

SCHWAB CHARLES CORP
Form 424B5
January 19, 2010
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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-156152

The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and we are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PROSPECTUS SUPPLEMENT

Subject to Completion

Dated January 19, 2010

(To Prospectus dated December 16, 2008)

26,316,000 Shares

The Charles Schwab Corporation

Common Stock

We are offering 26,316,000 shares of our common stock through this prospectus supplement and the accompanying prospectus.

Our common stock is listed on the NASDAQ Stock Market under the symbol SCHW. The last reported sale price of our common stock on January 15, 2010 was \$19.00 per share.

Investing in our common stock involves risks. See Risk factors on page S-11 of this prospectus supplement.

	Per Share	Total
Public offering price	\$	\$
Underwriting discounts and commissions	\$	\$
Proceeds, before expenses, to us	\$	\$

The underwriters may also purchase up to an additional 3,947,400 shares of common stock from us at the public offering price, less the underwriting discount and commissions payable by us, to cover over-allotments, if any, within 30 days following the date of this prospectus supplement. If the underwriters exercise the option in full, the total underwriting discounts and commissions will be \$, and the total proceeds, before expenses, to us will be \$.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares against payment on or about January , 2010.

Sole Book-Running Manager

UBS Investment Bank

Co-Managers

Citi

Credit Suisse

BNY Mellon Capital Markets, LLC

J.P. Morgan

Wells Fargo Securities

Calyon Securities (USA) Inc.

PNC Capital Markets LLC

The date of this prospectus supplement is January , 2010.

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In making your investment decision, you should rely only on the information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus, any free writing prospectus we authorized to be delivered to you, or any other offering material filed or provided by us. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it.

You should not assume that the information contained in this prospectus supplement, the accompanying prospectus or any other offering material is accurate as of any date other than the date on the front of such document. Any information incorporated by reference in this prospectus supplement, the accompanying prospectus or any other offering material is accurate only as of the date of the document incorporated by reference. Our business, financial condition, results of operations and prospects may have changed since that date.

We and the underwriters are offering to sell the common stock, and are seeking offers to buy the common stock, only in jurisdictions where offers and sales are permitted. The distribution of this prospectus supplement and the accompanying prospectus and the offering of the common stock in certain jurisdictions may be restricted by law. Persons outside the United States who come into possession of this prospectus supplement and the accompanying prospectus must inform themselves about and observe any restrictions relating to the offering of the common stock and the distribution of this prospectus supplement and the accompanying prospectus outside the United States. This prospectus supplement and the accompanying prospectus do not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

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About this prospectus supplement

This prospectus supplement and the accompanying prospectus are part of a registration statement that we filed with the Securities and Exchange Commission, or SEC, utilizing a shelf registration process. In this prospectus supplement, we provide you with specific information about the shares of our common stock that we are selling in this offering and about the offering itself. Both this prospectus supplement and the accompanying prospectus include or incorporate by reference important information about us, our common stock and other information you should know before investing in our common stock. This prospectus supplement also adds, updates and changes information contained or incorporated by reference in the accompanying prospectus. To the extent that any statement that we make in this prospectus supplement is inconsistent with the statements made in the accompanying prospectus, the statements made in the accompanying prospectus are deemed modified or superseded by the statements made in this prospectus supplement. You should read both this prospectus supplement and the accompanying prospectus as well as additional information described in [Where you can find more information](#) before investing in our common stock.

References in this prospectus supplement to [we](#), [us](#), [our](#) and [CSC](#) mean The Charles Schwab Corporation. References in this prospectus supplement to the [Company](#) means CSC and its majority-owned subsidiaries.

The representations, warranties and covenants made by CSC in any agreement that is filed as an exhibit to any document that is incorporated by reference in this prospectus supplement and the accompanying prospectus were made solely for the benefit of the parties to such agreement, including, in some cases, for the purpose of allocating risk among the parties to such agreements, and should not be deemed to be a representation, warranty or covenant to you. Moreover, such representations, warranties or covenants were accurate only as of the date when made. Accordingly, such representations, warranties and covenants should not be relied on as accurately representing the current state of CSC's affairs.

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Where you can find more information

CSC files annual, quarterly and current reports, proxy statements and other information with the SEC. CSC's SEC filings are available to the public over the Internet at the SEC's website at <http://www.sec.gov>. Copies of certain information filed by CSC with the SEC are also available on CSC's corporate website at <http://www.aboutschwab.com>. The website addresses of the SEC and CSC are included as inactive textual references only, and the information contained on those websites is not a part of this prospectus supplement or the accompanying prospectus. You may also read and copy any document that CSC files at the SEC's Public Reference Room, 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

The SEC allows CSC to incorporate by reference information CSC has filed with the SEC, which means that CSC can disclose important information to you by referring you to other documents. The information incorporated by reference is considered to be a part of this prospectus supplement.

This prospectus supplement incorporates by reference the documents listed below:

- Annual Report on Form 10-K for the fiscal year ended December 31, 2008 (including such information from the Proxy Statement filed March 30, 2009 that is incorporated by reference in Part III of such Annual Report), as updated by CSC's Current Report on Form 8-K filed on June 1, 2009 relating to CSC's realigned segment reporting structure and the retrospective adjustment to previously reported earnings per share data as a result of the adoption of a new accounting standard;
- Quarterly Report on Form 10-Q for the quarter ended March 31, 2009;
- Quarterly Report on Form 10-Q for the quarter ended June 30, 2009;
- Quarterly Report on Form 10-Q for the quarter ended September 30, 2009;
- Current Reports on Form 8-K filed on June 1, 2009 (relating to CSC's realigned segment reporting structure and the retrospective adjustment to previously reported earnings per share data as a result of the adoption of a new accounting standard), June 5, 2009, July 31, 2009, September 30, 2009, October 14, 2009 and October 28, 2009; and
- The description of our common stock contained in our Registration Statement on Form 8-A, as filed on September 11, 1987, as amended. You may request a copy of these filings at no cost, by writing, telephoning or sending an email to the following address:

The Charles Schwab Corporation

211 Main Street

San Francisco, California 94105

Attention: Corporate Secretary

Telephone: (415) 667-1959

Email: investor.relations@schwab.com

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Forward-looking statements

This prospectus supplement and the accompanying prospectus, including the documents incorporated by reference, contain not only historical information but also forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are identified by words such as believe, anticipate, expect, intend, plan, will, may, aim, target, and other similar expressions. These statements, which may be expressed in a variety of ways, including the use of future or present tense language, refer to future events. In addition, any statements that refer to expectations, projections, or other characterizations of future events or circumstances are forward-looking statements.

These forward-looking statements, which reflect management's beliefs, objectives and expectations as of the date hereof, or in the case of any documents incorporated by reference, as of the date of those documents, are necessarily estimates based on the best judgment of CSC's senior management. These statements relate to, among other things:

- the use of proceeds from this offering;
- the impact of fluctuations in the S&P 500 index, trading activity and the Federal Funds rate on the Company's results of operations;
- the Company's ability to pursue its business strategy;
- the impact of legal proceedings and regulatory matters;
- the impact of current market conditions on the Company's results of operations;
- target capital ratios;
- sources of liquidity, capital and level of dividends;
- capital expenditures;
- the impact of changes in management's estimates on the Company's results of operations;
- the impact of expensing stock options on the Company's results of operations;

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- the impact of changes in estimated costs related to past restructuring initiatives on the Company's results of operations;
- the impact of changes in the likelihood of indemnification and guarantee payment obligations on the Company's results of operations; and
- the other risks and uncertainties described in this prospectus supplement.

Achievement of the expressed beliefs, objectives and expectations described in these statements is subject to certain risks and uncertainties that could cause actual results to differ materially. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this prospectus supplement or, in the case of documents incorporated by reference, as of the date of those documents.

Important factors that may cause actual results to differ include, but are not limited to:

- general economic and financial market conditions;
- the level of interest rates, including yields available on money market mutual fund eligible instruments;
- changes in revenues and profit margin;

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- fluctuations in client asset values due to changes in equity valuations;
 - the amount of loans to the Company's brokerage and banking clients;
 - the Company's ability to attract and retain clients and to grow client assets and relationships;
 - the Company's ability to sustain expense savings without disrupting operations;
 - competitive pressures on rates and fees;
 - the Company's ability to obtain necessary approvals from regulators and/or clients;
 - unanticipated adverse developments in litigation or regulatory matters;
 - the performance of securities available for sale;
 - the level of brokerage client cash balances and deposits from banking clients;
 - the availability and terms of external financing;
 - the level of the Company's stock repurchase activity;
 - the timing and impact of changes in the Company's level of investments in technology and buildings;
 - CSC's ability to maintain favorable ratings from ratings agencies;
 - the Company's ability to sublease certain properties; and
 - potential breaches of contractual terms for which the Company has indemnification obligations.
- You should refer to the "Risk factors" section of this prospectus supplement and to CSC's periodic and current reports filed with the SEC for specific risks which would cause actual results to be significantly different from those expressed or implied by these forward-looking statements.

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In particular, certain of these factors, as well as general risk factors affecting CSC and its subsidiaries, are discussed in greater detail in Item 1A Risk Factors in the Company's Annual Report on Form 10-K for the year ended December 31, 2008, which is incorporated by reference into this prospectus supplement and accompanying prospectus.

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Summary

The following summary contains basic information about this offering. It may not contain all of the information that is important to you and it is qualified in its entirety by the more detailed information included or incorporated by reference in this prospectus supplement and the accompanying prospectus. You should carefully consider the information contained in and incorporated by reference in this prospectus supplement and the accompanying prospectus, including the information set forth under the heading "Risk factors" in this prospectus supplement and the accompanying prospectus. In addition, certain statements include forward-looking information that involves risks and uncertainties. See "Forward-looking statements."

The Charles Schwab Corporation

CSC, headquartered in San Francisco, California, was incorporated in 1986 and engages, through its subsidiaries (primarily located in San Francisco except as indicated), in securities brokerage, banking and related financial services. At September 30, 2009, CSC had \$1.36 trillion in client assets, 7.6 million active brokerage accounts, 1.5 million corporate retirement plan participants and 667,000 banking accounts.

Significant subsidiaries of CSC include:

- Charles Schwab & Co., Inc. ("Schwab"), which was incorporated in 1971, is a securities broker-dealer with more than 300 domestic branch offices in 45 states, as well as a branch in each of the Commonwealth of Puerto Rico and London, U.K., and serves clients in Hong Kong through one of CSC's subsidiaries;
- Charles Schwab Bank ("Schwab Bank"), which commenced operations in 2003, is a federal savings bank located in Reno, Nevada; and
- Charles Schwab Investment Management, Inc. is the investment advisor for Schwab's proprietary mutual funds, which are referred to as the Schwab Funds®.

The Company offers a broad range of products to address individuals' varying investment and financial needs. Examples of these product offerings include:

- Brokerage various asset management accounts including some with check-writing features, debit card and billpay; individual retirement accounts; retirement plans for small to large businesses; 529 college savings accounts; separately managed accounts; designated brokerage accounts; equity incentive plan accounts; and margin loans, as well as access to fee-based advisory relationships, fixed income securities and equity and debt offerings;
- Banking first mortgages, home equity lines of credit, pledged-asset loans, certificates of deposit, demand deposit accounts, high-yield investor checking accounts linked to brokerage accounts, savings accounts and credit cards;
- Trust trust custody services, personal trust reporting services and administrative trustee services; and
- Mutual funds third-party mutual funds through Mutual Fund Marketplace®, including no-load mutual funds through the Mutual Fund OneSource® service, proprietary mutual funds from two fund families Schwab Funds® and Laudus Funds®, other third-party mutual funds and mutual fund trading and clearing services to broker-dealers.

These products, and the Company's full array of investing services, are made available through its two segments Investor Services and Institutional Services.

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Investor Services

Through the Investor Services segment, the Company provides retail brokerage and banking services to individual investors.

The Company offers research, analytic tools, performance reports, market analysis and educational material to all clients. Clients looking for more guidance have access to online portfolio planning tools, as well as professional advice from Schwab's portfolio consultants who can help develop an investment strategy and carry out investment and portfolio management decisions.

Institutional Services

Through the Institutional Services segment, Schwab provides custodial, trading, technology, practice management, trust asset and other support services to independent investment advisors. To attract and serve independent investment advisors, Institutional Services has a dedicated sales force and service teams assigned to meet their needs.

The Institutional Services segment also provides retirement plan services, plan administrator services, stock plan services and mutual fund clearing services, and supports the availability of Schwab proprietary mutual funds on third-party platforms.

CSC's common stock is listed and traded on The NASDAQ Stock Market under the symbol SCHW.

CSC's principal executive office is located at 211 Main Street, San Francisco, California 94105 and CSC's telephone number is (415) 636-7000. CSC's corporate Internet website is www.abouschwab.com. CSC's website address is included as an inactive textual reference only, and the information contained on CSC's website is not a part of this prospectus supplement or the accompanying prospectus.

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In accordance with our normal schedule, we are currently performing, and have not yet completed, the closing procedures in connection with the preparation and filing of our audited financial statements which will be included in our Annual Report on Form 10-K for the year ended December 31, 2009. Accordingly, while we currently estimate our financial results for the quarter and year ended December 31, 2009 as set forth in the tables below and our capital ratios as described in the narrative below, this information is, by necessity, preliminary in nature and based only upon preliminary information available to us as of the date of this prospectus supplement. We cannot assure you that this information will not change.

Consolidated Statements of Income

(In millions, except per share amounts)

(Unaudited)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2009	2008	2009	2008
Net Revenues				
Asset management and administration fees	\$ 436	\$ 528	\$ 1,875	\$ 2,355
Interest revenue	365	423	1,428	1,908
Interest expense	(60)	(51)	(221)	(243)
Net interest revenue	305	372	1,207	1,665
Trading revenue	224	352	996	1,080
Other	43	32	175	94
Total other-than-temporary impairment losses	(39)		(278)	(44)
Noncredit portion of loss recognized in other comprehensive income	17		218	
Net impairment losses on securities	(22)		(60)	(44)
Total net revenues	986	1,284	4,193	5,150
Expenses Excluding Interest				
Compensation and benefits	371	402	1,544	1,667
Professional services	81	80	275	334
Occupancy and equipment	73	78	318	299
Advertising and market development	50	62	191	243
Communications	51	56	206	211
Depreciation and amortization	38	39	159	152
Other	56	60	224	216
Total expenses excluding interest	720	777	2,917	3,122
Income from continuing operations before taxes on income	266	507	1,276	2,028
Taxes on income	(102)	(199)	(489)	(798)
Income from continuing operations	164	308	787	1,230
Loss from discontinued operations, net of tax				(18)
Net Income	\$ 164	\$ 308	\$ 787	\$ 1,212
Weighted-Average Common Shares Outstanding Diluted	1,163	1,158	1,160	1,157

Earnings Per Share Basic

Income from continuing operations	\$.14	\$.27	\$.68	\$
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