million for fiscal 2014.

Other operating expenses decreased 16% to $73 million, primarily due to lower bad debt expense and lower losses on disposal of property and equipment during fiscal 2013 compared to fiscal 2012. Fiscal 2012 included $10 million of losses on disposal of property and equipment, primarily related to our discontinued use of certain software and hardware.

Other Expense (Income) and Income Taxes

Other expense (income) represented $32 million of income during fiscal 2013 and $28 million of expense during fiscal 2012. The change was primarily due to $49 million of net gains recognized on our investment in Knight Capital Group, Inc. during fiscal 2013. For more information regarding the Knight investment, see Note 7 Investments Available-For-Sale under Item 8, Financial Statements and Supplementary Data Notes to Consolidated Financial Statements. We expect to incur other expense ranging from $20 million to $30 million for fiscal 2014, consisting primarily of interest on borrowings.

Our effective income tax rate was 38.0% for fiscal 2013, compared to 35.3% for fiscal 2012. 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. We expect our effective income tax rate to range from 38% to 39% for fiscal 2014, 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, 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.

Asset-based revenues 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. The following paragraphs provide further analysis of the components of asset-based revenues.

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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.

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. The increased IDA balances were partly due to our success in attracting net new client assets 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.

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, 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.

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.

Operating Expenses

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.

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.

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

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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.

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 2013 were financed primarily from our subsidiaries earnings, cash on hand and our parent company s revolving credit facility. We repaid $250 million of 2.950% Senior Notes due December 1, 2012 with cash on hand. We financed our payment of a $0.50 per share special cash dividend on December 31, 2012 by borrowing $275 million on our parent company s revolving credit facility, which we repaid in full during fiscal 2013. We funded a portion of the repayment in part using $69 million of cash consideration we received in connection with Knight Capital Group, Inc. s July 1, 2013 merger with GETCO Holding Company, LLC. For more information regarding the Knight-GETCO merger, see Note 7 Investments Available-For-Sale under Item 8, Financial Statements and Supplementary Data Notes to Consolidated Financial Statements. We plan to finance our capital and liquidity needs in fiscal 2014 primarily from our subsidiaries earnings, cash on hand, and borrowings on our parent company and/or broker-dealer revolving credit facilities.

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, 2013, our clearing and introducing broker-dealer subsidiaries had $1,302 million and $305 million of net capital, respectively, which exceeded the early warning net capital thresholds by $746 million and $294 million, respectively.

Our clearing broker-dealer subsidiary, TD Ameritrade Clearing, Inc. (TDAC), engages in activities such 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 significantly from time to time based on the nature and size of our clients trading activity. TDAC had $175 million and $176 million of cash and investments deposited with clearing organizations for the clearing of client equity and option trades as of September 30, 2013 and 2012, respectively.

TDAC s liquidity needs relating to client trading and margin borrowing are met primarily through cash balances in client brokerage accounts, which were $13.0 billion and $10.5 billion as of September 30, 2013 and 2012, respectively. 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. TDAC had $5.7 billion and $3.9 billion of cash and investments segregated in special reserve bank accounts for the exclusive benefit of clients under Rule 15c3-3 as of September 30, 2013 and 2012, respectively.

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, 2013 and 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.

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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 requirement. For more information about the regulatory capital requirements of our broker-dealer and trust subsidiaries, please see Note 11 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.

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			Liquid Assets Regulatory Threshold		
		September 30,			September 30,		
		2013	2012	Change	2013	2012	Change
Cash and cash equivalents		$ 1,062	$ 915	$ 147	$ 1,062	$ 915	$ 147
Less:	Broker-dealer cash and cash equivalents	(540)	(406)	(134)	(540)	(406)	(134)
	Trust company cash and cash equivalents	(74)	(95)	21	(74)	(95)	21
	Investment advisory cash and cash equivalents	(19)	(11)	(8)	(19)	(11)	(8)
Corporate cash and cash equivalents		429	403	26	429	403	26
Plus:	Corporate short-term investments		150	(150)		150	(150)
	Excess trust company Tier 1 capital				8	10	(2)
	Excess broker-dealer regulatory net capital	445	501	(56)	1,040	1,048	(8)
Liquid assets		$ 874	$ 1,054	$ (180)	$ 1,477	$ 1,611	$ (134)

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

		Liquid Assets	
		Management Target	Regulatory Threshold
Liquid assets as of September 30, 2012		$ 1,054	$ 1,611
Plus:	EBITDA(1)	1,290	1,290
	Proceeds from notes payable	275	275
	Proceeds from exercise of stock options	19	19
	Proceeds from sale of investments	88	88
	Other investing activities	2	2
Less:	Income taxes paid	(379)	(379)
	Interest paid	(32)	(32)
	Purchase of property and equipment	(144)	(144)
	Principal payments on long-term debt	(250)	(250)
	Principal payments on notes payable	(275)	(275)
	Payment of cash dividends	(471)	(471)
	Purchase of treasury stock	(5)	(5)
	Principal payments on capital lease obligations	(5)	(5)
	Additional net capital requirement due to increase in aggregate debits	(100)	(50)
	Other changes in working capital and regulatory net capital	(193)	(197)
Liquid assets as of September 30, 2013		$ 874	$ 1,477

(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. On December 1, 2012, we paid in full the outstanding principal balance under the 2012 Notes.

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

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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. On December 1, 2012, the interest rate swap on the 2012 Notes expired. As of September 30, 2013, the weighted average effective interest rate on the Senior Notes was 2.07%.

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 maturity date of the Parent Revolving Facility is June 28, 2014. On December 28, 2012, we borrowed $275 million under the Parent Revolving Facility. We used the proceeds to fund a $0.50 per share special cash dividend, paid on our common stock on December 31, 2012. During fiscal 2013, we paid in full the outstanding principal balance under the Parent Revolving Facility. There were no borrowings outstanding under the Parent Revolving Facility as of September 30, 2013 and 2012.

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 Company s public debt ratings. As of September 30, 2013, the interest rate margin would have been 1.25% for Parent LIBOR loans and 0.25% for Base Rate loans, and the commitment fee was 0.15%, each determined by reference to the Company s public debt ratings.

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 Company 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, 2013.

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, 2013, the interest rate margin would have been 1.00% for both TDAC LIBOR loans and Fed Funds Rate loans, and the commitment fee was 0.125%, each determined by reference to the Company s public debt ratings. There were no borrowings outstanding under the TDAC Revolving Facility as of September 30, 2013 and 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, 2013.

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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. 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. We did not make any repurchases under this authorization during fiscal 2013. As of September 30, 2013, we had approximately 24.9 million shares remaining on the October 20, 2011 stock repurchase authorization.

Cash Dividends

We declared $0.09 per share, $0.06 per share and $0.05 per share quarterly cash dividends on our common stock during each quarter of fiscal years 2013, 2012 and 2011, respectively. We also declared and paid a $0.50 per share special cash dividend on our common stock during the first quarter of fiscal 2013. We paid $471 million, $132 million and $114 million to fund the dividends for fiscal years 2013, 2012 and 2011, respectively.

On October 29, 2013, we declared a $0.12 per share quarterly cash dividend for the first quarter of fiscal 2014 and a $0.50 per share special cash dividend on our common stock. We paid approximately $66 million on November 19, 2013 to fund the quarterly cash dividend and we expect to pay approximately $275 million on December 17, 2013 to fund the special cash 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 15 Commitments and Contingencies and Insured Deposit Account Agreement under Note 19 Related Party Transactions. The IDA agreement accounts for a significant percentage of our net revenues (29% of our net revenues for the fiscal year ended September 30, 2013) 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.

Contractual Obligations

The following table summarizes our contractual obligations as of September 30, 2013 (dollars in millions):

		Payments Due by Period (Fiscal Years):			
		Less than 1 year	1-3 years	3-5 years	More than 5 years
Contractual Obligations	**Total**	**2014**	**2015-16**	**2017-18**	**After 2018**
Long-term debt obligations(1)	$ 1,094	$ 21	$ 529	$ 27	$ 517
Operating lease obligations	341	52	93	87	109
Purchase obligations(2)	146	82	42	10	12
Income taxes payable(3)	200	200			
Total	$ 1,781	$ 355	$ 664	$ 124	$ 638

(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, 2013 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.

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. For example, in the current low interest rate environment, sharp increases in short-term interest rates could result in net interest spread compression if the yields paid on interest-bearing client balances were to increase faster than our earnings on interest-earning assets. 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

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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, 2013 indicate that a gradual 1% (100 basis points) increase in interest rates over a 12-month period would result in a range of approximately $115 million to $168 million higher pre-tax income, depending largely on the extent and timing of possible increases in payment rates on client cash balances. A gradual 1% (100 basis points) decrease in interest rates over a 12-month period would result in approximately $35 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, 2013 and 2012, and the related consolidated statements of income, comprehensive income, stockholders equity, and cash flows for each of the three years in the period ended September 30, 2013. 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, 2013 and 2012, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 30, 2013, 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, 2013, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated November 22, 2013 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Chicago, Illinois

November 22, 2013

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TD AMERITRADE HOLDING CORPORATION

CONSOLIDATED BALANCE SHEETS

As of September 30, 2013 and 2012

	2013	2012
	(In millions)	
ASSETS		
Cash and cash equivalents	$ 1,062	$ 915
Short-term investments available-for-sale, at fair value	4	154
Cash and investments segregated and on deposit for regulatory purposes	5,894	4,030
Receivable from brokers, dealers and clearing organizations	1,348	1,110
Receivable from clients, net	8,984	8,647
Receivable from affiliates	117	85
Other receivables, net	137	118
Securities owned, at fair value	323	343
Investments available-for-sale, at fair value	13	70
Property and equipment at cost, net	497	444
Goodwill	2,467	2,467
Acquired intangible assets, net	841	932
Deferred income taxes	1	2
Other assets	148	196
Total assets	$ 21,836	$ 19,513
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Payable to brokers, dealers and clearing organizations	$ 1,973	$ 1,992
Payable to clients	13,183	10,728
Accounts payable and accrued liabilities	582	632
Payable to affiliates	4	4
Deferred revenue	14	28
Long-term debt	1,052	1,345
Capitalized lease obligations		5
Deferred income taxes	352	354
Total liabilities	17,160	15,088
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; 2013 550 million shares outstanding; 2012 545 million shares outstanding	6	6
Additional paid-in capital	1,592	1,587
Retained earnings	4,304	4,100
Treasury stock, common, at cost: 2013 81 million shares; 2012 86 million shares	(1,226)	(1,286)
Net unrealized gain on investments available-for-sale		18
Total stockholders equity	4,676	4,425
Total liabilities and stockholders equity	$ 21,836	$ 19,513

See notes to consolidated financial statements.

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TD AMERITRADE HOLDING CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended September 30, 2013, 2012 and 2011

	2013	2012	2011
	(In millions, except per share amounts)		
Revenues:			
Transaction-based revenues:			
Commissions and transaction fees	$ 1,171	$ 1,087	$ 1,228
Asset-based revenues:			
Interest revenue	476	456	497
Brokerage interest expense	(7)	(6)	(5)
Net interest revenue	469	450	492
Insured deposit account fees	804	828	763
Investment product fees	250	196	166
Total asset-based revenues	1,523	1,474	1,421
Other revenues	70	80	114
Net revenues	2,764	2,641	2,763
Operating expenses:			
Employee compensation and benefits	692	690	675
Clearing and execution costs	109	89	100
Communications	113	111	107
Occupancy and equipment costs	160	150	142
Depreciation and amortization	86	72	67
Amortization of acquired intangible assets	91	92	97
Professional services	145	168	170
Advertising	239	248	253
Other	73	87	104
Total operating expenses	1,708	1,707	1,715
Operating income	1,056	934	1,048
Other expense (income):			
Interest on borrowings	25	28	32
Loss on debt refinancing			1
Gain on investments, net [2013 includes ($49) accumulated other comprehensive income reclassifications for net unrealized gains on available-for-sale investments]	(57)		(2)
Total other expense (income)	(32)	28	31
Pre-tax income	1,088	906	1,017
Provision for income taxes [2013 includes $18 from reclassification items]	413	320	379

Net income	$ 675	$ 586	$ 638
Earnings per share basic	$ 1.23	$ 1.07	$ 1.12
Earnings per share diluted	$ 1.22	$ 1.06	$ 1.11
Weighted average shares outstanding basic	549	548	570
Weighted average shares outstanding diluted	554	554	576
Dividends declared per share	$ 0.86	$ 0.24	$ 0.20

See notes to consolidated financial statements.

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TD AMERITRADE HOLDING CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended September 30, 2013, 2012 and 2011

	2013	2012	2011
		(In millions)	
Net income	$ 675	$ 586	$ 638
Other comprehensive income (loss):			
Change in net unrealized gain on investments available-for-sale:			
Net unrealized gain	21	28	
Reclassification adjustment for net realized gain included in net income	(52)		
Reclassification of impairment charge	3		
Total other comprehensive income (loss), before tax	(28)	28	
Income tax effects:			
Net unrealized gain	(8)	(10)	
Reclassification adjustment for net realized gain included in net income	19		
Reclassification of impairment charge	(1)		
Total income tax effects	10	(10)	
Total other comprehensive income (loss), net of tax	(18)	18	
Comprehensive income	$ 657	$ 604	$ 638

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, 2013, 2012 and 2011

	Total Common Shares Outstanding	Total Stockholders Equity	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Net Unrealized Gain on Investments Available-For-Sale
				(In millions)			
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		
Other comprehensive income, net of tax		18					18
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
Net income		675			675		
Other comprehensive loss, net of tax		(18)					(18)
Payment of cash dividends		(471)			(471)		
Repurchases of common stock		(5)				(5)	
Common stock issued for stock-based compensation, including tax effects	5	41		(24)		65	
Stock-based compensation expense		29		29			
Balance, September 30, 2013	550	$ 4,676	$ 6	$ 1,592	$ 4,304	$ (1,226)	$

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, 2013, 2012 and 2011

	2013	2012 (In millions)	2011
Cash flows from operating activities:			
Net income	$ 675	$ 586	$ 638
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	86	72	67
Amortization of acquired intangible assets	91	92	97
Deferred income taxes	10	5	2
Gain on investments, net	(57)		(2)
Loss on disposal of property	5	10	17
Loss on debt refinancing			1
Stock-based compensation	29	41	35
Excess tax benefits on stock-based compensation	(24)	(9)	(10)
Other, net	(3)	(2)	
Changes in operating assets and liabilities:			
Cash and investments segregated and on deposit for regulatory purposes	(1,864)	(1,511)	(1,525)
Receivable from brokers, dealers and clearing organizations	(238)	(275)	373
Receivable from clients, net	(337)	(588)	(668)
Receivable from/payable to affiliates, net	(32)	7	1
Other receivables, net	(19)	(3)	(44)
Securities owned, at fair value	20	104	(229)
Other assets	4		(6)