TD AMERITRADE HOLDING CORP
Form 10-K
November 18, 2016
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended September 30, 2016

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

Commission file number: 1-35509

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

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

200 South 108th Avenue,
Omaha, Nebraska 68154
(Address of principal executive offices) (Zip Code)
(402) 331-7856
(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Common Stock — $0.01 par value	The Nasdaq Stock Market LLC Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Act:
(Title of class)
None

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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

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

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

The aggregate market value of the common stock held by non-affiliates of the registrant was approximately $16.5 billion computed by reference to the closing sale price of the stock on the Nasdaq Global Select Market on March 31, 2016, the last trading day of the registrant's most recently completed second fiscal quarter.

The number of shares of common stock outstanding as of November 8, 2016 was 526,045,827 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Definitive Proxy Statement relating to the registrant's 2017 Annual Meeting of Stockholders to be filed hereafter (incorporated into Part III hereof).

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

PART I

Item 1. Business

Form of Organization

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

Operations

We are a leading provider of securities brokerage services and related technology-based financial services to retail investors, traders and independent registered investment advisors ("RIAs"). We provide our services predominantly through the Internet, a national branch network and relationships with RIAs. We believe that our services appeal to a broad market of independent, value-conscious retail investors, traders and investment advisors. We use our platform to offer brokerage services to retail investors and investment advisors under a simple, low-cost commission structure. We have been an innovator in electronic brokerage services since entering the retail securities brokerage business in 1975. We believe that we were the first brokerage firm to offer the following products and services to retail clients: touch-tone trading; trading over the Internet; unlimited, streaming, free real-time quotes; extended trading hours; direct access to market destinations; and commitment on the speed of order execution. Since initiating online trading, we have substantially increased our number of brokerage accounts, number of RIA relationships, average daily trading volume and total assets in client accounts. We have also built, and continue to invest in, a proprietary trade processing platform that is both cost-efficient and highly scalable, significantly lowering our operating costs per trade. In addition, we have made significant investments in building the TD Ameritrade brand.

Strategy

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

- Focus on brokerage services. We continue to focus on attracting active traders, long-term investors and RIAs to our brokerage services. This focused strategy is designed to enable us to maintain our low operating cost structure while offering our clients outstanding products and services. We primarily route for execution of client trades on an agency, rather than a principal, basis. We maintain only a small inventory of fixed income securities to meet client requirements.
- Provide a comprehensive long-term investor solution. We continue to expand our suite of diversified investment products and services to best serve investors' needs. We help clients make investment decisions by providing simple-to-use investment tools, guidance, education and objective third-party research.
- Maintain industry leadership and market share with active traders. We help active traders make better-informed investment decisions by offering fast access to markets, insight into market trends and innovative tools such as strategy back-testing and comprehensive options research and trading capabilities.
- Continue to be a leader in the RIA industry. We provide RIAs with comprehensive brokerage and custody services supported by our robust integrated technology platform, customized personal service and practice management solutions.

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- Leverage our infrastructure to add incremental revenue. Through our proprietary technology, we are able to provide a robust online experience for long-term investors and active traders. Our low-cost, scalable systems provide speed, reliability and quality trade execution services for clients. The scalable capacity of our trading system allows us to add a significant number of transactions while incurring minimal additional fixed costs.
- Continue to be a low-cost provider of quality services. We achieve low operating costs per trade by creating economies of scale, utilizing our proprietary transaction-processing systems, continuing to automate processes and locating much of our operations in low-cost geographical areas. This low fixed-cost infrastructure provides us with significant financial flexibility. In addition, our insured deposit account arrangement with The Toronto-Dominion Bank ("TD") 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.
- Continue to differentiate our offerings through innovative technologies and service enhancements. We have been an innovator in our industry for over 40 years. We continually strive to provide our clients with the ability to customize their trading experience. We provide our clients greater choice by offering features and functionality to meet their specific needs.

We continue to see increased demand for advice, particularly as our clients approach retirement. To address this need we are building out a full continuum of advice products ranging from an automated investing product to a customized portfolio advice solution.

- Leverage the TD Ameritrade brand. We believe that we have a superior brand identity and that our advertising has established TD Ameritrade as a leading brand in the retail brokerage market.
- Continue to evaluate opportunities for growth through acquisitions. When evaluating potential acquisitions, we look for transactions that will give us operational leverage, technological leverage, increased market share or other strategic opportunities.

Planned Acquisition of Scottrade Financial Services, Inc.

On October 24, 2016, we entered into an Agreement and Plan of Merger with Scottrade Financial Services, Inc. ("Scottrade"), a Delaware corporation, Rodger O. Riney, as Voting Trustee of the Rodger O. Riney Family Voting Trust U/A/D 12/31/2012, and Alto Acquisition Corp., a Delaware corporation and a wholly-owned subsidiary of the Company, pursuant to which we agreed to acquire Scottrade in a cash and equity transaction valued at $4 billion. The transaction will take place in two, consecutive steps. First, and as a condition precedent to our acquisition of Scottrade, TD will purchase Scottrade Bank from Scottrade for $1.3 billion in cash, subject to closing adjustments. Under the terms of the planned acquisition, Scottrade Bank will merge with and into TD Bank, N.A., an indirect wholly-owned subsidiary of TD. Additionally, we expect TD to purchase $400 million in new common equity, or approximately 11 million shares, from us in connection with the planned transaction. Immediately following TD's acquisition of Scottrade Bank, we will acquire Scottrade for $4 billion less the proceeds from the sale of Scottrade Bank, which is subject to closing adjustments. We intend to fund the acquisition of Scottrade with $1 billion in new common equity, or approximately 28 million shares, issued to Scottrade shareholders, cash on hand, proceeds from the sale of our common stock to TD, as described above, and debt financing. The transaction is subject to regulatory approvals and customary closing conditions and is expected to close by September 30, 2017. Following the transaction's close, Scottrade Founder and CEO, Rodger Riney, will be appointed to our board of directors.

Client Offerings

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

Trading and Investing Platforms

- tdameritrade.com Web Platform is our core offering for self-directed retail investors. We offer a broad array of tools and services, including alerts, screeners, conditional orders and free fundamental third-party research. The Dock is an ever-present dashboard of streaming content that makes it easy for clients to stay on top of current market activities relevant to their investment positions. Modules such as streaming news, stock

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events, and account balances ensure clients stay well informed. Free planning tools are also provided, such as Portfolio Planner to efficiently create a bundle of securities to trade, invest and rebalance and Retirement Planner to assess retirement needs. Social Signals is a one of a kind trading resource that pulls insights from Twitter and compiles them in one place.

- Trade Architect® is a powerful and intuitive web-based platform that helps active investors and traders identify opportunities and stay informed. It includes advanced features such as complex options, Level II equity and option quotes, streaming news from CNBC, free research reports from sources such as S&P Capital IQ, visual position profit/loss analysis and Trade Finder, a tool that simplifies the process of identifying and making option trades based on the client's strategy.
- thinkorswim® is a downloadable desktop platform designed for advanced traders, featuring easy-to-use interfaces, elite-level trading and analytical tools, and fast and efficient order routing for complex trading strategies. thinkorswim clients trade a broad range of products including stock and stock options, index options, futures and futures options, foreign exchange and exchange-traded funds ("ETFs").
- TD Ameritrade Mobile allows on-the-go investors and traders to trade and monitor accounts from web-enabled mobile devices with features such as alerts, research, streaming market commentary and the ability to deposit a check directly from a smartphone or tablet. With a mobile device, a client can snap a picture of a bar code on any item, and if the company is publicly traded, Snapstock™ can return the company name, ticker symbol and a stock quote along with company-related news and charts. Access is available through the TD Ameritrade Mobile App, the more advanced TD Ameritrade Mobile Trader App or via a mobile browser at the TD Ameritrade Mobile Site.
- TD Ameritrade Institutional is a leading provider of comprehensive brokerage and custody services to more than 5,000 independent RIAs and their clients. Our advanced technology platform, coupled with personal support from our dedicated service teams, allows RIAs to grow and manage their practices more effectively and efficiently while optimizing time with clients. Additionally, TD Ameritrade Institutional provides a robust offering of products, programs and services. These services are all designed to help advisors build their businesses and do the best possible job they can to help their clients with their financial goals.

Other Offerings

- Investools® offers a comprehensive suite of investor education products and services for stock, option, foreign exchange, futures, mutual fund and fixed-income investors. Our education subsidiary, Investools, Inc., offers educational products and services primarily built around an investing method that is designed to teach both experienced and beginning investors how to approach the selection process for investment securities and actively manage their investment portfolios. Course offerings are generally combined with web-based tools, personalized instruction techniques and ongoing service and support and are offered in a variety of learning formats. Designed for the advanced student, continuing education programs offer students comprehensive access to education products and services priced either individually or on a bundled basis. Typically included in the continuing education bundles are additional curriculum, online courses, live workshops and coaching services.
- TD Ameritrade's Goal Planning sessions are a complimentary service where clients meet with an investment consultant and develop an investment plan, based on a variety of factors including personal goals, time to achieve goal, risk tolerance, assets and net worth. Clients learn how likely they are to achieve their goals and how hypothetical changes to their decisions could influence their plan.
- Amerivest® is an advisory service that develops portfolios of ETFs or mutual funds, along with cash and cash alternatives, to help long-term investors pursue their financial goals. Our subsidiary, Amerivest Investment Management, LLC, recommends an investment portfolio based on an investor's objective, time horizon and risk tolerance.
- AdvisorDirect® is a national referral service for investors who wish to engage the services of an independent RIA. AdvisorDirect refers interested investors to one or more independent RIAs that are unaffiliated with TD Ameritrade and that offer investment management and/or financial planning services to investors served by TD Ameritrade's branch offices. We strive to have all RIAs participating in AdvisorDirect meet or exceed TD Ameritrade's professional eligibility requirements.

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

Products and Services

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

- Common and preferred stock.   Clients can purchase common and preferred stocks, American Depository Receipts and closed-end funds traded on any United States exchange or quotation system.
- Exchange-Traded Funds.   ETFs are baskets of securities (stocks or bonds) that typically track recognized indices. They are similar to mutual funds, except that they trade on an exchange like stocks. Our ETF Market Center offers our clients over 100 commission-free ETFs, each of which has been selected by independent experts at Morningstar Associates, LLC. Trades in these ETFs are commission-free, provided the funds are held for 30 days or longer. Our website includes an ETF screener, along with independent research and commentary to assist investors in their decision-making.
- Options.   We offer a full range of option trades, including complex and multi-leg option strategies.
- Futures.   We offer futures trades, as well as options on futures, in a wide variety of commodities, stock indices and currencies.
- Foreign exchange.   We offer access to trading in over 75 different currency pairs.
- Mutual funds.   Clients can compare and select from a portfolio of over 13,000 mutual funds from leading fund families, including a broad range of no-transaction-fee ("NTF") funds. Clients can also easily exchange funds within the same mutual fund family.
- Fixed income.   We offer our clients access to a variety of Treasury, corporate, government agency and municipal bonds, as well as certificates of deposit.
- New and secondary issue securities.   We offer primary and secondary offerings of fixed income securities, closed-end funds, common stock and preferred stock.
- Margin lending.   We extend credit to clients that maintain margin accounts. Portfolio margin, which bases margin requirements on the net exposure of all positions in an account rather than just on individual positions, is also available for accounts with net liquidating values of at least $125,000.
- Cash management services.   Through third-party banking relationships, we offer FDIC-insured deposit accounts and money market mutual funds to our clients as cash sweep alternatives. Through these relationships, we also offer free standard checking, free online bill pay and ATM services with unlimited ATM fee reimbursements at any machine nationwide.
- Annuities.   We offer access to a full range of competitively priced fixed and variable annuities provided by highly-rated insurance carriers.

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We earn commissions and transaction fees on client trades in common and preferred stock, ETFs, closed-end funds, options, futures, foreign exchange, mutual funds and fixed income securities. Margin lending and the related securities lending business generate net interest revenue. Cash management services and fee-based mutual funds generate insured deposit account fees and investment product fee revenues. Other revenues include revenue from education services, miscellaneous securities brokerage fees and annuities. The following table presents the percentage of net revenues contributed by each class of similar services during the last three fiscal years:

	Percentage of Net Revenues					
	Fiscal Year Ended September 30,					
Class of Service	2016		2015		2014	
Commissions and transaction fees	41.2	%	43.1	%	43.2	%
Insured deposit account fees	27.8	%	25.8	%	26.3	%
Net interest revenue	17.9	%	19.2	%	18.6	%
Investment product fees	11.3	%	10.3	%	9.9	%
Other revenues	1.8	%	1.6	%	2.0	%
Net revenues	100.0	%	100.0	%	100.0	%

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

Client Service and Support

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

We endeavor to optimize our client service by:

- Ensuring prompt response to client service calls through adequate staffing with properly trained and motivated personnel in our client service departments, a majority of whom hold the Series 7 license;
- Tailoring client service to the particular expectations of the clients of each of our client segments; and
- Expanding our use of technology to provide automated responses to the most typical inquiries generated in the course of clients' securities trading and related activities.

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

- Websites. Our websites provide basic information on how to use our services, as well as an in-depth education center that includes a selection of online investing courses. "Ted," our Virtual Investment Consultant, is a web tool that allows retail clients to interact with a virtual representative to ask about our products, tools and services.
- Branches. We offer a nationwide network of over 100 retail branches, located primarily in large metropolitan areas.
- Email. Clients are encouraged to use email to contact our client service representatives. Our operating standards require a response within 24 hours of receipt of the email; however, we strive to respond within four hours after receiving the original message.
- Telephone. For clients who choose to call or whose inquiries necessitate calling one of our client service representatives, we provide a toll-free number that connects to advanced call handling systems. These systems provide automated answering and directing of calls to the proper department. Our systems also allow linkage between caller identification and the client database to give the client service representative immediate access to the client's account data when the call is received. Client service representatives are available 24 hours a day, seven days a week.

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- Mobile app. Support on our TD Ameritrade Mobile Trader App allows clients to text with a trading specialist for immediate answers to their questions or share their screen for help with navigating the app.

Technology and Information Systems

Our technological capabilities and systems are central to our business and are critical to our goal of providing the best execution at the best value to our clients. Our operations require reliable, scalable systems that can handle complex financial transactions for our clients with speed and accuracy. We maintain sophisticated and proprietary technology that automates traditionally labor-intensive securities transactions. Our ability to effectively leverage and adopt new technology to improve our services is a key component of our success.

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

Advertising and Marketing

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

Advertising for retail clients is generally conducted through websites, social media, financial news networks and other television and cable networks. We also place print advertisements in a broad range of business publications and use email advertising. Advertising for institutional clients is significantly less than for retail clients and is generally conducted through highly-targeted media.

To monitor the success of our various marketing efforts, we utilize a media mix model that uses robust data sets to analyze our marketing channels and identify high value client segments. This model also supports decisions on spending levels and helps us determine the point at which we begin to experience diminishing returns. Additionally, our advanced data and analytics capabilities enable a more targeted, personalized experience for prospective clients. How we share client information is disclosed in our privacy statement.

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

Clearing Operations

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

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

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- Possession, control and safeguarding of funds and securities in client accounts;
- Processing cash sweep transactions to and from insured deposit accounts and money market mutual funds;
- Transmitting tax accounting information to the client and to the applicable tax authority; and
- Forwarding prospectuses, proxy materials and other shareholder information to clients.

We contract with external providers for futures clearing. We also contract with an external provider to facilitate foreign exchange trading for our clients.

Competition

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

The market for brokerage services, particularly electronic brokerage services, continues to evolve and is highly competitive. We experience significant competition and expect this competitive environment to continue. We encounter direct competition from numerous other brokerage firms, many of which provide online brokerage services. These competitors include E*TRADE Financial Corporation, The Charles Schwab Corporation and Fidelity Investments. Scottrade is also a competitor, but we have agreed to acquire Scottrade. For further information about the Scottrade acquisition, please see "Planned Acquisition of Scottrade Financial Services, Inc." above. We also encounter competition from established full-commission brokerage firms such as Merrill Lynch and Morgan Stanley, as well as financial institutions, mutual fund sponsors, online wealth management services and other organizations, some of which provide online brokerage services.

Regulation

The securities, futures and foreign exchange industries are subject to extensive regulation under federal and state law. Broker-dealers are required to register with the U.S. Securities and Exchange Commission ("SEC") and to be members of FINRA. Our futures commission merchant ("FCM") and forex dealer member ("FDM") subsidiary, TD Ameritrade Futures & Forex LLC ("TDAFF"), is registered with the Commodity Futures Trading Commission ("CFTC") and is a member of, and the corresponding services functions are regulated by, the NFA. Our broker-dealer subsidiaries are subject to the requirements of the Securities Exchange Act of 1934 (the "Exchange Act") relating to broker-dealers, including, among other things, minimum net capital requirements under the SEC Uniform Net Capital Rule (Rule 15c3-1), "best execution" requirements for client trades under SEC guidelines and FINRA rules and segregation of client funds under the SEC Customer Protection Rule (Rule 15c3-3), administered by the SEC and FINRA. TDAFF is subject to regulations under the Commodity Exchange Act, administered by the CFTC and NFA, including CFTC Regulations 1.17 and 5.7, which require the maintenance of minimum adjusted net capital, and CFTC Regulation 1.20, which requires segregation of client funds.

Net capital rules are designed to protect clients, counterparties and creditors by requiring a broker-dealer, an FCM or an FDM to have sufficient liquid resources available to satisfy its financial obligations. Net capital is a measure of a broker-dealer's, an FCM's or an FDM's readily available liquid assets, reduced by its total liabilities other than approved subordinated debt. Under the Uniform Net Capital Rule, a broker-dealer may not repay any subordinated borrowings, pay cash dividends or make any unsecured advances or loans to its parent company or employees if such payment would result in a net capital amount below required levels. An FCM and FDM, such as TDAFF, must provide notice to the CFTC if its adjusted net capital amounts are below required levels.

As explained in SEC guidelines and FINRA rules, brokers are required to seek the "best execution" reasonably available for their clients' orders. In part, this requires brokers to use reasonable diligence so that the price to the client is as favorable as possible under prevailing market conditions. We send client orders to a number of market centers, including market makers and exchanges, which encourages competition and ensures redundancy. We utilize a committee structure to conduct regular reviews of the securities trade execution quality we obtain from these

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market centers. For non-directed client orders, it is our policy to route orders to market centers based on a number of factors that are more fully discussed in the Supplemental Materials of FINRA Rule 5310, including, where applicable, but not necessarily limited to, speed of execution, price improvement opportunities, differences in price disimprovement, likelihood of executions, the marketability of the order, size guarantees, service levels and support, the reliability of order handling systems, client needs and expectations, transaction costs and whether the firm will receive remuneration for routing order flow to such market centers. Price improvement is available under certain market conditions and for certain order types and we regularly monitor executions to test for such improvement if available. Each quarter we also publicly disclose on SEC Rule 606 Reports information about the market centers we use and the related order routing revenue we received. Our SEC Rule 606 Reports can be found at www.tdameritrade.com.

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

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

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

Margin lending activities are subject to limitations imposed by regulations of the Federal Reserve System and FINRA. In general, these regulations provide that, in the event of a significant decline in the value of securities collateralizing a margin account, we are required to obtain additional collateral from the borrower or liquidate security positions.

We are subject to a number of state and federal laws applicable to companies conducting business on the Internet that address client privacy, system security and safeguarding practices and the use of client information.

For additional, important information relating to government regulation, please review the information set forth under the heading "Risk Factors Relating to the Regulatory and Legislative Environment" in Item 1A — Risk Factors.

Risk Management

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

Our management team is responsible for managing risk, and it is overseen by our board of directors, primarily through the board's Risk Committee. We use risk management processes and have policies and procedures for identifying, measuring and managing risks, including establishing threshold levels for our most significant risks. Our risk management, compliance, internal audit, and legal departments assist management in identifying and managing risks.

Our management team's Enterprise Risk Committee ("ERC") is responsible for reviewing risk exposures and risk mitigation. Subcommittees of the ERC have been established to assist in identifying and managing specific areas of risk.

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

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

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

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

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

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

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

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

Intellectual Property Rights

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

Employees

As of September 30, 2016, we had 6,010 full-time equivalent employees. None of our employees is covered by a collective bargaining agreement. We believe that our relations with our employees are good. In fiscal 2016, we surveyed our employees and found that 87% responded favorably to questions designed to measure sustainable employee engagement. This score placed us in the "best in class" companies benchmark as measured by Willis Towers Watson for the fifth year in a row.

Financial Information about Segments and Geographic Areas

We primarily operate in the securities brokerage industry and have no other reportable segments. Substantially all of our revenues from external clients for the fiscal years ended September 30, 2016, 2015 and 2014 were derived from our operations in the United States.

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Websites and Social Media Disclosure

From time to time, the Company may use its website and/or Twitter as distribution channels of material information. The Company's Code of Business Conduct and Ethics, financial data 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/TDAmeritradePR. Website links provided in this report, although correct when published, may change in the future. We make available free of charge on our website at www.amtd.com/investor-relations/sec-filings/ 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. Our SEC filings are also available on the SEC's website at http://www.sec.gov/.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the following factors which could materially affect our business, financial condition or future results of operations. Although the risks described below are those that management believes are the most significant, these are not the only risks facing our company. Additional risks and uncertainties not currently known to us or that we currently do not deem to be material also may materially affect our business, financial condition or future results of operations.

Risk Factors Relating to Our Business Operations

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

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

We have exposure to interest rate risk.

As a fundamental part of our brokerage business, we invest in interest-earning assets and are obligated on interest-bearing liabilities. In addition, we earn fees on our FDIC-insured deposit account arrangement with TD Bank USA, N.A. and TD Bank N.A., which are subject to interest rate risk. During fiscal 2009, the Federal Open Market Committee reduced the federal funds target range to between 0% and 0.25%, where it remained until December 2015 when it was increased to between 0.25% and 0.50%. In addition, medium- to long-term interest rates have also decreased substantially since fiscal 2009. This lower interest rate environment has compressed our net interest spread and reduced our spread-based revenues. It has also resulted in us voluntarily waiving fees on certain money market mutual funds in order to prevent our clients' yields on such funds from becoming negative.

Changes in interest rates could affect the interest earned on assets differently than interest paid on liabilities. A rising interest rate environment generally results in our earning a larger net interest spread. Conversely, a falling interest rate environment generally results in our earning a smaller net interest spread. Our most prevalent form of interest rate risk is referred to as "gap" risk. This risk occurs when the interest rates we earn on our assets change at a different frequency or amount than the interest rates we pay on our liabilities. For example, in the current low interest rate environment, sharp increases in short-term interest rates could result in net interest spread compression if the yields paid on interest-bearing client balances were to increase faster than our earnings on interest-earning assets. If we are unable to effectively manage our interest rate risk, changes in interest rates could have a material adverse effect on our profitability.

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Our brokerage operations have exposure to liquidity risk.

Maintaining adequate liquidity is crucial to our brokerage operations, including key functions such as transaction settlement and margin lending. We are subject to cash deposit and collateral requirements with clearinghouses such as the DTCC and the OCC, which may fluctuate significantly from time to time based on the nature and size of our clients' trading activity. Our liquidity needs to support interest-earning assets are primarily met by client cash balances or financing created from our securities lending activities. A reduction of funds available from these sources may require us to seek other potentially more expensive forms of financing, such as borrowings on our revolving credit facilities. Our liquidity could be constrained if we are unable to obtain financing on acceptable terms, or at all, due to a variety of unforeseen market disruptions. Inability to meet our funding needs on a timely basis would have a material adverse effect on our business.

We are exposed to credit risk with clients and counterparties.

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

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

Our broker-dealer subsidiary, TDAC, provides clearing and execution services to our introducing broker-dealer subsidiary. Clearing and execution services include the confirmation, receipt, settlement and delivery functions involved in securities transactions. Clearing brokers also assume direct responsibility for the possession or control of client securities and other assets and the clearing of client securities transactions. However, clearing brokers also must rely on third-party clearing organizations, such as the DTCC and the OCC, in settling client securities transactions. Clearing securities firms, such as TDAC, are subject to substantially more regulatory control and examination than introducing brokers that rely on others to perform clearing functions. Errors in performing clearing functions, including clerical and other errors related to the handling of funds and securities held by us on behalf of clients, could lead to regulatory fines and civil penalties as well as losses and liability in related legal proceedings brought by clients and others.

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

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

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client satisfaction and harm to our reputation. The occurrence of any of these events could have a material adverse effect on our business, results of operations and financial condition.

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

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

We, along with the financial services industry in general, have experienced losses related to clients' login and password information being compromised, generally caused by attacks capturing credentials directly from clients themselves, through phishing attacks, clients' use of non-secure public computers or vulnerabilities of clients' private computers and mobile devices. In 2007, we discovered and eliminated unauthorized code from our computer systems that had allowed an unauthorized third party to retrieve client email addresses, names, addresses and phone numbers from an internal database. Following the incident, the Company incurred significant remediation costs. We are aware of subsequent attempts by other attackers to penetrate our systems using similar techniques and similar attacks against other financial institutions. If a similar incident were to occur, we could suffer damage to our reputation and incur significant remediation costs and losses.

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

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

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

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to the industry, such as banks, software development companies, insurance companies, providers of online financial information and others. These companies may provide a more comprehensive suite of services than we do or offer services at lower prices. Increased competition, including pricing pressure, could have a material adverse effect on our results of operations and financial condition.

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

Our future success depends in part on our ability to develop and enhance our products and services. In addition, the adoption of new Internet, networking or telecommunications technologies or other technological changes could require us to incur substantial expenditures to enhance or adapt our services or infrastructure.

There are significant technical and financial costs and risks in the development of new or enhanced products and services, including the risk that we might be unable to effectively use new technologies, adapt our services to emerging industry standards or develop, introduce and market enhanced or new products and services. An inability to develop new products and services, or enhance existing offerings, could have a material adverse effect on our profitability.

Advisory services subject us to additional risks.

We provide investment advisory services to investors through our SEC-registered investment advisors, TD Ameritrade, Inc., Amerivest Investment Management, LLC ("Amerivest") and TradeWise Advisors, Inc. ("TradeWise"). TD Ameritrade, Inc. offers AdvisorDirect,® a service that refers a client to an independent RIA. Amerivest® is an online advisory service that develops portfolios of ETFs or mutual funds, along with cash and cash alternatives, to help long-term investors pursue their financial goals. TradeWise provides an option advisory service for self-directed investors. The risks associated with these investment advisory activities include those arising from possible conflicts of interest, unsuitable investment recommendations, inadequate due diligence, inadequate disclosure and fraud. Realization of these risks could lead to liability for client losses, regulatory fines, civil penalties and harm to our reputation and business.

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

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

We cannot assure that any external service providers will be able to continue to provide these services to meet our current needs in an efficient, cost-effective manner or that they will be able to adequately expand their services to meet our needs in the future. Some external service providers have assets that are important to the services they provide us located outside the United States, and their ability to provide these services is subject to risks from unfavorable political, economic, legal or other developments, such as social or political instability, changes in governmental policies or changes in laws and regulations.

An interruption in or the cessation of service by any external service provider as a result of systems failures, capacity constraints, financial constraints or problems, unanticipated trading market closures or for any other reason, and our inability to make alternative arrangements in a smooth and timely manner, if at all, could have a material adverse effect on our business, results of operations and financial condition.

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Risk Factors Relating to the Regulatory and Legislative Environment

Legislation has and may continue to result in changes to rules and regulations applicable to our business, which may negatively impact our business and financial results.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), enacted in 2010, requires many federal agencies to adopt new rules and regulations applicable to the financial services industry and also calls for many studies regarding various industry practices. In particular, the Dodd-Frank Act gives the SEC discretion to adopt rules regarding standards of conduct for broker-dealers providing investment advice to retail customers. The U.S. Department of Labor ("DOL") has enacted regulations changing the definition of who is an investment advice fiduciary under the Employee Retirement Income Security Act of 1974 (ERISA) and how such advice can be provided to account holders in retirement accounts such as 401(k) plans and Individual Retirement Arrangements (IRAs). The DOL regulations will deem many of the investment, rollover and asset management recommendations from us to our clients regarding their retirement accounts fiduciary "investment advice" under ERISA. One of the most significant impacts on our business from the DOL regulations and related prohibited transaction exemptions will be the impact on our fee and compensation practices. For example, the regulations make investment advisors to retirement account clients subject to an ERISA fiduciary duty standard and the exemptions seek to reduce conflicts of interest stemming from fee differentials and compensation incentives that could lead to a misalignment of the interests of advisors and their retirement investor clients. The exemptions, when used, will also require certain new client contracts, adherence to "impartial conduct standards" (including a requirement to act in the "best interest" of retirement clients when providing investment advice), the adoption of related policies and procedures and the making of extensive website and other disclosures to retirement investors and the DOL. One way to comply is to use the best interest contract exemption in connection with certain advice activities, which will subject us to an increased risk of class actions and other litigation and regulatory risks. Additional rulemaking or legislative action could negatively impact our business and financial results. While we have not yet been required to make other material changes to our business or operations as a result of the Dodd-Frank Act or other rulemaking or legislative action, it is not certain what the scope of future rulemaking or interpretive guidance from the SEC, FINRA, DOL, banking regulators and other regulatory agencies may be, how the courts and regulators might interpret these rules and what impact this will have on our compliance costs, business, operations and profitability.

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

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

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

Extensive regulation and regulatory uncertainties could harm our business.

The securities industry is subject to extensive regulation by federal, state, international government and self-regulatory agencies, and financial services companies are subject to regulations covering all aspects of the securities business. Regulations are intended to ensure the integrity of financial markets, appropriate capitalization of broker-dealers, FCMs and FDMs and the protection of clients and their assets. These regulations often serve to limit our business activities through capital, client protection and market conduct requirements, as well as restrictions on the activities that we are authorized to conduct. Federal, state, self-regulatory organizations and foreign regulators can, among other things, censure, fine, issue cease-and-desist orders to, suspend or expel a regulated entity or any of its

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officers or employees. We could fail to establish and enforce procedures to comply with applicable regulations, which could have a material adverse effect on our business.

Past turmoil in the financial markets has contributed to changes in laws and regulations, heightened scrutiny of the conduct of financial services firms and increasing penalties for violations of applicable laws and regulations. We may be adversely affected by new laws or regulations, changes in the interpretation of existing laws or regulations or more rigorous enforcement. The new laws and regulations may be complex, and we may not have the benefit of regulatory or federal interpretations to guide us in compliance. Changes in laws and regulations or new interpretations of existing laws and regulations also can have adverse effects on our methods and costs of doing business. We also may be adversely affected by other regulatory changes related to suitability of financial products, supervision, sales practices, application of fiduciary standards, best execution and market structure, which could limit the Company's business.

Because TD, among other things, owns more than 25% of our common stock, we are considered a non-bank subsidiary of TD under the Bank Holding Company Act of 1956 (the "BHC Act"). As a result, under the BHC Act, we are subject to the supervision and regulation of the Federal Reserve. These banking regulations limit the activities and the types of businesses that we may conduct and the types of companies we may acquire, and under these regulations the Federal Reserve could impose significant limitations on our current business and operations. TD is currently regulated as a "financial holding company" under the BHC Act, which allows TD and us to engage in a much broader set of activities than would otherwise be permitted under the BHC Act. Any failure of TD to maintain its status as a financial holding company could result in substantial limitations on certain of our activities.

Financial services firms are subject to numerous conflicts of interest or perceived conflicts of interest, over which federal and state regulators and self-regulatory organizations have increased their scrutiny. Addressing conflicts of interest is a complex and difficult undertaking. Our business and reputation could be harmed if we were to fail, or appear to fail, to address conflicts appropriately.

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

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

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

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Risk Factors Relating to the Scottrade Acquisition

The planned acquisition of Scottrade presents many risks that we may not realize the financial and strategic goals that were contemplated at the time we agreed to enter into the transaction.

Risks we face in connection with our acquisition and integration of Scottrade include that:

- we may be unable to obtain required approvals from governmental authorities on a timely basis, if at all, which could, among other things, delay or prevent us from completing the transaction, otherwise restrict our ability to realize the expected financial or strategic goals of the acquisition or have other adverse effects on our business and results of operations;
- TD Bank, N.A.'s acquisition of Scottrade Bank as provided in the definitive agreement may be delayed or not be completed due to regulatory or other reasons, which could delay or prevent the acquisition of Scottrade Financial Services, Inc.;
- it is possible that other closing conditions to the Scottrade acquisition may not be satisfied or waived, preventing the consummation of the transaction, which could involve damages for failing to close the transaction;
- our ongoing business may be disrupted and our management's attention may be diverted by acquisition and integration activities;
- the Scottrade acquisition might not further our business strategy as we expected, we might not integrate Scottrade's business or technology as successfully as we expected, or we might overpay for Scottrade or otherwise not realize the expected return on our investment to the extent or in the timeframe forecasted, which could adversely affect our business or results of operations;
- we may not realize the benefits or cost savings anticipated to be derived from the Scottrade acquisition as initially predicted, if at all for a number of reasons, including if a larger than predicted number of customers decide not to continue to use Scottrade's or our services;
- we face numerous risks and uncertainties combining and integrating our businesses and systems with Scottrade's, including the need to combine or separate business activities, accounting and data processing systems and management controls and to integrate relationships with customers and business counterparties;
- we could fail to retain and integrate key Scottrade personnel who are critical to the successful operation and integration of the business;
- our results of operations or financial condition could be adversely impacted by: claims or liabilities that we assume from Scottrade or that are otherwise related to the acquisition, including claims made by government agencies, terminated employees, current or former customers, former stockholders or other third parties; contractual relationships of Scottrade that we would not have entered into but for the merger, the termination or modification of which may be costly or disruptive to our business; unfavorable revenue recognition or other accounting treatment as a result of Scottrade's practices; and intellectual property claims or disputes;
- we may have failed to identify or assess the magnitude of liabilities, shortcomings or other circumstances of Scottrade, which could result in unexpected litigation or regulatory exposure, unfavorable accounting treatment, unexpected increases in taxes, a loss of anticipated tax benefits or other adverse effects on our business, results of operations or financial condition;
- we may have difficulty incorporating Scottrade's technologies with our existing technologies and product lines while maintaining uniform standards, architecture, controls, procedures and policies;
- we could experience additional or unexpected changes in how we are required to account for the acquisition pursuant to U.S. generally accepted accounting principles;
- we will incur transaction expenses, including legal, regulatory and other costs associated with consummating the transaction, as well as expenses related to formulating and implementing integration plans, including facilities and systems consolidation costs and employment-related costs;

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- our use of cash to pay for the acquisition can be expected to limit other potential uses of our cash, including stock repurchases, dividend payments and retirement of outstanding indebtedness;
- we expect to issue debt to finance the acquisition, which can be expected to increase our interest expense, leverage and debt service requirements; and
- because we will be issuing common equity in connection with the acquisition, our existing stockholders will be diluted, earnings per share may decrease, and the market price of our common stock might decrease.

We will need to successfully manage the integration of Scottrade and future growth effectively. Integration and additional growth may place a significant strain upon our management, administrative, operational, financial reporting, internal control and compliance infrastructure. Managing future growth also may be difficult due to the expanded geographic locations acquired as part of the Scottrade transaction.

As a result of these risks and challenges, we may not realize the full benefits that we anticipate from the proposed transaction in a timely manner or at all. There can be no assurance that we will be able to successfully integrate the operations of Scottrade and accurately anticipate and respond to the changing demands we will face as part of the integration. We may not be able to manage growth effectively or to achieve growth at all. Failure to manage the integration of Scottrade and future growth effectively could have a material adverse effect on our business, financial condition, results of operations and prospects.

Acquisitions involve risks that could adversely affect our business.

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

- difficulties in the integration of acquired operations, services and products;
- failure to achieve expected synergies;
- diversion of management's attention from other business concerns;
- assumption of unknown material liabilities of acquired companies;
- amortization of acquired intangible assets, which could reduce future reported earnings;
- potential loss of clients or key employees of acquired companies; and
- dilution to existing stockholders.

As part of our growth strategy, we regularly consider, and from time to time engage in, discussions and negotiations regarding transactions, such as acquisitions, mergers and combinations within our industry. The purchase price for possible acquisitions could be paid in cash, through the issuance of common stock or other securities, borrowings or a combination of these methods.

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

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Risk Factors Relating to Owning Our Stock

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

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

- speculation in the investment community or the press about, or actual changes in, our competitive position, organizational structure, executive team, operations, financial condition, financial reporting and results, effectiveness of cost reduction initiatives, or strategic transactions;
- the announcement of new products, services, acquisitions, or dispositions by us or our competitors;
- sales of a substantial number of shares of our common stock by TD and J. Joe Ricketts, our founder, certain members of his family and trusts held for their benefit, who have registration rights covering approximately 223 million shares and 59 million shares, respectively, of our common stock; and
- increases or decreases in revenue or earnings, changes in earnings estimates by the investment community, changes in the interest rate environment or in market expectations regarding the interest rate environment and variations between estimated financial results and actual financial results.

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

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

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

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

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

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

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

As of September 30, 2016, we had approximately $1.75 billion of long-term debt, consisting of:

- $500 million of 5.600% Senior Notes with principal due in full on December 1, 2019;

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- $750 million of 2.950% Senior Notes with principal due in full on April 1, 2022; and
- $500 million of 3.625% Senior Notes with principal due in full on April 1, 2025.

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

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

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

TD exercises significant influence over TD Ameritrade.

As of October 1, 2016, TD owned approximately 42% of our outstanding common stock. As a result, TD will generally have the ability to significantly influence the outcome of any matter submitted to a vote of our stockholders and as a result of its significant share ownership in TD Ameritrade, TD may have the power, subject to applicable law, to significantly influence actions that might be favorable to TD, but not necessarily favorable to our other stockholders.

The stockholders agreement provides that TD may designate five of the twelve members of our board of directors, subject to adjustment based on TD's ownership positions in TD Ameritrade. As of October 1, 2016, based on its ownership positions, TD has the right to designate five members of our board of directors. Accordingly, TD is able to significantly influence the outcome of all matters that come before our board.

TD is permitted under the stockholders agreement to exercise voting rights on up to 45% of our outstanding shares of common stock until termination of the stockholders agreement (which will occur no later than January 24, 2021). If our stock repurchases cause TD's ownership percentage to exceed 45%, TD is required to use reasonable efforts to sell or dispose of such excess stock, subject to TD's commercial judgment as to the optimal timing, amount and method of sales with a view to maximizing proceeds from such sales. TD has no absolute obligation to reduce its ownership percentage to 45% by the termination of the stockholders agreement. However, prior to and following the termination of the stockholders agreement, TD is required to vote any such excess stock on any matter in the same proportions as all the outstanding shares of stock held by holders other than TD and its affiliates are voted. In no event may TD Ameritrade repurchase shares of its common stock that would result in TD's ownership percentage exceeding 47%. There is no restriction on the number of shares TD may own following the termination of the stockholders agreement. The ownership position and governance rights of TD could also discourage a third party from proposing a change of control or other strategic transaction concerning TD Ameritrade. As a result, our common stock could trade at prices that do not reflect a "takeover premium" to the same extent as do the stocks of similarly situated companies that do not have a stockholder with an ownership interest as large as TD's ownership interest.

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

We have extensive relationships and business transactions with TD and certain of its affiliates. The insured deposit account agreement between us and affiliates of TD provides a significant portion of our revenue. This agreement enables our clients to invest in an FDIC-insured deposit product without the need for the Company to establish the significant levels of capital that would be required to maintain our own bank charter. During fiscal 2016, net revenues related to this agreement accounted for approximately 28% of our net revenues. For fiscal year 2016, the average balance of client cash swept to our insured deposit account offering was $84 billion. The average yield earned on the insured deposit account balances was 89 basis points higher than the average net yield earned on segregated cash balances during fiscal 2016. The termination or adverse modification of this agreement without replacing it on comparable terms with a different counterparty, which may not be available, could have a material adverse effect on our business, financial condition and results of operations. If this agreement was terminated or adversely modified and we were permitted to establish our own bank charter for purposes of offering an FDIC-insured deposit product, we would be required to establish and maintain significant levels of capital within a bank subsidiary. We would also be subject to various other risks associated with banking, including credit risk on loans and investments, liquidity risk associated with bank balance sheet management, operational risks associated with banking systems and infrastructure and additional regulatory requirements and supervision.

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

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

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

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

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

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

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

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

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

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our Company-owned corporate headquarters facility is located in Omaha, Nebraska and provides more than 500,000 square feet of building space. Our headquarters facility has earned Leadership in Energy and Environmental Design (LEED) Platinum Certification, the highest level of distinction awarded by the U.S. Green Building Council. We also lease approximately 80,000 square feet of building space on property adjacent to the headquarters for administrative and operational facilities. These leases expire in 2020.

We lease approximately 195,000 and 140,000 square feet of building space for additional operations centers in Jersey City, New Jersey and Fort Worth, Texas, respectively. The Jersey City and Fort Worth leases expire in 2020. During October 2015, we purchased land in Southlake, Texas, on which we are currently constructing a new operations center. We intend to transition our Fort Worth operations to Southlake once construction of the new facility is completed, which is scheduled for 2017. We lease smaller administrative and operational facilities in California, Colorado, Illinois, Maryland, Michigan, Texas and Utah, and we own a data center facility in Richardson, Texas. We also lease over 100 branch offices located in large metropolitan areas in 33 states and the District of Columbia. We believe that our facilities are suitable and adequate to meet our needs.

Item 3. Legal Proceedings

For information regarding legal proceedings, see Note 13 — Commitments and Contingencies – "Order Routing Matters" and "Other Legal and Regulatory Matters" under Item 8, Financial Statements and Supplementary Data — Notes to Consolidated Financial Statements.

Item 4. Mine Safety Disclosures

Not applicable.

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PART II

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

Price Range of Common Stock

Prior to December 12, 2015, our common stock traded on the New York Stock Exchange ("NYSE") under the symbol "AMTD." On December 12, 2015, our common stock began trading on the Nasdaq Global Select Market under the symbol "AMTD." The following table shows the high and low sales prices for our common stock for the periods indicated, as reported by the NYSE through December 11, 2015 and the Nasdaq Global Select Market thereafter. The prices reflect inter-dealer prices and do not include retail markups, markdowns or commissions.

	Common Stock Price			
	For the Fiscal Year Ended September 30,			
	2016		2015	
	High	Low	High	Low
First Quarter	$ 37.90	$ 29.69	$ 37.08	$ 28.34
Second Quarter	$ 33.93	$ 24.88	$ 38.74	$ 32.07
Third Quarter	$ 32.93	$ 26.47	$ 39.05	$ 34.72
Fourth Quarter	$ 35.39	$ 26.37	$ 38.72	$ 30.22

The closing sale price of our common stock as reported on the Nasdaq Global Select Market on November 3, 2016 was $33.84 per share. As of that date there were 655 holders of record of our common stock based on information provided by our transfer agent. The number of stockholders of record does not reflect the number of individual or institutional stockholders that beneficially own our stock because most stock is held in the name of nominees. Based on information available to us, we believe there are approximately 68,000 beneficial holders of our common stock.

Dividends

We declared and paid a $0.17 per share and a $0.15 per share quarterly cash dividend on our common stock during each quarter of fiscal years 2016 and 2015, respectively. On October 24, 2016, we declared an $0.18 per share quarterly cash dividend for the first quarter of fiscal 2017. We are scheduled to pay the quarterly cash dividend on November 22, 2016 to all holders of record of our common stock as of November 8, 2016. The payment of any future dividends will be at the discretion of our board of directors and will depend upon a number of factors that the board of directors deems relevant, including future earnings, the success of our business activities, capital requirements, the general financial condition and future prospects of our business and general business conditions.

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

Securities Authorized for Issuance Under Equity Compensation Plans

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

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Performance Graph

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

The following graph and table set forth information comparing the cumulative total return through the end of the Company's most recent fiscal year from a $100 investment on September 30, 2011 in the Company's common stock, a broad-based stock index and the stocks comprising an industry peer group.

	Period Ended					
Index	9/30/11	9/30/12	9/30/13	9/30/14	9/30/15	9/30/16
TD Ameritrade Holding Corporation	100.00	106.01	189.34	249.43	242.11	273.96
S&P 500	100.00	130.20	155.39	186.05	184.91	213.44
Peer Group	100.00	112.53	191.71	268.10	269.85	300.66

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

E*TRADE Financial Corporation

The Charles Schwab Corporation

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Purchases of Equity Securities by the Issuer and Affiliated Purchasers
ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares that May Yet Be Purchased Under the Program
July 1, 2016 — July 31, 2016	893,739	$ 27.48	880,853	26,317,508
August 1, 2016 — August 31, 2016	—	$ —	—	26,317,508
September 1, 2016 — September 30, 2016	337,522	$ 26.57	337,522	25,979,986
Total — Three months ended September 30, 2016	1,231,261	$ 27.23	1,218,375	25,979,986

On November 20, 2015, our board of directors authorized the repurchase of up to 30 million shares of our common stock. We disclosed this authorization on November 20, 2015 in our annual report on Form 10-K. This program was the only stock repurchase program in effect and no programs expired during the fourth quarter of fiscal 2016. During the quarter ended September 30, 2016, 12,886 shares were repurchased from employees for income tax withholding in connection with distributions of stock-based compensation.

Item 6. Selected Financial Data

	Fiscal Year Ended September 30,				
	2016	2015	2014	2013	2012
	(In millions, except per share amounts)				
Consolidated Statements of Income Data:					
Net revenues	$3,327	$3,247	$3,123	$2,764	$2,641
Operating income	1,318	1,325	1,285	1,056	934
Net income	842	813	787	675	586
Earnings per share — basic	$1.59	$1.50	$1.43	$1.23	$1.07
Earnings per share — diluted	$1.58	$1.49	$1.42	$1.22	$1.06
Weighted average shares outstanding — basic	531	543	550	549	548
Weighted average shares outstanding — diluted	534	547	554	554	554
Dividends declared per share	$0.68	$0.60	$0.98	$0.86	$0.24

	As of September 30,				
	2016	2015	2014	2013	2012
	(In millions)				
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$1,855	$1,978	$1,460	$1,062	$ 915
Investments available-for-sale, at fair value	757	—	—	13	70
Total assets	28,818	26,375	23,829	21,832	19,509
Notes payable and long-term obligations	1,817	1,800	1,249	1,048	1,346
Stockholders' equity	5,051	4,903	4,748	4,676	4,425

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

This discussion contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. Forward-looking statements include statements preceded by, followed by or that include the words "may," "could," "would," "should," "believe," "expect," "anticipate," "plan," "estimate," "target," "project," "intend" and similar words or expressions. In particular, forward-looking statements contained in this discussion include our expectations regarding: the effect of client trading activity on our results of operations; the effect of changes in interest rates on our net interest spread; diluted earnings per share; average commissions and transaction fees per trade; amounts of commissions and transaction fees, asset-based revenues, insured deposit account fees, net interest revenue and investment product fees; net interest margin; the average yield earned on insured deposit account assets; the effect of the FDIC surcharge on our insured deposit account fees; growth in spread-based and fee-based asset balances; amounts of total operating expenses; 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, inability to obtain regulatory approval for our planned acquisition of Scottrade Financial Services, Inc. ("Scottrade"), including the completion of the merger between Scottrade Bank and TD Bank, N.A., delay or failure to close such transaction or meet other closing conditions and the other risks and uncertainties set forth under Item 1A — Risk Factors of this Form 10-K. The forward-looking statements contained in this report speak only as of the date on which the statements were made and do not include information related to the planned acquisition of Scottrade, except where Scottrade is referred to. We undertake no obligation to publicly update or revise these statements, whether as a result of new information, future events or otherwise, except to the extent required by the federal securities laws.

Glossary of Terms

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

Asset-based revenues — Revenues consisting of (1) insured deposit account fees, (2) net interest revenue 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 insured deposit account balances, average client margin balances, average segregated cash balances, average client credit 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 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 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.

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

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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 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

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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.

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 available for corporate investing and financing activities — Liquid assets available for corporate investing and financing activities is a non-GAAP financial measure. We consider liquid assets available for corporate investing and financing activities to be an important measure of our liquidity. We define liquid assets available for corporate investing and financing activities as the sum of (a) corporate cash and cash equivalents and investments, excluding amounts being maintained to provide liquidity for operational contingencies, including lending to our broker-dealer and futures commission merchant ("FCM")/forex dealer member ("FDM") subsidiaries under intercompany credit agreements 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 subsidiary in excess of a minimum operational target established by management ($50 million in the case of our introducing broker-dealer, TD Ameritrade, Inc.). We include the excess capital of our broker-dealer subsidiaries in the calculation of liquid assets available for corporate investing and financing activities, 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 available for corporate investing and financing activities is based on more conservative measures of broker-dealer net capital than regulatory requirements because we generally manage to higher levels of net capital at the broker-dealer subsidiaries than the regulatory thresholds require. Liquid assets available for corporate investing and financing activities should be considered as a supplemental measure of liquidity, rather than as a substitute for cash and cash equivalents.

Liquidation value — The net value of a client's account holdings as of the close of a regular trading session. Liquidation value includes client cash and the value of long security positions, less margin balances and the cost to buy back short security positions. It also includes the value of open futures, foreign exchange and options positions.

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

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

Net income excluding amortization of intangible assets — Net income excluding amortization of intangible assets is a non-GAAP financial measure. We define net income excluding amortization of intangible assets as net income (loss), adjusted to remove the after-tax effect of amortization of acquired intangible assets. We consider net income excluding amortization of intangible assets an important measure of our financial performance.

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Amortization of acquired intangible assets is excluded because we believe it is not indicative of underlying business performance. Net income excluding amortization of intangible assets should be considered in addition to, rather than as a substitute for, GAAP net 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 insured deposit account fees and net interest revenue 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 insured deposit account balances and interest-earning assets. 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/FDM subsidiaries. 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.

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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.

Financial Statement Overview

We provide securities brokerage and clearing services to our clients through our introducing and clearing broker-dealer subsidiaries. We also provide futures and foreign exchange trade execution services to our clients through our futures commission merchant ("FCM") and forex dealer member ("FDM") subsidiary. Substantially all of our net revenues are derived from our brokerage activities and clearing and execution services. Our primary focus is serving retail clients and independent registered investment advisors by providing services with straightforward, affordable pricing.

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

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

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

Professional services expense includes costs paid to outside firms for assistance with legal, accounting, technology, regulatory, marketing and general management issues. Advertising costs include production and placement of advertisements in various media, including online, television, print and email, as well as client promotion and development costs. Advertising expenses may fluctuate significantly from period to period. Other operating expenses include provision for bad debt losses, fraud and error losses, gains or losses on disposal of property, insurance expenses, travel expenses and other miscellaneous expenses.

Interest on borrowings consists of interest expense on our long-term debt and other borrowings. Gain on sale of investments represents gains realized on corporate (non broker-dealer) investments.

Critical Accounting Policies and Estimates

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

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Valuation of goodwill and acquired intangible assets

We test goodwill and our indefinite-lived acquired intangible asset for impairment on at least an annual basis, or whenever events occur or changes in circumstances indicate that the carrying values may not be recoverable. In the fourth quarter of fiscal 2016, we elected to prospectively change the date of our annual goodwill and indefinite-lived acquired intangible asset impairment tests from September 30 to July 1 of each year, commencing on July 1, 2016. The change in the impairment testing date is preferable as it provides us with additional time to complete our annual impairment testing in advance of our year-end reporting. In performing the goodwill impairment tests, we utilize quoted market prices of our common stock to estimate the fair value of the Company as a whole. The estimated fair value is then allocated to our reporting units based on operating revenues, and is compared with the carrying value of the reporting units. No impairment charges have resulted from our annual goodwill impairment tests.

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

We review our finite-lived acquired intangible assets for impairment whenever events occur or changes in circumstances indicate that the carrying amount of such asset may not be recoverable. We evaluate recoverability by comparing the undiscounted cash flows associated with the asset to the asset's carrying amount. We also evaluate the remaining useful lives of intangible assets each reporting period to determine if events or trends warrant a revision to the remaining period of amortization. We have had no events or trends that have warranted a material revision to the originally estimated useful lives.

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

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

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

Accruals for contingent liabilities

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

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Valuation of guarantees

We enter into guarantees in the ordinary course of business, primarily to meet the needs of our clients and to manage our asset-based revenues. We record a liability for the estimated fair value of the guarantee at its inception. If actual results differ significantly from these estimates, our results of operations could be materially affected. For further details regarding our guarantees, see the following sections under Item 8, Financial Statements and Supplementary Data — Notes to Consolidated Financial Statements: "Guarantees" under Note 13 — Commitments and Contingencies and "Insured Deposit Account Agreement" under Note 19 — Related Party Transactions.

Results of Operations

Conditions in the U.S. equity markets significantly impact the volume of our clients' trading activity. There is a strong relationship 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 generally expect that it would have a positive impact on our results of operations. If client trading activity declines, we expect that it would have a negative impact on our results of operations.

Changes in average balances, especially client insured deposit account, margin, credit 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

Net income, diluted earnings per share and EBITDA are key metrics we use in evaluating our financial performance. Net income and diluted earnings per share are GAAP financial measures and 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 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 net income in dollars and as a percentage of net revenues for the periods indicated, and provides reconciliations to EBITDA (dollars in millions):

	Fiscal Year Ended September 30,								
	2016			2015			2014		
	$	% of Net Revenues		$	% of Net Revenues		$	% of Net Revenues	
Net income	$842	25.3	%	$813	25.0	%	$787	25.2	%
Add:									
Depreciation and amortization	92	2.8	%	91	2.8	%	95	3.0	%
Amortization of acquired intangible assets	86	2.6	%	90	2.8	%	90	2.9	%
Interest on borrowings	53	1.6	%	43	1.3	%	25	0.8	%
Provision for income taxes	423	12.7	%	475	14.6	%	483	15.5	%
EBITDA	$1,496	45.0	%	$1,512	46.6	%	$1,480	47.4	%

Fiscal Year Ended September 30, 2016 Compared to Fiscal Year Ended September 30, 2015

Our net income increased 4% for fiscal 2016 compared to fiscal 2015, primarily due to an increase in net revenues and a lower effective tax rate, partially offset by an increase in operating expenses and interest on borrowings during fiscal 2016 and a $7 million gain on sale of investments during the prior year. Detailed analysis of net revenues and expenses is presented later in this discussion.

Our EBITDA decreased 1% for fiscal 2016 compared to fiscal 2015, primarily due to an increase in operating expenses excluding depreciation and amortization during fiscal 2016 and a $7 million gain on sale of investments during the prior year, partially offset by an increase in net revenues.

Our diluted earnings per share increased 6% to $1.58 for fiscal 2016 compared to $1.49 for fiscal 2015, primarily due to higher net income and a 2% decrease in average diluted shares outstanding as a result of our stock repurchase programs. Based on our expectations for net revenues and expenses, we expect diluted earnings per share to range from $1.50 to $1.80 for fiscal year 2017, depending largely on the level of client trading activity, client asset growth and the level of interest rates. Details regarding our fiscal year 2017 expectations for net revenues and expenses are presented later in this discussion.

Fiscal Year Ended September 30, 2015 Compared to Fiscal Year Ended September 30, 2014

Our net income increased 3% for fiscal 2015 compared to fiscal 2014, primarily due to an increase in net revenues and a lower effective tax rate, partially offset by an increase in operating expenses and interest on borrowings.

Our EBITDA increased 2% for fiscal 2015 compared to fiscal 2014, primarily due to an increase in net revenues, partially offset by an increase in operating expenses excluding depreciation and amortization.

Our diluted earnings per share increased 5% to $1.49 for fiscal 2015 compared to $1.42 for fiscal 2014, primarily due to higher net income and a 1% decrease in average diluted shares outstanding as a result of our stock repurchase programs.

Operating Metrics

Our largest sources of revenues are asset-based revenues and transaction-based revenues. For fiscal 2016, asset-based revenues and transaction-based revenues accounted for 57% and 41% of our net revenues, respectively. Asset-based revenues consist of (1) insured deposit account fees, (2) net interest revenue 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 insured deposit account balances, average client margin balances, average segregated cash balances, average client credit 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 insured deposit account balances and our interest-earning assets 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 insured deposit account fees and net interest revenue by average spread-based assets. Spread-based assets consist of client and brokerage-related asset balances, including insured deposit account balances, client margin balances, segregated cash, deposits paid on securities borrowing and other cash and interest-earning investment balances. The following table sets forth net interest margin and average spread-based assets (dollars in millions):

	Fiscal Year			'16 vs. '15 Increase/ (Decrease)	'15 vs. '14 Increase/ (Decrease)
	2016	2015	2014		
Average insured deposit account balances	$83,706	$75,737	$72,933	$7,969	$2,804
Average interest-earning assets	22,652	20,223	18,541	2,429	1,682
Average spread-based balances	$106,358	$95,960	$91,474	$10,398	$4,486
Insured deposit account fee revenue	$926	$839	$820	$87	$19
Net interest revenue	595	622	581	(27)	41
Spread-based revenue	$1,521	$1,461	$1,401	$60	$60
Average yield — insured deposit account fees	1.09%	1.09%	1.11%	0.00%	(0.02)%
Average yield — interest-earning assets	2.59%	3.03%	3.09%	(0.44)%	(0.06)%
Net interest margin (NIM)	1.41%	1.50%	1.51%	(0.09)%	(0.01)%

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

	Interest Revenue (Expense) Fiscal Year			'16 vs. '15 Increase/ (Decrease)	'15 vs. '14 Increase/ (Decrease)
	2016	2015	2014		
Segregated cash	$15	$5	$7	$ 10	$ (2)
Client margin balances	436	443	405	(7)	38
Securities lending/borrowing, net	141	174	169	(33)	5
Other cash and interest-earning investments	5	1	1	4	—
Client credit balances	(2)	(1)	(1)	(1)	—
Net interest revenue	$595	$622	$581	$ (27)	$ 41

	Average Balance Fiscal Year			'16 vs. '15 % Change	'15 vs. '14 % Change
	2016	2015	2014		
Segregated cash	$7,034	$4,683	$5,307	50%	(12)%
Client margin balances	11,751	12,113	10,493	(3)%	15%
Securities borrowing	932	924	1,085	1%	(15)%
Other cash and interest-earning investments	2,935	2,503	1,656	17%	51%
Interest-earning assets	$22,652	$20,223	$18,541	12%	9%
Client credit balances	$14,669	$12,440	$11,240	18%	11%
Securities lending	2,084	2,258	2,513	(8)%	(10)%
Interest-bearing liabilities	$16,753	$14,698	$13,753	14%	7%

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	Average Yield (Cost) Fiscal Year 2016	2015	2014	'16 vs. '15 Net Yield Increase/ (Decrease)	'15 vs. '14 Net Yield Increase/ (Decrease)
Segregated cash	0.21 %	0.11 %	0.13 %	0.10 %	(0.02)%
Client margin balances	3.65 %	3.60 %	3.81 %	0.05 %	(0.21)%
Other cash and interest-earning investments	0.18 %	0.04 %	0.07 %	0.14 %	(0.03)%
Client credit balances	(0.01)%	(0.01)%	(0.01)%	0.00 %	0.00 %
Net interest revenue	2.59 %	3.03 %	3.09 %	(0.44)%	(0.06)%

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

	Fee Revenue Fiscal Year 2016	2015	2014	'16 vs. '15 Increase/ (Decrease)	'15 vs. '14 Increase/ (Decrease)
Money market mutual fund	$11	$—	$—	$ 11	$ —
Market fee-based investment balances	363	334	309	29	25
Total investment product fees	$374	$334	$309	$ 40	$ 25

	Average Balance Fiscal Year 2016	2015	2014	'16 vs. '15 % Change	'15 vs. '14 % Change
Money market mutual fund	$5,671	$5,620	$5,306	1 %	6 %
Market fee-based investment balances	155,063	150,431	131,360	3 %	15 %
Total fee-based investment balances	$160,734	$156,051	$136,666	3 %	14 %

	Average Yield Fiscal Year 2016	2015	2014	'16 vs. '15 Increase/ (Decrease)	'15 vs. '14 Increase/ (Decrease)
Money market mutual fund	0.19%	0.01%	0.00%	0.18 %	0.01 %
Market fee-based investment balances	0.23%	0.22%	0.23%	0.01 %	(0.01)%
Total investment product fees	0.23%	0.21%	0.22%	0.02 %	(0.01)%

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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:

	Fiscal Year			'16 vs. '15	'15 vs. '14
	2016	2015	2014	% Change	% Change
Total trades (in millions)	116.66	115.85	106.94	1 %	8 %
Average client trades per day	462,918	461,541	426,888	0 %	8 %
Trading days	252.0	251.0	250.5	0 %	0 %
Average commissions and transaction fees per trade	$ 11.76	$ 12.09	$ 12.62	(3)%	(4)%
Order routing revenue (in millions)	$ 299	$ 299	$ 304	0 %	(2)%
Average order routing revenue per trade[(1)]	$ 2.56	$ 2.58	$ 2.84	(1)%	(9)%

(1) 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:

	Fiscal Year		
	2016	2015	2014
Funded accounts (beginning of year)	6,621,000	6,301,000	5,993,000
Funded accounts (end of year)	6,950,000	6,621,000	6,301,000
Percentage change during year	5 %	5 %	5 %
Client assets (beginning of year, in billions)	$ 667.4	$ 653.1	$ 555.9
Client assets (end of year, in billions)	$ 773.8	$ 667.4	$ 653.1
Percentage change during year	16 %	2 %	17 %
Net new assets (in billions)	$ 60.3	$ 63.0	$ 53.4
Net new assets growth rate	9 %	10 %	10 %

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Consolidated Statements of Income Data

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

	Fiscal Year			'16 vs. '15	'15 vs. '14
	2016	2015	2014	% Change	% Change
Revenues:					
Transaction-based revenues:					
Commissions and transaction fees	$1,372	$1,401	$1,351	(2)%	4 %
Asset-based revenues:					
Insured deposit account fees	926	839	820	10 %	2 %
Net interest revenue	595	622	581	(4)%	7 %
Investment product fees	374	334	309	12 %	8 %
Total asset-based revenues	1,895	1,795	1,710	6 %	5 %
Other revenues	60	51	62	18 %	(18)%
Net revenues	3,327	3,247	3,123	2 %	4 %
Operating expenses:					
Employee compensation and benefits	839	807	760	4 %	6 %
Clearing and execution costs	136	148	134	(8)%	10 %
Communications	137	125	116	10 %	8 %
Occupancy and equipment costs	171	163	156	5 %	4 %
Depreciation and amortization	92	91	95	1 %	(4)%
Amortization of acquired intangible assets	86	90	90	(4)%	0 %
Professional services	178	159	155	12 %	3 %
Advertising	260	248	250	5 %	(1)%
Other	110	91	82	21 %	11 %
Total operating expenses	2,009	1,922	1,838	5 %	5 %
Operating income	1,318	1,325	1,285	(1)%	3 %
Other expense (income):					
Interest on borrowings	53	43	25	23 %	72 %
Gain on sale of investments	—	(7)	(10)	(100)%	(30)%
Other	—	1	—	(100)%	N/A
Total other expense (income)	53	37	15	43 %	147 %
Pre-tax income	1,265	1,288	1,270	(2)%	1 %
Provision for income taxes	423	475	483	(11)%	(2)%
Net income	$842	$813	$787	4 %	3 %
Other information:					
Effective income tax rate	33.4 %	36.9 %	38.0 %		
Average debt outstanding	$1,748	$1,564	$1,106	12 %	41 %
Effective interest rate incurred on borrowings	3.03 %	2.73 %	2.20 %		

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Fiscal Year Ended September 30, 2016 Compared to Fiscal Year Ended September 30, 2015

Net Revenues

Commissions and transaction fees decreased 2% to $1.37 billion, primarily due to lower average commissions and transaction fees per trade, slightly offset by increased client trading activity. Average commissions and transaction fees per trade decreased to $11.76 from $12.09, primarily due to lower average contracts per trade on option and futures trades and a slightly higher percentage of our clients' trades receiving reduced commission rates as a result of continued price competition in the industry. Total trades increased 1% as average client trades per day increased slightly to 462,918 for fiscal 2016 compared to 461,541 for fiscal 2015, and there was one more trading day during fiscal 2016 compared to fiscal 2015. We expect average commissions and transaction fees to decrease to between $11.50 and $11.75 per trade during fiscal 2017, depending on the mix of client trading activity, level of order routing revenue and other factors. We expect revenues from commissions and transaction fees to range from $1.37 billion to $1.49 billion for fiscal 2017, depending on the volume of client trading activity, average commissions and transaction fees per trade and other factors.

Asset-based revenues, which consist of insured deposit account fees, net interest revenue and investment product fees, increased 6% to $1.90 billion primarily due to an 11% increase in average spread-based assets, an increase of 2 basis points in the average yield earned on total fee-based investment balances and the deferral of $10 million of revenue during fiscal 2015 related to an Amerivest® fee rebate offer, as described below. These increases were partially offset by a decrease of 9 basis points in net interest margin to 1.41%, as the benefit realized on the December 2015 federal funds rate increase was more than offset by a decrease in net interest revenue from our securities borrowing/lending program and the impact of lower average client margin balances, which earn a larger net interest spread, as well as higher average cash balances, which earn a lower net interest spread. On December 16, 2015, the Federal Open Market Committee increased the target range for the federal funds rate by 0.25% to between 0.25% and 0.50%. We expect net interest margin to decrease to between 1.27% and 1.38% for fiscal 2017, depending largely on the interest rate environment. We expect asset-based revenues to range between $1.86 billion and $2.10 billion for fiscal 2017, as we expect growth in spread-based and fee-based asset balances to be partially offset by a decrease in net interest margin. The low end of this estimated range assumes no change in the federal funds rate and a flattening of interest rates across the LIBOR yield curve for fiscal 2017. The high end of the estimated range assumes an increase in the federal funds rate and in interest rates across the LIBOR yield curve for fiscal 2017.

Insured deposit account fees increased 10% to $926 million, primarily due to an 11% increase in average client IDA balances. The average yield earned on the IDA assets was unchanged at 1.09% for fiscal year 2016, as the benefit realized on the December 2015 federal funds rate increase was partially offset by an increase in the IDA servicing fee due to more balances being kept in floating-rate investments and due to a $5 million FDIC surcharge during the fourth quarter of fiscal 2016. On March 15, 2016, the FDIC announced its final rule to increase the deposit insurance fund to a statutorily required minimum level by imposing a surcharge on quarterly assessments. We expect the FDIC surcharge to decrease our insured deposit account fees by approximately $5 million per quarter, reducing the average yield earned on the IDA assets by approximately 2.5 basis points. We expect insured deposit account fees to range between $870 million and $955 million for fiscal 2017, as we expect growth in the average IDA balances to be offset by a decrease in the expected average yield earned on IDA assets. We expect the average yield earned on IDA assets will decrease to between 0.95% and 1.00%, primarily due to balance growth and maturities of investments within the IDA portfolio being invested at lower rates and due to the impact of the FDIC surcharge. For more information about the IDA agreement, please see Note 19 — Related Party Transactions under Item 8, Financial Statements and Supplementary Data — Notes to Consolidated Financial Statements.

Net interest revenue decreased 4% to $595 million, primarily due to a $33 million decrease in net interest revenue from our securities borrowing/lending program and a 3% decrease in average client margin balances, partially offset by increases in the average yields earned on segregated cash, client margin and other cash and interest-earning investment balances as a result of the December 2015 federal funds rate increase. We expect net interest revenue to range from $585 million to $710 million for fiscal 2017, depending on the extent of balance growth, demand for stock lending and the nature of the interest rate environment.

Investment product fees increased 12% to $374 million, primarily due to an increase of 2 basis points in the average yield earned on total fee-based investment balances, which includes the impact of the December 2015 federal funds rate increase, a 3% increase in average market fee-based investment balances and a $10 million revenue deferral during the prior year related to an Amerivest® fee rebate offer. For client assets subject to the Amerivest® fee rebate offer, if the model portfolio in which the client is invested experiences two consecutive quarters of negative performance (before advisory fees), the Company will refund the advisory fees for both quarters to the client. Several of the portfolios experienced negative performance for the last two quarters of fiscal 2015, therefore recognition of the revenue for the related advisory fees was deferred. Approximately $7 million of the deferred advisory fee revenue during fiscal 2015 represented rebate obligations that were paid during early fiscal 2016. The Amerivest® fee rebate offer concluded on October 5, 2016, therefore the quarter ending September 30, 2017 will be the last period subject to the rebate offer. We expect investment product fees to increase to between $405 million and $430 million for fiscal 2017, primarily due to expected growth in average fee-based investment balances.

Other revenues increased 18% to $60 million, primarily due to increased fees from processing corporate securities reorganizations during fiscal 2016 and unfavorable fair market value adjustments to U.S. government debt securities held for investment purposes by our broker-dealer subsidiaries during the prior year.

Operating Expenses

Total operating expenses increased 5% to $2.01 billion during fiscal 2016. We expect total operating expenses to range from $1.98 billion to $2.06 billion for fiscal 2017.

Employee compensation and benefits expense increased 4% to $839 million, primarily due to annual merit increases, additional costs of $10 million related to organizational changes and higher health insurance costs. The average number of full-time equivalent employees increased to 5,858 for fiscal 2016 compared to 5,826 for fiscal 2015.

Clearing and execution costs decreased 8% to $136 million, primarily due to lower option trade execution costs resulting from decreased option trading activity and fee reductions by the Options Clearing Corporation during fiscal 2016, including a $5 million benefit from a retroactive fee decrease during the first quarter of fiscal 2016.

Communications expense increased 10% to $137 million, primarily due to increased costs for quotes and market information.

Occupancy and equipment costs increased 5% to $171 million, primarily due to increased software maintenance and facilities expenses.

Professional services expense increased 12% to $178 million, primarily due to increased consulting and contract services in connection with operational, technology and acquisition-related initiatives.

Advertising expense increased 5% to $260 million primarily due to increased advertising in connection with our sponsorship of the Summer Olympics.

Other operating expenses increased 21% to $110 million, primarily due to $11 million of service contract termination costs, the impact of an $8 million insurance recovery during the prior year, higher losses on the disposal of property of $7 million and a $3 million recovery of money market funds from the final distribution of The Reserve Primary Fund during the prior year. These increases were partially offset by a decrease in bad debt expense and lower litigation, arbitration and regulatory losses.

Other Expense and Income Taxes

Interest on borrowings increased 23% to $53 million, primarily due to a 12% increase in average debt outstanding and an increase of 30 basis points in the average effective interest rate incurred on our debt. The increase in average debt outstanding was primarily due to our issuance, on March 4, 2015, of $750 million of 2.950% Senior Notes due April 1, 2022 for general corporate purposes, including liquidity for operational contingencies.

Our effective income tax rate was 33.4% for fiscal 2016, compared to 36.9% for fiscal 2015. The effective tax rate for fiscal 2016 was impacted by $39 million of net favorable adjustments to uncertain tax positions and related deferred income tax assets, which included a favorable $33 million tax liability remeasurement related to a state court decision. The effective income tax rate was also impacted by an $18 million favorable tax benefit claimed during fiscal year 2016 for federal deductions and tax credits related to calendar tax year 2012 through September 30, 2016 and $5 million of net favorable deferred income tax adjustments due to the remeasurement of deferred tax assets and liabilities and the cumulative impact of the decline in the state tax rate. These items had a net favorable

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impact on our earnings of approximately twelve cents per share. The effective tax rate for fiscal 2015 included $22 million of favorable resolutions of state income tax matters. This favorably impacted our earnings for fiscal 2015 by approximately four cents per share. We expect our effective income tax rate to range from 37% to 38% for fiscal 2017, excluding the effect of any adjustments related to remeasurement or resolution of uncertain tax positions and federal incentives. However, we expect to experience some volatility in our quarterly and annual effective income tax rate because current accounting rules for uncertain tax positions require that any change in measurement of a tax position taken in a prior tax year be recognized as a discrete event in the period in which the change occurs.

Fiscal Year Ended September 30, 2015 Compared to Fiscal Year Ended September 30, 2014

Net Revenues

Commissions and transaction fees increased 4% to $1.40 billion, primarily due to increased client trading activity, partially offset by lower average commissions and transaction fees per trade. Average client trades per day increased 8% to 461,541 for fiscal 2015 compared to 426,888 for fiscal 2014. Average commissions and transaction fees per trade decreased to $12.09 for fiscal 2015 compared to $12.62 for fiscal 2014, primarily due to a 9% decrease in average order routing revenue per trade, a higher percentage of reduced commission trades, including negotiated rates for our active trader clients, 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 5% to $1.80 billion, primarily due to a 5% increase in average spread-based assets and a 15% increase in average market fee-based investment balances, partially offset by a decrease of 1 basis point in the net interest margin earned on spread-based assets and the deferral of $10 million of revenue during fiscal 2015 related to an Amerivest® fee rebate offer, as described below. Our net interest margin was 1.50% for fiscal 2015, compared to 1.51% for the prior year, primarily due to lower average yields earned on client margin and insured deposit account balances.

Insured deposit account fees increased 2% to $839 million, primarily due to a 4% increase in average client IDA balances, partially offset by a decrease of 2 basis points in the average yield earned on the IDA assets. IDA balances have grown more slowly than our net new client asset annualized growth rate, which was 10% for fiscal 2015, as client participation in the market has resulted in a relatively low percentage of total client assets being held in cash.

Net interest revenue increased 7% to $622 million, primarily due to a 15% increase in average client margin balances and a $5 million increase in net interest revenue from our securities borrowing/lending program, partially offset by a decrease of 21 basis points in the average yield earned on client margin balances. Most of the growth in average client margin balances has come from clients with larger margin balances and lower negotiated rates.

Investment product fees increased 8% to $334 million, primarily due to a 15% increase in average market fee-based investment balances, partially offset by the deferral of $10 million of revenue during fiscal 2015 related to an Amerivest® fee rebate offer. Approximately $7 million of the deferred advisory fee revenue during fiscal 2015 represented rebate obligations that were paid during early fiscal 2016.

Other revenues decreased 18% to $51 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

Total operating expenses increased 5% to $1.92 billion during fiscal 2015 compared to fiscal 2014.

Employee compensation and benefits expense increased 6% to $807 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 5,826 for fiscal 2015 compared to 5,578 for fiscal 2014.

Clearing and execution costs increased 10% to $148 million, primarily due to a higher percentage of futures trades, which cost more than equity trades to execute, fee increases by the Options Clearing Corporation that became effective April 1, 2014 and higher overall client trading volumes.

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Communications expense increased 8% to $125 million, primarily due to increased costs for quotes and market information.

Occupancy and equipment costs increased 4% to $163 million, primarily due to upgrades to our technology infrastructure.

Other operating expenses increased 11% to $91 million, primarily due to increased litigation, arbitration and other losses and bad debt expense. These increases were partially offset by a $3 million recovery of money market funds from the final distribution of The Reserve Primary Fund and approximately $8 million of insurance recoveries related to previous losses during fiscal 2015.

Other Expense and Income Taxes

Interest on borrowings increased 72% to $43 million, primarily due to a 41% increase in average debt outstanding and an increase of 53 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 fiscal 2015.

Our effective income tax rate was 36.9% for fiscal 2015, compared to 38.0% for fiscal 2014. The effective tax rate for fiscal 2015 included $22 million of favorable resolutions of state income tax matters. This favorably impacted our earnings for fiscal 2015 by approximately four cents per share. The effective tax rate for fiscal 2014 included $10 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 fiscal 2014 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 ("FCM")/forex dealer member ("FDM") subsidiaries.

We have historically financed our liquidity and capital needs primarily through the use of funds generated from subsidiary operations and from borrowings under our credit agreements. We have also issued common stock and long-term debt to finance mergers and acquisitions and for other corporate purposes. Our liquidity needs during fiscal 2016 were financed primarily from our subsidiaries' earnings and cash on hand. We plan to finance our ordinary capital and liquidity needs in fiscal 2017 primarily from our subsidiaries' earnings, cash on hand and borrowings. During fiscal 2017, we plan to return approximately 40% of our net income excluding amortization of intangible assets to our stockholders through cash dividends. For more information about our dividends, see "Cash Dividends" later in this section.

We intend to fund the acquisition of Scottrade with new common equity, cash on hand and debt financing. The Scottrade acquisition is expected to close by September 30, 2017. For further information about the Scottrade acquisition, please see Note 22 — Subsequent Event under Item 8, Financial Statements and Supplementary Information — Notes to Consolidated Financial Statements.

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 to fund increases in our deposit requirements with clearinghouses, and to provide operating liquidity for client trading and investing activity in the normal course of business and during times of market volatility.

Dividends from our subsidiaries are an important 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.

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Broker-dealer and Futures Commission Merchant/Forex Dealer Member Subsidiaries

Our broker-dealer and FCM/FDM 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/FDM 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 less than (a) 5% of aggregate debit balances or (b) 120% of its minimum dollar requirement. TD Ameritrade Futures & Forex LLC ("TDAFF"), our FCM and FDM subsidiary, must provide notice to the CFTC if its adjusted net capital amounts to less than (a) 110% of its risk-based capital requirement under CFTC Regulation 1.17, (b) 150% of its $1.0 million minimum dollar requirement, or (c) 110% of $20.0 million plus 5% of all liabilities owed to forex clients in excess of $10.0 million. These broker-dealer, FCM and FDM net capital thresholds, which are specified in Rule 17a-11 under the Exchange Act and CFTC Regulations 1.12 and 5.6, are typically referred to as "early warning" net capital thresholds.

The following tables summarize our broker-dealer and FCM/FDM subsidiaries net capital and adjusted net capital, respectively, as of September 30, 2016 (dollars in millions):

	Net Capital	Early Warning Threshold	Net Capital in Excess of Early Warning Threshold
TD Ameritrade Clearing, Inc.	$ 1,719	$ 720	$ 999
TD Ameritrade, Inc.	$ 139	$ 0.3	$ 138

	Adjusted Net Capital	Early Warning Threshold	Adjusted Net Capital in Excess of Early Warning Threshold
TD Ameritrade Futures & Forex LLC	$ 117	$ 24	$ 93

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 $335 million and $540 million of cash and investments deposited with clearing organizations for the clearing of client equity and option trades as of

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September 30, 2016 and 2015, respectively. The largest amount of TDAC cash and investments ever deposited with clearing organizations was approximately $714 million, which occurred in October 2015.

TDAC's liquidity needs relating to client trading and margin borrowing are met primarily through cash balances in client brokerage accounts and lending of client margin securities. Cash balances in client brokerage accounts were $18.7 billion and $15.7 billion as of September 30, 2016 and 2015, 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 $8.4 billion and $6.0 billion of cash and investments segregated in special reserve bank accounts for the exclusive benefit of clients under Rule 15c3-3 as of September 30, 2016 and 2015, respectively.

For general liquidity needs, TDAC also maintains a senior unsecured revolving credit facility in an aggregate principal amount of $300 million. This facility is described under Loan Facilities – TD Ameritrade Clearing, Inc. Credit Agreement later in this section. There were no borrowings outstanding on this facility as of September 30, 2016.

In addition, we have established intercompany credit agreements under which the broker-dealer and FCM/FDM subsidiaries may borrow from the parent company. The intercompany credit agreement with TDAC provides for a committed revolving loan facility of $700 million and an uncommitted revolving loan facility of $300 million. The intercompany credit agreements are described under Loan Facilities – Intercompany Credit Agreements later in this section. There were no borrowings outstanding under any of the intercompany credit agreements as of September 30, 2016.

Liquid Assets Available for Corporate Investing and Financing Activities

We consider "liquid assets available for corporate investing and financing activities" to be an important measure of our liquidity. Liquid assets available for corporate investing and financing activities is considered a non-GAAP financial measure. We include the excess capital of our broker-dealer subsidiaries in the calculation of liquid assets available for corporate investing and financing activities, 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 below, is generally available for dividend from the broker-dealer subsidiaries to the parent company. Liquid assets available for corporate investing and financing activities should be considered as a supplemental measure of liquidity, rather than as a substitute for cash and cash equivalents.

We define liquid assets available for corporate investing and financing activities as the sum of (a) corporate cash and cash equivalents and investments, excluding amounts being maintained to provide liquidity for operational contingencies, including lending to our broker-dealer and FCM/FDM subsidiaries under intercompany credit agreements 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 subsidiary in excess of a minimum operational target established by management ($50 million in the case of our introducing broker-dealer, TD Ameritrade, Inc.). Liquid assets available for corporate investing and financing activities is based on more conservative measures of broker-dealer net capital than regulatory requirements because we generally manage to higher levels of net capital at the broker-dealer subsidiaries than the regulatory thresholds require.

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The following table sets forth a reconciliation of cash and cash equivalents, which is the most directly comparable GAAP measure, to liquid assets available for corporate investing and financing activities (dollars in millions):

	September 30, 2016	September 30, 2015	Change
Cash and cash equivalents	$1,855	$1,978	$(123)
Less: Non-corporate cash and cash equivalents	(1,395)	(909)	(486)
Corporate cash and cash equivalents	460	1,069	(609)
Corporate investments	757	—	757
Less: Corporate liquidity maintained for operational contingencies	(773)	(750)	(23)
Excess corporate cash and cash equivalents and investments	444	319	125
Excess broker-dealer regulatory net capital	369	211	158
Liquid assets available for corporate investing and financing activities	$813	$530	$283

The changes in liquid assets available for corporate investing and financing activities are summarized as follows (dollars in millions):

Liquid assets available for corporate investing and financing activities as of September 30, 2015		$530
Plus:	EBITDA(1)	1,496
	Reduction in net capital requirement due to decrease in aggregate debits	109
	Other changes in working capital and regulatory net capital	140
Less:	Income taxes paid	(519)
	Payment of cash dividends	(362)
	Purchase of treasury stock	(352)
	Purchase of property and equipment	(105)
	Interest paid	(54)
	Purchase of treasury stock for income tax withholding	(30)

on stock-based compensation	
Increase in corporate liquidity maintained for operational contingencies	(23)
Changes in net capital related to daily futures client cash sweep	(17)
Liquid assets available for corporate investing and financing activities as of September 30, 2016	$ 813

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

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Loan Facilities
The following is a summary of our long-term debt and credit facilities. For additional details, please see Note 8 — Long-term Debt under Item 8, Financial Statements and Supplementary Information — Notes to Consolidated Financial Statements.
Senior Notes - Our unsecured, fixed-rate Senior Notes were each sold through a public offering and pay interest semi-annually in arrears. Key information about the Senior Notes outstanding is summarized in the following table (dollars in millions):

Description	Date Issued	Maturity Date	Aggregate Principal	Interest Rate
2019 Notes	November 25, 2009	December 1, 2019	$500	5.600%
2022 Notes	March 4, 2015	April 1, 2022	$750	2.950%
2025 Notes	October 17, 2014	April 1, 2025	$500	3.625%

Fair Value Hedging - We are exposed to changes in the fair value of our fixed-rate Senior Notes resulting from interest rate fluctuations. To hedge a portion of this exposure, we entered into fixed-for-variable interest rate swaps on the 2019 Notes and the 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.
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, we receive semi-annual fixed-rate interest payments based on the same rates applicable to the Senior Notes, and make quarterly variable-rate interest payments based on three-month LIBOR plus (a) 2.3745% for the swap on the 2019 Notes and (b) 1.1022% for the swap on the 2025 Notes. As of September 30, 2016, the weighted average effective interest rate on the aggregate principal balance of the 2019 Notes and 2025 Notes was 2.48%
TD Ameritrade Holding Corporation Credit Agreement - TD Ameritrade Holding Corporation (the "Parent") has access to 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. There were no borrowings outstanding under the Parent Revolving Facility as of September 30, 2016.
TD Ameritrade Clearing, Inc. Credit Agreement - TDAC has access to 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. There were no borrowings outstanding under the TDAC Revolving Facility as of September 30, 2016.
Intercompany Credit Agreements - The Parent has entered into credit agreements with each of its primary broker-dealer and FCM/FDM subsidiaries, under which the Parent may make loans of cash or securities under committed and uncommitted lines of credit as summarized in the table below (dollars in millions):

Borrower Subsidiary	Committed Facility	Uncommitted Facility [1]	Termination Date
TD Ameritrade Clearing, Inc.	$700	$300	March 1, 2022
TD Ameritrade, Inc.	$50	$300	March 1, 2022
TD Ameritrade Futures & Forex LLC	$22.5	N/A	August 11, 2021

(1) The Parent is permitted, but under no obligation, to make loans under uncommitted facilities.
There were no borrowings outstanding under any of the intercompany credit agreements as of September 30, 2016.

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Stock Repurchase Programs

On October 20, 2011, our board of directors authorized the repurchase of up to 30 million shares of our common stock. During the first half of fiscal 2016, we completed the October 20, 2011 stock repurchase authorization by repurchasing the remaining 7.9 million shares at a weighted average purchase price of $29.42 per share. From the inception of this stock repurchase authorization through its completion in March 2016, we repurchased a total of 30 million shares at a weighted average purchase price of $29.19 per share.

On November 20, 2015, our board of directors authorized the repurchase of up to an additional 30 million shares of our common stock. During fiscal 2016, we repurchased approximately 4 million shares under this authorization at a weighted average purchase price of $29.37 per share. As of September 30, 2016, we had approximately 26 million shares remaining under the November 20, 2015 stock repurchase authorization. We plan to suspend further repurchases under our current stock repurchase authorization until after the completion of the Scottrade acquisition.

Cash Dividends

We declared $0.17 per share, $0.15 per share and $0.12 per share quarterly cash dividends on our common stock during each quarter of fiscal years 2016, 2015 and 2014, respectively. We also declared and paid a $0.50 per share special cash dividend on our common stock during the first quarter of fiscal 2014. We paid $362 million, $326 million and $540 million to fund the dividends for fiscal years 2016, 2015 and 2014, respectively.

On October 24, 2016, we declared an $0.18 per share quarterly cash dividend on our common stock for the first quarter of fiscal 2017. We expect to pay approximately $95 million on November 22, 2016 to fund the quarterly cash dividend.

Off-Balance Sheet Arrangements

We enter into guarantees and other off-balance sheet arrangements in the ordinary course of business, primarily to meet the needs of our clients and to manage our asset-based revenues. For information on these arrangements, see the following sections under Item 8, Financial Statements and Supplementary Data — Notes to Consolidated Financial Statements: "General Contingencies" and "Guarantees" under Note 13 — Commitments and Contingencies and "Insured Deposit Account Agreement" under Note 19 — Related Party Transactions. The IDA agreement accounts for a significant percentage of our net revenues (28% of our net revenues for the fiscal year ended September 30, 2016) and enables our clients to invest in an FDIC-insured deposit product without the need for the Company to establish the significant levels of capital that would be required to maintain our own bank charter.

Contractual Obligations

The following table summarizes our contractual obligations as of September 30, 2016 (dollars in millions):

		Payments Due by Period (Fiscal Years):			
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Contractual Obligations		2017	2018-19	2020-21	After 2021
Long-term debt obligations(1)	$2,024	$49	$ 96	$ 571	$ 1,308
Operating lease obligations	342	58	109	71	104
Purchase obligations(2)	283	239	31	4	9
Income taxes payable(3)	98	98	—	—	—
Total	$2,747	$444	$ 236	$ 646	$ 1,421

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

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

(3) A significant portion of our income taxes payable as of September 30, 2016 consists of liabilities for uncertain tax positions and related interest and penalties. The timing of payments, if any, on liabilities for uncertain tax positions cannot be predicted with reasonable accuracy.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

Market-related Credit Risk

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

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. As of September 30, 2016, our consolidated duration was 1.85 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 IDA arrangement. The simulations involve assumptions that are

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inherently uncertain and, as a result, cannot precisely predict the impact that changes in interest rates will have on pre-tax income. Actual results may differ from simulated results due to differences in timing and frequency of rate changes, changes in market conditions and changes in management strategy that lead to changes in the mix of interest-sensitive assets and liabilities.

The simulations assume that the asset and liability structure of our Consolidated Balance Sheet and the IDA arrangement would not be changed as a result of a simulated change in interest rates. The results of the simulations based on our financial position as of September 30, 2016 indicate that a gradual 1% (100 basis points) increase in interest rates over a 12-month period would result in a range of approximately $100 million to $200 million higher pre-tax income and a gradual 1% (100 basis points) decrease in interest rates over a 12-month period would result in a range of approximately $50 million to $70 million lower pre-tax income, depending largely on the extent and timing of possible increases in payment rates on client cash balances and interest rates charged on client margin balances. The results of the simulations reflect the fact that short-term interest rates remain at historically low levels despite the increase in the federal funds target range to 0.25% to 0.50% as directed by the Federal Open Market Committee in December 2015.

Other Market Risks

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

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Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
TD Ameritrade Holding Corporation

We have audited the accompanying consolidated balance sheets of TD Ameritrade Holding Corporation (the "Company") as of September 30, 2016 and 2015, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended September 30, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of TD Ameritrade Holding Corporation at September 30, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 30, 2016, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), TD Ameritrade Holding Corporation's internal control over financial reporting as of September 30, 2016, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated November 18, 2016 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP
Chicago, Illinois
November 18, 2016

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TD AMERITRADE HOLDING CORPORATION
CONSOLIDATED BALANCE SHEETS
As of September 30, 2016 and 2015

	2016	2015
	(In millions)	
ASSETS		
Cash and cash equivalents	$1,855	$1,978
Cash and investments segregated and on deposit for regulatory purposes	8,729	6,305
Receivable from brokers, dealers and clearing organizations	1,190	862
Receivable from clients, net	11,941	12,770
Receivable from affiliates	106	93
Other receivables, net	160	144
Securities owned, at fair value	331	425
Investments available-for-sale, at fair value	757	—
Property and equipment at cost, net	526	521
Goodwill	2,467	2,467
Acquired intangible assets, net	575	661
Other assets	181	149
Total assets	$28,818	$26,375
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Payable to brokers, dealers and clearing organizations	$2,040	$2,707
Payable to clients	19,055	16,035
Accounts payable and other liabilities	565	637
Payable to affiliates	9	6
Long-term debt	1,817	1,800
Deferred income taxes	281	287
Total liabilities	23,767	21,472
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; 2016 — 526 million shares outstanding; 2015 — 537 million shares outstanding	6	6
Additional paid-in capital	1,670	1,649
Retained earnings	5,518	5,038
Treasury stock, common, at cost: 2016 — 105 million shares; 2015 — 94 million shares	(2,121)	(1,765)
Accumulated other comprehensive loss	(22)	(25)
Total stockholders' equity	5,051	4,903
Total liabilities and stockholders' equity	$28,818	$26,375

See notes to consolidated financial statements.

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TD AMERITRADE HOLDING CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
For the Years Ended September 30, 2016, 2015 and 2014

	2016	2015	2014
	(In millions, except per share amounts)		
Revenues:			
Transaction-based revenues:			
Commissions and transaction fees	$ 1,372	$ 1,401	$ 1,351
Asset-based revenues:			
Insured deposit account fees	926	839	820
Net interest revenue	595	622	581
Investment product fees	374	334	309
Total asset-based revenues	1,895	1,795	1,710
Other revenues	60	51	62
Net revenues	3,327	3,247	3,123
Operating expenses:			
Employee compensation and benefits	839	807	760
Clearing and execution costs	136	148	134
Communications	137	125	116
Occupancy and equipment costs	171	163	156
Depreciation and amortization	92	91	95
Amortization of acquired intangible assets	86	90	90
Professional services	178	159	155
Advertising	260	248	250
Other	110	91	82
Total operating expenses	2,009	1,922	1,838
Operating income	1,318	1,325	1,285
Other expense (income):			
Interest on borrowings	53	43	25
Gain on sale of investments	—	(7)	(10)
Other	—	1	—
Total other expense (income)	53	37	15
Pre-tax income	1,265	1,288	1,270
Provision for income taxes	423	475	483
Net income	$ 842	$ 813	$ 787
Earnings per share — basic	$ 1.59	$ 1.50	$ 1.43
Earnings per share — diluted	$ 1.58	$ 1.49	$ 1.42
Weighted average shares outstanding — basic	531	543	550
Weighted average shares outstanding — diluted	534	547	554
Dividends declared per share	$ 0.68	$ 0.60	$ 0.98

See notes to consolidated financial statements.

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TD AMERITRADE HOLDING CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended September 30, 2016, 2015 and 2014

	2016	2015	2014
	(In millions)		
Net income	$842	$813	$787
Other comprehensive income (loss), before tax:			
Cash flow hedging instruments:			
Net unrealized loss	—	(15)	(29)
Reclassification adjustment for portion of realized loss amortized to net income	5	4	—
Total other comprehensive income (loss), before tax	5	(11)	(29)
Income tax effect	(2)	4	11
Total other comprehensive income (loss), net of tax	3	(7)	(18)
Comprehensive income	$845	$806	$769

See notes to consolidated financial statements.

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TD AMERITRADE HOLDING CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Years Ended September 30, 2016, 2015 and 2014

	Total Common Shares Outstanding	Total Stockholders' Equity	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)
	(In millions)						
Balance, September 30, 2013	550	$ 4,676	$ 6	$ 1,592	$ 4,304	$ (1,226)	$ —
Net income	—	787	—	—	787	—	—
Other comprehensive loss, net of tax	—	(18)	—	—	—	—	(18)
Payment of cash dividends	—	(540)	—	—	(540)	—	—
Repurchases of common stock	(6)	(190)	—	—	—	(190)	—
Repurchases of common stock for income tax withholding on stock-based compensation	(1)	(17)	—	—	—	(17)	—
Common stock issued for stock-based compensation, including tax effects	2	18	—	(6)	—	24	—
Stock-based compensation expense	—	32	—	32	—	—	—
Balance, September 30, 2014	545	4,748	6	1,618	4,551	(1,409)	(18)
Net income	—	813	—	—	813	—	—
Other comprehensive loss, net of tax	—	(7)	—	—	—	—	(7)
Payment of cash dividends	—	(326)	—	—	(326)	—	—
Repurchases of common stock	(11)	(364)	—	—	—	(364)	—
Repurchases of common stock for income tax withholding on stock-based compensation	—	(23)	—	—	—	(23)	—
Common stock issued for stock-based compensation, including tax effects	3	26	—	(5)	—	31	—
Stock-based compensation expense	—	36	—	36	—	—	—
Balance, September 30, 2015	537	4,903	6	1,649	5,038	(1,765)	(25)
Net income	—	842	—	—	842	—	—
Other comprehensive income, net of tax	—	3	—	—	—	—	3
Payment of cash dividends	—	(362)	—	—	(362)	—	—
Repurchases of common stock	(12)	(352)	—	—	—	(352)	—
Repurchases of common stock for income tax withholding on stock-based compensation	(1)	(30)	—	—	—	(30)	—
Common stock issued for stock-based compensation, including tax effects	2	13	—	(13)	—	26	—
Stock-based compensation expense	—	34	—	34	—	—	—
Balance, September 30, 2016	526	$ 5,051	$ 6	$ 1,670	$ 5,518	$ (2,121)	$ (22)

See notes to consolidated financial statements.

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TD AMERITRADE HOLDING CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2016, 2015 and 2014

	2016	2015	2014
	(In millions)		
Cash flows from operating activities:			
Net income	$842	$813	$787
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	92	91	95
Amortization of acquired intangible assets	86	90	90
Deferred income taxes	(8)	(23)	(27)
Gain on sale of investments	—	(7)	(10)
Stock-based compensation	34	36	32
Excess tax benefits on stock-based compensation	(16)	(12)	(10)
Other, net	16	7	3
Changes in operating assets and liabilities:			
Cash and investments segregated and on deposit for regulatory purposes	(2,424)	(1,189)	778
Receivable from brokers, dealers and clearing organizations	(328)	246	240
Receivable from clients, net	829	(1,131)	(2,655)
Receivable from/payable to affiliates, net	(11)	6	19
Other receivables, net	(16)	3	(10)
Securities owned, at fair value	94	(92)	(10)
Other assets	(17)	45	(39)
Payable to brokers, dealers and clearing organizations	(667)	286	448
Payable to clients	3,020	1,538	1,314
Accounts payable and other liabilities	(58)	39	(20)
Net cash provided by operating activities	1,468	746	1,025
Cash flows from investing activities:			
Purchase of property and equipment	(105)	(71)	(144)
Purchase of short-term investments	(605)	(506)	(4)
Proceeds from sale and maturity of short-term investments	604	504	4
Purchase of investments available-for-sale, at fair value	(757)	—	—
Proceeds from sale of investments available-for-sale, at fair value	—	—	13
Proceeds from sale of investments	—	10	12
Other, net	—	3	2
Net cash used in investing activities	(863)	(60)	(117)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	—	1,248	69
Payment of debt issuance costs	—	(11)	—
Principal payments on long-term debt	—	(569)	—
Proceeds from notes payable	—	—	230
Principal payments on notes payable	—	(150)	(80)
Payment of cash dividends	(362)	(326)	(540)
Proceeds from exercise of stock options	—	15	8
Purchase of treasury stock	(352)	(364)	(190)
Purchase of treasury stock for income tax withholding on stock-based compensation	(30)	(23)	(17)
Excess tax benefits on stock-based compensation	16	12	10
Net cash used in financing activities	(728)	(168)	(510)
Net increase (decrease) in cash and cash equivalents	(123)	518	398

Cash and cash equivalents at beginning of year	1,978	1,460	1,062
Cash and cash equivalents at end of year	$1,855	$1,978	$1,460
Supplemental cash flow information:			
Interest paid	$54	$30	$30
Income taxes paid	$519	$498	$489

See notes to consolidated financial statements.

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TD AMERITRADE HOLDING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2016, 2015 and 2014

1. Nature of Operations and Summary of Significant Accounting Policies

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

Nature of Operations — The Company provides securities brokerage services, including trade execution, clearing services and margin lending, through its broker-dealer subsidiaries; futures and foreign exchange trade execution services through its futures commission merchant ("FCM") and forex dealer member ("FDM") subsidiary; and trustee, custodial and other trust-related services to retirement plans and other custodial accounts through its state-chartered trust company subsidiary. The Company also provides cash sweep and deposit account products through third-party relationships.

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

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

Change in Accounting Policy — In the fourth quarter of fiscal year 2016, the Company elected to prospectively change the date of its annual goodwill and indefinite-lived acquired intangible asset impairment tests from September 30 to July 1 of each year, commencing on July 1, 2016. The change in the impairment testing date is preferable as it provides the Company with additional time to complete its annual impairment testing in advance of its year-end reporting. The change in the testing date did not impact the Company's financial statements.

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

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

Securities Borrowed and Securities Loaned — Securities borrowed and securities loaned transactions are recorded at the amount of cash collateral provided or received. Securities borrowed transactions require the Company to provide the counterparty with collateral in the form of cash. The Company receives collateral in the form of cash

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TD AMERITRADE HOLDING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

for securities loaned transactions. For these transactions, the fees earned or incurred by the Company are recorded as net interest revenue on the Consolidated Statements of Income. The related interest receivable from and the brokerage interest payable to broker-dealers are included in other receivables and in accounts payable and other liabilities, respectively, on the Consolidated Balance Sheets.

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

Securities Owned — Securities owned by our broker-dealer subsidiaries are recorded on a trade-date basis and carried at fair value, and the related changes in fair value are generally included in other revenues on the Consolidated Statements of Income.

Investments available-for-sale — Investments available-for-sale are carried at fair value and unrealized gains and losses, net of deferred income taxes, are reflected as a component of accumulated other comprehensive income (loss) on the Consolidated Balance Sheets. Realized gains and losses on investments available-for-sale are determined on the specific identification method and are reflected on the Consolidated Statements of Income. As of September 30, 2016, investments available-for-sale consists of U.S. government debt securities with contractual maturities between one and five years. There were no material unrealized gains or losses on investments available-for-sale as of September 30, 2016 and 2015.

Property and Equipment — Property and equipment is recorded at cost, net of accumulated depreciation and amortization, except for land, which is recorded at cost. Depreciation is provided using the straight-line method over the estimated useful service lives of the assets, which range from seven to 40 years for buildings and building components and three to seven years for all other depreciable property and equipment. Leasehold improvements are amortized over the lesser of the economic useful life of the improvement or the term of the lease.

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

Goodwill — The Company has recorded goodwill for purchase business combinations to the extent the purchase price of each completed acquisition exceeded the fair value of the net identifiable assets of the acquired company. The Company tests goodwill for impairment on an annual basis and more frequently as events occur or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. In performing the impairment tests, the Company utilizes quoted market prices of the Company's common stock to estimate the fair value of the Company as a whole. The estimated fair value is then allocated to the Company's reporting units based on operating revenues, and is compared with the carrying value of the reporting units. No impairment charges have resulted from the annual impairment tests.

Amortization of Acquired Intangible Assets — Acquired intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives, ranging from 10 to 23 years. The acquired intangible asset associated with a trademark license agreement is not subject to amortization because the term of the agreement is considered to be indefinite.

Long-Lived Assets and Acquired Intangible Assets — The Company reviews its long-lived assets and finite-lived acquired intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If based on that review, changes in circumstances indicate that the carrying amount of such assets may not be recoverable, the Company evaluates recoverability by comparing the undiscounted cash flows associated with the asset to the asset's carrying amount. The Company also evaluates

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TD AMERITRADE HOLDING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

the remaining useful lives of intangible assets to determine if events or trends warrant a revision to the remaining period of amortization.

The Company tests its indefinite-lived acquired intangible asset for impairment on an annual basis and more frequently as events occur or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. To determine if the indefinite-lived intangible asset is impaired, the Company first assesses certain qualitative factors. Based on this assessment, if it is determined that more likely than not the fair value of the indefinite-lived intangible asset is less than its carrying amount, the Company performs a quantitative impairment test. No impairment charges have resulted from the annual impairment tests.

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

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

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

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

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

Insured Deposit Account Fees — Insured deposit account fees consist of revenues resulting from the Insured Deposit Account ("IDA") agreement with TD Bank USA, N.A. ("TD Bank USA"), TD Bank, N.A. and The Toronto-Dominion Bank ("TD"). Under the IDA agreement, TD Bank USA and TD Bank, N.A. (together, the "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 IDA agreement is described further in Note 19.

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TD AMERITRADE HOLDING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

During fiscal 2015, the Company introduced a fee rebate offer related to its Amerivest® investment program. For client assets subject to the rebate offer, if the model portfolio in which the client is invested experiences two consecutive quarters of negative performance (before advisory fees), the Company will refund the advisory fees for both quarters to the client. Advisory fee revenue subject to the rebate offer is recognized once the Company is no longer obligated to refund the fees to the client based on the rebate criteria. During fiscal 2016, the Company paid $8 million of rebate obligations to clients and deferred advisory fee revenue of $2 million was recognized in earnings. As of September 30, 2016, the Company had no rebate obligations or deferred advisory fee revenue associated with the offer. The Amerivest® fee rebate offer concluded on October 5, 2016, therefore the quarter ending September 30, 2017 will be the last period subject to the rebate offer. As of September 30, 2015, the Company had rebate obligations of $7 million and deferred advisory fee revenue of $3 million, which are included in payable to clients and accounts payable and other liabilities, respectively, on the Consolidated Balance Sheets.

Advertising — The Company expenses advertising costs the first time the advertising takes place. Client cash offers are also characterized as advertising expense, rather than as a reduction of revenue, because there is generally little or no cumulative revenue associated with an individual client earning a cash offer at the time the consideration is recognized in the Consolidated Statement of Income.

Derivatives and Hedging Activities — The Company occasionally utilizes derivative instruments to manage risks, which may include market price, interest rate and foreign currency risks. The Company does not use derivative instruments for speculative or trading purposes. Derivatives are recorded on the Consolidated Balance Sheets as assets or liabilities at fair value. Derivative instruments properly designated to hedge exposure to changes in the fair value of assets or liabilities are accounted for as fair value hedges. Derivative instruments properly designated to hedge exposure to the variability of expected future cash flows or other forecasted transactions are accounted for as cash flow hedges. The Company formally documents the risk management objective and strategy for each hedge transaction. Derivative instruments that do not qualify for hedge accounting are carried at fair value on the Consolidated Balance Sheets with unrealized gains and losses recorded currently on the Consolidated Statements of Income. Cash flows from derivative instruments accounted for as fair value hedges or cash flow hedges are classified in the same category on the Consolidated Statements of Cash Flows as the cash flows from the items being hedged. For additional information on the Company's fair value and cash flow hedging instruments, see Note 8.

Earnings Per Share — Basic earnings per share ("EPS") is computed by dividing net income by the weighted average common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock, except when such assumed exercise or conversion would have an antidilutive effect on EPS. The difference between the numerator and denominator used in the Company's computation of basic and diluted earnings per share consists of common stock equivalent shares related to stock-based compensation. The Company excluded from the calculation of diluted earnings per share 0.4 million shares underlying the stock-based compensation awards for fiscal year 2016 because their inclusion would have been antidilutive. There were no material antidilutive awards for fiscal years 2015 and 2014.

Recently Issued Accounting Pronouncements

ASU 2016-13 — In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2016-13, Measurement of Credit Losses on Financial Instruments. The main objective of ASU 2016-13 is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by an entity at each reporting date. To achieve this objective, the amendments in this update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to develop credit loss estimates. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years, with early adoption

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permitted. Therefore, ASU 2016-13 will be effective for the Company's fiscal year beginning on October 1, 2020, using a modified retrospective approach. The Company is currently assessing the impact this ASU will have on the Company's financial statements.

ASU 2016-09 — In March 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting. The guidance in ASU 2016-09 simplifies several aspects of the accounting for share-based payment transactions, including: (1) all excess tax benefits and tax deficiencies should be recognized as income tax expense or benefit in the income statement; (2) tax effects of exercised or vested awards should be treated as discrete items in the period in which they occur; (3) excess tax benefits should be recognized regardless of whether the benefit reduces taxes payable in the current period; (4) excess tax benefits should be classified along with other income tax cash flows as an operating activity; (5) an entity can make an accounting policy election to either estimate the number of awards that are expected to vest or account for forfeitures when they occur; (6) the threshold to qualify for equity classification will permit withholding up to the maximum statutory rates in the applicable jurisdictions; and (7) cash paid by an employer when directly withholding shares for tax withholding purposes should be classified as a financing activity in the statement of cash flows. The transition requirements are dependent upon each amendment within this update and will be applied either prospectively, retrospectively or using a modified retrospective transition method. ASU 2016-09 is effective for annual periods beginning after December 15, 2016 and interim periods within those annual periods, with early adoption permitted. Therefore, ASU 2016-09 will be effective for the Company's fiscal year beginning October 1, 2017. The impact of ASU 2016-09 could be material to the Company's results of operations in future periods depending upon, among other things, the level of earnings and market price of the Company's common stock.

ASU 2016-02 — In February 2016, the FASB issued ASU 2016-02, Leases. This ASU will supersede the guidance in Accounting Standards Codification ("ASC") Topic 840, Leases. Under ASU 2016-02, for lease arrangements exceeding a 12-month term, a lessee will be required to recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. ASU 2016-02 will retain a distinction between finance and operating leases; however, the principal difference from the previous guidance is that lease assets and liabilities arising from operating leases will be recognized in the statement of financial position. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee will not significantly change from current GAAP. The accounting applied by a lessor will be largely unchanged from that applied under current GAAP. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, and will require an entity to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. Therefore, ASU 2016-02 will be effective for the Company's fiscal year beginning October 1, 2019. Early adoption is permitted. The Company is currently assessing the impact this ASU will have on the Company's financial statements.

ASU 2014-09 — In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, to clarify the principles of recognizing revenue from contracts with customers and to improve financial reporting by creating common revenue recognition guidance for U.S. GAAP and International Financial Reporting Standards. This ASU will supersede the revenue recognition requirements in ASC Topic 605, Revenue Recognition, and most industry-specific guidance. Entities are required to apply the following steps when recognizing revenue under ASU 2014-09: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and, (5) recognize revenue when (or as) the entity satisfies a performance obligation. This ASU also requires additional disclosures related to the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. An entity may apply the amendments by using one of the following two methods: (1) retrospective application to each prior reporting period presented or (2) a modified retrospective approach, requiring the standard be applied only to the most current period presented, with the cumulative effect of initially applying the standard recognized at the date of initial application. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Therefore, ASU 2014-09 will be effective for the Company's fiscal year beginning October 1, 2018. Early adoption is permitted for annual reporting periods beginning after December 15, 2016.

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TD AMERITRADE HOLDING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Subsequent to issuing ASU 2014-09, the FASB issued the following standards for the purpose of clarifying certain aspects of ASU 2014-09:

- ASU 2016-08, Principal versus Agent Considerations (Reporting Revenue Gross versus Net);
- ASU 2016-10, Identifying Performance Obligations and Licensing; and
- ASU 2016-12, Narrow-Scope Improvements and Practical Expedients.

These subsequently issued ASU's have the same effective date and transition requirements as ASU 2014-09. The Company is currently assessing the impact that these revenue recognition standards will have on the Company's financial statements and is evaluating which adoption method to apply.

2. Cash and Cash Equivalents

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

	September 30,	
	2016	2015
Broker-dealer subsidiaries	$1,153	$721
Corporate	460	1,069
Futures commission merchant and forex dealer member subsidiary	125	72
Trust company subsidiary	85	77
Investment advisory subsidiaries	32	39
Total	$1,855	$1,978

Capital requirements may limit the amount of cash available for dividend from the broker-dealer, FCM/FDM 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):

	September 30,	
	2016	2015
U.S. government debt securities	$6,523	$3,706
Reverse repurchase agreements (collateralized by U.S. government debt securities)	1,288	1,586
Cash in demand deposit accounts	657	802
Cash on deposit with futures commission merchants	186	136
U.S. government debt securities on deposit with futures commission merchant	75	75
Total	$8,729	$6,305

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TD AMERITRADE HOLDING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

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

	September 30,	
	2016	2015
Receivable:		
Deposits paid for securities borrowed	$1,051	$664
Clearing organizations	116	190
Broker-dealers	16	2
Securities failed to deliver	7	6
Total	$1,190	$862
Payable:		
Deposits received for securities loaned	$1,990	$2,653
Clearing organizations	27	19
Securities failed to receive	21	34
Broker-dealers	2	1
Total	$2,040	$2,707

5. Allowance for Doubtful Accounts on Receivables

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

	2016	2015	2014
Beginning balance	$12	$10	$15
Provision for doubtful accounts, net	2	6	3
Write-off of doubtful accounts	(5)	(4)	(8)
Ending balance	$9	$12	$10

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

6. Property and Equipment

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

	September 30,	
	2016	2015
Buildings and building components	$269	$268
Computer equipment	240	233
Software	187	188
Leasehold improvements	159	161
Land	44	20
Building construction in process	12	—
Other property and equipment	75	76
	986	946
Less: Accumulated depreciation and amortization	(460)	(425)
Property and equipment at cost, net	$526	$521

7. Goodwill and Acquired Intangible Assets

The Company has recorded goodwill for purchase business combinations to the extent the purchase price of each completed acquisition exceeded the fair value of the net identifiable tangible and intangible assets of each acquired company. There were no material changes in the carrying amount of goodwill during the fiscal years ended September 30, 2016 and 2015.

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

	September 30,					
	2016			2015		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Client relationships	$1,228	$ (799)	$ 429	$1,228	$ (722)	$ 506
Technology and content	99	(99)	—	99	(90)	9
Trademark license	146	—	146	146	—	146
	$1,473	$ (898)	$ 575	$1,473	$ (812)	$ 661

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Amortization expense on acquired intangible assets was $86 million for fiscal year 2016 and $90 million for each of fiscal years 2015 and 2014. Estimated future amortization expense for acquired intangible assets outstanding as of September 30, 2016 is as follows (dollars in millions):

Fiscal Year	Estimated Amortization Expense
2017	$ 76
2018	71
2019	68
2020	63
2021	53
Thereafter (to 2025)	98
Total	$ 429

8. Long-term Debt

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

September 30, 2016	Face Value	Unamortized Discounts and Debt Issuance Costs	Fair Value Adjustment(1)	Net Carrying Value
Senior Notes:				
5.600% Notes due 2019	$500	$ (2)	$ 33	$ 531
2.950% Notes due 2022	750	(6)	—	744
3.625% Notes due 2025	500	(4)	46	542
Total long-term debt	$1,750	$ (12)	$ 79	$ 1,817

September 30, 2015	Face Value	Unamortized Discounts and Debt Issuance Costs	Fair Value Adjustment(1)	Net Carrying Value
Senior Notes:				
5.600% Notes due 2019	$500	$ (2)	$ 40	$ 538
2.950% Notes due 2022	750	(7)	—	743
3.625% Notes due 2025	500	(4)	23	519
Total long-term debt	$1,750	$ (13)	$ 63	$ 1,800

(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.

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Fiscal year maturities on long-term debt outstanding at September 30, 2016 are as follows (dollars in millions):

2017	$—
2018	—
2019	—
2020	500
2021	—
Thereafter	1,250
Total	$1,750

Senior Notes — The Company's unsecured, fixed-rate Senior Notes were each sold through a public offering and pay interest semi-annually in arrears. Key information about the Senior Notes is summarized in the following table (dollars in millions):

Description	Date Issued	Maturity Date	Aggregate Principal	Interest Rate
2019 Notes	November 25, 2009	December 1, 2019	$500	5.600%
2022 Notes	March 4, 2015	April 1, 2022	$750	2.950%
2025 Notes	October 17, 2014	April 1, 2025	$500	3.625%

During fiscal 2015, 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 its $500 million aggregate principal amount of 4.150% Senior Notes that matured on December 1, 2014 (the "2014 Notes"). In addition, the Company issued the 2022 Notes for general corporate purposes, including liquidity for operational contingencies.

The 2019 Notes are jointly and severally and fully and unconditionally guaranteed by each of the Company's current and future subsidiaries that is or becomes a borrower or a guarantor under the TD Ameritrade Holding Corporation Credit Agreement described below. Currently, the only subsidiary guarantor of the obligations under the 2019 Notes is TD Ameritrade Online Holdings Corp. ("TDAOH"). The Company's obligations in respect to the 2022 Notes and 2025 Notes are not guaranteed by any of its subsidiaries.

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

The Company may redeem the 2022 Notes and 2025 Notes, in whole or in part, at any time prior to February 1, 2022 and January 1, 2025, respectively, at a redemption price equal to the greater of (a) 100% of the principal amount of the notes being redeemed, and (b) the sum of the present values of the remaining scheduled payments of principal and interest on the notes being redeemed, discounted to the date of redemption on a semi-annual basis at the comparable U.S. Treasury rate, plus 15 basis points in the case of the 2022 Notes and 25 basis points in the case of the 2025 Notes, plus, in each case, accrued and unpaid interest to the date of redemption. The Company may redeem the 2022 Notes and 2025 Notes, in whole or in part, at any time on or after February 1, 2022 and January 1, 2025, respectively, at a redemption price equal to 100% of the principal amount of the notes being redeemed, plus, in each case, accrued and unpaid interest to the date of redemption.

Secured Loan — On September 15, 2014, the Company entered into a bank loan agreement in the aggregate principal amount of $69 million, the proceeds of which were used to purchase real estate for use in the Company's operations. During fiscal 2015, the Company paid in full the outstanding principal balance of the loan.

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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 the 2019 Notes and the 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.

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 September 30, 2016, the weighted average effective interest rate on the aggregate principal balance of the 2019 Notes and 2025 Notes was 2.48%.

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

	2016	2015	2014
Gain (loss) on fair value of interest rate swaps	$16	$31	$(20)
Gain (loss) on fair value of hedged fixed-rate debt	(16)	(31)	20
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 September 30, 2016, the Company expects to amortize $4.4 million of pre-tax losses, that were reported in accumulated other comprehensive loss, into interest on borrowings on the 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 fiscal years indicated (dollars in millions):

	Amount of Loss Recognized in Other Comprehensive Income (Loss) (Effective Portion)

	2016	2015	2014
Forward-starting interest rate swaps	$—	$(15)	$(29)

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

	Balance Sheet Location	September 30, 2016	September 30, 2015
Interest rate contracts:			
Pay-variable interest rate swaps designated as fair value hedges	Other assets	$ 79	$ 63

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 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 September 30, 2016 and 2015, the pay-variable interest rate swap counterparties had pledged $93 million and $77 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 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 September 30, 2016, 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 September 30, 2016 and 2015.

The obligations under the Parent Revolving Facility are guaranteed by TDAOH and each "significant subsidiary" (as defined in SEC Rule 1-02(w) of Regulation S-X) of the Parent, other than broker-dealer subsidiaries, FCM/FDM 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/FDM subsidiaries are required to maintain compliance with a minimum regulatory net capital covenant. The Company was in compliance with all covenants under the Parent Revolving Facility as of September 30, 2016.

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.

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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 September 30, 2016, the interest rate margin would have been 1.00% for both TDAC LIBOR loans and Fed Funds Rate loans, and the commitment fee was 0.125%, each determined by reference to the Company's public debt ratings. There were no borrowings outstanding under the TDAC Revolving Facility as of September 30, 2016 and 2015.

The TDAC Revolving Facility contains negative covenants that limit or restrict, subject to certain exceptions, the incurrence of liens, indebtedness of TDAC, mergers, consolidations, change in nature of business and the sale of all or substantially all of the assets of TDAC. TDAC is also required to maintain minimum tangible net worth and is required to maintain compliance with minimum regulatory net capital requirements. TDAC was in compliance with all covenants under the TDAC Revolving Facility as of September 30, 2016.

Intercompany Credit Agreements — The Parent has entered into credit agreements with each of its primary broker-dealer and FCM/FDM 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.

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 and FDM subsidiary, was established on March 29, 2015. Effective August 11, 2016, the agreement was amended and restated because TDAFF became a forex dealer member. The amended and restated agreement has an initial term of five years and 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 the amended and restated agreement, TDAFF may borrow from the Parent, under a committed facility, up to 75% of the sum of 1) TDAFF's "residual interest target" as determined by TDAFF in accordance with applicable rules and regulations and 2) TDAFF's total retail forex obligation excess represented solely by TDAFF's deposit. As of September 30, 2016 and 2015, the loan commitment amount was $22.5 million and $13.5 million, respectively. Loans under the amended and restated facility 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.

There were no borrowings outstanding under any of the intercompany credit agreements as of September 30, 2016 and 2015.

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9. Income Taxes

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

	2016	2015	2014
Current expense (benefit):			
Federal	$435	$470	$457
State	(4)	28	53
	431	498	510
Deferred expense (benefit):			
Federal	(5)	(22)	(28)
State	(3)	(1)	1
	(8)	(23)	(27)
Provision for income taxes	$423	$475	$483

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

	2016	2015	2014
Federal statutory rate	35.0 %	35.0 %	35.0 %
State taxes, net of federal tax effect	2.8	3.0	3.1
Adjustments to estimated state income taxes	(0.2)	0.1	0.2
Federal incentives	(1.4)	—	—
Interest recorded (reversed) on unrecognized tax benefits, net	(1.1)	(0.1)	0.2
Reversal of accruals for unrecognized tax benefits	(1.8)	(1.1)	(0.5)
Other	0.1	—	—
	33.4 %	36.9 %	38.0 %

The Company's effective income tax rate for fiscal year 2016 was 33.4%, compared to 36.9% and 38.0% for fiscal years 2015 and 2014, respectively. The provision for income taxes for fiscal year 2016 was impacted by $39 million of net favorable adjustments to uncertain tax positions and related deferred income tax assets, which included a favorable $33 million tax liability remeasurement related to a recent state court decision. The provision was also impacted by an $18 million favorable tax benefit claimed during fiscal year 2016 for federal deductions and tax credits related to calendar tax year 2012 through September 30, 2016 and $5 million of net favorable deferred income tax adjustments due to the remeasurement of deferred tax assets and liabilities and the cumulative impact of the decline in the state tax rate. These items had a net favorable impact on the Company's earnings for fiscal year 2016 of approximately twelve cents per share. The provision for income taxes for fiscal year 2015 included $22 million of favorable resolutions of state income tax matters. This favorably impacted the Company's earnings for fiscal year 2015 by approximately four cents per share. The provision for income taxes for fiscal year 2014 included $10 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 fiscal year 2014 of approximately one cent per share.

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

	September 30,	
	2016	2015
Deferred tax assets:		
Accrued and other liabilities	$62	$76
Stock-based compensation	36	37
Unrecognized loss on cash flow hedging instruments	13	15
Intangible assets, state tax benefit	7	7
Allowance for doubtful accounts	5	5
Operating loss carryforwards	3	7
Other deferred tax assets	—	1
Gross deferred tax assets	126	148
Less: Valuation allowance	(2)	(4)
Net deferred tax assets	124	144
Deferred tax liabilities:		
Acquired intangible assets	(364)	(387)
Property and equipment	(36)	(39)
Other deferred tax liabilities	(5)	(5)
Total deferred tax liabilities	(405)	(431)
Net deferred tax liabilities	$(281)	$(287)

As of September 30, 2016, the Company has recorded a tax benefit for approximately $1 million of federal net operating loss carryover that was acquired as part of the thinkorswim Group Inc. acquisition in fiscal 2009. The net operating loss expires in 2019, and is subject to substantial annual limitations on the utilization of the net operating loss. The amount of tax benefit recorded in the financial statements represents the amount that is more likely than not to be realized within the carryforward period. At September 30, 2016, subsidiaries of the Company have approximately $42 million of separate state operating loss carryforwards. These carryforwards expire between fiscal 2017 and 2031. Because the realization of the tax benefit from state loss carryforwards is dependent on certain subsidiaries generating sufficient state taxable income in future periods, as well as annual limitations on future utilization, the Company has provided a valuation allowance against the computed benefit in order to reflect the tax benefit expected to be realized. The $2 million decrease in the valuation allowance from September 30, 2015 to September 30, 2016 was primarily due to expiration of certain state net operating loss carryforwards during fiscal 2016.

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

	2016	2015	2014
Beginning balance	$154	$165	$137
Additions based on tax positions related to the current year	30	16	29
Additions for tax positions of prior years	20	5	10
Reductions for tax positions of prior years	(33)	(4)	(1)
Reductions due to settlements with taxing authorities	(21)	(21)	—
Reductions due to lapsed statute of limitations	(8)	(7)	(10)
Ending balance	$142	$154	$165

The balance of unrecognized tax benefits as of September 30, 2016 was $142 million ($100 million net of the federal benefit on state matters), all of which, if recognized, would favorably affect the effective income tax rate in any future periods. The balance of unrecognized tax benefits as of September 30, 2015 was $154 million ($100 million net of the federal benefit on state matters), all of which, if recognized, would favorably affect the effective income tax rate in any future periods. The Company's income tax returns are subject to review and examination by federal, state and local taxing authorities. The federal returns for 2012 through 2015 remain open under the statute of limitations. The years open to examination by state and local government authorities vary by jurisdiction, but the statute of limitations is generally three to four years from the date the tax return is filed. It is reasonably possible that the gross unrecognized tax benefits as of September 30, 2016 could decrease by up to $29 million ($19 million net of the federal benefit on state matters) within the next twelve months as a result of settlements of certain examinations or expiration of the statute of limitations with respect to other tax filings.

The Company recognized $17 million and $2 million of net benefits for interest and penalties (net of the federal income tax effect) on the Consolidated Statement of Income for fiscal years 2016 and 2015, respectively, primarily due to favorable resolutions and remeasurement of uncertain tax positions. The Company recognized interest and penalties expense (net of the federal benefit) of $3 million for fiscal year 2014. As of September 30, 2016 and 2015, accrued interest and penalties related to unrecognized tax benefits was $23 million and $49 million, respectively.

10. Capital Requirements

The Company's broker-dealer subsidiaries are subject to the SEC Uniform Net Capital Rule (Rule 15c3-1 under the Exchange Act), administered by the SEC and FINRA, which requires the maintenance of minimum net capital, as defined. Net capital and the related net capital requirement may fluctuate on a daily basis. TDAC, the Company's clearing broker-dealer subsidiary, and TD Ameritrade, Inc., the Company's introducing broker-dealer subsidiary, compute net capital under the alternative method as permitted by Rule 15c3-1. TDAC is 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. TD Ameritrade, Inc. is required to maintain minimum net capital of the greater of $250,000 or 2% of aggregate debit balances. In addition, 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 less than (a) 5% of aggregate debit balances or (b) 120% of its minimum dollar requirement.

TDAFF, the Company's FCM and FDM subsidiary registered with the CFTC, is subject to CFTC Regulations 1.17 and 5.7 under the Commodity Exchange Act, administered by the CFTC and the NFA. As an FCM, TDAFF is required to maintain minimum adjusted net capital under CFTC Regulation 1.17 of the greater of (a) $1.0 million or (b) its futures risk-based capital requirement, equal to 8% of the total risk margin requirement for all futures

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positions carried by the FCM in client and nonclient accounts. On February 16, 2016, TDAFF also became an FDM, subject to the net capital requirements under CFTC Regulation 5.7, which requires TDAFF to maintain minimum adjusted net capital of the greater of (a) any amount required under CFTC Regulation 1.17 as described above or (b) $20.0 million plus 5% of all foreign exchange liabilities owed to forex clients in excess of $10.0 million. In addition, an FCM and FDM must provide notice to the CFTC if its adjusted net capital amounts to less than (a) 110% of its risk-based capital requirement under CFTC Regulation 1.17, (b) 150% of its $1.0 million minimum dollar requirement, or (c) 110% of $20.0 million plus 5% of all foreign exchange liabilities owed to forex clients in excess of $10.0 million.

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	Ratio of Net Capital to Aggregate Debit Balances
September 30, 2016	$1,719	$ 288	$ 1,431	11.95 %
September 30, 2015	$1,581	$ 310	$ 1,271	10.22 %

TD Ameritrade, Inc.

Date	Net Capital	Required Net Capital (Minimum Dollar Requirement)	Net Capital in Excess of Required Net Capital
September 30, 2016	$ 139	$ 0.25	$ 138
September 30, 2015	$ 228	$ 0.25	$ 228

Adjusted net capital and adjusted net capital requirements for the Company's FCM and FDM subsidiary are summarized in the following table (dollars in millions):

TD Ameritrade Futures & Forex LLC

Date	Adjusted Net Capital	Required Adjusted Net Capital (8% of Total Risk Margin or $20 Million Plus 5% of All Foreign	Adjusted Net Capital in Excess of Required Adjusted Net Capital

		Exchange Liabilities Owed to Forex Clients in Excess of $10 Million)	
September 30, 2016	$ 117	$ 22	$ 95
September 30, 2015	$ 90	$ 12	$ 78

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 $37 million and $32 million as of September 30, 2016 and 2015, respectively, which exceeded the required Tier 1 capital by $21 million and $17 million, respectively.

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11. Stock-based Compensation
The Company has two stock incentive plans under which Company stock-based awards may be granted: the TD Ameritrade Holding Corporation Long-Term Incentive Plan (the "LTIP") and the 2006 Directors Incentive Plan (the "Directors Plan"). The Company also assumed stock incentive plans in connection with past business combinations. New stock awards can no longer be granted under the assumed plans. The LTIP authorizes the award of options to purchase common stock, common stock appreciation rights, restricted stock, restricted stock units, performance shares and performance units. Under the LTIP, 42,104,174 shares of the Company's common stock are reserved for issuance to eligible employees, consultants and non-employee directors. The Directors Plan authorizes the award of options to purchase common stock, common stock appreciation rights, restricted stock units and restricted stock. Under the Directors Plan, 1,830,793 shares of the Company's common stock are reserved for issuance to non-employee directors.
Stock options, except for replacement options granted in connection with business combinations, are granted by the Company with an exercise price not less than the fair market value of the Company's common stock on the grant date. Stock options generally vest over a one- to four-year period and expire 10 years after the grant date. Restricted stock units ("RSUs") are awards that entitle the holder to receive shares of Company common stock following a vesting period. RSUs granted to employees generally vest after the completion of a three-year period. RSUs granted to non-employee directors generally vest over a one-year period.
Stock-based compensation expense was $34 million, $36 million and $32 million for fiscal years 2016, 2015 and 2014, respectively. The related income tax benefits were $13 million, $14 million and $12 million for fiscal years 2016, 2015 and 2014, respectively.
The following is a summary of option activity in the Company's stock incentive plans for the fiscal year ended September 30, 2016:

	Number of Options (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in millions)
Outstanding at beginning of year	1,286	$ 18.71		
Granted	503	$ 27.97		
Exercised	(5)	$ 15.43		
Outstanding at end of year	1,784	$ 21.33	3.3	$ 25
Exercisable at end of year	1,281	$ 18.72	1.0	$ 21

The weighted-average grant-date fair value of options granted during fiscal year 2016 was $6.16. No options were granted during fiscal years 2015 and 2014. The total intrinsic value of options exercised during fiscal years 2016, 2015 and 2014 was $0.1 million, $11 million and $6 million, respectively. As of September 30, 2016, the total unrecognized compensation cost related to nonvested stock options awards was $3 million and was expected to be recognized over a weighted-average period of 3.3 years.
The fair value of stock options granted was estimated using a Black-Scholes-Merton valuation model with the following assumptions:

	2016
Risk-free interest rate	1.73%
Expected dividend yield	2.4 %
Expected volatility	27 %
Expected option life (years)	6.5

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The risk-free interest rate assumption was based on U.S. Treasury note yields with remaining terms comparable to the expected option life assumption used in the valuation model. The expected dividend yield was based on the annual dividend yield at the time of grant. The expected volatility was based on historical daily price changes of the Company's stock since July 2009. The expected option life was the average number of years that the Company estimated the options will be outstanding, based primarily on historical employee option exercise behavior.

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

The following is a summary of RSU activity in the Company's stock incentive plans for the fiscal year ended September 30, 2016:

	Number of Units (in thousands)	Weighted Average Grant Date Fair Value
Nonvested at beginning of year	4,212	$ 23.81
Granted	1,507	$ 31.38
Vested	(2,043)	$ 15.50
Forfeited	(170)	$ 32.35
Nonvested at end of year	3,506	$ 31.49

As of September 30, 2016, there was $36 million of estimated unrecognized compensation cost related to nonvested RSUs, which was expected to be recognized over a weighted average period of 2.1 years. The total fair value of RSUs that vested during fiscal years 2016, 2015 and 2014 was $71 million, $59 million and $48 million, respectively.

Although the Company does not have a formal policy regarding issuance of shares for stock-based compensation, such shares are generally issued from treasury stock. The stockholders agreement entered into in connection with the acquisition of TD Waterhouse Group, Inc. requires the Company to repurchase its common stock from time to time to offset dilution resulting from stock option exercises and other stock awards subsequent to the acquisition. As of September 30, 2016, the Company was not obligated to repurchase additional shares pursuant to the stockholders agreement. The Company cannot estimate the amount and timing of repurchases that may be required as a result of future stock issuances.

12. Employee Benefit Plans

The Company has a 401(k) and profit-sharing plan under which annual profit-sharing contributions are determined at the discretion of the board of directors. The Company also makes matching contributions pursuant to the plan document. Profit-sharing and matching contributions expense was $35 million, $34 million and $30 million for fiscal years 2016, 2015 and 2014, respectively.

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13. Commitments and Contingencies

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

Fiscal Year	Minimum Lease Payments	Sublease Income	Net Lease Commitments
2017	$ 58	$ (2)	$ 56
2018	56	(1)	55
2019	53	(1)	52
2020	44	—	44
2021	27	—	27
Thereafter (to 2033)	104	—	104
Total	$ 342	$ (4)	$ 338

A majority of the leases for the Company's branch offices contain provisions for renewal at the Company's option. Rental expense, net of sublease income, was approximately $51 million for fiscal year 2016 and $49 million for each of fiscal years 2015 and 2014.

Order Routing Matters — Five putative class action complaints were filed between August and October 2014 regarding TD Ameritrade's routing of client orders. The cases were filed in, or transferred to, 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 moved to dismiss each of the five putative class action complaints. The Magistrate Judge subsequently entered Findings and Recommendations with respect to each of the five actions, recommending that the District Judge dismiss each of the five lawsuits. On March 23, 2016, the District Judge entered an order dismissing all of the state law claims in the five actions, denying the motion to dismiss the federal securities claims in the Klein case, and permitting the plaintiffs in the other four actions to amend their complaints to assert a federal securities claim. None of the plaintiffs in the other four actions filed an amended complaint. The plaintiffs in the Zola, Sarbacker and Verdieck cases filed notices of appeal. The plaintiff in the Lerner case did not file a notice of appeal and that case is considered closed. The Klein case is proceeding in the District Court. 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.

Certain regulatory authorities are conducting examinations and investigations regarding the routing of client orders. TD Ameritrade, Inc. and TDAC have received requests for documents and information from the regulatory authorities. TD Ameritrade, Inc. and TDAC are cooperating with the requests.

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,

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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. 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 $60 million as of September 30, 2016. 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 matters as to which an estimate can be made. For certain matters, the Company does not believe an estimate can currently be made, as some matters are in preliminary stages and some matters 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 consolidated financial statements could be significantly changed at a later date upon final determinations by taxing authorities.

General Contingencies — In the ordinary course of business, there are various contingencies that are not reflected in the consolidated financial statements. These include the Company's broker-dealer and FCM/FDM 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.

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 routes client orders for execution 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 collateral. 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 liquidate certain positions 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

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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 contracts with unaffiliated FCM, FDM and broker-dealer entities to clear and execute futures and foreign exchange transactions for its clients. This can result in concentrations of credit risk with one or more of these counterparties. This risk is partially mitigated by the counterparties' obligation to comply with rules and regulations governing FCMs, FDMs and broker-dealers in the United States. These rules generally require maintenance of net capital and segregation of client funds and securities. In addition, the Company manages this risk by requiring credit approvals for counterparties and by utilizing account funding and sweep arrangement agreements that generally specify that all client cash in excess of futures funding requirements be transferred back to the clients' securities brokerage account at the Company on a daily basis.

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):

	September 30,	
	2016	2015
Client margin securities	$ 16.5	$ 17.7
Stock borrowings	1.1	0.7
Total collateral available	$ 17.6	$ 18.4
Collateral loaned	$ 2.0	$ 2.7
Collateral repledged	2.7	3.8

Total collateral loaned or repledged	$ 4.7	$ 6.5

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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):

		September 30,	
Assets	Balance Sheet Classification	2016	2015
Cash	Receivable from brokers, dealers and clearing organizations	$ 116	$ 190
U.S. government debt securities	Securities owned, at fair value	220	350
Total		$ 336	$ 540

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 Consolidated Balance Sheets for these guarantees.

The Company clears its clients' futures transactions on an omnibus account basis through unaffiliated clearing firms. The Company also contracts with an external provider to facilitate foreign exchange trading for its clients. The Company has agreed to indemnify these unaffiliated clearing firms and the external provider for any loss that they may incur for the client transactions introduced to them by the Company.

See "Insured Deposit Account Agreement" in Note 19 for a description of a guarantee included in that agreement.

14. 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

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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.

The following tables present the Company's fair value hierarchy for assets and liabilities measured at fair value on a recurring basis as of September 30, 2016 and 2015 (dollars in millions):

	As of September 30, 2016			
	Level 1	Level 2	Level 3	Fair Value
Assets:				
Cash equivalents:				
Money market mutual funds	$1,658	$—	$ —	$ 1,658
Investments segregated for regulatory purposes:				
U.S. government debt securities	—	6,598	—	6,598
Securities owned:				
U.S. government debt securities	—	320	—	320
Other	6	5	—	11
Subtotal - Securities owned	6	325	—	331
Investments available-for-sale:				
U.S. government debt securities	—	757	—	757
Other assets:				
Pay-variable interest rate swaps[(1)]	—	79	—	79
U.S. government debt securities	—	4	—	4
Auction rate securities	—	—	1	1
Subtotal - Other assets	—	83	1	84
Total assets at fair value	$1,664	$7,763	$ 1	$ 9,428
Liabilities:				
Accounts payable and other liabilities:				
Securities sold, not yet purchased:				
Equity securities	$6	$—	$ —	$ 6

(1) See "Fair Value Hedging" in Note 8 for details.

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	As of September 30, 2015			
	Level 1	Level 2	Level 3	Fair Value
Assets:				
Cash equivalents:				
Money market mutual funds	$1,888	$ —	$ —	$ 1,888
Investments segregated for regulatory purposes:				
U.S. government debt securities	—	3,781	—	3,781
Securities owned:				
Money market and other mutual funds	—	—	2	2
U.S. government debt securities	—	415	—	415
Other	3	5	—	8
Subtotal - Securities owned	3	420	2	425
Other assets:				
Pay-variable interest rate swaps(1)	—	63	—	63
U.S. government debt securities	—	4	—	4
Auction rate securities	—	—	1	1
Subtotal - Other assets	—	67	1	68
Total assets at fair value	$1,891	$ 4,268	$ 3	$ 6,162
Liabilities:				
Accounts payable and other liabilities:				
Securities sold, not yet purchased:				
Equity securities	$23	$ —	$ —	$ 23

(1) See "Fair Value Hedging" in Note 8 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.

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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 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 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

Receivable from/payable to brokers, dealers and clearing organizations, receivable from/payable to clients, receivable from/payable to affiliates, other receivables and accounts payable and other liabilities are short-term in nature and accordingly are carried at amounts that approximate fair value. Receivable from/payable to brokers, dealers and clearing organizations, receivable from/payable to clients, receivable from/payable to affiliates, other receivables and accounts payable and other liabilities 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 futures commission merchants, 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 September 30, 2016, 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 $1.87 billion, compared to the aggregate carrying value of the Senior Notes on the Consolidated Balance Sheet of $1.82 billion. As of September 30, 2015, the Company's Senior Notes had an aggregate estimated fair value, based on quoted market prices, of approximately $1.83 billion, compared to the aggregate carrying value of the Senior Notes on the Consolidated Balance Sheet of $1.80 billion.

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15. 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 September 30, 2016 and 2015 (dollars in millions):

	September 30, 2016					
				Gross Amounts Not Offset in the Consolidated Balance Sheet		
	Gross Amounts of Recognized Assets and Liabilities	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts Presented in the Consolidated Balance Sheet	Financial Instruments (4)	Collateral Received or Pledged (Including Cash) (5)	Net Amount (6)
Assets:						
Investments segregated for regulatory purposes:						
Reverse repurchase agreements	$1,288	$ —	$ 1,288	$—	$ (1,288)	$ —
Receivable from brokers, dealers and clearing organizations:						
Deposits paid for securities borrowed(1)	1,051	—	1,051	(172)	(862)	17
Other assets:						
Pay-variable interest rate swaps	79	—	79	—	(79)	—
Total	$2,418	$ —	$ 2,418	$(172)	$ (2,229)	$ 17
Liabilities:						
Payable to brokers, dealers and clearing organizations:						
Deposits received for securities loaned(2)(3)	$1,990	$ —	$ 1,990	$(172)	$ (1,638)	$ 180

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	September 30, 2015					
				Gross Amounts Not Offset in the Consolidated Balance Sheet		
	Gross Amounts of Recognized Assets and Liabilities	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts Presented in the Consolidated Balance Sheet	Financial Instruments [4]	Collateral Received or Pledged (Including Cash) [5]	Net Amount [6]
Assets:						
Investments segregated for regulatory purposes:						
Reverse repurchase agreements	$1,586	$ —	$ 1,586	$—	$ (1,586)	$ —
Receivable from brokers, dealers and clearing organizations:						
Deposits paid for securities borrowed[1]	664	—	664	(70)	(585)	9
Other assets:						
Pay-variable interest rate swaps	63	—	63	—	(63)	—
Total	$2,313	$ —	$ 2,313	$(70)	$ (2,234)	$ 9
Liabilities:						
Payable to brokers, dealers and clearing organizations:						
Deposits received for securities loaned[2][3]	$2,653	$ —	$ 2,653	$(70)	$ (2,364)	$ 219

(1) Included in the gross amounts of deposits paid for securities borrowed is $590 million and $332 million as of September 30, 2016 and 2015, respectively, transacted through a risk-sharing program with the OCC, which guarantees the return of cash to the Company. See "General Contingencies" in Note 13 for a discussion of the potential risks associated with securities borrowing transactions and how the Company mitigates those risks.

(2) Included in the gross amounts of deposits received for securities loaned is $1.07 billion and $1.16 billion as of September 30, 2016 and 2015, respectively, transacted through a risk-sharing program with the OCC, which guarantees the return of securities to the Company. See "General Contingencies" in Note 13 for a discussion of the potential risks associated with securities lending transactions and how the Company mitigates those risks.

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(3) Substantially all of the Company's securities lending transactions have a continuous contractual term and, upon notice by either party, may be terminated within three business days. The following table summarizes the Company's gross liability for securities lending transactions by the class of securities loaned (dollars in millions):

	September 30,	
	2016	2015
Deposits received for securities loaned:		
Equity securities	$1,652	$2,413
Exchange-traded funds	216	150
Closed-end funds	73	41
Other	49	49
Total	$1,990	$2,653

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

(5) 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 September 30, 2016 and 2015, the Company had received total collateral with a fair value of $2.44 billion and $2.35 billion, respectively, and pledged total collateral with a fair value of $1.81 billion and $2.44 billion, respectively.

(6) 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.

16. 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 fiscal years indicated (dollars in millions):

	2016			2015			2014		
	Before Tax	Tax Effect	Net of Tax	Before Tax	Tax Effect	Net of Tax	Before Tax	Tax Effect	Net of Tax
Cash flow hedging instruments:									
Net unrealized loss	$—	$ —	$ —	$(15)	$ 5	$(10)	$(29)	$ 11	$(18)
Reclassification adjustment for portion of realized loss amortized to net income [1]	5	(2)	3	4	(1)	3	—	—	—
Other comprehensive income (loss)	$5	$ (2)	$ 3	$(11)	$ 4	$(7)	$(29)	$ 11	$(18)

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

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The following table presents after-tax changes in accumulated other comprehensive loss for the fiscal years indicated (dollars in millions):

	2016	2015	2014
Cash flow hedging instruments:			
Beginning balance	$(25)	$(18)	$—
Other comprehensive loss before reclassification	—	(10)	(18)
Amount reclassified from accumulated other comprehensive loss	3	3	—
Current period change	3	(7)	(18)
Ending balance	$(22)	$(25)	$(18)

17. Segment and Geographic Area Information

The Company primarily operates in the securities brokerage industry and has no other reportable segments. Substantially all of the Company's revenues from external clients for the fiscal years ended September 30, 2016, 2015 and 2014 were derived from its operations in the United States.

18. Accelerated Stock Repurchase Agreements

On June 8, 2016, the Company entered into an accelerated stock repurchase ("ASR") agreement with an investment bank counterparty. The Company paid $42.5 million to the counterparty and received an initial delivery of 1.1 million shares of its common stock on June 9, 2016, representing 80% of the potential shares to be repurchased based on the closing stock price of $31.35 on June 8, 2016. Settlement of the transaction occurred after the end of an averaging period, which began on June 9, 2016 and ended on September 15, 2016. The total number of shares the Company purchased from the counterparty was based on the average of the daily volume-weighted average share prices of the Company's common stock during the averaging period, less a pre-determined discount. Upon settlement, the Company received an additional 0.3 million shares on September 20, 2016. The Company ultimately repurchased a total of 1.4 million shares under the June 8, 2016 ASR agreement at a net weighted average price of $29.89 per share.

On December 1, 2015, the Company entered into an ASR agreement with an investment bank counterparty. The Company paid $45 million to the counterparty and received an initial delivery of 1.0 million shares of its common stock on December 2, 2015, representing 80% of the potential shares to be repurchased based on the closing stock price of $36.92 on December 1, 2015. Settlement of the transaction was to occur after the end of an averaging period, which would end no later than March 1, 2016 and was subject to early termination by the counterparty. The averaging period began on December 2, 2015 and ended on January 12, 2016, at the election of the counterparty. The total number of shares the Company purchased from the counterparty was based on the average of the daily volume-weighted average share prices of the Company's common stock during the averaging period, less a pre-determined discount. Upon settlement, the Company received an additional 0.3 million shares on January 15, 2016. The Company ultimately repurchased a total of 1.3 million shares under the December 1, 2015 ASR agreement at a net weighted average price of $33.98 per share.

The Company has treated the ASR agreements as forward contracts indexed to its own common stock. The forward contracts have met all of the applicable criteria for equity classification, including the Company's right to settle in shares. The Company has reflected the shares received from the investment bank counterparties as treasury stock as of the dates the shares were delivered, which resulted in reductions of the outstanding shares used to calculate the weighted average common shares outstanding for both basic and diluted earnings per share during the respective periods.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

19. Related Party Transactions

Transactions with TD and Affiliates

As a result of the Company's acquisition of TD Waterhouse Group, Inc. during fiscal 2006, TD became an affiliate of the Company. TD owned approximately 42% of the Company's common stock as of September 30, 2016. Pursuant to the stockholders agreement between TD and the Company, TD has the right to designate five of twelve members of the Company's board of directors. The Company transacts business and has extensive relationships with TD and certain of its affiliates. Transactions with TD and its affiliates are discussed and summarized below.

Insured Deposit Account Agreement

Under the IDA agreement, 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. As of July 1, 2016, notice of non-renewal was not provided by either party, therefore the IDA agreement will automatically renew on July 1, 2018.

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 September 30, 2016, the IDA portfolio was comprised of approximately 68% fixed-rate notional investments and 32% 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

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TD AMERITRADE HOLDING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

24 months ("short-term fixed-rate investments"). For such 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 Consolidated Balance Sheets for the IDA agreement.
In addition, the Company has various other services agreements and transactions with TD and its affiliates. The following tables summarize revenues and expenses resulting from transactions with TD and its affiliates for the fiscal years indicated (dollars in millions):

Description	Statement of Income Classification	Revenues from TD and Affiliates		
		2016	2015	2014
Insured Deposit Account Agreement	Insured deposit account fees	$926	$839	$820
Referral and Strategic Alliance Agreement	Various	14	13	12
Mutual Fund Agreements	Investment product fees	11	—	—
Other	Various	7	6	5
Total revenues		$958	$858	$837

Description	Statement of Income Classification	Expenses to TD and Affiliates		
		2016	2015	2014
Canadian Call Center Services Agreement	Various(1)	$ 22	$ 18	$ 17
Other	Various	3	4	3
Total expenses		$ 25	$ 22	$ 20

(1) On September 30, 2016, the Company notified TD of its intent to not extend or renew the Canadian Call Center Services Agreement. Of the $22 million of expenses related to this agreement, $19 million is included in professional services and $3 million of contract termination costs are included in other expense on the Consolidated Statement of Income for the fiscal year ended September 30, 2016. The Company expects that services with the Canadian Call Center will be completed by September 30, 2017.

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TD AMERITRADE HOLDING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

	September 30,	
	2016	2015
Assets:		
Receivable from affiliates	$ 106	$ 93
Liabilities:		
Payable to brokers, dealers and clearing organizations	$ 72	$ 70
Payable to affiliates	9	6

Payables to brokers, dealers and clearing organizations primarily relate to securities 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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TD AMERITRADE HOLDING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

20. Condensed Consolidating Financial Information

The 2019 Senior Notes are jointly and severally and fully and unconditionally guaranteed by TDAOH. Presented below is condensed consolidating financial information for the Company, its guarantor subsidiary and its non-guarantor subsidiaries for the periods indicated. 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 September 30, 2016

	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Total
	(In millions)				
ASSETS					
Cash and cash equivalents	$248	$ 2	$ 1,605	$ —	$1,855
Cash and investments segregated and on deposit for regulatory purposes	—	—	8,729	—	8,729
Receivable from brokers, dealers and clearing organizations	—	—	1,190	—	1,190
Receivable from clients, net	—	—	11,941	—	11,941
Receivable from affiliates	8	—	138	(40)	106
Investments available-for-sale, at fair value	757	—	—	—	757
Investments in subsidiaries	5,894	5,779	—	(11,673)	—
Goodwill	—	—	2,467	—	2,467
Acquired intangible assets, net	—	146	429	—	575
Other, net	163	21	1,083	(69)	1,198
Total assets	$7,070	$ 5,948	$ 27,582	$ (11,782)	$28,818
LIABILITIES AND STOCKHOLDERS' EQUITY					
Liabilities:					
Payable to brokers, dealers and clearing organizations	$—	$ —	$ 2,040	$ —	$2,040
Payable to clients	—	—	19,055	—	19,055
Accounts payable and other liabilities	171	—	413	(19)	565
Payable to affiliates	31	—	18	(40)	9
Long-term debt	1,817	—	—	—	1,817
Deferred income taxes	—	54	277	(50)	281
Total liabilities	2,019	54	21,803	(109)	23,767
Stockholders' equity	5,051	5,894	5,779	(11,673)	5,051
Total liabilities and stockholders' equity	$7,070	$ 5,948	$ 27,582	$ (11,782)	$28,818

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TD AMERITRADE HOLDING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

CONDENSED CONSOLIDATING BALANCE SHEET
As of September 30, 2015

	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Total
	(In millions)				
ASSETS					
Cash and cash equivalents	$920	$ 2	$ 1,056	$ —	$1,978
Cash and investments segregated and on deposit for regulatory purposes	—	—	6,305	—	6,305
Receivable from brokers, dealers and clearing organizations	—	—	862	—	862
Receivable from clients, net	—	—	12,770	—	12,770
Receivable from affiliates	6	1	92	(6)	93
Investments in subsidiaries	5,762	5,648	—	(11,410)	—
Goodwill	—	—	2,467	—	2,467
Acquired intangible assets, net	—	146	515	—	661
Other, net	145	18	1,138	(62)	1,239
Total assets	$6,833	$ 5,815	$ 25,205	$ (11,478)	$26,375
LIABILITIES AND STOCKHOLDERS' EQUITY					
Liabilities:					
Payable to brokers, dealers and clearing organizations	$—	$ —	$ 2,707	$ —	$2,707
Payable to clients	—	—	16,035	—	16,035
Accounts payable and other liabilities	130	—	523	(16)	637
Payable to affiliates	—	—	12	(6)	6
Long-term debt	1,800	—	—	—	1,800
Deferred income taxes	—	53	280	(46)	287
Total liabilities	1,930	53	19,557	(68)	21,472
Stockholders' equity	4,903	5,762	5,648	(11,410)	4,903
Total liabilities and stockholders' equity	$6,833	$ 5,815	$ 25,205	$ (11,478)	$26,375

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TD AMERITRADE HOLDING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

CONDENSED CONSOLIDATING STATEMENT OF INCOME
For the Year Ended September 30, 2016

	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Total
	(In millions)				
Net revenues	$30	$ —	$ 3,325	$ (28)	$3,327
Operating expenses	26	—	2,011	(28)	2,009
Operating income	4	—	1,314	—	1,318
Other expense	53	—	—	—	53
Income (loss) before income taxes and equity in income of subsidiaries	(49)	—	1,314	—	1,265
Provision for (benefit from) income taxes	6	(1)	418	—	423
Income (loss) before equity in income of subsidiaries	(55)	1	896	—	842
Equity in income of subsidiaries	897	896	—	(1,793)	—
Net income	$842	$ 897	$ 896	$ (1,793)	$842

CONDENSED CONSOLIDATING STATEMENT OF INCOME
For the Year Ended September 30, 2015

	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Total
	(In millions)				
Net revenues	$17	$ —	$ 3,247	$ (17)	$3,247
Operating expenses	16	—	1,923	(17)	1,922
Operating income	1	—	1,324	—	1,325
Other expense (income)	43	—	(6)	—	37
Income (loss) before income taxes and equity in income of subsidiaries	(42)	—	1,330	—	1,288
Provision for (benefit from) income taxes	(16)	(1)	492	—	475
Income (loss) before equity in income of subsidiaries	(26)	1	838	—	813
Equity in income of subsidiaries	839	838	—	(1,677)	—
Net income	$813	$ 839	$ 838	$ (1,677)	$813

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TD AMERITRADE HOLDING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

CONDENSED CONSOLIDATING STATEMENT OF INCOME
For the Year Ended September 30, 2014

	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Total
	(In millions)				
Net revenues	$14	$ —	$ 3,123	$ (14)	$3,123
Operating expenses	13	—	1,839	(14)	1,838
Operating income	1	—	1,284	—	1,285
Other expense (income)	24	—	(9)	—	15
Income (loss) before income taxes and equity in income of subsidiaries	(23)	—	1,293	—	1,270
Provision for (benefit from) income taxes	(14)	(1)	498	—	483
Income (loss) before equity in income of subsidiaries	(9)	1	795	—	787
Equity in income of subsidiaries	796	787	17	(1,600)	—
Net income	$787	$ 788	$ 812	$ (1,600)	$787

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TD AMERITRADE HOLDING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2016

	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Total
	(In millions)			
Net cash provided by operating activities	$49	$ —	$ 1,419	$1,468
Cash flows from investing activities:				
Purchase of property and equipment	—	—	(105)	(105)
Proceeds from sale and maturity of short-term investments	600	3	1	604
Purchase of short-term investments	(601)	(3)	(1)	(605)
Purchase of investments available-for-sale, at fair value	(757)	—	—	(757)
Net cash used in investing activities	(758)	—	(105)	(863)
Cash flows from financing activities:				
Payment of cash dividends	(362)	—	—	(362)
Purchase of treasury stock	(352)	—	—	(352)
Purchase of treasury stock for income tax withholding on stock-based compensation	(30)	—	—	(30)
Other, net	16	—	—	16
Net cash used in financing activities	(728)	—	—	(728)
Intercompany investing and financing activities, net	765	—	(765)	—
Net increase (decrease) in cash and cash equivalents	(672)	—	549	(123)
Cash and cash equivalents at beginning of year	920	2	1,056	1,978
Cash and cash equivalents at end of year	$248	$ 2	$ 1,605	$1,855

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TD AMERITRADE HOLDING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2015

	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Total
	(In millions)			
Net cash provided by operating activities	$27	$ 1	$ 718	$746
Cash flows from investing activities:				
Purchase of property and equipment	—	—	(71)	(71)
Proceeds from sale and maturity of short-term investments	500	3	1	504
Purchase of short-term investments	(502)	(3)	(1)	(506)
Proceeds from sale of investments	1	—	9	10
Other, net	—	—	3	3
Net cash used in investing activities	(1)	—	(59)	(60)
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	(569)	—	—	(569)
Principal payments on notes payable	(150)	—	—	(150)
Payment of cash dividends	(326)	—	—	(326)
Purchase of treasury stock	(364)	—	—	(364)
Purchase of treasury stock for income tax withholding on stock-based compensation	(23)	—	—	(23)
Other, net	27	—	—	27
Net cash used in financing activities	(168)	—	—	(168)
Intercompany investing and financing activities, net	945	(1)	(944)	—
Net increase (decrease) in cash and cash equivalents	803	—	(285)	518
Cash and cash equivalents at beginning of year	117	2	1,341	1,460
Cash and cash equivalents at end of year	$920	$ 2	$ 1,056	$1,978

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TD AMERITRADE HOLDING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2014

	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Total
	(In millions)			
Net cash provided by (used in) operating activities	$(81)	$ 1	$ 1,105	$1,025
Cash flows from investing activities:				
Purchase of property and equipment	—	—	(144)	(144)
Proceeds from sale and maturity of short-term investments	—	—	4	4
Purchase of short-term investments	—	—	(4)	(4)
Proceeds from sale of investments available-for-sale, at fair value	13	—	—	13
Proceeds from sale of investments	—	—	12	12
Other, net	—	—	2	2
Net cash provided by (used in) investing activities	13	—	(130)	(117)
Cash flows from financing activities:				
Proceeds from issuance of long-term debt	69	—	—	69
Proceeds from notes payable	230	—	—	230
Principal payments on notes payable	(80)	—	—	(80)
Payment of cash dividends	(540)	—	—	(540)
Purchase of treasury stock	(190)	—	—	(190)
Purchase of treasury stock for income tax withholding on stock-based compensation	(17)	—	—	(17)
Other, net	18	—	—	18
Net cash used in financing activities	(510)	—	—	(510)
Intercompany investing and financing activities, net	496	(6)	(490)	—
Net increase (decrease) in cash and cash equivalents	(82)	(5)	485	398
Cash and cash equivalents at beginning of year	199	7	856	1,062
Cash and cash equivalents at end of year	$117	$ 2	$ 1,341	$1,460

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TD AMERITRADE HOLDING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

21. Quarterly Data (Unaudited)

(Dollars in millions, except per share amounts)

	For the Fiscal Year Ended September 30, 2016			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net revenues	$ 812	$ 846	$ 838	$ 829
Operating income	$ 343	$ 343	$ 348	$ 283
Net income	$ 212	$ 205	$ 240	$ 185
Basic earnings per share	$ 0.39	$ 0.38	$ 0.45	$ 0.35
Diluted earnings per share	$ 0.39	$ 0.38	$ 0.45	$ 0.35
	For the Fiscal Year Ended September 30, 2015			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net revenues	$ 819	$ 803	$ 794	$ 831
Operating income	$ 344	$ 296	$ 325	$ 360
Net income	$ 211	$ 189	$ 197	$ 216
Basic earnings per share	$ 0.39	$ 0.35	$ 0.36	$ 0.40
Diluted earnings per share	$ 0.39	$ 0.35	$ 0.36	$ 0.40

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

22. Subsequent Event

On October 24, 2016, the Company entered into an Agreement and Plan of Merger with Scottrade Financial Services, Inc. ("Scottrade"), a Delaware corporation, Rodger O. Riney, as Voting Trustee of the Rodger O. Riney Family Voting Trust U/A/D 12/31/2012, and Alto Acquisition Corp., a Delaware corporation and a wholly-owned subsidiary of the Company, pursuant to which the Company agreed to acquire Scottrade in a cash and equity transaction valued at $4 billion. The transaction will take place in two, consecutive steps. First, and as a condition precedent to our acquisition of Scottrade, TD will purchase Scottrade Bank from Scottrade for $1.3 billion in cash, subject to closing adjustments. Under the terms of the planned acquisition, Scottrade Bank will merge with and into TD Bank, N.A., an indirect wholly-owned subsidiary of TD. Additionally, we expect TD to purchase $400 million in new common equity, or approximately 11 million shares, from the Company in connection with the planned transaction. Immediately following TD's acquisition of Scottrade Bank, the Company will acquire Scottrade for $4 billion less the proceeds from the sale of Scottrade Bank, which is subject to closing adjustments. We intend to fund the acquisition of Scottrade with $1 billion in new common equity, or approximately 28 million shares, issued to Scottrade shareholders, cash on hand, proceeds from the sale of the Company's common stock to TD, as described above, and debt financing. The transaction is subject to regulatory approvals and customary closing conditions and is expected to close by September 30, 2017. Following the transaction's close, Scottrade Founder and CEO, Rodger Riney, will be appointed to the Company's board of directors.

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of TD Ameritrade Holding Corporation and its subsidiaries (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of and effected by the Company's chief executive officer and chief financial officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted an assessment of the effectiveness of the Company's internal control over financial reporting as of September 30, 2016 based on framework established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on this assessment, management concluded that, as of September 30, 2016, the Company's internal control over financial reporting is effective.

The Company's internal control over financial reporting as of September 30, 2016 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their accompanying report which expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of September 30, 2016. That opinion appears on the next page.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
TD Ameritrade Holding Corporation

We have audited TD Ameritrade Holding Corporation's internal control over financial reporting as of September 30, 2016, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). TD Ameritrade Holding Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, TD Ameritrade Holding Corporation maintained, in all material respects, effective internal control over financial reporting as of September 30, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of TD Ameritrade Holding Corporation as of September 30, 2016 and 2015, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended September 30, 2016 of TD Ameritrade Holding Corporation and our report dated November 18, 2016 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP
Chicago, Illinois
November 18, 2016

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Disclosure Controls and Procedures

Management, including the Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of the Company's disclosure controls and procedures as of September 30, 2016. Management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of September 30, 2016.

Changes in Internal Control over Financial Reporting

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

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required to be furnished pursuant to this item is incorporated by reference from our definitive proxy statement for our 2017 annual meeting of stockholders to be filed with the SEC pursuant to Regulation 14A within 120 days after September 30, 2016 (the "Proxy Statement").

Item 11. Executive Compensation

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

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

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

Securities Authorized for Issuance Under Equity Compensation Plans

The following table summarizes, as of September 30, 2016, information about compensation plans under which equity securities of the Company are authorized for issuance:

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Plan Category	(a)	(b)	(c)
Equity compensation plans approved by security holders	5,417,704 (1)	$ 21.33 (2)	7,550,961 (3)

(1) Consists of 1,784,316 stock options, 3,506,386 restricted stock units and 127,002 deferred stock units outstanding under the Company's stock incentive plans.

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

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(3) The TD Ameritrade Holding Corporation Long-Term Incentive Plan (the "LTIP") and the 2006 Directors Incentive Plan (the "Directors Plan") authorize the issuance of shares of common stock as well as options. As of September 30, 2016, there were 6,672,853 shares and 878,108 shares remaining available for issuance pursuant to the LTIP and the Directors Plan, respectively.

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

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)
Equity compensation plans approved by security holders	21,300	$40.33

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

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

Item 14. Principal Accounting Fees and Services

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

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) Documents filed as part of this Report

1. Financial Statements

See Item 8, "Financial Statements and Supplementary Data."

2. Financial Statement Schedules

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

3. Exhibits

See Item 15(b) below.

(b) Exhibits

Exhibit No.	Description
2.1^	Agreement and Plan of Merger, dated as of October 24, 2016, by and among Scottrade Financial Services, Inc., Rodger O. Riney, as Voting Trustee of the Rodger O. Riney Family Voting Trust U/A/D 12/31/2012, TD Ameritrade Holding Corporation and Alto Acquisition Corp. (incorporated by reference to Exhibit 2.1 of the Company's Form 8-K filed on October 28, 2016)
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)

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Exhibit No.	Description
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 5.600% Senior Note due 2019 (included in Exhibit 4.2)
4.4	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)
4.5	Form of 3.625% Senior Note due 2025 (included in Exhibit 4.4)
4.6	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)
4.7	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)
4.8	Form of 2.950% Senior Note due 2022 (included in Exhibit 4.7)
10.1*	Form of Indemnification Agreement between TD Ameritrade Holding Corporation and members of the Company's board of directors (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on November 26, 2014)
10.2*	Chairman of the Board of Directors Term Sheet, effective as of June 1, 2011, between Joseph H. Moglia and TD Ameritrade Holding Corporation (incorporated by reference to Exhibit 10.2 of the Company's Annual Report on Form 10-K filed on November 18, 2011)
10.3*	Employment Agreement, effective as of October 1, 2013, between Fredric J. Tomczyk and TD Ameritrade Holding Corporation (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on August 1, 2013)
10.4*	Separation and Release of Claims Agreement, dated September 22, 2016, between Fredric J. Tomczyk and TD Ameritrade Holding Corporation
10.5*	Non-Qualified Stock Option Agreement, dated May 15, 2008, between Fredric J. Tomczyk and TD Ameritrade Holding Corporation (incorporated by reference to Exhibit 10.3 of the Company's quarterly report on Form 10-Q filed on August 8, 2008)
10.6*	Form of Restricted Stock Unit Agreement for Fredric J. Tomczyk (incorporated by reference to Exhibit 10.5 of the Company's quarterly report on Form 10-Q filed on February 6, 2013)
10.7*	Employment Agreement, effective as of January 2, 2016, between Tim Hockey and TD Ameritrade Holding Corporation (incorporated by reference to Exhibit 10.1 of the Company's quarterly report on Form 10-Q filed on February 4, 2016)

10.8*	Restricted Stock Unit Agreement, dated January 21, 2016, between Tim Hockey 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 4, 2016)
10.9*	Non-Qualified Stock Option Agreement, dated January 21, 2016, between Tim Hockey and TD Ameritrade Holding Corporation (incorporated by reference to Exhibit 10.3 of the Company's quarterly report on Form 10-Q filed on February 4, 2016)
10.10*	Employment Agreement, as amended and restated, effective as of October 13, 2008, between Ellen L.S. Koplow and TD Ameritrade Holding Corporation (incorporated by reference to Exhibit 10.9 of the Company's Form 10-K filed on November 26, 2008)
10.11*	Amendment to Employment Agreement, executed on December 20, 2012, between Ellen L.S. Koplow and TD Ameritrade Holding Corporation (incorporated by reference to Exhibit 10.4 of the Company's quarterly report on Form 10-Q filed on February 6, 2013)

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Exhibit No.	Description
10.12*	Amendment to Employment Agreement, executed on August 30, 2013, between Ellen L.S. Koplow and TD Ameritrade Holding Corporation (incorporated by reference to Exhibit 10.10 of the Company's Annual Report on Form 10-K filed on November 22, 2013)
10.13*	Executive Employment Term Sheet, effective as of April 11, 2011, between Marvin W. Adams and TD Ameritrade Holding Corporation (incorporated by reference to Exhibit 10.4 of the Company's quarterly report on Form 10-Q filed on May 6, 2011)
10.14*	Amendment to Executive Employment Term Sheet, executed on December 19, 2012, between Marvin W. Adams and TD Ameritrade Holding Corporation (incorporated by reference to Exhibit 10.3 of the Company's quarterly report on Form 10-Q filed on February 6, 2013)
10.15*	Separation Agreement and Release of Claims, dated August 1, 2016, between Marvin W. Adams and TD Ameritrade Holding Corporation
10.16*	Form of Restricted Stock Unit Agreement for Marvin W. Adams (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on November 20, 2012)
10.17*	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)
10.18*	Executive Employment Term Sheet, effective as of July 1, 2015, between Stephen J. Boyle and TD Ameritrade Holding Corporation (incorporated by reference to Exhibit 10.1 of the Company's quarterly report on Form 10-Q filed on May 7, 2015)
10.19*	Form of Restricted Stock Unit Agreement for Stephen J. Boyle (incorporated by reference to Exhibit 10.1 of the Company's quarterly report on Form 10-Q filed on August 7, 2015)
10.20*	Restricted Stock Unit Agreement, dated November 25, 2015, between J. Thomas Bradley, Jr. and TD Ameritrade Holding Corporation (incorporated by reference to Exhibit 10.4 of the Company's quarterly report on Form 10-Q filed on February 4, 2016)
10.21*	TD Ameritrade Holding Corporation Long-Term Incentive Plan, as amended and restated (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on February 24, 2016)
10.22*	Form of 1996 Long Term Incentive Plan Non-Qualified Stock Option Agreement for Executives (incorporated by reference to Exhibit 10.25 of the Company's Annual Report on Form 10-K filed on December 9, 2004)
10.23*	Form of Restricted Stock Unit Agreement for Employees (incorporated by reference to Exhibit 10.2 of the Company's quarterly report on Form 10-Q filed on August 5, 2016)
10.24*	TD Ameritrade Holding Corporation 2006 Directors Incentive Plan, effective as of November 15, 2006 (incorporated by reference to Appendix A of the Company's Proxy Statement filed on January 24, 2007)
10.25*	Form of Restricted Stock Unit Agreement for Non-employee Directors (incorporated by reference to Exhibit 10.3 of the Company's quarterly report on Form 10-Q filed on August 5, 2016)

10.26*	Amended and Restated Ameritrade Holding Corporation Executive Deferred Compensation Program effective December 28, 2005 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on December 30, 2005)
10.27*	TD Ameritrade Holding Corporation Management Incentive Plan, as amended and restated (incorporated by reference to Exhibit 10.2 of the Company's Form 8-K filed on February 24, 2016)
10.28	Stockholders Agreement among Ameritrade Holding Corporation, The Toronto-Dominion Bank, J. Joe Ricketts and certain of his affiliates dated as of June 22, 2005 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on June 28, 2005)

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Exhibit No.	Description
10.29	Amendment No. 1 to Stockholders Agreement among TD Ameritrade Holding Corporation, The Toronto-Dominion Bank and certain other stockholders of TD Ameritrade, dated February 22, 2006 (incorporated by reference to Exhibit 10.4 of the Company's quarterly report on Form 10-Q filed on May 8, 2006)
10.30	Amendment No. 2 and Waiver to Stockholders Agreement among TD Ameritrade Holding Corporation, The Toronto-Dominion Bank and certain other stockholders of TD Ameritrade, dated August 3, 2009 (incorporated by reference to Exhibit 10.33 of the Company's Annual Report on Form 10-K filed on November 13, 2009)
10.31	Amendment No. 3 to Stockholders Agreement among TD Ameritrade Holding Corporation, The Toronto-Dominion Bank and certain other stockholders of TD Ameritrade, dated August 6, 2010 (incorporated by reference to Exhibit 10.35 of the Company's Annual Report on Form 10-K filed on November 19, 2010)
10.32	Amendment No. 4 to Stockholders Agreement among TD Ameritrade Holding Corporation, The Toronto-Dominion Bank and certain other stockholders of TD Ameritrade, dated October 31, 2011 (incorporated by reference to Exhibit 10.1 of the Company's quarterly report on Form 10-Q filed on February 7, 2012)
10.33	Amendment No. 5 to Stockholders Agreement among TD Ameritrade Holding Corporation, The Toronto-Dominion Bank and certain other stockholders of TD Ameritrade, dated December 4, 2013 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on December 5, 2013)
10.34†	Insured Deposit Account Agreement, effective as of January 1, 2013, among TD Bank USA, N.A., TD Bank, N.A., The Toronto-Dominion Bank, TD Ameritrade, Inc., TD Ameritrade Clearing, Inc. and TD Ameritrade Trust Company (incorporated by reference to Exhibit 10.1 of the Company's quarterly report on Form 10-Q filed on February 6, 2013)
10.35	Amendment No. 1, dated as of October 24, 2016, to the Insured Deposit Account Agreement by and among TD Bank USA, N.A., TD Bank, N.A., TD Ameritrade, Inc., TD Ameritrade Clearing, Inc., TD Ameritrade Trust Company and solely for purposes of Sections 7(b), 14 and 15(c), The Toronto-Dominion Bank, effective as of January 1, 2013 (incorporated by reference to Exhibit 10.3 of the Company's Form 8-K filed on October 28, 2016)
10.36	Amended and Restated Registration Rights Agreement by and among Ameritrade Holding Corporation, The Toronto-Dominion Bank, J. Joe Ricketts and certain of his affiliates, entities affiliated with Silver Lake Partners, and entities affiliated with TA Associates, dated as of June 22, 2005 (incorporated by reference to Exhibit 99.1 of the Company's Form 8-K filed on September 12, 2005)
10.37	Trademark License Agreement among The Toronto-Dominion Bank and Ameritrade Holding Corporation, dated as of June 22, 2005 (incorporated by reference to Exhibit 99.3 of the Company's Form 8-K filed on September 12, 2005)
10.38	Letter Agreement, dated as of October 24, 2016, by and among TD Ameritrade Holding Corporation, The Toronto-Dominion Bank and TD Luxembourg International Holdings S.à.r.l. (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on October 28, 2016)

10.39	Subscription Agreement, dated as of October 24, 2016, by and among TD Ameritrade Holding Corporation, The Toronto-Dominion Bank and TD Luxembourg International Holdings S.à.r.l. (incorporated by reference to Exhibit 10.2 of the Company's Form 8-K filed on October 28, 2016)
10.40	Credit Agreement, dated June 11, 2014, among TD Ameritrade Holding Corporation, TD Ameritrade Online Holdings Corp., as guarantor, the lenders party thereto, Bank of America, N.A., as syndication agent, Barclays Bank PLC, U.S. Bank National Association and Wells Fargo Bank, National Association, as co-documentation agents and JPMorgan Chase Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on June 17, 2014)
10.41	Credit Agreement, dated June 11, 2014, among TD Ameritrade Clearing, Inc., the lenders party thereto, Bank of America, N.A., as syndication agent, Barclays Bank PLC, U.S. Bank National Association and Wells Fargo Bank, National Association, as co-documentation agents and JPMorgan Chase Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.2 of the Company's Form 8-K filed on June 17, 2014)

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Exhibit No.	Description
10.42	Construction agreement between TD Ameritrade Services Company, Inc. and AP Gulf States Inc., effective May 10, 2016 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on May 16, 2016)
12	Statement Re: Computation of Ratio of Earnings to Fixed Charges
14	Code of Ethics (incorporated by reference to Exhibit 14 of the Company's quarterly report on Form 10-Q filed February 4, 2011)
21.1	Subsidiaries of the Registrant
23.1	Consent of Ernst & Young LLP
31.1	Certification of Tim Hockey, Principal Executive Officer, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Stephen J. Boyle, 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
99.1	Form of Registration Rights Agreement, by and among TD Ameritrade Holding Corporation, Rodger O. Riney, as Voting Trustee of the Rodger O. Riney Family Voting Trust U/A/D 12/31/2012, The Toronto-Dominion Bank and the other stockholders described therein (incorporated by reference to Exhibit 99.1 of the Company's Form 8-K filed on October 28, 2016)
99.2	Form of Stockholders Agreement by and among TD Ameritrade Holding Corporation and Rodger O. Riney, as Voting Trustee of the Rodger O. Riney Family Voting Trust U/A/D 12/31/2012 (incorporated by reference to Exhibit 99.2 of the Company's Form 8-K filed on October 28, 2016)
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

^ Schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company agrees to furnish supplementally to the Securities and Exchange Commission a copy of any omitted schedule upon request.

*

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

† Confidential treatment has been granted with respect to the omitted portions of this Exhibit, which portions have been filed separately with the Securities and Exchange Commission.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 18th day of November, 2016.

TD AMERITRADE HOLDING CORPORATION

By: /s/ TIM HOCKEY
Tim Hockey
President, Chief Executive Officer and Director
(Principal Executive Officer)

By: /s/ STEPHEN J. BOYLE
Stephen J. Boyle
Executive Vice President, Chief Financial Officer
(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on this 18th day of November, 2016.

/s/ JOSEPH H. MOGLIA Joseph H. Moglia Chairman of the Board	/s/ IRENE R. MILLER Irene R. Miller Director
/s/ BHARAT B. MASRANI Bharat B. Masrani Vice Chairman of the Board	/s/ MARK L. MITCHELL Mark L. Mitchell Director
/s/ LORENZO A. BETTINO Lorenzo A. Bettino Director	/s/ WILBUR J. PREZZANO Wilbur J. Prezzano Director
/s/ V. ANN HAILEY V. Ann Hailey Director	/s/ TODD M. RICKETTS Todd M. Ricketts Director
/s/ BRIAN M. LEVITT Brian M. Levitt Director	/s/ ALLAN R. TESSLER Allan R. Tessler Director
/s/ KAREN E. MAIDMENT Karen E. Maidment Director	