TD AMERITRADE HOLDING CORP
Form 10-Q
May 07, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
x Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the quarterly period ended March 31, 2015
OR
¨ 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)

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, and (2) has been subject to such filing requirements for the past 90 days. Yes x 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. Yes x No ¨
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 x	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 Exchange Act).
Yes ¨ No x
As of April 29, 2015, there were 543,584,758 outstanding shares of the registrant's common stock.

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PART I – FINANCIAL INFORMATION

Item 1. – Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders

TD Ameritrade Holding Corporation

We have reviewed the condensed consolidated balance sheet of TD Ameritrade Holding Corporation and subsidiaries (the Company) as of March 31, 2015, and the related condensed consolidated statements of income and comprehensive income for the three-month and six-month periods ended March 31, 2015 and 2014, and the condensed consolidated statements of cash flows for the six-month periods ended March 31, 2015 and 2014. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of TD Ameritrade Holding Corporation and subsidiaries as of September 30, 2014, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the year then ended (not presented herein) and we expressed an unqualified audit opinion on those consolidated financial statements in our report dated November 21, 2014. In our opinion, the accompanying condensed consolidated balance sheet of TD Ameritrade Holding Corporation and subsidiaries as of September 30, 2014, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ ERNST & YOUNG LLP

Chicago, Illinois

May 7, 2015

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TD AMERITRADE HOLDING CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 2015	September 30, 2014
	(In millions)	
ASSETS		
Cash and cash equivalents	$1,280	$1,460
Short-term investments available-for-sale, at fair value	505	4
Cash and investments segregated and on deposit for regulatory purposes	4,243	5,116
Receivable from brokers, dealers and clearing organizations	949	1,108
Receivable from clients, net	12,463	11,639
Receivable from affiliates	106	99
Other receivables, net	146	147
Securities owned, at fair value	531	332
Property and equipment at cost, net	534	543
Goodwill	2,467	2,467
Acquired intangible assets, net	706	751
Other assets	166	165
Total assets	$24,096	$23,831
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Payable to brokers, dealers and clearing organizations	$2,398	$2,421
Payable to clients	13,955	14,497
Accounts payable and other liabilities	691	595
Payable to affiliates	6	5
Notes payable	—	150
Long-term debt	1,864	1,101
Deferred income taxes	308	314
Total liabilities	19,222	19,083
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; March 31, 2015 - 543 million shares outstanding; September 30, 2014 - 545 million shares outstanding	6	6
Additional paid-in capital	1,630	1,618
Retained earnings	4,789	4,551
Treasury stock, common, at cost: March 31, 2015 - 88 million shares; September 30, 2014 - 86 million shares	(1,525)	(1,409)
Accumulated other comprehensive loss	(26)	(18)
Total stockholders' equity	4,874	4,748
Total liabilities and stockholders' equity	$24,096	$23,831

See notes to condensed consolidated financial statements.

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TD AMERITRADE HOLDING CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2015	2014	2015	2014
	(In millions, except per share amounts)			
Revenues:				
Transaction-based revenues:				
Commissions and transaction fees	$350	$374	$708	$702
Asset-based revenues:				
Interest revenue	151	148	314	276
Brokerage interest expense	(2)	(2)	(3)	(4)
Net interest revenue	149	146	311	272
Insured deposit account fees	205	202	412	410
Investment product fees	85	75	168	147
Total asset-based revenues	439	423	891	829
Other revenues	14	15	22	33
Net revenues	803	812	1,621	1,564
Operating expenses:				
Employee compensation and benefits	208	193	406	376
Clearing and execution costs	37	34	72	63
Communications	30	28	61	56
Occupancy and equipment costs	39	40	81	77
Depreciation and amortization	23	24	46	48
Amortization of acquired intangible assets	22	22	45	45
Professional services	41	37	77	75
Advertising	82	94	145	157
Other	25	17	48	37
Total operating expenses	507	489	981	934
Operating income	296	323	640	630
Other expense:				
Interest on borrowings	9	6	17	12
Other	—	—	1	—
Total other expense	9	6	18	12
Pre-tax income	287	317	622	618
Provision for income taxes	98	123	221	232
Net income	$189	$194	$401	$386
Earnings per share - basic	$0.35	$0.35	$0.74	$0.70
Earnings per share - diluted	$0.35	$0.35	$0.73	$0.70
Weighted average shares outstanding - basic	544	551	544	551
Weighted average shares outstanding - diluted	547	556	547	555

Dividends declared per share	$0.15	$0.12	$0.30	$0.74

See notes to condensed consolidated financial statements.

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TD AMERITRADE HOLDING CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2015	2014	2015	2014
	(In millions)			
Net income	$189	$194	$401	$386
Other comprehensive income (loss), before tax:				
Cash flow hedging instruments:				
Net unrealized loss	—	(9)	(15)	(9)
Reclassification adjustment for portion of realized loss amortized to net income	1	—	2	—
Total other comprehensive income (loss), before tax	1	(9)	(13)	(9)
Income tax effect	—	3	5	3
Total other comprehensive income (loss), net of tax	1	(6)	(8)	(6)
Comprehensive income	$190	$188	$393	$380

See notes to condensed consolidated financial statements.

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TD AMERITRADE HOLDING CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended March 31,	
	2015	2014
	(In millions)	
Cash flows from operating activities:		
Net income	$401	$386
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	46	48
Amortization of acquired intangible assets	45	45
Deferred income taxes	(1)	2
Stock-based compensation	19	16
Excess tax benefits on stock-based compensation	(13)	(8)
Other, net	—	(1)
Changes in operating assets and liabilities:		
Cash and investments segregated and on deposit for regulatory purposes	873	678
Receivable from brokers, dealers and clearing organizations	159	234
Receivable from clients, net	(824)	(2,266)
Receivable from/payable to affiliates, net	(6)	2
Other receivables, net	1	(14)
Securities owned, at fair value	(198)	(68)
Other assets	38	(25)
Payable to brokers, dealers and clearing organizations	(23)	1,059
Payable to clients	(542)	32
Accounts payable and other liabilities	87	66
Net cash provided by operating activities	62	186
Cash flows from investing activities:		
Purchase of property and equipment	(38)	(37)
Purchase of short-term investments	(501)	—
Proceeds from sale of investments	1	13
Other	3	1
Net cash used in investing activities	(535)	(23)

See notes to condensed consolidated financial statements.

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TD AMERITRADE HOLDING CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS – (Continued)
(Unaudited)

	Six Months Ended March 31,	
	2015	2014
	(In millions)	
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	$1,248	$—
Payment of debt issuance costs	(11)	—
Principal payments on long-term debt	(514)	—
Proceeds from notes payable	—	155
Principal payments on notes payable	(150)	(40)
Payment of cash dividends	(163)	(408)
Proceeds from exercise of stock options: Six months ended March 31, 2015 - 0.7 million shares; 2014 - 0.4 million shares	12	7
Purchase of treasury stock: Six months ended March 31, 2015 - 4.4 million shares; 2014 - 0.5 million shares	(142)	(14)
Excess tax benefits on stock-based compensation	13	8
Net cash provided by (used in) financing activities	293	(292)
Net decrease in cash and cash equivalents	(180)	(129)
Cash and cash equivalents at beginning of period	1,460	1,062
Cash and cash equivalents at end of period	$1,280	$933
Supplemental cash flow information:		
Interest paid	$14	$15
Income taxes paid	$137	$127

See notes to condensed consolidated financial statements.

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TD AMERITRADE HOLDING CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Three Month and Six Month Periods Ended March 31, 2015 and 2014
(Unaudited)

1. BASIS OF PRESENTATION

The condensed consolidated financial statements include the accounts of TD Ameritrade Holding Corporation (the "Parent") and its wholly-owned subsidiaries (collectively, the “Company”). Intercompany balances and transactions have been eliminated.

These financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) and, in the opinion of management, reflect all adjustments, which are all of a normal recurring nature, necessary to present fairly the financial position, results of operations and cash flows for the periods presented in conformity with U.S. generally accepted accounting principles ("GAAP"). These financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s annual report filed on Form 10-K for the fiscal year ended September 30, 2014.

2. CASH AND CASH EQUIVALENTS

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

	March 31, 2015	September 30, 2014
Corporate	$618	$298
Broker-dealer subsidiaries	538	1,090
Futures commission merchant subsidiary	33	—
Trust company subsidiary	76	53
Investment advisory subsidiaries	15	19
Total	$1,280	$1,460

Capital requirements may limit the amount of cash available for dividend from the broker-dealer, futures commission merchant ("FCM") and trust company subsidiaries to the parent company. Most of the trust company cash and cash equivalents arises from client transactions in the process of settlement, and therefore is generally not available for corporate purposes. Cash and cash equivalents of the investment advisory subsidiaries is generally not available for corporate purposes.

3. CASH AND INVESTMENTS SEGREGATED AND ON DEPOSIT FOR REGULATORY PURPOSES

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

	March 31, 2015	September 30, 2014
U.S. government debt securities	$2,332	$3,070
Reverse repurchase agreements (collateralized by U.S. government debt securities)	1,286	1,193
Cash in demand deposit accounts	519	617
U.S. government debt securities on deposit with futures commission merchant	76	50
Cash on deposit with futures commission merchants	30	186
Total	$4,243	$5,116

4. INCOME TAXES

The Company’s effective income tax rate for the six months ended March 31, 2015 was 35.5%, compared to 37.5% for the six months ended March 31, 2014. The provision for income taxes for the six months ended March 31, 2015 was significantly lower than normal primarily due to $19 million of favorable resolutions of state income tax matters. This favorably impacted the Company's earnings for the six months ended March 31, 2015 by approximately three cents per share. The provision for income taxes for the six months ended March 31, 2014 was slightly lower than normal primarily due to $9 million of favorable resolutions of state income tax matters, partially offset by $2 million of unfavorable deferred income tax adjustments resulting from state income tax law changes. These items had a net favorable impact on the Company’s earnings for the six months ended March 31, 2014 of approximately one cent per share.

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5. NOTES PAYABLE AND LONG-TERM DEBT

Notes payable and long-term debt consist of the following (dollars in millions):

March 31, 2015	Face Value	Unamortized Discount	Fair Value Adjustment (1)	Net Carrying Value
Long-term debt:				
Senior Notes:				
5.600% Notes due 2019	$500	$—	$39	$539
2.950% Notes due 2022	750	(2)	—	748
3.625% Notes due 2025	500	—	22	522
Secured Loan:				
Variable-rate Note due 2019	55	—	—	55
Total long-term debt	$1,805	$(2)	$61	$1,864

September 30, 2014	Face Value	Unamortized Discount	Fair Value Adjustment (1)	Net Carrying Value
Notes payable:				
Parent Revolving Facility	$150	$—	$ —	$150
Long-term debt:				
Senior Notes:				
4.150% Notes due 2014	500	—	2	502
5.600% Notes due 2019	500	—	30	530
Secured Loan:				
Variable-rate Note due 2019	69	—	—	69
Subtotal – Long-term debt	1,069	—	32	1,101
Total notes payable and long-term debt	$1,219	$—	$ 32	$1,251

(1) Fair value adjustments relate to changes in the fair value of the debt while in a fair value hedging relationship. See "Fair Value Hedging" below.

Senior Notes - On October 17, 2014, the Company sold, through a public offering, $500 million aggregate principal amount of unsecured 3.625% Senior Notes due April 1, 2025 (the "2025 Notes"). Interest on the 2025 Notes will be payable in arrears semi-annually on April 1 and October 1 of each year. The Company used the net proceeds from the issuance of the 2025 Notes, together with cash on hand, to repay in full the outstanding principal under the Company's 4.150% Senior Notes (the "2014 Notes") that matured on December 1, 2014.

On March 4, 2015, the Company sold, through a public offering, $750 million aggregate principal amount of unsecured 2.950% Senior Notes due April 1, 2022 (the "2022 Notes"). Interest on the 2022 Notes will be payable in arrears semi-annually on April 1 and October 1 of each year, beginning on October 1, 2015. The Company issued the 2022 Notes for general corporate purposes, including liquidity for operational contingencies.

Fair Value Hedging – The Company is exposed to changes in the fair value of its fixed-rate Senior Notes resulting from interest rate fluctuations. To hedge a portion of this exposure, the Company has entered into fixed-for-variable interest rate swaps on its 5.600% Senior Notes due December 1, 2019 (the "2019 Notes") and 2025 Notes. Each fixed-for-variable interest rate swap has a notional amount of $500 million and a maturity date matching the maturity date of the respective Senior Notes. During December 2014, the Company paid in full the outstanding principal under the 2014 Notes and the interest rate swap on the 2014 Notes expired.

The interest rate swaps effectively change the fixed-rate interest on the 2019 Notes and 2025 Notes to variable-rate interest. Under the terms of the interest rate swap agreements, the Company receives semi-annual fixed-rate interest payments based on the same rates applicable to the Senior Notes, and makes quarterly variable-rate interest payments based on three-month LIBOR plus (a) 2.3745% for the swap on the 2019 Notes and (b) 1.1022% for the swap on the 2025 Notes. As of March 31, 2015, the weighted average effective interest rate on the aggregate principal balance of the 2019 Notes and 2025 Notes was 2.00%.

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2015	2014	2015	2014
Gain (loss) on fair value of interest rate swaps	$18	$(1)	$29	$(12)
Gain (loss) on fair value of hedged fixed-rate debt	(18)	1	(29)	12
Net gain (loss) recorded in interest on borrowings	$—	$—	$—	$—

Cash Flow Hedging – On January 17, 2014, the Company entered into forward-starting interest rate swap contracts with an aggregate notional amount of $500 million, to hedge against changes in the benchmark interest rate component of future interest payments resulting from the anticipated refinancing of the 2014 Notes. The Company designated the contracts as a cash flow hedge of the future interest payments.

Under cash flow hedge accounting, until settlement the swap contracts are carried at fair value and, to the extent they are an effective hedge, any unrealized gains or losses are recorded in other comprehensive income (loss). Any ineffective portion of the unrealized gains or losses is immediately recorded into earnings. Upon settlement, any realized gain or loss that has been recorded in other comprehensive income (loss) is amortized into earnings over the term of the newly-issued fixed-rate debt.

On October 17, 2014, the Company sold $500 million of 2025 Notes as described under “Senior Notes” above, and paid approximately $45 million to settle the forward-starting interest rate swap contracts. As of October 17, 2014, the Company recorded $0.5 million of pre-tax loss immediately into earnings to reflect ineffectiveness resulting from the issuance of the 2025 Notes slightly earlier than forecast. As of March 31, 2015, the Company expects to amortize $4.4 million of pre-tax losses, that were reported in accumulated other comprehensive income (loss), into interest on borrowings on the Condensed Consolidated Statements of Income within the next 12 months.

The following table summarizes pre-tax losses resulting from changes in the fair value of the forward-starting interest rate swaps for the periods indicated (dollars in millions):

	Amount of Loss Recognized in Other Comprehensive Income (Loss) (Effective Portion)			
	Three Months Ended March 31,		Six Months Ended March 31,	
	2015	2014	2015	2014
Forward-starting interest rate swaps	$—	$(9)	$(15)	$(9)

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

	Balance Sheet Location	March 31, 2015	September 30, 2014
Interest rate contracts:			
Pay-variable interest rate swaps designated as fair value hedges	Other assets	$61	$32
Forward-starting interest rate swaps designated as cash flow hedges	Accounts payable and other liabilities	$—	$(29)

The interest rate swaps are subject to counterparty credit risk. Credit risk is managed by limiting activity to approved counterparties that meet a minimum credit rating threshold, by entering into credit support agreements, or by utilizing approved central clearing counterparties registered with the Commodity Futures Trading Commission ("CFTC"). 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 (including accrued interest). As of March 31, 2015 and September 30, 2014, the pay-variable interest rate swap counterparties had pledged $71 million and $47 million of collateral, respectively, to the Company in the form of cash. A liability for collateral pledged to the Company in the form of cash is recorded in accounts payable and other liabilities on the Condensed Consolidated Balance Sheets. As of September 30, 2014 the Company had pledged $43 million of collateral to the forward-starting interest rate swap

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counterparties in the form of cash. An asset for collateral pledged to the swap counterparties in the form of cash is recorded in other assets on the Condensed Consolidated Balance Sheets.

TD Ameritrade Holding Corporation Credit Agreement — On June 11, 2014, 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 11, 2019.

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 0.875% to 1.75% for Parent LIBOR loans and from 0% to 0.75% 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 0.10% to 0.25% on any unused amount of the Parent Revolving Facility, determined by reference to the Company's public debt ratings.

As of March 31, 2015, 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. There were no borrowings outstanding under the Parent Revolving Facility as of March 31, 2015. As of September 30, 2014, there was $150 million of borrowings outstanding under the Parent Revolving Facility, consisting of Parent LIBOR loans. As of September 30, 2014, the commitment fee was 0.15% and the interest rate margin was 1.25%, each determined by reference to the Company's public debt ratings, and the interest rate was 1.40%, based on one-month LIBOR plus the interest rate margin.

The obligations under the Parent Revolving Facility are guaranteed by TD Ameritrade Online Holdings Corp. ("TDAOH"), a wholly-owned subsidiary of the Company, and each "significant subsidiary" (as defined in SEC Rule 1-02(w) of Regulation S-X) of the Parent, other than broker-dealer subsidiaries, FCM subsidiaries and controlled foreign corporations. Currently, the only subsidiary guarantor of the obligations under the Parent Revolving Facility is TDAOH.

The Parent Revolving Facility contains negative covenants that limit or restrict, subject to certain exceptions, the incurrence of liens, indebtedness of subsidiaries, mergers, consolidations, transactions with affiliates, change in nature of business and the sale of all or substantially all of the assets of the Company. The Parent is also required to maintain compliance with a maximum consolidated leverage ratio covenant and a minimum consolidated interest coverage ratio covenant, and the Company's broker-dealer and FCM 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 March 31, 2015.

TD Ameritrade Clearing, Inc. Credit Agreement - On June 11, 2014, 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 11, 2019.

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 0.75% to 1.50% 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 0.08% to 0.20% on any unused amount of the TDAC Revolving Facility, determined by reference to the Company's public debt ratings. As of March 31, 2015, 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 March 31, 2015 and September 30, 2014.

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 March 31, 2015.

Intercompany Credit Agreements — During March 2015, the Parent entered into credit agreements with each of its primary broker-dealer and FCM subsidiaries as described below.

The intercompany credit agreement with TDAC was established on March 31, 2015 and will terminate on March 1, 2022. Under this agreement, TDAC may borrow up to $700 million in cash or securities from the Parent under a committed facility. In addition, the Parent is permitted, but under no obligation, to make loans of up to $300 million in cash or securities to TDAC under an uncommitted facility. Loans under both the committed and uncommitted facilities bear interest at the same rate as borrowings under the TDAC Revolving Facility and must be repaid with interest on or before the termination date.

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The intercompany credit agreement with TD Ameritrade, Inc., the Company's introducing broker-dealer subsidiary, was established on March 31, 2015 and will terminate on March 1, 2022. Under this agreement, TD Ameritrade, Inc. may borrow up to $50 million in cash or securities from the Parent under a committed facility. In addition, the Parent is permitted, but under no obligation, to make loans of up to $300 million in cash or securities to TD Ameritrade, Inc. under an uncommitted facility. Loans under both the committed and uncommitted facilities bear interest at the same rate as borrowings under the TDAC Revolving Facility and must be repaid with interest on or before the termination date.

The intercompany credit agreement with TD Ameritrade Futures & Forex, LLC ("TDAFF"), the Company's FCM subsidiary, was established on March 29, 2015 and has an initial term of five years. The agreement will automatically renew for an additional five-year term, unless either party provides notice to the other of its intent to terminate not less than 30 days before the end of the then current term. Under this agreement, TDAFF may borrow from the Parent, under a committed facility, up to 75% of TDAFF's "residual interest target" as determined by TDAFF in accordance with applicable rules and regulations. As of March 31, 2015, TDAFF's residual interest target was $18 million and the corresponding loan commitment amount was $13.5 million. Loans under this facility bear interest at the prime rate plus 1.00% and must be repaid with interest not later than 60 calendar days following the date of the borrowing.

There were no borrowings outstanding under any of the intercompany credit agreements as of March 31, 2015.

6. CAPITAL REQUIREMENTS

The Company’s broker-dealer subsidiaries are subject to the SEC Uniform Net Capital Rule (Rule 15c3-1 under the Securities Exchange Act of 1934, or the “Exchange Act”), administered by the SEC and the Financial Industry Regulatory Authority (“FINRA”), which requires the maintenance of minimum net capital, as defined. Net capital and the related net capital requirement may fluctuate on a daily basis. TDAC, the Company’s clearing broker-dealer subsidiary, and TD Ameritrade, Inc., the Company’s introducing broker-dealer subsidiary, compute net capital under the alternative method as permitted by Rule 15c3-1. TDAC is required to maintain minimum net capital of the greater of $1.5 million, which is based on the type of business conducted by the broker-dealer, or 2% of aggregate debit balances arising from client transactions.

Under Rule 15c3-1, TD Ameritrade, Inc. is required to maintain minimum net capital of the greater of $250,000 or 2% of aggregate debit balances. As an FCM registered with the CFTC, TD Ameritrade, Inc. is also subject to CFTC Regulation 1.17 under the Commodity Exchange Act, administered by the CFTC and the National Futures Association ("NFA"), which requires the maintenance of minimum net capital of the greatest of (a) $1.0 million, (b) its futures risk-based capital requirement, equal to 8% of the total risk margin requirement for all futures positions carried by the FCM in client and nonclient accounts, or (c) its Rule 15c3-1 net capital requirement. TD Ameritrade, Inc. transferred its futures and foreign exchange business to TDAFF effective March 29, 2015. On March 30, 2015, the Company filed an application to withdraw TD Ameritrade, Inc.'s registration as an FCM. The application is pending approval by the NFA.

Under the alternative method, a broker-dealer may not repay any subordinated borrowings, pay cash dividends or make any unsecured advances or loans to its parent company or employees if such payment would result in a net capital amount of (a) less than 5% of aggregate debit balances, (b) less than 110% of its risk-based capital requirement under CFTC Regulation 1.17, or (c) less than 150% of its minimum dollar requirement. An FCM, such as TDAFF, that is not registered as a securities broker-dealer must provide notice to the CFTC if its net capital amounts to less than (a) 110% of its risk-based capital requirement under CFTC Regulation 1.17 or (b) less than 150% of its minimum dollar requirement. These broker-dealer and FCM net capital thresholds, which are specified in Exchange Act Rule 17a-11 and CFTC Regulation 1.12, are typically referred to as “early warning” net capital thresholds.

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

TD Ameritrade Clearing, Inc.

Date	Net Capital	Required Net Capital (2% of Aggregate Debit Balances)	Net Capital in Excess of Required Net Capital	Net Capital in Excess of Early Warning Threshold (5% of Aggregate Debit Balances)	Ratio of Net Capital to Aggregate Debit Balances	
March 31, 2015	$1,610	$291	$1,319	$883	11.07	%
September 30, 2014	$1,569	$280	$1,289	$868	11.19	%

TD Ameritrade, Inc.

Date	Net Capital	Required Net Capital (8% of Total Risk Margin or Minimum Dollar Requirement)	Net Capital in Excess of Required Net Capital	Net Capital in Excess of Early Warning Threshold (110% or 150% of Required Net Capital)
March 31, 2015	$266	$1	$265	$264
September 30, 2014	$347	$17	$330	$328

During October 2014, TDAFF registered as an FCM with the CFTC. TDAFF is subject to CFTC Regulation 1.17 under the Commodity Exchange Act, which requires the maintenance of minimum net capital as described above. Net capital and net capital requirements for TDAFF are summarized in the following table (dollars in millions):

TD Ameritrade Futures & Forex LLC

Date	Net Capital	Required Net Capital (8% of Total Risk Margin)	Net Capital in Excess of Required Net Capital	Net Capital in Excess of Early Warning Threshold (110% of Required Net Capital)
March 31, 2015	$52	$12	40	$39
September 30, 2014	N/A	N/A	N/A	N/A

The Company's non-depository trust company subsidiary, TD Ameritrade Trust Company ("TDATC"), is subject to capital requirements established by the State of Maine, which require TDATC to maintain minimum Tier 1 capital, as defined. TDATC's Tier 1 capital was $29 million and $27 million as of March 31, 2015 and September 30, 2014, respectively, which exceeded the required Tier 1 capital by $13 million and $12 million, respectively.

7. COMMITMENTS AND CONTINGENCIES

Legal and Regulatory Matters

Order Routing Litigation – Five putative class action complaints have been filed regarding TD Ameritrade's routing of client orders. The cases are pending in the U.S. District Court for the District of Nebraska: Jay Zola et al. v. TD Ameritrade, Inc., et al.; Tyler Verdieck v. TD Ameritrade, Inc.; Bruce Lerner v. TD Ameritrade, Inc.; Michael Sarbacker v. TD Ameritrade Holding Corporation, et al.; Gerald Klein v. TD Ameritrade Holding Corporation, et al. The complaints in Zola, Klein and Sarbacker allege that the defendants failed to provide clients with "best execution" and routed orders to the market venue that paid the most for its order flow. The complaints in Verdieck and Lerner allege that the defendant routed its clients' non-marketable limit orders to the venue paying the highest rates of maker rebates, and that clients did not receive best execution on these kinds of orders. The complaints variously include claims of breach of contract, breach of fiduciary duty, breach of the duty of best execution, fraud, negligent

misrepresentation, violations of Section 10(b) and 20 of the Exchange Act and SEC Rule 10b-5, violation of Nebraska's Consumer Protection Act, violation of Nebraska's Uniform Deceptive Trade Practices Act, aiding and abetting, unjust enrichment and declaratory judgment. The complaints seek various kinds of relief including damages, restitution, disgorgement, injunctive relief, equitable relief and other relief. The Company intends to vigorously defend against these lawsuits. The Company is unable to predict the outcome or the timing of the ultimate resolution of these lawsuits, or the potential losses, if any, that may result.

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Reserve Yield Plus Fund Litigation – 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.

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. On March 19, 2015, the plaintiffs entered into an agreement with Reserve Management Company, Inc. and related defendants to settle the claims against them, subject to court approval. On March 26, 2015, the Company and the plaintiffs reached an agreement in principle to resolve the claims against the Company and its directors, officers and shareholders named as defendants, subject to definitive written terms that will require court approval. Under the agreement, the Company will make a cash contribution of $3.75 million toward a class settlement fund.

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 $30 million as of March 31, 2015. 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.

Income Taxes

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

General Contingencies

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

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

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

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

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

The Company has accepted collateral in connection with client margin loans and securities borrowed. Under applicable agreements, the Company is generally permitted to repledge securities held as collateral and use them to enter into securities lending arrangements. The following table summarizes the fair values of client margin securities and stock borrowings that were available to the Company to utilize as collateral on various borrowings or for other purposes, and the amount of that collateral loaned or repledged by the Company (dollars in billions):

	March 31, 2015	September 30, 2014
Client margin securities	$17.3	$16.2
Stock borrowings	0.8	1.0
Total collateral available	$18.1	$17.2
Collateral loaned	$2.4	$2.4
Collateral repledged	2.1	2.5

Total collateral loaned or repledged	$4.5	$4.9

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The Company is subject to cash deposit and collateral requirements with clearinghouses based on its clients' trading activity. The following table summarizes cash deposited with and securities pledged to clearinghouses by the Company (dollars in millions):

Assets	Balance Sheet Classification	March 31, 2015	September 30, 2014
Cash	Receivable from brokers, dealers and clearing organizations	$95	$104
U.S. government debt securities	Securities owned, at fair value	306	181
Total		$401	$285

Guarantees

The Company is a member of and provides guarantees to securities clearinghouses and exchanges in connection with client trading activities. Under related agreements, the Company is generally required to guarantee the performance of other members. Under these agreements, if a member becomes unable to satisfy its obligations to the clearinghouse, other members would be required to meet shortfalls. The Company's liability under these arrangements is not quantifiable and could exceed the cash and securities it has posted to the clearinghouse as collateral. However, the potential for the Company to be required to make payments under these agreements is considered remote. Accordingly, no contingent liability is carried on the Condensed Consolidated Balance Sheets for these guarantees.

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

See "Insured Deposit Account Agreement" in Note 12 for a description of a guarantee included in that agreement.

8. FAIR VALUE DISCLOSURES

Fair Value Measurement — Definition and Hierarchy

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

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

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

- Level 1— Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. This category includes active exchange-traded funds, money market mutual funds, mutual funds and equity securities.
- Level 2— Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Such inputs include quoted prices in markets that are not active, quoted prices for similar assets and liabilities in active and inactive markets, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data by correlation or other means. This category includes most debt securities and other interest-sensitive financial instruments.
- Level 3 — Unobservable inputs for the asset or liability, where there is little, if any, observable market activity or data for the asset or liability.

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The following tables present the Company's fair value hierarchy for assets and liabilities measured at fair value on a recurring basis as of March 31, 2015 and September 30, 2014 (dollars in millions):

	As of March 31, 2015			
	Level 1	Level 2	Level 3	Fair Value
Assets:				
Cash equivalents:				
Money market mutual funds	$1,088	$—	$—	$1,088
Short-term investments available-for-sale:				
U.S. government debt securities	—	505	—	505
Investments segregated for regulatory purposes:				
U.S. government debt securities	—	2,408	—	2,408
Securities owned:				
Money market and other mutual funds	—	—	2	2
U.S. government debt securities	—	526	—	526
Other	—	3	—	3
Subtotal - Securities owned	—	529	2	531
Other assets:				
Pay-variable interest rate swaps[(1)]	—	61	—	61
Auction rate securities	—	—	1	1
Subtotal - Other assets	—	61	1	62
Total assets at fair value	$1,088	$3,503	$3	$4,594
Liabilities:				
Accounts payable and other liabilities:				
Securities sold, not yet purchased:				
Equity securities	$11	$—	$—	$11

(1) See "Fair Value Hedging" in Note 5 for details.

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	As of September 30, 2014			
	Level 1	Level 2	Level 3	Fair Value
Assets:				
Cash equivalents:				
Money market mutual funds	$1,284	$—	$—	$1,284
Short-term investments available-for-sale:				
U.S. government debt securities	—	4	—	4
Investments segregated for regulatory purposes:				
U.S. government debt securities	—	3,120	—	3,120
Securities owned:				
Money market and other mutual funds	—	—	1	1
U.S. government debt securities	—	326	—	326
Other	2	3	—	5
Subtotal - Securities owned	2	329	1	332
Other assets:				
Pay-variable interest rate swaps[(1)]	—	32	—	32
Auction rate securities	—	—	1	1
Subtotal - Other assets	—	32	1	33
Total assets at fair value	$1,286	$3,485	$2	$4,773
Liabilities:				
Accounts payable and other liabilities:				
Forward-starting interest rate swaps[(2)]	$—	$29	$—	$29
Securities sold, not yet purchased:				
Equity securities	1	—	—	1
Total liabilities at fair value	$1	$29	$—	$30

(1) See “Fair Value Hedging” in Note 5 for details.
(2) See “Cash Flow Hedging” in Note 5 for details.

There were no transfers between any levels of the fair value hierarchy during the periods covered by this report.

Valuation Techniques

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

Level 2 Measurements:

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

Interest Rate Swaps – These derivatives are valued by the Company using a valuation model provided by a third party service that incorporates interest rate yield curves, which are observable for substantially the full term of the contract.

The valuation model

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

Level 3 Measurements:

The Company has no material assets or liabilities classified as Level 3 of the fair value hierarchy.

Fair Value of Financial Instruments Not Recorded at Fair Value

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

Cash and investments segregated and on deposit for regulatory purposes includes reverse repurchase agreements (securities purchased under agreements to resell). Reverse repurchase agreements are treated as collateralized financing transactions and are carried at amounts at which the securities will subsequently be resold, plus accrued interest. The Company’s reverse repurchase agreements generally have a maturity of seven days and are collateralized by U.S. Treasury securities in amounts exceeding the carrying value of the resale agreements. Accordingly, the carrying value of reverse repurchase agreements approximates fair value (categorized as Level 2 of the fair value hierarchy). In addition, this category includes cash held in demand deposit accounts and on deposit with a futures commission merchant, for which the carrying values approximate the fair value (categorized as Level 1 of the fair value hierarchy). See Note 3 for a summary of cash and investments segregated and on deposit for regulatory purposes.

Long-term debt – As of March 31, 2015, the Company’s Senior Notes had an aggregate estimated fair value, based on quoted market prices (categorized as Level 1 of the fair value hierarchy), of approximately $1.873 billion, compared to the aggregate carrying value of the Senior Notes on the Condensed Consolidated Balance Sheet of $1.809 billion. As of September 30, 2014, the Company’s Senior Notes had an aggregate estimated fair value, based on quoted market prices, of approximately $1.081 billion, compared to the aggregate carrying value of the Senior Notes on the Condensed Consolidated Balance Sheet of $1.032 billion.

The carrying value of the Company's variable-rate secured loan approximates fair value because of the frequent repricing of the loan based on market interest rates (categorized as Level 2 of the fair value hierarchy).

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9. OFFSETTING ASSETS AND LIABILITIES

Substantially all of the Company's reverse repurchase agreements, securities borrowing and securities lending activity and derivative financial instruments are transacted under master agreements that may allow for net settlement in the ordinary course of business, as well as offsetting of all contracts with a given counterparty in the event of default by one of the parties. However, for financial statement purposes, the Company does not net balances related to these financial instruments.

The following tables present information about the potential effect of rights of setoff associated with the Company's recognized assets and liabilities as of March 31, 2015 and September 30, 2014 (dollars in millions):

	March 31, 2015					
				Gross Amounts Not Offset in the Condensed Consolidated Balance Sheet		
	Gross Amounts of Recognized Assets and Liabilities	Gross Amounts Offset in the Condensed Consolidated Balance Sheet	Net Amounts Presented in the Condensed Consolidated Balance Sheet	Financial Instruments[3]	Collateral Received or Pledged (Including Cash) [4]	Net Amount [5]
Assets:						
Investments segregated for regulatory purposes:						
Reverse repurchase agreements	$1,286	$ —	$ 1,286	$—	$(1,286)	$—
Receivable from brokers, dealers and clearing organizations:						
Deposits paid for securities borrowed [1]	846	—	846	(52)	(768)	26
Other assets:						
Pay-variable interest rate swaps	61	—	61	—	(61)	—
Total	$2,193	$ —	$ 2,193	$(52)	$(2,115)	$26
Liabilities:						
Payable to brokers, dealers and clearing organizations:						
Deposits received for securities loaned [2]	$2,351	$ —	$ 2,351	$(52)	$(2,049)	$250

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	September 30, 2014					
				Gross Amounts Not Offset in the Condensed Consolidated Balance Sheet		
	Gross Amounts of Recognized Assets and Liabilities	Gross Amounts Offset in the Condensed Consolidated Balance Sheet	Net Amounts Presented in the Condensed Consolidated Balance Sheet	Financial Instruments[3]	Collateral Received or Pledged (Including Cash) [4]	Net Amount [5]
Assets:						
Investments segregated for regulatory purposes:						
Reverse repurchase agreements	$1,193	$ —	$1,193	$—	$(1,193)	$—
Receivable from brokers, dealers and clearing organizations:						
Deposits paid for securities borrowed [1]	995	—	995	(69)	(900)	26
Other assets:						
Pay-variable interest rate swaps	32	—	32	—	(32)	—
Total	$2,220	$ —	$2,220	$(69)	$(2,125)	$26
Liabilities:						
Payable to brokers, dealers and clearing organizations:						
Deposits received for securities loaned [2]	$2,384	$ —	$2,384	$(69)	$(2,015)	$300
Accounts payable and other liabilities:						
Forward-starting interest rate swaps	29	—	29	—	(29)	—
Total	$2,413	$ —	$2,413	$(69)	$(2,044)	$300

(1) Included in the gross amounts of deposits paid for securities borrowed is $417 million and $616 million as of March 31, 2015 and September 30, 2014, respectively, transacted through a risk-sharing program with the OCC, which guarantees the return of cash to the Company.

(2) Included in the gross amounts of deposits received for securities loaned is $870 million and $754 million as of March 31, 2015 and September 30, 2014, respectively, transacted through a risk-sharing program with the OCC, which guarantees the return of securities to the Company.

(3)

Amounts represent recognized assets and liabilities that are subject to enforceable master agreements with rights of setoff.

(4) Represents the fair value of collateral the Company had received or pledged under enforceable master agreements, limited for table presentation purposes to the net amount of the recognized assets due from or liabilities due to each counterparty. At March 31, 2015 and September 30, 2014, the Company had received total collateral with a fair value of $2,203 million and $2,231 million, respectively, and pledged total collateral with a fair value of $2,099 million and $2,124 million, respectively.

(5) Represents the amount for which, in the case of net recognized assets, the Company had not received collateral, and in the case of net recognized liabilities, the Company had not pledged collateral.

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10. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table presents the net change in fair value recorded in other comprehensive income (loss) before and after income tax for the periods indicated (dollars in millions):

	Three Months Ended March 31,					
	2015			2014		
	Before Tax	Tax Effect	Net of Tax	Before Tax	Tax Effect	Net of Tax
Cash flow hedging instruments:						
Net unrealized loss	$—	$—	$—	$(9)	$3	$(6)
Reclassification adjustment for portion of realized loss amortized to net income [1]	1	—	1	—	—	—
Other comprehensive income (loss)	$1	$—	$1	$(9)	$3	$(6)

	Six Months Ended March 31,					
	2015			2014		
	Before Tax	Tax Effect	Net of Tax	Before Tax	Tax Effect	Net of Tax
Cash flow hedging instruments:						
Net unrealized loss	$(15)	$5	$(10)	$(9)	$3	$(6)
Reclassification adjustment for portion of realized loss amortized to net income [1]	2	—	2	—	—	—
Other comprehensive loss	$(13)	$5	$(8)	$(9)	$3	$(6)

(1) The before tax reclassification adjustment amount and the related tax effect are included in interest on borrowings and provision for income taxes, respectively, on the Condensed Consolidated Statements of Income.

The following table presents after-tax changes in accumulated other comprehensive loss (dollars in millions):

	Three Months Ended March 31,		Six Months Ended March 31,	
	2015	2014	2015	2014
Cash flow hedging instruments:				
Beginning balance	$(27)	$—	$(18)	$—
Other comprehensive loss before reclassification	—	(6)	(10)	(6)
Amount reclassified from accumulated other comprehensive loss	1	—	2	—
Current period change	1	(6)	(8)	(6)
Ending balance	$(26)	$(6)	$(26)	$(6)

11. EARNINGS PER SHARE

The difference between the numerator and denominator used in the computation of basic and diluted earnings per share consists of common stock equivalent shares related to stock-based compensation for all periods presented. There were no material antidilutive awards for the three and six months ended March 31, 2015 and 2014.

12. RELATED PARTY TRANSACTIONS

Transactions with TD and Affiliates

As a result of the Company's acquisition of TD Waterhouse during fiscal 2006, TD became an affiliate of the Company. TD owned approximately 41% of the Company's common stock as of March 31, 2015. Pursuant to the Stockholders Agreement among TD, the Company and certain other stockholders, TD has the right to designate five of twelve members of the Company's board of directors. The Company transacts business and has extensive

relationships with TD and certain of its affiliates. Transactions with TD and its affiliates are discussed and summarized below.

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Insured Deposit Account Agreement

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 TD. Under the IDA agreement, TD Bank USA and TD Bank, N.A. (together, the "TD 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 TD Depository Institutions with respect to the money market deposit accounts. In exchange for providing these services, the TD Depository Institutions pay the Company an aggregate marketing fee based on the weighted average yield earned on the client IDA assets, less the actual interest paid to clients, a servicing fee to the TD Depository Institutions and the cost of FDIC insurance premiums.

The current IDA agreement became effective as of January 1, 2013 and has an initial term expiring July 1, 2018. It is automatically renewable for successive five-year terms, provided that it may be terminated by either the Company or the TD Depository Institutions by providing written notice of non-renewal at least two years prior to the initial expiration date or the expiration date of any subsequent renewal period.

The fee earned on the IDA agreement is calculated based on two primary components: (a) the yield on fixed-rate "notional" investments, based on prevailing fixed rates for identical balances and maturities in the interest rate swap market (generally LIBOR-based) at the time such investments were added to the IDA portfolio (including any adjustments required to adjust the variable rate leg of such swaps to a one-month reset frequency and the overall swap payment frequency to monthly) and (b) the yield on floating-rate investments. As of March 31, 2015, the IDA portfolio was comprised of approximately 77% fixed-rate notional investments and 23% floating-rate investments.

The IDA agreement provides that the Company may designate amounts and maturity dates for the fixed-rate notional investments in the IDA portfolio, subject to certain limitations. For example, if the Company designates that $100 million of deposits be invested in 5-year fixed-rate investments, and on the day such investment is confirmed by the TD Depository Institutions the prevailing fixed yield for the applicable 5-year U.S. dollar LIBOR-based swaps is 1.45%, then the Company will earn a gross fixed yield of 1.45% on that portion of the portfolio (before any deductions for interest paid to clients, the servicing fee to the TD Depository Institutions and the cost of FDIC insurance premiums). In the event that (1) the federal funds effective rate is established at 0.75% or greater and (2) the rate on 5-year U.S. dollar interest rate swaps is equal to or greater than 1.50% for 20 consecutive business days, then the rate earned by the Company on new fixed-rate notional investments will be reduced by 20% of the excess of the 5-year U.S. dollar swap rate over 1.50%, up to a maximum of 0.10%.

The yield on floating-rate investments is calculated daily based on the greater of the following rates published by the Federal Reserve: (1) the interest rate paid by Federal Reserve Banks on balances held in excess of required reserve balances and contractual clearing balances under Regulation D and (2) the daily effective federal funds rate.

The interest rates paid to clients are set by the TD Depository Institutions and are not linked to any index. The servicing fee to the TD Depository Institutions under the IDA agreement is equal to 25 basis points on the aggregate average daily balance in the IDA accounts, subject to adjustment as it relates to deposits of less than or equal to $20 billion kept in floating-rate investments or in fixed-rate notional investments with a maturity of up to 24 months ("short-term fixed-rate investments"). For floating-rate and short-term fixed-rate investments, the servicing fee is equal to the difference of the interest rate earned on the investments less the FDIC premiums paid (in basis points), divided by two. The servicing fee has a floor of 3 basis points (subject to adjustment from time to time to reflect material changes to the TD Depository Institutions' leverage costs) and a maximum of 25 basis points.

In the event the marketing fee computation results in a negative amount, the Company must pay the TD Depository Institutions the negative amount. This effectively results in the Company guaranteeing the TD Depository Institutions revenue equal to the servicing fee on the IDA agreement, plus the reimbursement of FDIC insurance premiums. The marketing fee computation under the IDA agreement is affected by many variables, including the type, duration, principal balance and yield of the fixed-rate and floating-rate investments, the prevailing interest rate environment, the amount of client deposits and the yield paid on client deposits. Because a negative marketing fee computation would arise only if there were extraordinary movements in many of these variables, the maximum potential amount of future payments the Company could be required to make under this arrangement cannot be reasonably estimated. Management believes the potential for the marketing fee calculation to result in a negative amount is remote.

Accordingly, no contingent liability is carried on the Condensed Consolidated Balance Sheets for the IDA agreement.

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

		Revenues from TD and Affiliates			
	Statement of Income Classification	Three months ended March 31,		Six months ended March 31,	
Description		2015	2014	2015	2014
Insured Deposit Account Agreement	Insured deposit account fees	$205	$202	$412	$410
Referral and Strategic Alliance Agreement	Various	3	3	6	6
Other	Various	1	2	3	3
Total revenues		$209	$207	$421	$419

		Expenses to TD and Affiliates			
	Statement of Income Classification	Three months ended March 31,		Six months ended March 31,	
Description		2015	2014	2015	2014
Canadian Call Center Services Agreement	Professional services	$5	$5	$9	$9
Other	Various	2	2	2	2
Total expenses		$7	$7	$11	$11

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

	March 31, 2015	September 30, 2014
Assets:		
Receivable from brokers, dealers and clearing organizations	$—	$1
Receivable from affiliates	106	99
Liabilities:		
Payable to brokers, dealers and clearing organizations	$92	$96
Payable to affiliates	6	5

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

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13. CONDENSED CONSOLIDATING FINANCIAL INFORMATION

The 2019 Notes are jointly and severally and fully and unconditionally guaranteed by TDAOH, a wholly-owned subsidiary of the Company. Presented below is condensed consolidating financial information for the Company, its guarantor subsidiary and its non-guarantor subsidiaries for the periods indicated. Because all other comprehensive income (loss) activity occurred on the parent company for all periods presented, condensed consolidating statements of comprehensive income are not presented.

CONDENSED CONSOLIDATING BALANCE SHEET
AS OF MARCH 31, 2015
(Unaudited)

	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Total
	(In millions)				
ASSETS					
Cash and cash equivalents	$480	$1	$ 799	$—	$1,280
Short-term investments available-for-sale	501	3	1	—	505
Cash and investments segregated and on deposit for regulatory purposes	—	—	4,243	—	4,243
Receivable from brokers, dealers and clearing organizations	—	—	949	—	949
Receivable from clients, net	—	—	12,463	—	12,463
Investments in subsidiaries	5,739	5,625	—	(11,364)	—
Receivable from affiliates	3	3	107	(7)	106
Goodwill	—	—	2,467	—	2,467
Acquired intangible assets, net	—	146	560	—	706
Other, net	154	13	1,268	(58)	1,377
Total assets	$6,877	$5,791	$ 22,857	$(11,429)	$24,096
LIABILITIES AND STOCKHOLDERS' EQUITY					
Liabilities:					
Payable to brokers, dealers and clearing organizations	$—	$—	$ 2,398	$—	$2,398
Payable to clients	—	—	13,955	—	13,955
Accounts payable and other liabilities	135	—	569	(13)	691
Payable to affiliates	4	—	9	(7)	6
Long-term debt	1,864	—	—	—	1,864
Deferred income taxes	—	52	301	(45)	308
Total liabilities	2,003	52	17,232	(65)	19,222
Stockholders' equity	4,874	5,739	5,625	(11,364)	4,874
Total liabilities and stockholders' equity	$6,877	$5,791	$ 22,857	$(11,429)	$24,096

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CONDENSED CONSOLIDATING BALANCE SHEET
AS OF SEPTEMBER 30, 2014
(Unaudited)

	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Total
	(In millions)				
ASSETS					
Cash and cash equivalents	$117	$2	$ 1,341	$—	$1,460
Short-term investments available-for-sale	—	3	1	—	4
Cash and investments segregated and on deposit for regulatory purposes	—	—	5,116	—	5,116
Receivable from brokers, dealers and clearing organizations	—	—	1,108	—	1,108
Receivable from clients, net	—	—	11,639	—	11,639
Investments in subsidiaries	5,868	5,754	—	(11,622)	—
Receivable from affiliates	11	2	97	(11)	99
Goodwill	—	—	2,467	—	2,467
Acquired intangible assets, net	—	146	605	—	751
Other, net	156	13	1,072	(54)	1,187
Total assets	$6,152	$5,920	$ 23,446	$(11,687)	$23,831
LIABILITIES AND STOCKHOLDERS' EQUITY					
Liabilities:					
Payable to brokers, dealers and clearing organizations	$—	$—	$ 2,421	$—	$2,421
Payable to clients	—	—	14,497	—	14,497
Accounts payable and other liabilities	153	—	455	(13)	595
Payable to affiliates	—	—	16	(11)	5
Notes payable	150	—	—	—	150
Long-term debt	1,101	—	—	—	1,101
Deferred income taxes	—	52	303	(41)	314
Total liabilities	1,404	52	17,692	(65)	19,083
Stockholders' equity	4,748	5,868	5,754	(11,622)	4,748
Total liabilities and stockholders' equity	$6,152	$5,920	$ 23,446	$(11,687)	$23,831

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CONDENSED CONSOLIDATING STATEMENT OF INCOME
THREE MONTHS ENDED MARCH 31, 2015
(Unaudited)

	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Total
	(In millions)				
Net revenues	$4	$—	$ 803	$(4)	$803
Operating expenses	4	—	507	(4)	507
Operating income	—	—	296	—	296
Other expense	9	—	—	—	9
Income (loss) before income taxes and equity in income of subsidiaries	(9)	—	296	—	287
Provision for (benefit from) income taxes	(3)	—	101	—	98
Income (loss) before equity in income of subsidiaries	(6)	—	195	—	189
Equity in income of subsidiaries	195	195	—	(390)	—
Net income	$189	$195	$ 195	$(390)	$189

CONDENSED CONSOLIDATING STATEMENT OF INCOME
THREE MONTHS ENDED MARCH 31, 2014
(Unaudited)

	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Total
	(In millions)				
Net revenues	$4	$—	$ 812	$(4)	$812
Operating expenses	3	—	490	(4)	489
Operating income	1	—	322	—	323
Other expense	6	—	—	—	6
Income (loss) before income taxes and equity in income of subsidiaries	(5)	—	322	—	317
Provision for (benefit from) income taxes	(1)	—	124	—	123
Income (loss) before equity in income of subsidiaries	(4)	—	198	—	194
Equity in income of subsidiaries	198	194	7	(399)	—
Net income	$194	$194	$ 205	$(399)	$194

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CONDENSED CONSOLIDATING STATEMENT OF INCOME
SIX MONTHS ENDED MARCH 31, 2015
(Unaudited)

	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Total
	(In millions)				
Net revenues	$9	$—	$ 1,621	$(9)	$1,621
Operating expenses	8	—	982	(9)	981
Operating income	1	—	639	—	640
Other expense	18	—	—	—	18
Income (loss) before income taxes and equity in income of subsidiaries	(17)	—	639	—	622
Provision for (benefit from) income taxes	(7)	—	228	—	221
Income (loss) before equity in income of subsidiaries	(10)	—	411	—	401
Equity in income of subsidiaries	411	411	—	(822)	—
Net income	$401	$411	$ 411	$(822)	$401

CONDENSED CONSOLIDATING STATEMENT OF INCOME
SIX MONTHS ENDED MARCH 31, 2014
(Unaudited)

	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Total
	(In millions)				
Net revenues	$6	$—	$ 1,564	$(6)	$1,564
Operating expenses	5	—	935	(6)	934
Operating income	1	—	629	—	630
Other expense	12	—	—	—	12
Income (loss) before income taxes and equity in income of subsidiaries	(11)	—	629	—	618
Provision for (benefit from) income taxes	(11)	1	242	—	232
Income (loss) before equity in income of subsidiaries	—	(1)	387	—	386
Equity in income of subsidiaries	386	379	17	(782)	—
Net income	$386	$378	$ 404	$(782)	$386

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CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
SIX MONTHS ENDED MARCH 31, 2015
(Unaudited)

	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Total
	(In millions)			
Net cash provided by (used in) operating activities	$30	$(1)	$ 33	$62
Cash flows from investing activities:				
Purchase of property and equipment	—	—	(38)	(38)
Purchase of short-term investments	(501)	—	—	(501)
Proceeds from sale of investments	1	—	—	1
Other	—	—	3	3
Net cash used in investing activities	(500)	—	(35)	(535)
Cash flows from financing activities:				
Proceeds from issuance of long-term debt	1,248	—	—	1,248
Payment of debt issuance costs	(11)	—	—	(11)
Principal payments on long-term debt	(514)	—	—	(514)
Principal payments on notes payable	(150)	—	—	(150)
Payment of cash dividends	(163)	—	—	(163)
Purchase of treasury stock	(142)	—	—	(142)
Other	25	—	—	25
Net cash provided by financing activities	293	—	—	293
Intercompany investing and financing activities, net	540	—	(540)	—
Net increase (decrease) in cash and cash equivalents	363	(1)	(542)	(180)
Cash and cash equivalents at beginning of period	117	2	1,341	1,460
Cash and cash equivalents at end of period	$480	$1	$ 799	$1,280

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CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
SIX MONTHS ENDED MARCH 31, 2014
(Unaudited)

	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Total
	(In millions)			
Net cash provided by (used in) operating activities	$(56)	$1	$ 241	$186
Cash flows from investing activities:				
Purchase of property and equipment	—	—	(37)	(37)
Proceeds from sale of investments	13	—	—	13
Other	—	—	1	1
Net cash provided by (used in) investing activities	13	—	(36)	(23)
Cash flows from financing activities:				
Proceeds from notes payable	155	—	—	155
Principal payments on notes payable	(40)	—	—	(40)
Payment of cash dividends	(408)	—	—	(408)
Purchase of treasury stock	(14)	—	—	(14)
Other, net	15	—	—	15
Net cash used in financing activities	(292)	—	—	(292)
Intercompany investing and financing activities, net	293	(5)	(288)	—
Net decrease in cash and cash equivalents	(42)	(4)	(83)	(129)
Cash and cash equivalents at beginning of period	199	7	856	1,062
Cash and cash equivalents at end of period	$157	$3	$ 773	$933

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

The following discussion of the financial condition and results of operations of the Company should be read in conjunction with the Selected Financial Data and the Consolidated Financial Statements and Notes thereto included in the Company's annual report on Form 10-K for the fiscal year ended September 30, 2014, and the Condensed Consolidated Financial Statements and Notes thereto contained in this quarterly report on Form 10-Q.

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," "expect," "anticipate," "plan," "estimate," "target," "project," similar words or expressions. In particular, forward-looking statements contained in this discussion include our expectations regarding: the effect of client trading activity on our results of operations; the effect of changes in interest rates on our net interest spread; diluted earnings per share; amounts of interest on borrowings; our effective income tax rate; our capital and liquidity needs and our plans to finance such needs; and our clearinghouse deposit requirements.

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 the Company's annual report on Form 10-K for the fiscal year ended September 30, 2014. 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.

The preparation of our financial statements requires us to make judgments and estimates that may have a significant impact upon our financial results. Note 1 of our Notes to Consolidated Financial Statements for the fiscal year ended September 30, 2014, 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; estimates of effective income tax rates, uncertain tax positions, deferred income taxes and related valuation allowances; accruals for contingent liabilities; and valuation of guarantees. These areas are discussed in further detail under the heading "Critical Accounting Policies and Estimates" in Item 7 of our annual report on Form 10-K for the fiscal year ended September 30, 2014.

Unless otherwise indicated, the terms "we," "us," "our" or "Company" in this report refer to TD Ameritrade Holding Corporation and its wholly-owned subsidiaries. The term "GAAP" refers to U.S. generally accepted accounting principles.

GLOSSARY OF TERMS

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

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

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

Average client trades per funded account (annualized) — Total trades divided by the average number of funded accounts during the period, annualized based on the number of trading days in the fiscal year.
Average client trades per day — Total trades divided by the number of trading days in the period. This metric is also known as daily average revenue trades (“DARTs”).
Average commissions and transaction fees per trade — Total commissions and transaction fee revenues as reported on the Company’s Consolidated Statements of Income (excluding clearing revenues from TD Waterhouse UK) divided by total trades for the period. Commissions and transaction fee revenues primarily consist of trading commissions, order routing revenue 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.

Consolidated duration — The weighted average remaining years until maturity of our spread-based assets. For purposes of this calculation, floating rate balances are treated as having a one-month duration. Consolidated duration is used in analyzing our aggregate interest rate sensitivity.

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 " TD 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 TD Depository Institutions with respect to the money market deposit accounts. In

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exchange for providing these services, the TD 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 TD Depository Institutions and the cost of FDIC insurance premiums.

Interest-earning assets — Consist of client margin balances, segregated cash, deposits paid on securities borrowing and other cash and interest-earning investment balances.

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 and short-term investments, excluding $750 million from the 2.950% Senior Notes issued on March 4, 2015 that is being maintained to provide liquidity for operational contingencies and (b) 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 (b) 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 and short-term investments, excluding $750 million from the 2.950% Senior Notes issued on March 4, 2015 that is being maintained to provide liquidity for operational contingencies, (b) regulatory net capital of (i) our clearing broker-dealer subsidiary in excess of 5% of aggregate debit items and (ii) our introducing broker-dealer and futures commission merchant ("FCM") subsidiaries in excess of the applicable “early warning” net capital requirement and (c) Tier 1 capital of our trust company in excess of the minimum requirement. We include the excess capital of our broker-dealer, FCM and trust company subsidiaries in “liquid assets – regulatory threshold,” rather than simply including broker-dealer, FCM and trust company cash and cash equivalents, because capital requirements may limit the amount of cash available for dividend from the broker-dealer, FCM and trust company subsidiaries to the parent company. Excess capital, as defined under clauses (b) and (c) above, is generally available for dividend from the broker-dealer, FCM 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

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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.

Order routing revenue — Revenues generated from revenue-sharing arrangements with market destinations (also referred to as "payment for order flow"). Order routing revenue is a component of transaction-based revenues.

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.

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, consisting of interest-earning assets and insured deposit account balances. Spread-based assets is used in the calculation of our net interest margin and our consolidated duration.

Total trades — Revenue-generating client securities trades, which are executed by the Company's broker-dealer and FCM 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 order routing revenue.

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 order routing

revenue.

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.

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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.

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):

	Three months ended March 31,				Six months ended March 31,			
	2015		2014		2015		2014	
	$	% of Net Revenues	$	% of Net Revenues	$	% of Net Revenues	$	% of Net Revenues
EBITDA	$341	42.5 %	$369	45.4 %	$730	45.0 %	$723	46.2 %
Less:								
Depreciation and amortization	(23)	(2.9)%	(24)	(3.0)%	(46)	(2.8)%	(48)	(3.1)%
Amortization of acquired intangible assets	(22)	(2.7)%	(22)	(2.7)%	(45)	(2.8)%	(45)	(2.9)%
Interest on borrowings	(9)	(1.1)%	(6)	(0.7)%	(17)	(1.0)%	(12)	(0.8)%
Provision for income taxes	(98)	(12.2)%	(123)	(15.1)%	(221)	(13.6)%	(232)	(14.8)%
Net income	$189	23.5 %	$194	23.9 %	$401	24.7 %	$386	24.7 %

Our EBITDA increased 1% for the first half of fiscal 2015 compared to the first half of fiscal 2014, primarily due to a 4% increase in net revenues, mostly offset by a 6% increase in operating expenses excluding depreciation and amortization during the first half of fiscal 2015. Detailed analysis of net revenues and operating expenses is presented later in this discussion.

Our diluted earnings per share increased 4% to $0.73 for the first half of fiscal 2015 compared to $0.70 for the first half of fiscal 2014, primarily due to a lower effective income tax rate during the first half of fiscal 2015 resulting from favorable resolutions of state income tax matters, and a 1% decrease in average diluted shares outstanding as a result of our stock repurchase program. Based on current operating conditions, including the low interest rate environment, we expect our diluted earnings per share to be in the lower half of our previously announced outlook range of $1.45 to $1.70 for the full fiscal year 2015.

Operating Metrics

Our largest sources of revenues are asset-based revenues and transaction-based revenues. For the first half of fiscal 2015, asset-based revenues and transaction-based revenues accounted for 55% and 44% of our net revenues, respectively. Asset-based revenues consist of (1) net interest revenue, (2) insured deposit account fees and (3) investment product fees. The primary factors driving our asset-based revenues are average balances and average rates. Average balances consist primarily of average client margin balances, average segregated cash balances, average client credit balances, average client insured deposit account balances, average fee-based investment balances and average securities borrowing and lending balances. Average rates consist of the average interest rates and fees earned and paid on such balances. The primary factors driving our transaction-based revenues are total client trades and average commissions and transaction fees per trade. We also consider client account and client asset metrics,

although we believe they are generally of less significance to our results of operations for any particular period than our metrics for asset-based and transaction-based revenues.

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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 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):

	Three months ended March 31,		Increase/ (Decrease)	Six months ended March 31,		Increase/ (Decrease)
	2015	2014		2015	2014	
Average interest-earning assets	$19,366	$18,431	$935	$19,429	$18,017	$1,412
Average insured deposit account balances	74,924	73,039	1,885	74,945	72,854	2,091
Average spread-based balances	$94,290	$91,470	$2,820	$94,374	$90,871	$3,503
Net interest revenue	$149	$146	$3	$311	$272	$39
Insured deposit account fee revenue	205	202	3	412	410	2
Spread-based revenue	$354	$348	$6	$723	$682	$41
Avg. annualized yield—interest-earning assets	3.09 %	3.17 %	(0.08)%	3.16 %	2.99 %	0.17 %
Avg. annualized yield—insured deposit account fees	1.09 %	1.10 %	(0.01)%	1.09 %	1.11 %	(0.02)%
Net interest margin (NIM)	1.50 %	1.52 %	(0.02)%	1.51 %	1.49 %	0.02 %

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) Three months ended March 31,		Increase/ (Decrease)	Interest Revenue (Expense) Six months ended March 31,		Increase/ (Decrease)
	2015	2014		2015	2014	
Segregated cash	$1	$2	$(1)	$3	$3	$—
Client margin balances	107	101	6	215	194	21
Securities lending/borrowing, net	41	43	(2)	93	75	18
Other cash and interest-earning investments	—	—	—	1	1	—
Client credit balances	—	—	—	(1)	(1)	—
Net interest revenue	$149	$146	$3	$311	$272	$39

	Average Balance Three months ended March 31,		% Change	Average Balance Six months ended March 31,		% Change
	2015	2014		2015	2014	
Segregated cash	$4,376	$5,342	(18)%	$4,831	$5,382	(10)%
Client margin balances	11,879	10,493	13 %	11,666	9,897	18 %
Securities borrowing	951	1,054	(10)%	932	1,120	(17)%
Other cash and interest-earning investments	2,160	1,542	40 %	2,000	1,618	24 %
Interest-earning assets	$19,366	$18,431	5 %	$19,429	$18,017	8 %

Client credit balances	$11,977	$10,999	9	%	$12,112	$10,847	12	%
Securities lending	2,181	2,777	(21	)%	2,218	2,494	(11	)%
Interest-bearing liabilities	$14,158	$13,776	3	%	$14,330	$13,341	7	%

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	Avg. Annualized Yield (Cost) Three months ended March 31,		Net Yield Increase/ (Decrease)	Avg. Annualized Yield (Cost) Six months ended March 31,		Net Yield Increase/ (Decrease)
	2015	2014		2015	2014	
Segregated cash	0.13 %	0.14 %	(0.01)%	0.13 %	0.12 %	0.01 %
Client margin balances	3.60 %	3.85 %	(0.25)%	3.65 %	3.88 %	(0.23)%
Other cash and interest-earning investments	0.04 %	0.09 %	(0.05)%	0.05 %	0.08 %	(0.03)%
Client credit balances	(0.01)%	(0.01)%	0.00 %	(0.01)%	(0.01)%	0.00 %
Net interest revenue	3.09 %	3.17 %	(0.08)%	3.16 %	2.99 %	0.17 %

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

	Fee Revenue Three months ended March 31,		Increase/ (Decrease)	Fee Revenue Six months ended March 31,		Increase/ (Decrease)
	2015	2014		2015	2014	
Money market mutual fund	$—	$—	$—	$—	$—	$—
Market fee-based investment balances	85	75	10	168	147	21
Total investment product fees	$85	$75	$10	$168	$147	$21

	Average Balance Three months ended March 31,		% Change	Average Balance Six months ended March 31,		% Change
	2015	2014		2015	2014	
Money market mutual fund	$5,639	$5,264	7 %	$5,612	$5,275	6 %
Market fee-based investment balances	149,490	128,368	16 %	147,290	126,766	16 %
Total fee-based investment balances	$155,129	$133,632	16 %	$152,902	$132,041	16 %

	Average Annualized Yield Three months ended March 31,		Increase/ (Decrease)	Average Annualized Yield Six months ended March 31,		Increase/ (Decrease)
	2015	2014		2015	2014	
Money market mutual fund	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
Market fee-based investment balances	0.23 %	0.23 %	0.00 %	0.23 %	0.23 %	0.00 %
Total investment product fees	0.22 %	0.22 %	0.00 %	0.22 %	0.22 %	0.00 %

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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:

	Three months ended March 31,		% Change	Six months ended March 31,		% Change
	2015	2014		2015	2014	
Total trades (in millions)	29.07	30.01	(3)%	57.88	56.08	3 %
Average client trades per day	476,590	491,963	(3)%	466,761	452,222	3 %
Average client trades per funded account (annualized)	18.6	20.2	(8)%	18.4	18.7	(2)%
Activity rate—funded accounts	7.4 %	8.1 %	(9)%	7.3 %	7.5 %	(3)%
Trading days	61.0	61.0	0 %	124.0	124.0	0 %
Average commissions and transaction fees per trade [1]	$12.02	$12.47	(4)%	$12.23	$12.51	(2)%
Order routing revenue (in millions)	$75	$84	(11)%	$153	$154	(1)%
Average order routing revenue per trade [2]	$2.59	$2.78	(7)%	$2.64	$2.75	(4)%

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

(2) Average order routing revenue per trade is included in average commissions and transaction fees per trade.

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:

	Three months ended March 31,		% Change	Six months ended March 31,		% Change
	2015	2014		2015	2014	
Funded accounts (beginning of period)	6,371,000	6,048,000	5 %	6,301,000	5,993,000	5 %
Funded accounts (end of period)	6,467,000	6,146,000	5 %	6,467,000	6,146,000	5 %
Percentage change during period	2 %	2 %		3 %	3 %	
Client assets (beginning of period, in billions)	$672.4	$596.5	13 %	$653.1	$555.9	17 %
Client assets (end of period, in billions)	$695.3	$617.1	13 %	$695.3	$617.1	13 %
Percentage change during period	3 %	3 %		6 %	11 %	
Net new assets (in billions)	$16.3	$12.2	34 %	$35.1	$26.7	31 %
Net new assets annualized growth rate	10 %	8 %		11 %	10 %	

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Condensed Consolidated Statements of Income Data

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

	Three months ended March 31,		% Change	Six months ended March 31,		% Change
	2015	2014		2015	2014	
Revenues:						
Transaction-based revenues:						
Commissions and transaction fees	$350	$374	(6)%	$708	$702	1 %
Asset-based revenues:						
Interest revenue	151	148	2 %	314	276	14 %
Brokerage interest expense	(2)	(2)	0 %	(3)	(4)	(25)%
Net interest revenue	149	146	2 %	311	272	14 %
Insured deposit account fees	205	202	1 %	412	410	0 %
Investment product fees	85	75	13 %	168	147	14 %
Total asset-based revenues	439	423	4 %	891	829	7 %
Other revenues	14	15	(7)%	22	33	(33)%
Net revenues	803	812	(1)%	1,621	1,564	4 %
Operating expenses:						
Employee compensation and benefits	208	193	8 %	406	376	8 %
Clearing and execution costs	37	34	9 %	72	63	14 %
Communications	30	28	7 %	61	56	9 %
Occupancy and equipment costs	39	40	(3)%	81	77	5 %
Depreciation and amortization	23	24	(4)%	46	48	(4)%
Amortization of acquired intangible assets	22	22	0 %	45	45	0 %
Professional services	41	37	11 %	77	75	3 %
Advertising	82	94	(13)%	145	157	(8)%
Other	25	17	47 %	48	37	30 %
Total operating expenses	507	489	4 %	981	934	5 %
Operating income	296	323	(8)%	640	630	2 %
Other expense:						
Interest on borrowings	9	6	50 %	17	12	42 %
Other	—	—	N/A	1	—	N/A
Total other expense	9	6	50 %	18	12	50 %
Pre-tax income	287	317	(9)%	622	618	1 %
Provision for income taxes	98	123	(20)%	221	232	(5)%
Net income	$189	$194	(3)%	$401	$386	4 %
Other information:						
Effective income tax rate	34.1 %	38.8 %		35.5 %	37.5 %	
Average debt outstanding	$1,299	$1,127	15 %	$1,358	$1,079	26 %
Effective interest rate incurred on borrowings	2.59 %	2.19 %		2.58 %	2.23 %	

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Three-Month Periods Ended March 31, 2015 and 2014

Net Revenues

Commissions and transaction fees decreased 6% to $350 million, primarily due to decreased client trading activity and lower average commissions and transaction fees per trade. Average client trades per day decreased 3% to 476,590 for the second quarter of fiscal 2015 compared to 491,963 for the second quarter of the prior year. Average client trades per funded account (annualized) were 18.6 for the second quarter of fiscal 2015 compared to 20.2 for the second quarter of the prior year. Average commissions and transaction fees per trade decreased to $12.02 for the second quarter of fiscal 2015 from $12.47 for the second quarter of the prior year, primarily due to a higher percentage of reduced commission trades, including negotiated rates for our active trader clients, a 7% decrease in average order routing revenue per trade and a higher percentage of futures trades, which earn lower average commissions and transaction fees per trade and do not generate order routing revenue.

Asset-based revenues, which consists of net interest revenue, insured deposit account fees and investment product fees, increased 4% to $439 million for the second quarter of fiscal 2015, primarily due to a 3% increase in average spread-based assets and a 16% increase in average market fee-based investment balances, partially offset by a decrease of 2 basis points in the net interest margin earned on spread-based assets. Our net interest margin was 1.50% for the second quarter of fiscal 2015, compared to 1.52% for the second quarter of the prior year, primarily due to lower average yields earned on client margin and insured deposit account balances and a small decrease in net interest revenue from our securities borrowing/lending program. The following paragraphs provide further analysis of the components of asset-based revenues.

Net interest revenue increased 2% to $149 million, due primarily to a 13% increase in average client margin balances, mostly offset by a decrease of 25 basis points in the average yield earned on client margin balances and a $2 million decrease in net interest revenue from our securities borrowing/lending program.

Insured deposit account fees increased 1% to $205 million, primarily due to a 3% increase in average client IDA balances, partially offset by a decrease of 1 basis point in the average yield earned on the IDA assets. The increased IDA balances are mostly due to our success in attracting net new client assets. For more information about the IDA agreement, please see Note 12 – RELATED PARTY TRANSACTIONS under Item 1, Financial Statements – Notes to Condensed Consolidated Financial Statements.

Investment product fees increased 13% to $85 million, due to a 16% increase in average market fee-based investment balances.

Operating Expenses

Employee compensation and benefits expense increased 8% to $208 million, primarily due to an increase in average headcount related to strategic growth initiatives and higher incentive-based compensation related to Company and individual performance. The average number of full-time equivalent employees increased to 5,895 for the second quarter of fiscal 2015 compared to 5,535 for the second quarter of the prior year.

Clearing and execution costs increased 9% to $37 million, primarily due to a higher percentage of client futures trades, which cost more to execute, and fee increases by the Options Clearing Corporation that became effective April 1, 2014.

Professional services increased 11% to $41 million, primarily due to increased usage of consulting and contract services in connection with operational and technology projects and higher fees associated with legal and regulatory matters.

Advertising expense decreased 13% to $82 million, primarily due additional spending during the second quarter of the prior year in connection with our sponsorship of the Winter Olympics. We generally adjust our level of advertising spending in relation to stock market activity and other market conditions in an effort to maximize the number of new accounts while minimizing the advertising cost per new account. We find trading volumes in the stock market to be an effective indicator of self-directed investor engagement. When self-directed investors are actively engaged in the stock market, we tend to experience more success with our advertising, resulting in a lower cost per new account. We also find that self-directed investors tend to demonstrate more interest in financial products and services during certain times of the year, such as in the months immediately preceding the annual April tax filing deadline, and less interest during certain other times, such as the summer months. In addition, in periods when advertising market demand is

weak, we may adjust our spending to take advantage of attractive advertising rates.

Other operating expenses increased 47% to $25 million, primarily due to increased litigation and arbitration losses and travel expenses.

Other Expenses and Income Taxes

Interest on borrowings increased 50% to $9 million, primarily due to a 15% increase in average debt outstanding and an increase of 40 basis points in the average effective interest rate incurred on our debt. On March 4, 2015, we issued $750 million of 2.950% Senior Notes due April 1, 2022 for general corporate purposes, including liquidity for operational contingencies. We expect interest on borrowings to average approximately $13 million per quarter for the remainder of fiscal 2015, reflecting the full quarter impact of the new debt issuance.

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Our effective income tax rate was 34.1% for the second quarter of fiscal 2015, compared to 38.8% for the second quarter of the prior year. The effective income tax rate for the second quarter of fiscal 2015 was significantly lower than normal primarily due to $13 million of favorable resolutions of state income tax matters. This favorably impacted our earnings for the second quarter of fiscal 2015 by approximately two cents per share. We expect our effective income tax rate to range from 38% to 39% for the remainder of fiscal 2015, 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.

Six-Month Periods Ended March 31, 2015 and 2014

Net Revenues

Commissions and transaction fees increased 1% to $708 million, primarily due to increased client trading activity, mostly offset by lower average commissions and transaction fees per trade. Average client trades per day increased 3% to 466,761 for the first half of fiscal 2015 compared to 452,222 for the first half of the prior year. Average commissions and transaction fees per trade decreased to $12.23 for the first half of fiscal 2015 from $12.51 for the first half of the prior year, primarily due to a higher percentage of reduced commission trades, including negotiated rates for our active trader clients, a 4% decrease in average order routing revenue per trade and a higher percentage of futures trades, which earn somewhat lower average commissions and transaction fees per trade and do not generate order routing revenue.

Asset-based revenues increased 7% to $891 million for the first half of fiscal 2015, primarily due to a 4% increase in average spread-based assets, a 16% increase in average market fee-based investment balances and increased net interest revenue from our securities borrowing/lending program. Our net interest margin was 1.51% for the first half of fiscal 2015, compared to 1.49% for the first half of the prior year, as increased net interest revenue from our securities borrowing/lending program was partially offset by lower average yields earned on client margin and insured deposit account balances. The following paragraphs provide further analysis of the components of asset-based revenues.

Net interest revenue increased 14% to $311 million, due primarily to an 18% increase in average client margin balances and an $18 million increase in net interest revenue from our securities borrowing/lending program, partially offset by a decrease of 23 basis points in the average yield earned on client margin balances.

Insured deposit account fees increased slightly to $412 million, primarily due to a 3% increase in average client IDA balances, mostly offset by a decrease of 2 basis points in the average yield earned on the IDA assets. The increased IDA balances are mostly due to our success in attracting net new client assets.

Investment product fees increased 14% to $168 million, due to a 16% increase in average market fee-based investment balances.

Other revenues decreased 33% to $22 million, primarily due to lower client education revenue and unfavorable fair market value adjustments to U.S. government debt securities held for investment purposes by our broker-dealer subsidiaries.

Operating Expenses

Employee compensation and benefits expense increased 8% to $406 million, primarily due to an increase in average headcount related to strategic growth initiatives and higher incentive-based compensation related to Company and individual performance. The average number of full-time equivalent employees increased to 5,856 for the first half of fiscal 2015 compared to 5,495 for the first half of the prior year.

Clearing and execution costs increased 14% to $72 million, primarily due a higher percentage of futures trades, which are more costly to execute, fee increases by the Options Clearing Corporation that became effective April 1, 2014 and higher client trading volumes.

Communications expense increased 9% to $61 million, primarily due to increased costs for quotes and market information.

Occupancy and equipment costs increased 5% to $81 million, primarily due to upgrades to our technology infrastructure.

Advertising expense decreased 8% to $145 million, primarily due additional spending during the second quarter of the prior year in connection with our sponsorship of the Winter Olympics.

Other operating expenses increased 30% to $48 million, primarily due to increased litigation and arbitration losses and travel expenses. These increases were partially offset by a $3 million recovery of money market funds from the final distribution of The Reserve Primary Fund during the first quarter of fiscal 2015.

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Other Expenses and Income Taxes

Interest on borrowings increased 42% to $17 million, primarily due to a 26% increase in average debt outstanding and an increase of 35 basis points in the average effective interest rate incurred on our debt. On October 17, 2014, we issued $500 million of 3.625% Senior Notes due April 1, 2025, for purposes of refinancing our $500 million of 4.150% Senior Notes due December 1, 2014. In addition, on March 4, 2015, we issued $750 million of 2.950% Senior Notes due April 1, 2022 for general corporate purposes, including liquidity for operational contingencies. The timing of the issuance and maturity dates related to the debt refinancing, along with the issuance of the 2.950% Senior Notes, contributed to the increase in average debt outstanding during the first half of fiscal 2015.

Our effective income tax rate was 35.5% for the first half of fiscal 2015, compared to 37.5% for the first half of the prior year. The effective income tax rate for the first half of fiscal 2015 was significantly lower than normal primarily due to $19 million of favorable resolutions of state income tax matters. This favorably impacted our earnings for the first half of fiscal 2015 by approximately three cents per share. The effective income tax rate for the first half of the prior year was slightly lower than normal primarily due to $9 million of favorable resolutions of state income tax matters, partially offset by $2 million of unfavorable deferred income tax adjustments resulting from state income tax law changes. These items had a net favorable impact on our earnings for the first half of the prior year of 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 and futures commission merchant 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 the first half of fiscal 2015 were financed primarily from our subsidiaries' earnings, cash on hand and borrowings. We plan to finance our capital and liquidity needs during the remainder of fiscal 2015 primarily from our subsidiaries' earnings, cash on hand and borrowings.

On October 17, 2014, we sold, through a public offering, $500 million aggregate principal amount of unsecured 3.625% Senior Notes due April 1, 2025. We used the net proceeds from the issuance of the 3.625% Senior Notes, together with cash on hand, to repay in full the $500 million of outstanding principal under our 4.150% Senior Notes that matured on December 1, 2014.

In addition, on March 4, 2015, we sold, through a public offering, $750 million aggregate principal amount of unsecured 2.950% Senior Notes due April 1, 2022. We issued the 2.950% Senior Notes for general corporate purposes, including liquidity for operational contingencies. Liquidity for operational contingencies could be used, for example, to fund our deposit requirements with clearinghouses. These requirements, which are based on our clients' trading activity, have been increasing and we expect them to continue to increase. Our cash deposited with and securities pledged to clearinghouses increased to $401 million as of March 31, 2015, compared to $285 million as of September 30, 2014. Under periods of systemic market stress, clearing fund deposit requirements could increase substantially. In addition, we expect that proposed changes by the Options Clearing Corporation ("OCC") to the aggregate size of and allocation methodology for its clearing fund will result in additional increases in our clearinghouse deposit requirements.

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 and Futures Commission Merchant Subsidiaries

Our broker-dealer and FCM 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 and FCM 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

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150% of its minimum dollar requirement. TD Ameritrade Futures & Forex LLC ("TDAFF"), our FCM subsidiary that is not registered as a securities broker-dealer, must provide notice to the CFTC if its net capital amounts to less than (a) 110% of its risk-based capital requirement under CFTC Regulation 1.17 or (b) less than 150% of its minimum dollar requirement. These broker-dealer and FCM 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 March 31, 2015, our broker-dealer and FCM subsidiaries had net capital as follows (dollars in millions):

	Net Capital	Early Warning Threshold	Net Capital in Excess of Early Warning Threshold
TD Ameritrade Clearing, Inc.	$1,610	$727	$883
TD Ameritrade, Inc.	$266	$2	$264
TD Ameritrade Futures & Forex LLC	$52	$13	$39

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 OCC, which may fluctuate significantly from time to time based on the nature and size of our clients’ trading activity. TDAC had $400 million and $284 million of cash and investments deposited with clearing organizations for the clearing of client equity and option trades as of March 31, 2015 and September 30, 2014, respectively.

TDAC’s liquidity needs relating to client trading and margin borrowing are met primarily through cash balances in client brokerage accounts, which were $13.8 billion and $14.2 billion as of March 31, 2015 and September 30, 2014, 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 $4.1 billion and $4.8 billion of cash and investments segregated in special reserve bank accounts for the exclusive benefit of clients under Rule 15c3-3 as of March 31, 2015 and September 30, 2014, 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 in Note 5 – NOTES PAYABLE AND LONG-TERM DEBT – TD Ameritrade Clearing, Inc. Credit Agreement under Item 1, Financial Statements – Notes to Condensed Consolidated Financial Statements. There were no borrowings outstanding on this facility as of March 31, 2015 and September 30, 2014.

In addition, during March 2015, we established intercompany credit agreements under which the broker-dealer and FCM subsidiaries may borrow from the parent company. The intercompany credit agreement with TDAC provides for committed loans of up to $700 million and uncommitted loans of up to $300 million. The intercompany credit agreements are described in Note 5 – NOTES PAYABLE AND LONG-TERM DEBT – Intercompany Credit Agreements under Item 1, Financial Statements – Notes to Condensed Consolidated Financial Statements. There were no borrowings outstanding under any of the intercompany credit agreements as of March 31, 2015.

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, FCM and trust company subsidiaries in the calculation of our liquid assets metrics, rather than simply including broker-dealer, FCM and trust company cash and cash equivalents, because capital requirements may limit the amount of cash available for dividend from the broker-dealer, FCM and trust company subsidiaries to the parent company. Excess capital, as defined below, is generally available for dividend from the broker-dealer, FCM 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.

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We define “liquid assets – management target” as the sum of (a) corporate cash and cash equivalents and short-term investments, excluding $750 million from the 2.950% Senior Notes issued on March 4, 2015 that is being maintained to provide liquidity for operational contingencies and (b) regulatory net capital of (i) our clearing broker-dealer subsidiary in excess of 10% of aggregate debit items and (ii) our introducing broker-dealer subsidiaries in excess of a minimum operational target established by management ($50 million in the case of our primary introducing broker-dealer, TD Ameritrade, Inc.). “Liquid assets – management target” is based on more conservative measures of broker-dealer net capital than “liquid assets – regulatory threshold” (defined below) because we prefer to maintain significantly more conservative levels of net capital at the broker-dealer subsidiaries than the regulatory thresholds require. We consider “liquid assets – management target” to be a measure that reflects our liquidity that would be readily available for corporate investing or financing activities under normal operating circumstances.

We define “liquid assets – regulatory threshold” as the sum of (a) corporate cash and cash equivalents and short-term investments, excluding $750 million from the 2.950% Senior Notes issued on March 4, 2015 that is being maintained to provide liquidity for operational contingencies, (b) regulatory net capital of (i) our clearing broker-dealer subsidiary in excess of 5% of aggregate debit items and (ii) our introducing broker-dealer and FCM subsidiaries in excess of the applicable “early warning” net capital requirement and (c) 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, FCM and trust subsidiaries, please see Note 6 – CAPITAL REQUIREMENTS under Item 1, Financial Statements – Notes to Condensed Consolidated Financial Statements. 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		
	Mar. 31, 2015	Sept. 30, 2014	Change	Mar. 31, 2015	Sept. 30, 2014	Change
Cash and cash equivalents	$1,280	$1,460	$(180)	$1,280	$1,460	$(180)
Less: Non-corporate cash and cash equivalents	(662)	(1,162)	500	(662)	(1,162)	500
Corporate cash and cash equivalents	618	298	320	618	298	320
Corporate short-term investments	501	—	501	501	—	501
Less: Corporate liquidity maintained for operational contingencies	(750)	—	(750)	(750)	—	(750)
Excess corporate cash and cash equivalents and short-term investments	369	298	71	369	298	71
Excess trust company Tier 1 capital	—	—	—	13	12	1
Excess broker-dealer and FCM regulatory net capital	371	464	(93)	1,186	1,196	(10)
Liquid assets	$740	$762	$(22)	$1,568	$1,506	$62

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The changes in liquid assets are summarized as follows (dollars in millions):

	Liquid Assets Management Target	Regulatory Threshold
Liquid assets as of September 30, 2014	$762	$1,506
Plus: EBITDA [1]	730	730
Proceeds from issuance of long-term debt [2]	498	498
Proceeds from exercise of stock options	12	12
Other investing activities	4	4
Other changes in working capital and regulatory net capital	7	13
Less: Income taxes paid	(137)	(137)
Interest paid	(14)	(14)
Purchase of property and equipment	(38)	(38)
Principal payments on long-term debt	(514)	(514)
Principal payments on notes payable	(150)	(150)
Payment of cash dividends	(163)	(163)
Purchase of treasury stock	(142)	(142)
Payment of debt issuance costs	(11)	(11)
Additional net capital requirement due to increase in aggregate debits	(53)	(26)
Transfer of futures and foreign exchange business to TDAFF [3]	(51)	—
Liquid assets as of March 31, 2015	$740	$1,568

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

(2) Excludes $750 million from the 2.950% Senior Notes issued on March 4, 2015 that is being maintained to provide liquidity for operational contingencies.

(3) On March 29, 2015, we transferred our futures and foreign exchange business from TD Ameritrade, Inc. to TDAFF. The regulatory net capital associated with the futures and foreign exchange business was part of the net capital in excess of TD Ameritrade Inc.'s $50 million liquid assets - management target prior to the transfer, but management no longer considers it to be available for liquid assets – management target purposes as part of a separately regulated FCM entity.

Loan Facilities

The following summarizes changes to our loan facilities during fiscal 2015.

Senior Notes – On October 17, 2014, we sold, through a public offering, $500 million aggregate principal amount of unsecured 3.625% Senior Notes due April 1, 2025 (the “2025 Notes”). Interest on the 2025 Notes will be payable in arrears semi-annually on April 1 and October 1 of each year. We used the net proceeds from the issuance of the 2025 Notes, together with cash on hand, to repay in full the $500 million of outstanding principal under the 4.150% Senior Notes (the “2014 Notes”) that matured on December 1, 2014. In addition, on March 4, 2015, we sold, through a public offering, $750 million aggregate principal amount of unsecured 2.950% Senior Notes due April 1, 2022 (the “2022 Notes”). Interest on the 2022 Notes will be payable in arrears semi-annually on April 1 and October 1 of each year. We issued the 2022 Notes for general corporate purposes, including liquidity for operational contingencies.

Fair Value Hedging – On November 19, 2014, we entered into a fixed-for-variable interest rate swap on the 2025 Notes for a notional amount of $500 million, with a maturity date matching the maturity date of the 2025 Notes. Under the terms of this interest rate swap agreement, we receive semi-annual fixed-rate interest payments based on the same rate applicable to the 2025 Notes, and make quarterly variable-rate interest payments based on three-month LIBOR plus 1.1022%. For more information regarding the fixed-for-variable interest rate swaps on certain of our Senior Notes, see Note 5 – NOTES PAYABLE AND LONG-TERM DEBT – Fair Value Hedging under Item 1, Financial Statements – Notes to Condensed Consolidated Financial Statements.

Intercompany Credit Agreements – During March 2015, we established intercompany credit agreements under which our broker-dealer and FCM subsidiaries may borrow from the parent company. For additional information about the intercompany credit

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agreements, see Note 5 – NOTES PAYABLE AND LONG-TERM DEBT – Intercompany Credit Agreements under Item 1, Financial Statements – Notes to Condensed Consolidated Financial Statements.

Stock Repurchase Program

On October 20, 2011, our board of directors authorized the repurchase of up to 30 million shares of our common stock. During the second quarter of fiscal 2015, we repurchased approximately 0.1 million shares at a weighted average purchase price of $33.14 per share. From the inception of this stock repurchase authorization through March 31, 2015, we have repurchased approximately 14.9 million shares at a weighted average purchase price of $26.88 per share. As of March 31, 2015, we had approximately 15.1 million shares remaining on the stock repurchase authorization.

Cash Dividends

We declared a $0.15 per share quarterly cash dividend on our common stock during each of the first three quarters of fiscal 2015. We paid a total of $163 million to fund the first and second quarter dividends. We expect to pay approximately $82 million on May 15, 2015 to fund the third quarter dividend.

CONTRACTUAL OBLIGATIONS

The following items constitute material changes in our contractual obligations outside the ordinary course of business since September 30, 2014:

During the first quarter of fiscal 2015, we refinanced our $500 million of 4.150% Senior Notes that matured on December 1, 2014 by issuing $500 million of 3.625% Senior Notes due April 1, 2025. During the second quarter of fiscal 2015, we issued $750 million of 2.950% Senior Notes due April 1, 2022.

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 manage our asset-based revenues. For information on these arrangements, see the following sections under Item 1, Financial Statements – Notes to Condensed Consolidated Financial Statements: “General Contingencies” and “Guarantees” under Note 7 – COMMITMENTS AND CONTINGENCIES and “Insured Deposit Account Agreement” under Note 12 – RELATED PARTY TRANSACTIONS. The IDA agreement accounts for a significant percentage of our net revenues (25% of our net revenues for the first half of fiscal 2015) 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.

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.

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Item 3. – 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.

We are party to interest rate swaps related to our long-term debt, which 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, or by utilizing approved central clearing counterparties registered with the Commodity Futures Trading Commission. Our 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 (“IDA”) 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 seek to mitigate interest rate risk by aligning the average duration of our interest-earning assets with that of our interest-bearing liabilities. We currently seek to maintain a consolidated duration of interest-sensitive assets, including IDA assets, within a range of 1.75 to 2.75 years. As of March 31, 2015, our consolidated duration was 2.3 years. We have an Asset/Liability Committee as the governance body with the responsibility of managing interest rate risk, including gap risk.

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

The simulations assume that the asset and liability structure of our Condensed 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 March 31, 2015 indicate that a gradual 1% (100 basis

points) increase in interest rates over a 12-month period would result in a range of approximately $116 million to $176 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 $18 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 4. – Controls and Procedures

Disclosure Controls and Procedures

Management, including the Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of the Company's disclosure controls and procedures as of March 31, 2015. Management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of March 31, 2015.

Changes in Internal Control over Financial Reporting

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

Part II – OTHER INFORMATION

Item 1. – Legal Proceedings

For information regarding legal proceedings, see Note 7 – COMMITMENTS AND CONTINGENCIES – "Legal and Regulatory Matters" under Item 1, Financial Statements – Notes to Condensed Consolidated Financial Statements.

Item 1A. – Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed under Item 1A— "Risk Factors" in our annual report on Form 10-K for the year ended September 30, 2014, which could materially affect our business, financial condition or future results of operations. The risks described in our Form 10 K are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or results of operations.

There have been no material changes from the risk factors disclosed in the Company's Form 10-K for the fiscal year ended September 30, 2014.

Item 2. – Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities

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
January 1, 2015 – January 31, 2015	135,627	$32.94	61,493	15,163,401
February 1, 2015 – February 28, 2015	59,262	$33.84	38,350	15,125,051
March 1, 2015 – March 31, 2015	2,053	$36.27	—	15,125,051
Total – Three months ended March 31, 2015	196,942	$33.24	99,843	15,125,051

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 second quarter of fiscal 2015.

During the quarter ended March 31, 2015, 97,099 shares were repurchased from employees for income tax withholding in connection with distributions of stock-based compensation.

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Item 6. – Exhibits

3.1	Amended and Restated Certificate of Incorporation of TD Ameritrade Holding Corporation, dated January 24, 2006 (incorporated by reference to Exhibit 3.1 of the Company's Form 8-K filed on January 27, 2006)
3.2	Amended and Restated By-Laws of TD Ameritrade Holding Corporation, effective February 12, 2014 (incorporated by reference to Exhibit 3.1 of the Company's Form 8-K filed on February 19, 2014)
4.1	Form of Certificate for Common Stock (incorporated by reference to Exhibit 4.1 of the Company's Form 8-A filed on September 5, 2002)
4.2	First Supplemental Indenture, dated November 25, 2009, among TD Ameritrade Holding Corporation, TD Ameritrade Online Holdings Corp., as guarantor, and The Bank of New York Mellon Trust Company, National Association, as trustee (incorporated by reference to Exhibit 4.1 of the Company's Form 8-K filed on November 25, 2009)
4.3	Form of 4.150% Senior Note due 2014 (included in Exhibit 4.2)
4.4	Form of 5.600% Senior Note due 2019 (included in Exhibit 4.2)
4.5	Indenture, dated October 22, 2014, between TD Ameritrade Holding Corporation and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 of the Company's Form 8-K filed on October 23, 2014)
4.6	Form of 3.625% Senior Note due 2025 (included in Exhibit 4.5)
4.7	Supplemental Indenture, dated October 22, 2014, between TD Ameritrade Holding Corporation and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.3 of the Company's Form 8-K filed on October 23, 2014)
4.8	Second Supplemental Indenture, dated March 9, 2015, between TD Ameritrade Holding Corporation and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 of the Company's Form 8-K filed on March 9, 2015)
4.9	Form of 2.950% Senior Note due 2022 (included in Exhibit 4.8)
10.1	Executive Employment Term Sheet, effective as of July 1, 2015, between Stephen J. Boyle and TD Ameritrade Holding Corporation
10.2	Consulting and Release of Claims Agreement, dated January 15, 2015, between William J. Gerber and TD Ameritrade Holding Corporation (incorporated by reference to Exhibit 10.2 of the Company's quarterly report on Form 10-Q filed on February 5, 2015)
15.1	Awareness Letter of Independent Registered Public Accounting Firm
31.1	Certification of Fredric J. Tomczyk, Principal Executive Officer, as required pursuant to Section 302 of the Sarbanes - Oxley Act of 2002
31.2	

	Certification of William J. Gerber, Principal Financial Officer, as required pursuant to Section 302 of the Sarbanes - Oxley Act of 2002
32.1	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation
101.LAB	XBRL Taxonomy Extension Label
101.PRE	XBRL Taxonomy Extension Presentation
101.DEF	XBRL Taxonomy Extension Definition

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Signatures

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

Dated: May 7, 2015

TD Ameritrade Holding Corporation
(Registrant)

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

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