TD AMERITRADE HOLDING CORP
Form 10-K
November 16, 2018
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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, 2018
¨	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)
(800) 669-3900
(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. þ

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

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 $33.3 billion computed by reference to the closing sale price of the stock on the Nasdaq Global Select Market on March 29, 2018, 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 1, 2018 was 562,369,568 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Definitive Proxy Statement relating to the registrant's 2019 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 as a local investment banking firm in 1971 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 clients and independent registered investment advisors ("RIAs"). We provide our services to individual retail investors and traders, and RIAs predominantly through the Internet, a national branch network and relationships with RIAs. We use our platform to offer brokerage services to retail investors and traders under a simple, low-cost commission structure and brokerage custodial services to RIAs.

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; mobile trading; unlimited, streaming, free real-time quotes; extended trading hours; direct access to market destinations; commitment on the speed of order execution and trading via chatbot and voice commands. Over the years the number of brokerage accounts, RIA relationships, average daily trading volume and total assets in client accounts have substantially increased. 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 retail investors and traders, and RIAs. 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 retail investors and traders, 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 orders for execution of client trades on an agency, rather than a principal, basis. We maintain an inventory of fixed income securities to meet client demand.
- Provide a comprehensive 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 investment tools, guidance, education and objective third-party research at levels that meet the needs of our clients.
- Continue to be a leader in the RIA industry. We provide RIAs with comprehensive brokerage and custody services supported by our robust integrated technology platform, customized personal service and practice management solutions.
- Leverage our infrastructure to add incremental revenue. Through our proprietary technology, we are able to provide a robust online experience for retail investors and traders. Our low-cost, scalable systems provide speed, reliability and quality trade execution services for clients. The scalable capacity of our trading system

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allows us to process a significant number of additional 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 bank deposit account arrangements with The Toronto-Dominion Bank ("TD") and other third-party financial institutions enable 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 investing and trading experience. We provide our clients greater choice by offering features and functionality to meet their specific needs.
- Leverage the TD Ameritrade brand. We believe that we have a superior brand identity and that our advertising has established TD Ameritrade as a leading brand in the retail brokerage market.
- Continue to evaluate opportunities for growth through acquisitions. When evaluating potential acquisitions, we look for transactions that will give us operational leverage, technological leverage, increased market share or other strategic opportunities.

On September 18, 2017, we completed our acquisition of the brokerage business of Scottrade Financial Services, Inc. ("Scottrade"), a Delaware corporation. The transaction combined highly complementary franchises and added significant scale to our retail business with the addition of approximately 3.5 million funded client accounts, extended our leadership in trading, and expanded the size of our branch network. For additional information regarding this acquisition, see Note 2 - Business Acquisition under Item 8. Financial Statements and Supplementary Data - Notes to Consolidated Financial Statements.

Client Offerings

We deliver products and services aimed at providing a comprehensive, personalized experience for retail investors and traders, 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 and traders. We offer a broad array of tools and services, including alerts, screeners, conditional orders and free fundamental third-party research. Modules such as streaming news, stock events, and account balances allow clients to 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 trading resource that pulls insights from Twitter and compiles them in one place. A variety of third-party research supports clients in evaluating potential investments. Dividend Income Estimator allows clients to calculate and visualize estimated dividend income for their current holdings, watch list positions and specific securities.
- thinkorswim® is a downloadable desktop platform designed for advanced traders, featuring easy-to-use interfaces, elite-level trading and analytical tools for complex trading strategies. Clients who use thinkorswim 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. Through our mobile apps, clients can interact with our agents through chat messaging capabilities to service their accounts. 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.

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- TD Ameritrade Institutional is a leading provider of comprehensive brokerage and custody services to more than 6,000 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 help their clients meet their financial goals.

Other Offerings

- TD Ameritrade Education offers a suite of investor education for stocks, options, income investing and portfolio management. TD Ameritrade Education offers free education to our clients primarily built around an investing method that is designed to teach investors, regardless of experience, how to approach the selection process for investment securities and actively manage their investment portfolios. Course offerings are accompanied by all-day webcasts on a variety of investing topics and live events for beginner, intermediate and advanced investors.
- TD Ameritrade's Goal Planning sessions are a complimentary service where clients meet with a financial 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.
- Essential Portfolios is an automated, low-cost investing solution that uses advanced technology to help long-term investors pursue their financial goals, with access to five non-proprietary goal-oriented ETF portfolios. Our subsidiary, TD Ameritrade Investment Management, LLC ("TDAIM"), recommends an investment portfolio based on an investor's objective, time horizon and risk tolerance.
- Selective Portfolios (formerly known as 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, TDAIM, recommends an investment portfolio based on an investor's objective, time horizon and risk tolerance.
- Personalized Portfolios is a more sophisticated advisory service designed to create a customized portfolio of ETFs or mutual funds that aims to satisfy each client's unique goals - balancing digital elements and human touch from credentialed portfolio and investment professionals. Also powered by TDAIM, the portfolios are based on each investor's objectives, risk tolerance and time horizon.
- 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 independent RIAs participating in AdvisorDirect meet or exceed TD Ameritrade's professional eligibility requirements.
- TD Ameritrade Network is our broadcast network, offering real-time market news, insights and investor education. The network's programming features experienced journalists and financial professionals.
- 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 subsidiary, TD Ameritrade Trust Company.
- TD Ameritrade Singapore Pte. Ltd. and TD Ameritrade Hong Kong Ltd. enable retail investors in Singapore and Hong Kong to trade the U.S. markets by providing access to trading technology, low commission rates, free education and customer service. Clients can trade stocks, ETFs, options, futures, and options on futures using the thinkorswim trading platform and thinkorswim Mobile. TD Ameritrade Singapore Pte. Ltd. is licensed by the Monetary Authority of Singapore and TD Ameritrade Hong Kong Ltd. is licensed by the Securities and Futures Commission.

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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 approximately 300 commission-free ETFs from leading providers with Morningstar Associates, LLC research and ratings and diverse investment strategies. 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 who 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, exchange-traded notes, closed-end funds, options, futures, foreign exchange, mutual funds, fixed income securities and annuities. Order routing revenue generated from payments or rebates received from market centers is a component of commissions and transaction fees. Margin lending, securities borrowed and loaned transactions and client cash generate net interest revenue. Cash management services generate bank deposit account fees. Fees earned from mutual funds, investment program fees and referrals generate investment product fee revenues. Other revenues include proxy income, solicit and tender fees and other fees charged for ancillary services provided to clients. 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	2018		2017		2016	
Commissions and transaction fees	36.1	%	37.6	%	41.2	%
Bank deposit account fees	28.3	%	30.1	%	27.8	%
Net interest revenue	23.3	%	18.8	%	17.9	%
Investment product fees	10.2	%	11.5	%	11.3	%
Other revenues	2.1	%	2.0	%	1.8	%
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 clients; and
- Expanding our use of technology to provide automated responses to the most typical inquiries generated in the course of clients' trading, investing and related activities.

We provide client service and support through the following means:

- Websites. Our websites provide information on how to use our services, a variety of self-service capabilities and an in-depth education center that includes a selection of online investing courses. Clients also have access to a virtual agent that enables them to ask questions about our products, tools and services, as well as access to live agents through chat capabilities.
- Branches. We offer a nationwide network of retail branch offices, with more than 360 retail branches located in 48 states and the District of Columbia.
- 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

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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.

- TTY services for the hearing impaired. To ensure effective communication in connection with the provision of financial services, we provide sign language and oral interpreters and/or other auxiliary aids and services free of charge for the hearing impaired.
- 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, 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, and we intend to continue to aggressively advertise. From time to time, we may choose to increase our advertising to target specific groups of investors or to increase or decrease advertising in response to market conditions.

Advertising for retail clients is generally conducted through digital, search and social media, financial news networks and other television and cable networks. We also place print advertisements in a broad range of business publications. 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 the return on investment of our marketing channels. 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 and existing 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 for our securities brokerage business. Clearing services include the confirmation, receipt, settlement, delivery and record-keeping functions involved in processing securities transactions. TDAC 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;

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- Preparing client trade confirmations and statements;
- Performing designated cashiering functions, including the delivery and receipt of funds and securities to or from the client;
- Possession, control and safeguarding of funds and securities in client accounts;
- Processing cash sweep transactions to and from bank 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 advancements 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. 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 banks, mutual fund sponsors, online wealth management services (including so-called "robo-advisors") and other financial institutions and 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. Our broker-dealers, TD Ameritrade, Inc. and TDAC, are required to register with the U.S. Securities and Exchange Commission ("SEC") and to be members of FINRA and the Municipal Securities Rulemaking Board ("MSRB"). 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. Broker-dealers are required to provide notice to the SEC and FINRA if their net capital is below certain required levels. Likewise, a FCM and FDM, such as TDAFF, must provide notice to the CFTC if its adjusted net capital amounts are below required levels.

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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, the District of Columbia and Puerto Rico, 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, federal and foreign 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.

Cyber Security Risk — Cyber security risk is the risk of a malicious technological attack intended to impact the confidentiality, availability, or integrity of our systems and data, including sensitive client data. Our technology and security teams rely on a layered system of preventive and detective technologies, practices, and policies to detect, mitigate, and neutralize cyber security threats. Cyber-attacks can also result in financial and reputational risk.

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 fixed-income securities to meet client requirements. Interest rate risk is our most prevalent form of market risk. For more information about our interest rate risk and how we manage it, see Item 7A — Quantitative and Qualitative Disclosures About Market Risk.

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

Liquidity Risk — Liquidity risk is the risk of loss resulting from the inability to meet current and future cash flow needs. We actively monitor our liquidity position at the holding company and 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 (including the "TD" name through trademark license agreement with The Toronto-Dominion Bank), 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, 2018, we had 9,183 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.

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, 2018, 2017 and 2016 were derived from our operations in the United States.

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 accessible through and posted on the Company's website at www.amtd.com and its Twitter account

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@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, future results of operations or stock price. Although the risks described below are those that we believe 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, future results of operations or stock price.

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, social 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. 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 arrangements with TD Bank USA, N.A. and TD Bank N.A. and with other third-party financial institutions, which are subject to interest rate risk. Continued uncertainty resulting from U.S. fiscal and political matters, including concerns about federal, state and municipal debt levels, taxes, U.S. debt ratings, immigration policies and international conflicts, have impacted and may continue to impact the U.S. and global economic recovery. The direction and level of interest rates are important factors in our profitability.

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 assets change at a different frequency or amount than the interest rates we pay on liabilities. For example, in a low (but rising) interest rate environment, sharp increases in short-term interest rates could result in net interest spread compression if the yield 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. We also engage in financial transactions with counterparties, including securities sold under agreements to repurchase, that expose us to credit losses in the event counterparties cannot meet their obligations.

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

Our broker-dealer subsidiary, TDAC, provides clearing and execution services for our securities brokerage business. 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.

A default by a large financial institution could adversely affect financial markets.

The commercial soundness of many financial institutions may be closely interrelated as a result of credit, trading, clearing or other relationships among the institutions. For example, increased centralization of trading activities through particular clearing houses, central agents or exchanges is occurring. This is driven by market forces and by the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") and similar laws in other jurisdictions, and it may increase our concentration of risk with respect to these entities. As a result, concerns about, or a default or threatened default by, one institution could lead to significant market-wide liquidity and credit problems, losses or defaults by other institutions. This is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing houses, clearing agencies, exchanges, banks and securities firms, with which we interact on a daily basis, and therefore could have a material adverse effect on our business.

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

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("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, substantial losses to our clients, slower system response time resulting in transactions not being processed as quickly as our clients desire, decreased levels of client service and client satisfaction and harm to our reputation. We are also dependent on the integrity and performance of securities exchanges, clearing houses and other intermediaries to which client orders are routed for execution and settlement. Systems failures and constraints and transaction errors at such intermediaries could result in delays and erroneous or unanticipated execution prices, cause substantial losses for us and our clients and subject us to claims from our clients for damages. The occurrence of any of these events could have a material adverse effect on our business, financial condition and results of operations.

Further, a cybersecurity intrusion could occur and persist for an extended period of time without detection, and any investigation of a cybersecurity intrusion could require a substantial amount of time. During all this time we might not know the extent of the harm or how best to remediate it, and errors or omissions could be repeated or compounded before being discovered and remediated, all of which could aggravate the costs and consequences of the intrusion.

As our business model relies heavily on our clients' use of their own personal computers, mobile devices and the Internet, our business and reputation could be harmed by security breaches of our clients and third parties. Computer viruses and other attacks on our clients' personal computer systems, home networks and mobile devices or against the third-party networks and systems of Internet and mobile service providers could create losses for our clients even without any breach in the security of our systems and could thereby harm our business and our reputation. As part of our asset protection guarantee, we may reimburse our clients for losses in their accounts caused by a breach of security of our clients' own computers (through no fault of the client). Such reimbursements may not be covered by applicable insurance and could have an adverse effect on our business, financial condition and results of operations.

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. Developing and enhancing new products and services, which is necessary for us to remain competitive, may involve the use or creation of new technologies, exposes us to cybersecurity and privacy risks that cannot be completely anticipated and increases the risk of security breaches and cyber-attacks. As a financial services company, we are continuously subject to cyber-attacks, DDOS and ransomware attacks, malicious code and computer viruses by activists, hackers, organized crime, foreign state actors and other third parties. Such breaches could lead to shutdowns or disruptions of our systems, account takeovers and unauthorized gathering, monitoring, misuse, loss, total destruction and disclosure of data and confidential information of ours, our clients, our employees or other third parties, or otherwise materially disrupt our or our clients' or other third parties' network access or business operations. 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

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from an internal database. Following the incident, we incurred significant remediation costs. In addition, in 2013, Scottrade, which we acquired in September 2017, experienced a database breach. We are aware of subsequent attempts by other attackers to penetrate our systems using similar techniques and similar attacks against other financial institutions. Although we have taken steps to reduce the risk of such threats, our risk and exposure to a cyber-attack or related breach remains heightened due to the evolving nature of these threats, our plans to continue to implement mobile access solutions to serve our clients, our routine transmission of sensitive information to third parties, the current global economic and political environment, external extremist parties and other developing factors. If a cyber-attack or similar breach 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, regulatory fines, financial responsibility under our asset protection guarantee to reimburse clients for losses in their accounts resulting from unauthorized activity in their accounts (through no fault of the client) 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.

We also face risk related to external fraud involving the misappropriation and use of clients' user names, passwords or other personal information to gain access to their accounts. This could occur from the compromise of clients' personal electronic devices or as a result of a data security breach at an unrelated company where clients' personal information is taken and then made available to fraudsters. This risk has grown in recent years due to the increased sophistication and activities of organized crime and other external parties, including foreign state-sponsored parties. Losses in client accounts reimbursed under our asset protection guarantee against unauthorized account activity (through no fault of the client) could have adverse impacts on our business, financial condition and results of operations.

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, reduced trading commissions and higher interest rates paid on cash held in client accounts. 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. 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 banks, mutual fund sponsors, online wealth management services (including so-called "robo-advisors") and other financial institutions and organizations, some of which provide online brokerage services. Some of our competitors have greater financial, technical, marketing and other resources, offer a wider range of services and financial products, and have greater name recognition and a more extensive client base than we do. We believe that the general financial success of companies within the retail securities industry will continue to attract new competitors to the industry, such as 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 financial condition and results of operations.

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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., TD Ameritrade Investment Management, LLC and TradeWise Advisors, Inc. ("TradeWise"). TD Ameritrade, Inc. offers AdvisorDirect,® a service that refers a client to an independent RIA. TD Ameritrade Investment Management, LLC recommends an investment portfolio, through Essential, Selective or Personalized Portfolios, based on an investor's objectives, time horizon and risk tolerance. 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.

There is no assurance 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 an 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, financial condition and results of operations.

Employee misconduct, which can be difficult to detect and deter, could harm our reputation and subject us to significant legal liability.

There have been a number of highly-publicized cases involving fraud or other misconduct by employees in the financial services industry. There is a risk that our employees could engage in misconduct that adversely affects our business. The precautions that we take to detect and deter this activity may not be effective if our employees engage in misconduct. If one or more of them were to improperly access, use or disclose confidential information or to engage in other misconduct, we could be subject to regulatory sanctions and suffer serious harm to our financial condition, reputation, current client relationships and ability to attract future clients.

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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 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") 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 deemed many of the investment, rollover and asset management recommendations from us to our clients regarding their retirement accounts fiduciary "investment advice" under ERISA. The U.S. Court of Appeals for the Fifth Circuit has vacated the DOL's conflict-of-interest rule in its entirety, and the DOL has announced a conditional enforcement policy pending the issuance of further guidance and may take further actions in light of the Fifth Circuit's decision. In addition, New York and several other states have proposed or are expected to propose a heightened standard of care for financial professionals in their respective states and/or relating to the sale of retirement savings and investment products.

One of the most significant impacts on our business from the DOL regulations and related prohibited transaction exemptions is the impact on our fee and compensation practices, which are likely to continue to some degree even though the DOL regulations have been vacated. These regulations also continue to subject us to an increased risk of class actions and other litigation and regulatory risks. In addition, the SEC or the states' promulgation or enactment, respectively, of an enhanced standard of care could similarly have adverse impacts on our business. Additional rulemaking or legislative action on the part of federal or local governments and governmental agencies 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, CFTC, NFA, 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. As existing laws are modified and new laws are implemented, we may incur significant additional costs and have to expend a significant amount of time to develop and integrate appropriate systems and procedures to ensure initial and continuing compliance with such laws. These additional costs could have a material adverse effect on our profitability.

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, and we may not be able to pay dividends or make stock repurchases. 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-

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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 officers or employees. Despite our efforts to comply with applicable legal requirements, there are a number of risks, including in areas where applicable laws or regulations may be unclear or where regulators could revise their previous guidance, and we could fail to establish and enforce procedures to comply with applicable legal requirements and 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.

While we maintain systems and procedures designed to ensure that we comply with applicable laws and regulations, violations could still occur. In addition, some legal and regulatory frameworks provide for the imposition of fines or penalties for non-compliance even though the non-compliance was inadvertent or unintentional and even though systems and procedures reasonably designed to prevent violations were in place at the time. There may be other negative consequences resulting from a finding of non-compliance, including restrictions on certain activities. Such a finding may also damage our reputation and our relationships with regulators and could restrict the ability of institutional investment managers to invest in our securities.

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

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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.

Risk Factors Relating to Acquisitions

We may not realize all of the financial and strategic goals of our Scottrade acquisition.

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

- 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 have overpaid for Scottrade or otherwise might 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;
- our financial condition or results of operations could be adversely impacted by: claims or liabilities that we assumed 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; and intellectual property claims or disputes; and
- 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, financial condition or results of operations.

As a result of these risks and challenges, we may not realize the financial and strategic goals that we initially anticipated from the Scottrade transaction in a timely manner or at all.

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.

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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.

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 (i) TD or (ii) J. Joe Ricketts, our founder, and certain members of his family and trusts held for their benefit, who currently have registration rights covering approximately 234 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 covenants and restrictions that may, in certain circumstances and subject to carveouts and exceptions, which may be material, 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.

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Our senior unsecured notes contain various covenants and restrictions that may, in certain circumstances and subject to carveouts and exceptions, which may be material, limit our ability to:

- create liens;
- merge or consolidate with another entity; and
- sell all or substantially all of our assets.

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 November 1, 2018, we had approximately $3.55 billion of long-term debt, consisting of:

- $500 million of 5.600% Senior Notes with principal due in full on December 1, 2019;
- $600 million of variable-rate Senior Notes with principal due in full on November 1, 2021;
- $750 million of 2.950% Senior Notes with principal due in full on April 1, 2022;
- $400 million of 3.750% Senior Notes with principal due in full on April 1, 2024;
- $500 million of 3.625% Senior Notes with principal due in full on April 1, 2025; and
- $800 million of 3.300% Senior Notes with principal due in full on April 1, 2027.

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 September 30, 2018, 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.

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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 September 30, 2018, 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 (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.

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 accounts for a significant portion of our revenue. This agreement enables our clients to invest in an FDIC-insured (up to specified limits) deposit product without the need for us to establish the significant levels of capital that would be required to maintain our own bank charter. During fiscal 2018, net revenues related to this agreement accounted for approximately 26% of our net revenues. 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 and contracts, 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 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.

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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, deter or prevent a change of control or change in management that might provide stockholders with a premium to the market price of their common stock.

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

Payment of future cash dividends on our common stock will depend on our ability to generate earnings and cash flows. However, sufficient cash may not be available to pay such dividends. Payment of future dividends, if any, will be at the discretion of our board of directors and will depend upon a number of factors that the board of directors deems relevant, including future earnings, the success of our business activities, capital and liquidity 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 own additional administrative and operational facilities that provide approximately 500,000, 300,000 and 200,000 square feet of building space located in St. Louis, Missouri, Southlake, Texas and Denver, Colorado, respectively.

We lease approximately 195,000 square feet of building space for an additional operation center in Jersey City, New Jersey. The Jersey City lease expires in 2020. We lease smaller administrative and operational facilities in California, Colorado, Illinois, Maryland, Massachusetts, Michigan, Texas and Utah. We own two data center facilities, located in Richardson, Texas and St. Louis, Missouri, and we lease four data center facilities located in Texas, Arizona and New Jersey. We also lease more than 360 retail branch offices, located in 48 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 15 — Commitments and Contingencies – "Legal and Regulatory Matters" under Item 8, Financial Statements and Supplementary Data — Notes to Consolidated Financial Statements.

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Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

Price Range of Common Stock

Our common stock trades 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 Nasdaq Global Select Market. 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,			
	2018		2017	
	High	Low	High	Low
First Quarter	$ 54.24	$ 46.66	$ 44.79	$ 33.26
Second Quarter	$ 63.01	$ 50.66	$ 47.41	$ 36.36
Third Quarter	$ 62.99	$ 54.75	$ 44.11	$ 36.12
Fourth Quarter	$ 60.99	$ 52.73	$ 49.24	$ 41.88

The closing sale price of our common stock as reported on the Nasdaq Global Select Market on November 1, 2018 was $52.11 per share. As of that date there were 604 holders of record of our common stock based on information provided by our transfer agent. The number of stockholders of record does not reflect the number of individual or institutional stockholders that beneficially own our stock because most stock is held in the name of nominees. Based on information available to us, we believe there are approximately 92,000 beneficial holders of our common stock.

Dividends

We declared and paid a $0.21 per share and a $0.18 per share quarterly cash dividend on our common stock during each quarter of fiscal years 2018 and 2017, respectively. We recently declared a $0.30 per share quarterly cash dividend for the first quarter of fiscal 2019. We are scheduled to pay the quarterly cash dividend on November 20, 2018 to all holders of record of our common stock as of November 6, 2018. 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, 2013 in the Company's common stock, a broad-based stock index and the stocks comprising an industry peer group.

	Period Ended					
Index	9/30/13	9/30/14	9/30/15	9/30/16	9/30/17	9/30/18
TD Ameritrade Holding Corporation	100.00	131.74	127.87	144.69	203.98	224.23
S&P 500	100.00	119.73	119.00	137.36	162.92	192.10
Peer Group	100.00	139.85	140.76	156.83	221.57	253.58

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, 2018 — July 31, 2018	6,710	$ 54.81	—	25,979,986
August 1, 2018 — August 31, 2018	1,393,833	$ 57.55	1,392,199	24,587,787
September 1, 2018 — September 30, 2018	3,199,234	$ 54.64	3,197,128	21,390,659
Total — Three months ended September 30, 2018	4,599,777	$ 55.52	4,589,327	21,390,659

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 2018.
During the quarter ended September 30, 2018, 10,450 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,				
	2018*	2017	2016	2015	2014
	(In millions, except per share amounts)				
Consolidated Statements of Income Data:					
Net revenues	$5,452	$3,676	$3,327	$3,247	$3,123
Operating income	1,998	1,466	1,318	1,325	1,285
Net income	1,473	872	842	813	787
Earnings per share — basic	$2.60	$1.65	$1.59	$1.50	$1.43
Earnings per share — diluted	$2.59	$1.64	$1.58	$1.49	$1.42
Weighted average shares outstanding — basic	567	529	531	543	550
Weighted average shares outstanding — diluted	569	531	534	547	554
Dividends declared per share	$0.84	$0.72	$0.68	$0.60	$0.98

	As of September 30,				
	2018	2017*	2016	2015	2014
	(In millions)				
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$2,690	$1,472	$1,855	$1,978	$1,460
Investments available-for-sale, at fair value	484	746	757	—	—
Total assets	37,520	38,627	28,818	26,375	23,829
Long-term debt and other borrowings	2,535	2,652	1,817	1,800	1,249
Stockholders' equity	8,003	7,247	5,051	4,903	4,748

* The growth in our Consolidated Balance Sheet as of September 30, 2017 and Statement of Income for the fiscal year ended 2018 was primarily due to our acquisition of Scottrade on September 18, 2017.

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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; the amount of net revenues; average commissions per trade; the amounts of total operating expenses and advertising expense; our effective income tax rate; our capital and liquidity needs and our plans to finance such needs; and our plans to return capital to stockholders through cash dividends and share repurchases.

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: economic, social and political conditions and other securities industry risks; interest rate risks; liquidity risks; credit risk with clients and counterparties; risk of liability for errors in clearing functions; systemic risk; systems failures, delays and capacity constraints; network security risks; competition; reliance on external service providers; new laws and regulations affecting our business; net capital requirements; extensive regulation, regulatory uncertainties and legal matters; difficulties and delays in integrating the Scottrade Financial Services, Inc. ("Scottrade") business or fully realizing cost savings and other benefits from the acquisition; disruptions from the Scottrade acquisition or other factors making it more difficult to maintain relationships with employees, customers, other business partners or governmental entities; the inability to achieve synergies or to implement integration plans and other consequences associated with other acquisitions; and the other risks and uncertainties set forth under Item 1A — Risk Factors of this Form 10-K. The forward-looking statements contained in this report speak only as of the date on which the statements were made. We undertake no obligation to publicly update or revise these statements, whether as a result of new information, future events or otherwise, except to the extent required by the federal securities laws.

Glossary of Terms

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

Asset-based revenues — Revenues consisting of (1) bank 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 bank 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 per trade — Total commissions and transaction fee revenues as reported on our consolidated financial statements, less order routing revenue, 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.

Bank deposit account fees — Revenues generated from a sweep program that is offered to eligible clients of the Company whereby clients' uninvested cash is swept to FDIC-insured (up to specified limits) money market deposit accounts at third-party financial institutions participating in the program.

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.

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Brokerage accounts — Accounts maintained by us on behalf of clients for securities brokerage activities. The primary types of brokerage accounts are cash accounts, margin accounts, IRA accounts and beneficiary accounts. Futures accounts are sub-accounts associated with a brokerage account for clients who want to trade futures and/or options on futures. Forex accounts are sub-accounts associated with a brokerage account for clients who want to engage in foreign exchange trading.

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 bank 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 financial statements.

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 financial statements.

Commissions and transaction fees — Revenues earned on trading commissions, order routing revenue and markups on riskless principal transactions in fixed-income securities. Revenues earned on trading commissions includes client trades in common and preferred stock, ETFs, exchange-traded notes, closed-end funds, options, futures, foreign exchange, mutual funds and fixed income securities.

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, GAAP pre-tax income, net income and cash flows from operating activities.

Fee-based investment balances — Client assets invested in money market mutual funds, other mutual funds and our programs such as AdvisorDirect,® Essential Portfolios, Selective Portfolios and Personalized Portfolios on which we earn fee revenues. Fee revenues earned on these balances are included in investment product fees on our consolidated financial statements.

Forex accounts - Sub-accounts maintained by us on behalf of clients for foreign exchange trading. Each forex account must be associated with a brokerage account. Forex accounts are not counted separately for purposes of our client account metrics.

Funded accounts — All open client accounts with a total liquidation value greater than zero.

Futures accounts — Sub-accounts maintained by us 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 our client account metrics.

Insured Deposit Account — We are 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 our clients FDIC-insured (up to specified limits) money market deposit accounts as either designated sweep vehicles or as non-sweep deposit accounts. We provide 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

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Institutions pay us 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. Fee revenues earned under this agreement are included in bank deposit account fees on our consolidated financial statements.

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 consists of fees earned on client assets invested in money market mutual funds, other mutual funds and through investment programs such as AdvisorDirect,® Essential Portfolios, Selective Portfolios and Personalized Portfolios. Investment product fees also includes fees earned on client assets managed by independent registered investment advisors utilizing our trading and investing platforms.

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. We offer traditional, Roth, Savings Incentive Match Plan for Employees (SIMPLE) and Simplified Employee Pension (SEP) IRA accounts.

Liquid assets — Liquid assets is a non-GAAP financial measure. We consider liquid assets to be an important measure of our liquidity, including our ability to meet corporate cash flow needs, fund potential operational contingencies and support our business strategies. We define liquid assets as the sum of (a) corporate cash and cash equivalents, (b) corporate investments, less securities sold under agreements to repurchase, and (c) our regulated subsidiaries' net capital in excess of minimum operational targets established by management. Corporate cash and cash equivalents includes cash and cash equivalents from our investment advisory subsidiaries. Liquid assets represents available capital, including any capital from our regulated subsidiaries in excess of established management operational targets. We include the excess capital of our regulated subsidiaries in the calculation of liquid assets, rather than simply including regulated subsidiaries' cash and cash equivalents, because capital requirements may limit the amount of cash available for dividend from the regulated subsidiaries to the parent company. Excess capital, as defined under clause (c) above, is generally available for dividend from the regulated subsidiaries to the parent company. Liquid assets is based on more conservative measures of net capital than regulatory requirements because we generally manage to higher levels of net capital at our regulated subsidiaries than the regulatory thresholds require. Liquid assets should be considered as a supplemental measure of liquidity, rather than as a substitute for GAAP 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 us 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 investment programs such as AdvisorDirect,® Essential Portfolios, Selective Portfolios and Personalized Portfolios 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 financial statements.

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 bank 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

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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 our 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.

Non-GAAP Net Income and Non-GAAP Diluted EPS — Non-GAAP net income and non-GAAP diluted earnings per share ("EPS") are non-GAAP financial measures. We define non-GAAP net income as net income adjusted to remove the after-tax effect of amortization of acquired intangible assets and acquisition-related expenses. We consider non-GAAP net income and non-GAAP diluted EPS as important measures of our financial performance because they exclude certain items that may not be indicative of our core operating results and business outlook and may be useful in evaluating the operating performance of the business and facilitating a meaningful comparison of our results in the current period to those in prior and future periods. Amortization of acquired intangible assets is excluded because management does not believe it is indicative of our underlying business performance. Acquisition-related expenses are excluded as these costs are not representative of the costs of running our on-going business. Non-GAAP net income and non-GAAP diluted EPS should be considered in addition to, rather than as a substitute for, GAAP net income and diluted EPS.

Order routing revenue — Revenues generated from payments or rebates received from market centers. 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.

Securities sold under agreements to repurchase (repurchase agreements) — We sell securities to counterparties with an agreement to repurchase the same or substantially the same securities at a stated price plus interest on a specified date. We utilize repurchase agreements to finance our short-term liquidity and capital needs. Under these financing transactions, we receive cash from counterparties and provide U.S. Treasury securities as collateral.

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 bank 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 our broker-dealer and FCM/FDM subsidiaries. Total trades are a significant source of our revenues. Such trades include, but are not limited to, trades in equities, options, futures, foreign exchange, mutual funds and debt instruments. Trades generate revenue from commissions, markups on riskless principal transactions in fixed income securities, transaction fees and/or order routing revenue.

Trading days — Days in which the U.S. equity markets are open for a full trading session. Reduced exchange trading sessions are treated as half trading days.

Transaction-based revenues — Revenues generated from client trade execution, consisting primarily of commissions, markups on riskless principal transactions in fixed income securities, transaction clearing fees and order routing revenue.

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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 investors and traders, 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 bank 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 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 financial statements.

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 acquisitions.

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. During fiscal year 2018, other operating expenses also included costs incurred related to the integration of Scottrade.

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

Acquisition of Scottrade

On September 18, 2017, we completed our acquisition of the brokerage business of Scottrade. The transaction combined highly complementary franchises and added significant scale to our retail business with the addition of approximately 3.5 million funded client accounts, extended our leadership in trading, and expanded the size of our branch network.

For additional information regarding this acquisition, see Note 2 — Business Acquisition under Item 8. Financial Statements and Supplementary Data — Notes to Consolidated Financial Statements.

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Critical Accounting Policies and Estimates

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

Valuation of goodwill and acquired intangible assets

We test goodwill and our indefinite-lived acquired intangible asset for impairment on at least an annual basis, or whenever events occur or changes in circumstances indicate that the carrying values may not be recoverable. In performing the goodwill impairment tests, we utilize quoted market prices of our common stock to estimate the fair value of the Company as a whole. The estimated fair value is then allocated to our reporting unit and is compared with the carrying value of the reporting unit. 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 financial statements. 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

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periods of time, accruals are adjusted as more information becomes available or when an event occurs requiring a change. Significant judgment is required in making these estimates, and the actual cost of resolving a matter may ultimately differ materially from the amount accrued.

Valuation of guarantees

We enter into guarantees in the ordinary course of business, primarily to meet the needs of our clients and to manage our asset-based revenues. We record a liability for the estimated fair value of the guarantee at its inception. If actual results differ significantly from these estimates, our results of operations could be materially affected. For further details regarding our guarantees, see the following sections under Item 8, Financial Statements and Supplementary Data — Notes to Consolidated Financial Statements: "Guarantees" under Note 15 — Commitments and Contingencies and "Insured Deposit Account Agreement" under Note 21 — 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 client balances, especially bank deposit account, margin, credit and fee-based investment 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 us 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 the TD Ameritrade Holding Corporation 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, GAAP 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,								
	2018			2017			2016		
	$	% of Net Revenues		$	% of Net Revenues		$	% of Net Revenues	
Net income (GAAP)	$1,473	27.0	%	$872	23.7	%	$842	25.3	%
Add:									
Depreciation and amortization	142	2.6	%	102	2.8	%	92	2.8	%
Amortization of acquired intangible assets	141	2.6	%	79	2.1	%	86	2.6	%
Interest on borrowings	99	1.8	%	71	1.9	%	53	1.6	%
Provision for income taxes	414	7.6	%	522	14.2	%	423	12.7	%
EBITDA (non-GAAP)	$2,269	41.6	%	$1,646	44.8	%	$1,496	45.0	%

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Fiscal Year Ended September 30, 2018 Compared to Fiscal Year Ended September 30, 2017

Our net income increased 69% for fiscal year 2018 compared to fiscal year 2017, primarily due to an increase in net revenues and a lower effective tax rate, primarily due to the enactment of the Tax Cuts and Jobs Act (the "Act") on December 22, 2017. These increases were partially offset by increases in operating expenses and interest on borrowings, and an $11 million loss on sale of investments during fiscal year 2018. Net revenues and operating expenses increased primarily due to the Scottrade acquisition. Detailed analysis of net revenues and expenses is presented later in this discussion.

Our EBITDA increased 38% for fiscal year 2018 compared to fiscal year 2017, primarily due to an increase in net revenues, partially offset by an increase in operating expenses excluding depreciation and amortization, and an $11 million loss on sale of investments during fiscal year 2018.

Our diluted earnings per share increased 58% to $2.59 for fiscal year 2018 compared to $1.64 for fiscal year 2017, primarily due to higher net income, partially offset by a 7% increase in average diluted shares outstanding as a result of the issuance of our common stock in connection with the Scottrade acquisition. Details regarding our fiscal year 2019 expectations for net revenues and expenses are presented later in this discussion.

Fiscal Year Ended September 30, 2017 Compared to Fiscal Year Ended September 30, 2016

Our net income increased 4% for fiscal year 2017 compared to fiscal year 2016, primarily due to an increase in net revenues, partially offset by an increase in operating expenses, a higher effective tax rate during fiscal year 2017 and an increase in interest on borrowings due to increases in our average debt outstanding and the average effective interest rate incurred on our debt.

Our EBITDA increased 10% for fiscal year 2017 compared to fiscal year 2016, 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 4% to $1.64 for fiscal year 2017 compared to $1.58 for fiscal year 2016, primarily due to higher net income.

Operating Metrics

Our largest sources of revenues are asset-based revenues and transaction-based revenues. For fiscal year 2018, asset-based revenues and transaction-based revenues accounted for 62% and 36% of our net revenues, respectively. Asset-based revenues consist of (1) bank 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 bank 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 trades and average commissions 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 bank 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 bank deposit account fees and net interest revenue by average spread-based assets. Spread-based assets consist of average bank deposit account balances and average interest-earning assets, which include 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			'18 vs. '17 Increase/ (Decrease)	'17 vs. '16 Increase/ (Decrease)
	2018	2017	2016		
Average bank deposit account balances	$116,695	$93,922	$83,706	$22,773	$10,216
Average interest-earning assets	30,849	25,316	22,652	5,533	2,664
Average spread-based balances	$147,544	$119,238	$106,358	$28,306	$12,880
Bank deposit account fee revenue	$1,541	$1,107	$926	$434	$181
Net interest revenue	1,272	690	595	582	95
Spread-based revenue	$2,813	$1,797	$1,521	$1,016	$276
Average yield — bank deposit account fees	1.30 %	1.16 %	1.09 %	0.14 %	0.07 %
Average yield — interest-earning assets	4.07 %	2.69 %	2.59 %	1.38 %	0.10 %
Net interest margin (NIM)	1.88 %	1.49 %	1.41 %	0.39 %	0.08 %

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			'18 vs. '17 Increase/ (Decrease)	'17 vs. '16 Increase/ (Decrease)
	2018	2017	2016		
Segregated cash	$95	$49	$15	$ 46	$ 34
Client margin balances	920	482	436	438	46
Securities lending/borrowing, net	222	139	141	83	(2)
Other cash and interest-earning investments	42	22	5	20	17
Client credit balances	(7)	(2)	(2)	(5)	—
Net interest revenue	$1,272	$690	$595	$ 582	$ 95

	Average Balance Fiscal Year			'18 vs. '17 % Change	'17 vs. '16 % Change
	2018	2017	2016		
Segregated cash	$6,832	$8,282	$7,034	(18)%	18 %
Client margin balances	19,812	12,542	11,751	58 %	7 %
Securities borrowing	925	1,004	932	(8)%	8 %
Other cash and interest-earning investments	3,280	3,488	2,935	(6)%	19 %
Interest-earning assets	$30,849	$25,316	$22,652	22 %	12 %
Client credit balances	$20,438	$16,182	$14,669	26 %	10 %
Securities lending	2,888	2,004	2,084	44 %	(4)%
Interest-bearing liabilities	$23,326	$18,186	$16,753	28 %	9 %

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	Average Yield (Cost) Fiscal Year			'18 vs. '17 Net Yield Increase/ (Decrease)	'17 vs. '16 Net Yield Increase/ (Decrease)
	2018	2017	2016		
Segregated cash	1.37 %	0.58 %	0.21 %	0.79 %	0.37 %
Client margin balances	4.58 %	3.79 %	3.65 %	0.79 %	0.14 %
Other cash and interest-earning investments	1.26 %	0.63 %	0.18 %	0.63 %	0.45 %
Client credit balances	(0.03)%	(0.01)%	(0.01)%	(0.02)%	0.00 %
Net interest revenue	4.07 %	2.69 %	2.59 %	1.38 %	0.10 %

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

	Fee Revenue Fiscal Year			'18 vs. '17 Increase/ (Decrease)	'17 vs. '16 Increase/ (Decrease)
	2018	2017	2016		
Money market mutual fund	$18	$16	$11	$ 2	$ 5
Market fee-based investment balances	539	407	363	132	44
Total investment product fees	$557	$423	$374	$ 134	$ 49

	Average Balance Fiscal Year			'18 vs. '17 % Change	'17 vs. '16 % Change
	2018	2017	2016		
Money market mutual fund	$4,164	$3,613	$5,671	15 %	(36)%
Market fee-based investment balances	248,339	181,510	155,063	37 %	17 %
Total fee-based investment balances	$252,503	$185,123	$160,734	36 %	15 %

	Average Yield Fiscal Year			'18 vs. '17 Increase/ (Decrease)	'17 vs. '16 Increase/ (Decrease)
	2018	2017	2016		
Money market mutual fund	0.42%	0.42%	0.19%	0.00 %	0.23 %
Market fee-based investment balances	0.21%	0.22%	0.23%	(0.01)%	(0.01)%
Total investment product fees	0.22%	0.23%	0.23%	(0.01)%	0.00 %

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Transaction-Based Revenue Metrics

The following table sets forth several key metrics regarding client trading activity, which we utilize in measuring and evaluating performance and the results of our operations:

	Fiscal Year			'18 vs. '17 % Change	'17 vs. '16 % Change
	2018	2017	2016		
Total trades (in millions)	202.78	127.68	116.66	59 %	9 %
Average client trades per day	811,116	510,710	462,918	59 %	10 %
Trading days	250.0	250.0	252.0	0 %	(1)%
Average commissions per trade[(1)]	$7.45	$ 8.33	$ 9.20	(11)%	(9)%
Order routing revenue (in millions)	$458	$ 320	$ 299	43 %	7 %

(1) Effective in September 2017, the average commissions per trade metric was revised to exclude order routing revenue. Prior periods have been updated to conform to the current presentation.

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		
	2018	2017	2016
Funded accounts (beginning of year)	11,004,000	6,950,000	6,621,000
Funded accounts (end of year)	11,514,000	11,004,000	6,950,000
Percentage change during year	5 %	58 %	5 %
Client assets (beginning of year, in billions)	$1,118.5	$773.8	$667.4
Client assets (end of year, in billions)	$1,297.5	$1,118.5	$773.8
Percentage change during year	16 %	45 %	16 %
Net new assets (in billions)	$92.3	$80.1	$60.3
Net new assets growth rate	8 %	10 %	9 %

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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			'18 vs. '17	'17 vs. '16
	2018	2017	2016	% Change	% Change
Revenues:					
Transaction-based revenues:					
Commissions and transaction fees	$1,969	$1,384	$1,372	42 %	1 %
Asset-based revenues:					
Bank deposit account fees	1,541	1,107	926	39 %	20 %
Net interest revenue	1,272	690	595	84 %	16 %
Investment product fees	557	423	374	32 %	13 %
Total asset-based revenues	3,370	2,220	1,895	52 %	17 %
Other revenues	113	72	60	57 %	20 %
Net revenues	5,452	3,676	3,327	48 %	10 %
Operating expenses:					
Employee compensation and benefits	1,555	962	839	62 %	15 %
Clearing and execution costs	189	149	136	27 %	10 %
Communications	179	131	137	37 %	(4)%
Occupancy and equipment costs	302	181	171	67 %	6 %
Depreciation and amortization	142	102	92	39 %	11 %
Amortization of acquired intangible assets	141	79	86	78 %	(8)%
Professional services	303	260	178	17 %	46 %
Advertising	293	254	260	15 %	(2)%
Other	350	92	110	280 %	(16)%
Total operating expenses	3,454	2,210	2,009	56 %	10 %
Operating income	1,998	1,466	1,318	36 %	11 %
Other expense:					
Interest on borrowings	99	71	53	39 %	34 %
Loss on sale of investments	11	—	—	N/A	N/A
Other	1	1	—	0 %	N/A
Total other expense	111	72	53	54 %	36 %
Pre-tax income	1,887	1,394	1,265	35 %	10 %
Provision for income taxes	414	522	423	(21)%	23 %
Net income	$1,473	$872	$842	69 %	4 %
Other information:					
Effective income tax rate	21.9 %	37.4 %	33.4 %		
Average debt outstanding	$2,743	$2,093	$1,748	31 %	20 %
Effective interest rate incurred on borrowings	3.59 %	3.40 %	3.03 %		

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Fiscal Year Ended September 30, 2018 Compared to Fiscal Year Ended September 30, 2017

Net Revenues

Net revenues increased 48% to $5.45 billion during fiscal year 2018. We expect net revenues to increase to at least $5.75 billion, or approximately 6%, during fiscal year 2019 compared to fiscal year 2018. Depending on the level of investor engagement and the nature of the interest rate environment, fiscal year 2019 net revenues could be considerably higher.

Commissions and transaction fees increased 42% to $1.97 billion, primarily due to the addition of approximately 3.5 million funded accounts as a result of the Scottrade acquisition on September 18, 2017, partially offset by lower average commissions per trade for fiscal year 2018 compared to fiscal year 2017. Average client trades per day increased 59% to 811,110 for fiscal year 2018 compared to 510,710 for fiscal year 2017. Order routing revenue increased 43% to $458 million due to higher trading volumes. Average commissions per trade decreased to $7.45 from $8.33, primarily due to our reduction in client pricing for online equity and option trades during the second quarter of fiscal 2017 and a higher percentage of equity trades, which earn somewhat lower average commissions per trade than option and futures trades. Effective March 6, 2017, we reduced our online equity and ETF trade commissions from $9.99 to $6.95 per trade and also lowered options pricing to $6.95 per trade (plus $0.75 per contract). We expect average commissions per trade to decrease by 2% to 3% in fiscal year 2019 as compared to fiscal year 2018, depending on the mix of client trading activity and other factors.

Asset-based revenues increased 52% to $3.37 billion for fiscal year 2018, primarily due to increases in average spread-based assets, net interest margin earned on spread-based assets and average market fee-based investment balances. The growth in average spread-based and market fee-based investment balances is primarily due to the Scottrade acquisition and our success in attracting net new client assets. Net interest margin increased 39 basis points to 1.88% during fiscal year 2018, primarily due to the Federal Open Market Committee increasing the target range for the federal funds rate by 75 basis points (to between 1.00% and 1.25%) during fiscal year 2017 and by 100 basis points (to between 2.00% to 2.25%) during fiscal year 2018. The increase in net interest margin was also due to the impact of higher average client margin balances, which earn a larger net interest spread.

Bank deposit account fees increased 39% to $1.54 billion, primarily due to a 24% increase in average bank deposit account balances and an increase of 14 basis points in the average yield earned on the bank deposit account assets. The growth in the average bank deposit account balances is primarily due to the Scottrade acquisition and our success in attracting net new client assets. The average yield earned on bank deposit account assets increased primarily due to floating-rate investment balances within the Insured Deposit Account ("IDA") portfolio benefiting from the federal funds rate increases during fiscal years 2017 and 2018, as described above, partially offset by higher interest rates paid to clients.

Net interest revenue increased 84% to $1.27 billion due to a 58% increase in average client margin balances, primarily due to the Scottrade acquisition, increases in the average yields earned on client margin balances, segregated cash and other cash and interest-earning investments as a result of the federal funds rate increases during fiscal years 2017 and 2018, as described above, and an $83 million increase in net interest revenue from our securities borrowing/lending program.

Investment product fees increased 32% to $557 million, primarily due to a 37% increase in average market fee-based investment balances. The increase in market fee-based investment balances is primarily due to the Scottrade acquisition and growth in our advised solutions products.

Other revenues increased 57% to $113 million, primarily due to favorable fair market value adjustments on investments held by our broker-dealer subsidiaries and increases in fees related to processing corporate securities reorganizations, proxy services and other fee revenue associated with additional accounts and transaction processing volumes resulting from the Scottrade acquisition.

Operating Expenses

Total operating expenses, which includes $445 million of acquisition-related expenses, increased 56% to $3.45 billion during fiscal year 2018. We expect total operating expenses to decrease to between $2.9 billion and $3.0 billion for fiscal year 2019.

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Employee compensation and benefits expense increased 62% to $1.56 billion, primarily due to $235 million of severance and other employment benefits related to the Scottrade integration, an increase in average headcount related to the Scottrade acquisition and our strategic growth initiatives, and annual merit increases. The average number of full-time equivalent employees increased to 9,728 for fiscal year 2018 compared to 6,661 for fiscal year 2017.
Clearing and execution costs increased 27% to $189 million, primarily due to increased costs associated with additional accounts and transaction processing volumes resulting from the Scottrade acquisition.
Communications expense increased 37% to $179 million, primarily due to the Scottrade acquisition, resulting in increased costs for quotes and market information associated with additional accounts and transaction processing volumes and costs for telecommunications.
Occupancy and equipment costs increased 67% to $302 million, primarily due to additional costs associated with the Scottrade business, including increased expenses related to leased facilities, software licensing and software maintenance.
Depreciation and amortization increased 39% to $142 million, primarily due to depreciation on assets recorded in the Scottrade acquisition, placing our new Southlake, Texas operations center in service during December 2017, and recent technology infrastructure upgrades.
Amortization of acquired intangible assets increased 78% to $141 million, primarily due to amortization of the client relationships intangible asset recorded in the Scottrade acquisition.
Professional services expense increased 17% to $303 million, primarily due to higher usage of consulting and contract services related to operational and technology-related initiatives and in connection with the Scottrade integration, partially offset by lower costs associated with legal matters.
Advertising expense increased 15% to $293 million, primarily due to the Scottrade acquisition and due to increased advertising during professional and collegiate sporting events. We expect advertising to increase to between $300 million and $320 million for fiscal year 2019. We generally adjust our level of advertising spending in relation to stock market activity and other market conditions in an effort to maximize new client relationships and net new assets.
Other operating expenses increased 280% to $350 million, primarily due to $172 million of costs related to the Scottrade integration, mainly comprised of contract terminations, a net increase in the provision for bad debt of $56 million related to market volatility during fiscal year 2018 and additional expenses associated with the Scottrade business.
Other Expense and Income Taxes
Interest on borrowings increased 39% to $99 million, primarily due to a 31% increase in average debt outstanding and an increase of 19 basis points in the average effective interest rate incurred on our borrowings. On April 27, 2017, we issued $800 million of 3.300% Senior Notes due April 1, 2027 to finance a portion of the cash consideration paid in connection with the Scottrade acquisition.
Our effective income tax rate was 21.9% for fiscal year 2018, compared to 37.4% for fiscal year 2017. The effective income tax rate for fiscal year 2018 included an estimated net favorable adjustment of $71 million related to the remeasurement of the Company's deferred income tax balances as it pertains to the Tax Cuts and Jobs Act, a $5 million income tax benefit resulting from the change in accounting for income taxes related to equity-based compensation under ASU 2016-09, $12 million of favorable resolutions of state income tax matters and a $30 million favorable benefit resulting from accelerating certain deductions, including acquisition-related exit costs, to leverage higher 2017 pre-enactment tax rates. The effective income tax rate was also impacted by a $9 million unfavorable remeasurement of uncertain tax positions related to certain federal incentives. These items had a net favorable impact on our earnings for fiscal year 2018 of approximately $0.19 per share. The Tax Cuts and Jobs Act was enacted on December 22, 2017, reducing the U.S. federal corporate income tax rate from 35% to 21%, requiring companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and creating new taxes on certain foreign sourced earnings. For more information, see Note 11 – Income Taxes under Item 8, Financial Statements – Notes to Consolidated Financial Statements. As a result of the Act, we estimate our effective income tax rate to be approximately 25% for fiscal year 2019, excluding the effect of any

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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. We also anticipate the potential for increased volatility in our future quarterly effective income tax rate from the accounting for income taxes related to equity-based compensation, which requires the income tax effects of exercised or vested stock-based awards to be treated as discrete items in the period in which they occur.

Fiscal Year Ended September 30, 2017 Compared to Fiscal Year Ended September 30, 2016

Net Revenues

Commissions and transaction fees increased 1% to $1.38 billion, primarily due to increased client trading activity, partially offset by lower average commissions per trade and the effect of two less trading days during fiscal year 2017 compared to fiscal year 2016. Total trades increased 9% as average client trades per day increased 10% to 510,710 for fiscal year 2017 compared to 462,918 for fiscal year 2016. Average commissions per trade decreased to $8.33 from $9.20, primarily due to our reduction in client pricing for online equity and option trades during the second quarter of fiscal year 2017.

Asset-based revenues, which consist of bank deposit account fees, net interest revenue and investment product fees, increased 17% to $2.22 billion, primarily due to a 12% increase in average spread-based assets, an increase of 8 basis points in net interest margin to 1.49% and a 17% increase in average market fee-based investment balances. The increase in net interest margin was primarily due to the Federal Open Market Committee increasing the target range for the federal funds rate by 75 basis points (to between 1.00% and 1.25%) during fiscal year 2017, partially offset by the impact of higher average segregated cash and other cash and interest-earning investment balances, which earn a lower net interest spread and a higher IDA management fee on floating rate balances due to the federal funds rate increases.

Bank deposit account fees increased 20% to $1.11 billion, primarily due to a 12% increase in average client bank deposit account balances and an increase of 7 basis points in the average yield earned on those balances. The growth in the average bank deposit account balances is primarily due to our success in attracting net new client assets. The average yield earned on bank deposit account assets increased primarily due to floating-rate investment balances within the IDA portfolio benefiting from the fiscal year 2017 federal funds rate increases and investments within the IDA portfolio, including maturities of investments and new balance growth, being invested at higher rates. The increase in the average yield was partially offset by a higher IDA management fee on floating rate balances due to the federal funds rate increases and higher interest rates paid to clients.

Net interest revenue increased 16% to $690 million, primarily due to increases in the average yields earned on segregated cash, client margin balances and other cash and interest-earning investment balances as a result of the federal funds rate increases during fiscal year 2017 and a 7% increase in average client margin balances. The average yield earned on interest-earning assets increased 10 basis points to 2.69% primarily due to the benefits realized from the federal funds rate increases during fiscal year 2017.

Investment product fees increased 13% to $423 million, primarily due to a 17% increase in average market fee-based investment balances and an increase of 23 basis points in the average yield earned on money market mutual fund balances. These increases were partially offset by a decrease of 1 basis point in the average yield earned on market fee-based investment balances and a 36% decrease in the average money market mutual fund balances.

Other revenues increased 20% to $72 million, primarily due to increased fees related to proxy and platform services.

Operating Expenses

Total operating expenses, which includes $88 million of acquisition-related expenses, increased 10% to $2.21 billion during fiscal year 2017.

Employee compensation and benefits expense increased 15% to $962 million, primarily due to an increase in average headcount related to our strategic growth initiatives and the Scottrade acquisition in September 2017, approximately $35 million of severance costs related to the Scottrade integration and higher incentive-based compensation related to Company and individual performance. The average number of full-time equivalent employees increased to 6,661 for fiscal year 2017 compared to 5,858 for fiscal year 2016.

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Clearing and execution costs increased 10% to $149 million, primarily due to higher client trading volumes and the impact of a $5 million benefit from a retroactive fee decrease from a clearinghouse during fiscal year 2016.
Communications expense decreased 4% to $131 million, primarily due to decreased costs for quotes and market information.
Occupancy and equipment costs increased 6% to $181 million, primarily due to increased software licensing and facilities expenses.
Depreciation and amortization increased 11% to $102 million, primarily due to recent technology infrastructure upgrades and depreciation of assets recorded in the Scottrade acquisition.
Amortization of acquired intangible assets decreased 8% to $79 million, primarily due to certain acquired intangible assets becoming fully amortized during fiscal year 2016, partially offset by amortization of intangible assets recorded in the Scottrade acquisition.
Professional services expense increased 46% to $260 million, primarily due to approximately $50 million of costs for legal, accounting, consulting and contract services in connection with the Scottrade acquisition and higher usage of consulting and contract services related to other operational and technology-related initiatives.
Advertising expense decreased 2% to $254 million, primarily due to additional spending during fiscal year 2016 in connection with our sponsorship of the Summer Olympics.
Other operating expenses decreased 16% to $92 million, primarily due to $11 million of service contract termination costs incurred during fiscal year 2016 and lower losses on the disposal of property during fiscal year 2017.
Other Expense and Income Taxes
Interest on borrowings increased 34% to $71 million, primarily due to a 20% increase in average debt outstanding and an increase of 37 basis points in the average effective interest rate incurred on our debt. On April 27, 2017, we issued $800 million of 3.300% Senior Notes due April 1, 2027 to finance a portion of the cash consideration paid in connection with the Scottrade acquisition.
Our effective income tax rate was 37.4% for fiscal year 2017, compared to 33.4% for fiscal year 2016. The effective tax rate for fiscal year 2017 included $8 million of net favorable resolutions of state income tax matters and $4 million of favorable tax benefits for federal incentives. These items had a net favorable impact on our earnings for fiscal year 2017 of approximately two cents per share. The effective tax rate 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 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 impact on our earnings for fiscal year 2016 of approximately $0.12 per share.
Liquidity and Capital Resources
We have established liquidity and capital policies to support the successful execution of business strategies to meet operational needs and to satisfy applicable regulatory requirements under both normal and modeled stressed conditions. Our liquidity management policies are designed to mitigate the potential risk that we may be unable to meet current and future cash flow needs. Management of our liquidity is accomplished by (1) daily monitoring of our cash flow needs at TD Ameritrade Holding Corporation (the "Parent") and its operating subsidiaries, and (2) performing periodic liquidity stress testing related to market and company-specific liquidity stress events in order to identify and plan for liquidity risk exposures.
We have historically financed our liquidity and capital needs primarily through the use of funds generated from subsidiary operations and from short-term borrowings. 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 year 2018 were financed primarily from our subsidiaries' earnings, cash on hand and short-term borrowings. During fiscal year 2018, we experienced increased liquidity needs at our clearing broker-dealer subsidiary due to an increase in market volatility and in order to support regulatory and working capital requirements associated with the integration and

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migration of client accounts from Scottrade to the Company. We plan to finance our ordinary capital and liquidity needs in fiscal year 2019 primarily from our subsidiaries' earnings, cash on hand and borrowings.

Parent Company

The Parent conducts substantially all of its business through its operating subsidiaries, principally its broker-dealer and futures commission merchant ("FCM")/forex dealer member ("FDM") subsidiaries. Dividends from our subsidiaries are an important source of liquidity for the Parent. 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.

During fiscal 2019, we plan to return between 30% to 40% of our non-GAAP net income to our stockholders through cash dividends and up to an additional 40% through share repurchases. For more information about our dividends and stock repurchases, see "Cash Dividends" and "Stock Repurchase Programs" later in this section.

On October 30, 2018, the Company sold, through a public offering, $600 million aggregate principal amount of unsecured variable-rate senior notes due November 1, 2021 (the "2021 Notes") and $400 million aggregate principal amount of unsecured 3.750% senior notes due April 1, 2024 (the "2024 Notes"). We intend to use the net proceeds from the issuance of the 2021 Notes and the 2024 Notes for general corporate purposes, including to augment liquidity. For additional details, see Note 24 — Subsequent Event under Item 8, Financial Statements and Supplementary Information — Notes to Consolidated Financial Statements.

The Parent may make loans of cash or securities under committed and/or uncommitted lines of credit with each of its primary broker-dealer and FCM/FDM subsidiaries in order to provide liquidity. Liquidity could be used to fund increases in our subsidiaries' 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. Committed facilities of $445 million and uncommitted facilities of $600 million under the Parent's intercompany credit agreements were available to its primary broker-dealer and FCM/FDM subsidiaries as of September 30, 2018. For more information about these credit agreements, see "Long-term Debt and Other Borrowings — Intercompany Credit Agreements" later in this section.

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, the 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 consist 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 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.

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The following tables summarize our broker-dealer and FCM/FDM subsidiaries' net capital and adjusted net capital, respectively, as of September 30, 2018 (dollars in millions):

	Net Capital	Early Warning Threshold	Net Capital in Excess of Early Warning Threshold
TD Ameritrade Clearing, Inc.	$2,831	$ 1,312	$ 1,519
TD Ameritrade, Inc.	$181	$ 0.3	$ 181

	Adjusted Net Capital	Early Warning Threshold	Adjusted Net Capital in Excess of Early Warning Threshold
TD Ameritrade Futures & Forex LLC	$ 129	$ 25	$ 104

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 bank 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. government debt securities), U.S. Treasury securities, U.S. government agency mortgage-backed securities and other qualified securities. Receivables from clients consist of margin loans, which are demand loan obligations secured by readily marketable securities. Receivables from brokers, dealers and clearing organizations primarily arise from current open transactions, which usually settle or can be settled within a few business days.

TDAC is subject to cash deposit and collateral requirements with clearinghouses such as the Depository Trust & Clearing Corporation ("DTCC") and the Options Clearing Corporation ("OCC"), which may fluctuate significantly from time to time based on the nature and size of our clients' trading activity.

The following table sets forth TDAC's cash and investments deposited with clearing organizations for the clearing of client equity and option trades (dollars in millions):

	September 30, 2018	2017
TD Ameritrade Clearing, Inc.	$585	$476

Liquidity needs for TDAC relating to client trading and margin borrowing are met primarily through cash balances in client brokerage accounts and through lending and pledging of client margin securities. 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. Cash balances in client brokerage accounts are summarized in the following table (dollars in billions):

	September 30, 2018	2017
TD Ameritrade Clearing, Inc.	$22.5	$18.5

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Cash and investments segregated in special reserve bank accounts for the exclusive benefit of clients under Rule 15c3-3 are summarized in the following table (dollars in billions):

	September 30, 2018	2017
TD Ameritrade Clearing, Inc.	$2.9	$6.4

For general liquidity needs, TDAC currently maintains two senior unsecured committed revolving credit facilities with an aggregate principal amount of $1.45 billion. TDAC also utilizes secured uncommitted lines of credit for short-term liquidity needs. These facilities are described under "Long-term Debt and Other Borrowings" later in this section.

In addition, we have established intercompany credit agreements under which the broker-dealer and FCM/FDM subsidiaries may borrow from the Parent. The Parent's intercompany credit agreements with TDAC provides for a committed revolving loan facility of $400 million and an uncommitted revolving loan facility of $300 million. The intercompany credit agreements are described under "Long-Term Debt and Other Borrowings – Intercompany Credit Agreements" later in this section.

Liquid Assets

Liquid assets is a non-GAAP financial measure. We include the excess capital of our regulated subsidiaries in the calculation of liquid assets, rather than simply including the regulated subsidiaries' cash and cash equivalents, because capital requirements may limit the amount of cash available for dividend from the regulated subsidiaries to the parent company. Excess capital, as defined below, is generally available for dividend from the regulated subsidiaries to the parent company. Liquid assets should be considered as a supplemental measure of liquidity, rather than as a substitute for GAAP cash and cash equivalents.

We define liquid assets as the sum of (a) corporate cash and cash equivalents, (b) corporate investments, less securities sold under agreements to repurchase, and (c) our regulated subsidiaries' net capital in excess of minimum operational targets established by management. Corporate cash and cash equivalents includes cash and cash equivalents from our investment advisory subsidiaries. Liquid assets is based on more conservative measures of net capital than regulatory requirements because we generally manage to higher levels of net capital at our regulated subsidiaries than the regulatory thresholds require. During fiscal year 2018, the presentation of the liquid assets metric was revised in order to provide a consolidated view of our liquidity. Liquid assets may be utilized, as necessary, to meet corporate cash flow needs, fund operational needs, satisfy applicable regulatory requirements and support our business strategies. The prior period, which provided a view of our liquidity net of operational contingencies and other obligations, has been updated to conform to the current presentation.

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

	September 30, 2018	2017	Change
Cash and cash equivalents (GAAP)	$2,690	$1,472	$1,218
Less: Non-corporate cash and cash equivalents	(2,307)	(1,174)	(1,133)
Corporate cash	383	298	85

and cash equivalents			
Corporate investments	386	714	(328)
Excess regulatory net capital over management targets	296	46	250
Liquid assets (non-GAAP)	$1,065	$1,058	$7

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

Liquid assets as of September 30, 2017		$1,058
Plus:	EBITDA[1]	2,269
	Change in net capital related to daily futures client cash sweep	14
	Proceeds from sale of property and equipment	12
Less:	Other changes in working capital and regulatory net capital	(694)
	Payment of cash dividends	(477)
	Income taxes paid	(352)
	Purchase of treasury stock	(255)
	Purchase of property and equipment	(229)
	Interest paid	(118)
	Net increase in cash collateral pledged to interest rate swap counterparties	(111)
	Payment for future treasury stock purchases under accelerated stock repurchase agreement	(31)
	Purchase of treasury stock for income tax withholding on stock-based compensation	(17)

Cash paid in business acquisition	(4)
Liquid assets as of September 30, 2018	$1,065

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

Long-term Debt and Other Borrowings

The following is a summary of our long-term debt and other borrowings. For additional details, see Note 10 — Long-term Debt and Other Borrowings under Item 8, Financial Statements and Supplementary Information — Notes to Consolidated Financial Statements.

Senior Notes — As of September 30, 2018 and 2017, the Company had $2.55 billion aggregate principal amount of unsecured, fixed-rate Senior Notes due during calendar years 2019, 2022, 2025 and 2027 (together, the "Senior Notes"). Our Senior Notes were each sold through a public offering and pay interest semi-annually in arrears. Key information about the Senior Notes outstanding as of September 30, 2018 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%
2027 Notes	April 27, 2017	April 1, 2027	$800	3.300%

During October 2018, the Company sold, through a public offering, an additional $1.0 billion aggregate principal amount of unsecured senior notes, consisting of both variable and fixed-rate senior notes. Key information regarding the recent debt issuance is summarized in the following table (dollars in millions):

Description	Date Issued	Maturity Date	Aggregate Principal	Interest Rate
2021 Notes	October 30, 2018	November 1, 2021	$600	Variable
2024 Notes	October 30, 2018	April 1, 2024	$400	3.750%

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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 this exposure, we entered into fixed-for-variable interest rate swaps on each of the Senior Notes. Each fixed-for-variable interest rate swap has a notional amount and a maturity date matching the aggregate principal amount and maturity date, respectively, for each of the respective Senior Notes.

The interest rate swaps effectively change the fixed-rate interest on the Senior Notes to variable-rate interest. Under the terms of the interest rate swap agreements, we receive semi-annual fixed-rate interest payments based on the same rates applicable to the Senior Notes, and make quarterly variable-rate interest payments based on three-month LIBOR plus (a) 2.3745% for the swap on the 2019 Notes, (b) 0.9486% for the swap on the 2022 Notes, (c) 1.1022% for the swap on the 2025 Notes and (d) 1.0340% for the swap on the 2027 Notes. As of September 30, 2018, the weighted average effective interest rate on the aggregate principal balance of the Senior Notes was 3.62%.

Lines of Credit — TDAC utilizes secured uncommitted lines of credit for short-term liquidity. Under these secured uncommitted lines, TDAC borrows on a demand basis from two unaffiliated banks and pledges client margin securities as collateral. Advances under the secured uncommitted lines are dependent on having acceptable collateral as determined by each secured uncommitted credit agreement. At September 30, 2018, the terms of the secured uncommitted credit agreements do not specify borrowing limits. The availability of TDAC's secured uncommitted lines is subject to approval by the individual banks each time an advance is requested and may be denied at their discretion. There were no borrowings outstanding under the secured uncommitted lines of credit as of September 30, 2018.

Securities Sold Under Agreements to Repurchase (repurchase agreements) — Under repurchase agreements, we receive cash from the counterparty and provide U.S. government debt securities as collateral. Our repurchase agreements generally mature between 30 and 90 days following the transaction date and are accounted for as secured borrowings. The weighted average interest rate on the $96 million outstanding repurchase agreement balance as of September 30, 2018 was 2.35%.

TD Ameritrade Holding Corporation Senior Revolving Credit Facility — The Parent has access to a senior unsecured committed revolving credit facility in the aggregate principal amount of $300 million (the "Parent Revolving Facility"). The maturity date of the Parent Revolving Facility is April 21, 2022. There were no borrowings outstanding under the Parent Revolving Facility as of September 30, 2018.

TD Ameritrade Clearing, Inc. Senior Revolving Credit Facilities — TDAC has access to two senior unsecured committed revolving credit facilities with an aggregate principal amount of $1.45 billion, consisting of a $600 million (the "$600 Million Revolving Facility") and an $850 million (the "$850 Million Revolving Facility") senior revolving facility. The maturity dates of the $600 Million Revolving Facility and the $850 Million Revolving Facility are April 21, 2022 and May 16, 2019, respectively. There were no borrowings outstanding under the TDAC senior revolving facilities as of September 30, 2018.

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/or uncommitted lines of credit. Key information about the committed and/or uncommitted lines of credit is summarized in the following table (dollars in millions):

Borrower Subsidiary	Committed Facility	Uncommitted Facility[1]	Termination Date
TD Ameritrade Clearing, Inc.	$400	$300	March 1, 2022
TD Ameritrade, Inc.	N/A	$300	March 1, 2022
TD Ameritrade Futures & Forex LLC	$45	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, 2018.

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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 year 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 year 2018, we repurchased approximately 4.6 million shares at a weighted average purchase price of $55.52 per share. From the inception of this stock repurchase authorization through September 30, 2018, we have repurchased approximately 8.6 million shares at a weighted average purchase price of $43.31 per share. As of September 30, 2018, we had approximately 21.4 million shares remaining under the November 20, 2015 stock repurchase authorization.

Cash Dividends

We declared $0.21 per share, $0.18 per share and $0.17 per share quarterly cash dividends on our common stock during each quarter of fiscal years 2018, 2017 and 2016, respectively. We paid $477 million, $379 million and $362 million to fund the dividends for fiscal years 2018, 2017 and 2016, respectively.

We declared a $0.30 per share cash dividend on our common stock for the first quarter of fiscal year 2019, which is payable on November 20, 2018 to all holders of record of our common stock as of November 6, 2018.

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" in Note 15 — Commitments and Contingencies and "Insured Deposit Account Agreement" in Note 21 — Related Party Transactions. Bank deposit account fees, generated from the IDA agreement and other sweep arrangements with non-affiliated third-party depository financial institutions, account for a significant percentage of our net revenues (28% of our net revenues for the fiscal year ended September 30, 2018). These sweep arrangements enable our clients to invest in FDIC-insured (up to specified limits) deposit products without the need for the Company to establish the significant levels of capital that would be required to maintain our own bank charter.

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Contractual Obligations

The following table summarizes our contractual obligations as of September 30, 2018 (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		2019	2020-21	2022-23	After 2023
Long-term debt obligations[1]	$3,000	$95	$ 648	$ 846	$ 1,411
Securities sold under agreements to repurchase	96	96	—	—	—
Operating lease obligations	345	75	109	62	99
Purchase obligations[2]	371	206	80	48	37
Employee severance and involuntary termination costs[3]	21	20	1	—	—
Income taxes payable[4]	218	218	—	—	—
Total	$4,051	$710	$ 838	$ 956	$ 1,547

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

(2) Purchase obligations primarily relate to agreements for goods and services such as professional services, property and equipment, software, telecommunications, market information, advertising and marketing. Purchase obligations also includes obligations for contracts assumed in the acquisition of Scottrade. We are consolidating certain functions as a result of the acquisition, which may result in the acceleration of future obligations into fiscal year 2019.

(3) Primarily consists of exit and involuntary termination costs incurred in connection with the consolidation of certain functions and facilities following the Scottrade acquisition.

(4) A significant portion of our income taxes payable as of September 30, 2018 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 client margin lending and leverage risk 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 may 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.

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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 bank deposit account arrangements 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 us earning a larger net interest spread. Conversely, a falling interest rate environment generally results in us earning a smaller net interest spread.

Our most prevalent form of interest rate risk is referred to as "gap" risk. Gap risk occurs when the interest rates we earn on assets change at a different frequency or amount than the interest rates we pay on liabilities. For example, in a 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 interest-earning assets with that of interest-bearing liabilities. As of September 30, 2018, our consolidated duration was 2.0 years. We have an Asset/Liability Committee serve 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 bank deposit account arrangements. The simulations involve assumptions that are inherently uncertain and, as a result, cannot precisely predict the impact that changes in interest rates will have on pre-tax income. Actual results may differ from simulated results due to differences in timing and frequency of rate changes, changes in market conditions and changes in management strategy that lead to changes in the mix of interest-sensitive assets and liabilities.

The simulations assume that the asset and liability structure of our Consolidated Balance Sheet and client bank deposit account balances 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, 2018 indicate that a gradual 1% (100 basis points) increase in interest rates over a 12-month period would result in a range of approximately $85 million to $170 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 $140 million to $170 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.

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

To the Shareholders and the Board of Directors of TD Ameritrade Holding Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of TD Ameritrade Holding Corporation (the Company) as of September 30, 2018 and 2017, 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, 2018, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at September 30, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2018, 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) (PCAOB), the Company's internal control over financial reporting as of September 30, 2018, 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 16, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ ERNST & YOUNG LLP

We have served as the Company's auditor since 2005.

New York, New York

November 16, 2018

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TD AMERITRADE HOLDING CORPORATION
CONSOLIDATED BALANCE SHEETS
As of September 30, 2018 and 2017

	2018	2017
	(In millions)	
ASSETS		
Cash and cash equivalents	$2,690	$1,472
Cash and investments segregated and on deposit for regulatory purposes	3,185	10,446
Receivable from brokers, dealers and clearing organizations	1,374	1,334
Receivable from clients, net	22,616	17,151
Receivable from affiliates	151	137
Other receivables, net	304	174
Securities owned, at fair value	156	503
Investments available-for-sale, at fair value (including $98 million and $99 million of securities pledged as collateral for repurchase agreements at September 30, 2018 and 2017, respectively)	484	746
Property and equipment at cost, net	792	752
Goodwill	4,227	4,213
Acquired intangible assets, net	1,329	1,470
Other assets	212	229
Total assets	$37,520	$38,627
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Payable to brokers, dealers and clearing organizations	$2,980	$2,504
Payable to clients	22,884	25,107
Accounts payable and other liabilities	896	815
Payable to affiliates	45	109
Securities sold under agreements to repurchase	96	97
Long-term debt	2,439	2,555
Deferred income taxes	177	193
Total liabilities	29,517	31,380
Stockholders' equity:		
Preferred stock, $0.01 par value, 100 million shares authorized; none issued	—	—
Common stock, $0.01 par value, one billion shares authorized; 670 million shares issued; 2018 — 563 million shares outstanding; 2017 — 567 million shares outstanding	7	7
Additional paid-in capital	3,379	3,369
Retained earnings	7,011	6,011
Treasury stock, common, at cost: 2018 — 107 million shares; 2017 — 103 million shares	(2,371)	(2,116)
Deferred compensation	4	1
Accumulated other comprehensive loss	(27)	(25)
Total stockholders' equity	8,003	7,247
Total liabilities and stockholders' equity	$37,520	$38,627

See notes to consolidated financial statements.

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TD AMERITRADE HOLDING CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
For the Years Ended September 30, 2018, 2017 and 2016

	2018	2017	2016
	(In millions, except per share amounts)		
Revenues:			
Transaction-based revenues:			
Commissions and transaction fees	$ 1,969	$ 1,384	$ 1,372
Asset-based revenues:			
Bank deposit account fees	1,541	1,107	926
Net interest revenue	1,272	690	595
Investment product fees	557	423	374
Total asset-based revenues	3,370	2,220	1,895
Other revenues	113	72	60
Net revenues	5,452	3,676	3,327
Operating expenses:			
Employee compensation and benefits	1,555	962	839
Clearing and execution costs	189	149	136
Communications	179	131	137
Occupancy and equipment costs	302	181	171
Depreciation and amortization	142	102	92
Amortization of acquired intangible assets	141	79	86
Professional services	303	260	178
Advertising	293	254	260
Other	350	92	110
Total operating expenses	3,454	2,210	2,009
Operating income	1,998	1,466	1,318
Other expense:			
Interest on borrowings	99	71	53
Loss on sale of investments	11	—	—
Other	1	1	—
Total other expense	111	72	53
Pre-tax income	1,887	1,394	1,265
Provision for income taxes	414	522	423
Net income	$ 1,473	$ 872	$ 842
Earnings per share — basic	$ 2.60	$ 1.65	$ 1.59
Earnings per share — diluted	$ 2.59	$ 1.64	$ 1.58
Weighted average shares outstanding — basic	567	529	531
Weighted average shares outstanding — diluted	569	531	534
Dividends declared per share	$ 0.84	$ 0.72	$ 0.68

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, 2018, 2017 and 2016

	2018	2017	2016
	(In millions)		
Net income	$1,473	$872	$842
Other comprehensive income (loss), before tax:			
Investments available-for-sale:			
Unrealized loss	(12)	(9)	—
Reclassification adjustment for realized loss included in net income	11	—	—
Net change in investments available-for-sale	(1)	(9)	—
Cash flow hedging instruments:			
Reclassification adjustment for portion of realized loss amortized to net income	5	4	5
Total other comprehensive income (loss), before tax	4	(5)	5
Income tax effect	(2)	2	(2)
Total other comprehensive income (loss), net of tax	2	(3)	3
Comprehensive income	$1,475	$869	$845

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, 2018, 2017 and 2016

	Total Common Shares Outstanding	Total Stockholders' Equity	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Deferred Compensation	Accumulated Other Comprehensive Loss
	(In millions)							
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	—	34	—	34	—	—	—	—
Balance, September 30, 2016	526	5,051	6	1,670	5,518	(2,121)	—	(22)
Net income	—	872	—	—	872	—	—	—
Other comprehensive loss, net of tax	—	(3)	—	—	—	—	—	(3)
Payment of cash dividends	—	(379)	—	—	(379)	—	—	—
Issuance of common stock	11	400	—	400	—	—	—	—
Acquisition of Scottrade Financial Services, Inc.	28	1,262	1	1,261	—	—	—	—
Repurchases of common stock for income tax withholding on stock-based compensation	(1)	(27)	—	—	—	(27)	—	—
Common stock issued for stock-based compensation, including tax effects	3	34	—	2	—	32	—	—
Deferred compensation	—	1	—	—	—	—	1	—
Stock-based compensation	—	36	—	36	—	—	—	—
Balance, September 30, 2017	567	7,247	7	3,369	6,011	(2,116)	1	(25)
Net income	—	1,473	—	—	1,473	—	—	—
Other comprehensive income, net of tax	—	2	—	—	—	—	—	2
Payment of cash dividends	—	(477)	—	—	(477)	—	—	—
Repurchases of common stock	(5)	(255)	—	—	—	(255)	—	—
Future treasury stock purchases under accelerated stock repurchase agreement	—	(31)	—	(31)	—	—	—	—
Repurchases of common stock for income tax withholding on stock-based compensation	—	(17)	—	—	—	(17)	—	—
Common stock issued for stock-based compensation, including tax effects	1	—	—	(19)	—	19	—	—
Deferred compensation	—	1	—	—	—	(2)	3	—
Stock-based compensation	—	60	—	60	—	—	—	—
Adoption of Accounting Standards Update 2018-02 (Note 1)	—	—	—	—	4	—	—	(4)

Balance, September 30, 2018	563	$ 8,003	$ 7	$ 3,379	$ 7,011	$ (2,371)	$ 4	$ (27)

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, 2018, 2017 and 2016

	2018	2017	2016
	(In millions)		
Cash flows from operating activities:			
Net income	$1,473	$872	$842
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	142	102	92
Amortization of acquired intangible assets	141	79	86
Deferred income taxes	(24)	(11)	(8)
Loss on sale of investments	11	—	—
Stock-based compensation	60	36	34
Provision for doubtful accounts on client and other receivables	69	6	5
Other, net	18	12	16
Changes in operating assets and liabilities:			
Cash and investments segregated and on deposit for regulatory purposes	7,261	1,818	(2,424)
Receivable from brokers, dealers and clearing organizations	(40)	23	(328)
Receivable from clients, net	(5,536)	(2,079)	824
Receivable from/payable to affiliates, net	(79)	(5)	(11)
Other receivables, net	(129)	41	(16)
Securities owned, at fair value	347	(135)	94
Other assets	(39)	(5)	(17)
Payable to brokers, dealers and clearing organizations	476	110	(667)
Payable to clients	(2,223)	(196)	3,020
Accounts payable and other liabilities	(20)	31	(58)
Net cash provided by operating activities	1,908	699	1,484
Cash flows from investing activities:			
Purchase of property and equipment	(229)	(197)	(105)
Proceeds from sale of property and equipment	12	—	—
Cash paid in business acquisition, net of cash and cash equivalents acquired	(4)	(1,288)	—
Purchase of short-term investments	(1)	(66)	(605)
Proceeds from sale and maturity of short-term investments	66	4	604
Purchase of investments available-for-sale, at fair value	(392)	—	(757)
Proceeds from sale of investments available-for-sale, at fair value	643	—	—
Purchase of other investments	(3)	—	—
Net cash provided by (used in) investing activities	92	(1,547)	(863)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	—	798	—
Payment of debt issuance costs	(3)	(8)	—
Principal payments on long-term debt	—	(385)	—
Reimbursement (payment) of prepayment premium on long-term debt	2	(54)	—
Proceeds from senior revolving credit facilities	3,225	—	—
Principal payments on senior revolving credit facilities	(3,225)	—	—
Net Proceeds from (payments on) securities sold under agreements to repurchase	(1)	97	—
Payment of cash dividends	(477)	(379)	(362)
Proceeds from issuance of common stock	—	400	—
Proceeds from exercise of stock options	—	23	—
Purchase of treasury stock	(255)	—	(352)

Purchase of treasury stock for income tax withholding on stock-based compensation	(17)	(27)	(30)
Payment for future treasury stock purchases under accelerated stock repurchase agreement	(31)	—	—
Net cash provided by (used in) financing activities	(782)	465	(744)
Net increase (decrease) in cash and cash equivalents	1,218	(383)	(123)
Cash and cash equivalents at beginning of year	1,472	1,855	1,978
Cash and cash equivalents at end of year	$2,690	$1,472	$1,855
Supplemental cash flow information:			
Interest paid	$118	$59	$54
Income taxes paid	$352	$483	$519
Noncash investing activities:			
Issuance of common stock in acquisition	$—	$1,261	$—

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, 2018, 2017 and 2016

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, including relationships with affiliates.

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.

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, U.S. government agency mortgage-backed 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. government debt 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 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.

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

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

Securities Owned — Securities owned 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, 2018, investments available-for-sale consists of U.S. government debt securities with remaining contractual maturities between less than one year and six years. There were no material unrealized gains or losses on investments available-for-sale as of September 30, 2018 and 2017.

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 unit and is compared with the carrying value of the reporting unit. 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 two 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 the remaining useful lives of intangible assets to determine if events or trends warrant a revision to the remaining period of amortization. Long-lived assets classified as "held for sale" are reported at the lesser of carrying amount or fair value less cost to sell. As of September 30, 2018 and 2017, the Company had $36 million and $5 million of assets

classified as held for sale, respectively, which are included in other assets on the Consolidated Balance Sheets.

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

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.

Securities Sold Under Agreements to Repurchase — Transactions involving sales of securities under agreements to repurchase (repurchase agreements) are treated as collateralized financing transactions. Under repurchase agreements, the Company receives cash from counterparties and provides U.S. Treasury securities as collateral. These agreements are carried at amounts at which the securities will subsequently be repurchased, plus accrued interest, and the interest expense incurred by the Company is recorded as interest on borrowings on the Consolidated Statements of Income. See "General Contingencies" in Note 15, Commitments and Contingencies, for a discussion of the potential risks associated with repurchase agreements and how the Company mitigates those risks.

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.

Deferred Compensation — Company common stock held in a rabbi trust pursuant to a Company deferred compensation plan is recorded at the fair value of the stock at the time it is transferred to the rabbi trust and is classified as treasury stock. The corresponding deferred compensation liability is recorded as a component of stockholders' equity on the Consolidated Balance Sheets.

Transaction-based Revenues — Client trades are recorded on a settlement-date basis with such trades generally settling within one to two business days after the trade date. Revenues and expenses related to client trades, including order routing revenue 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.

Bank Deposit Account Fees — Revenues generated from a sweep program that is offered to eligible clients of the Company whereby clients' uninvested cash is swept to FDIC-insured (up to specified limits) money market accounts at third-party financial institutions participating in the program. Bank deposit account fees includes revenues 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"). The IDA agreement is described further in Note 21, Related Party Transactions.

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

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

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 investment programs. Investment product fees also includes fees earned on client assets managed by independent registered investment advisors utilizing the Company's trading and investing platforms.

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 10, Long-term Debt and Other Borrowings.

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. There were no material antidilutive awards for fiscal years 2018 and 2017. 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.

Recently Adopted Accounting Pronouncements

ASU 2018-05 – In March 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-05, Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118. ASU 2018-05 amends Accounting Standards Codification ("ASC") 740, Income Taxes, to provide guidance on accounting for the tax effects of the Tax Cuts and Jobs Act (the "Act") pursuant to Staff Accounting Bulletin No. 118, which allows entities to complete the accounting under ASC 740 within a one-year measurement period from the Act's enactment date. This ASU was effective upon issuance. For additional information regarding the Company's accounting for the tax effects of the Act under this guidance, see Note 11, Income Taxes.

ASU 2018-02 – In February 2018, the FASB issued ASU 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, to allow a reclassification from accumulated other comprehensive income (loss) to retained earnings for stranded income tax effects resulting from the Tax Cuts and Jobs Act enacted on December 22, 2017, and requires certain disclosures about stranded tax effects. The Company elected to early adopt the standard in the fourth quarter of fiscal year 2018, applying the updates in the period of adoption. As a result of the

adoption, the Company reclassified $4 million of income tax benefits, related to cash flow hedging

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instruments, from accumulated other comprehensive loss to retained earnings on its Consolidated Balance Sheet. The reclassification related only to the change in the federal corporate income tax rate due to the Act.

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 simplified several aspects of the accounting for share-based payment transactions, including: (1) recognize all excess tax benefits and tax deficiencies as income tax expense or benefit in the statement of income; (2) treat tax effects of exercised or vested awards as discrete items in the period in which they occur; (3) recognize excess tax benefits regardless of whether the benefit reduces taxes payable in the current period; (4) classify excess tax benefits 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) classify cash paid by an employer when directly withholding shares for tax withholding purposes as a financing activity in the statement of cash flows. The Company adopted the amended accounting guidance as of October 1, 2017, and as a result, the Company's provision for income taxes was reduced by $5 million on its Consolidated Statement of Income for the fiscal year ended September 30, 2018, due to the inclusion of excess tax benefits applied on a prospective basis. The future effects of excess tax benefits and tax deficiencies recognized in the Company's earnings will depend on the volume of equity compensation during a particular period and on the market price of the Company's common stock at the date the equity awards either vest or are exercised. In addition, the Company elected to retrospectively adopt the amendment to present excess tax benefits on share-based compensation as an operating activity on the statement of cash flows. This resulted in an increase in cash flows from operating activities and a decrease in cash flows from financing activities of $12 million and $16 million on the Company's Consolidated Statement of Cash Flows for the fiscal years ended September 30, 2017 and 2016, respectively. For the purpose of recognizing compensation cost associated with share-based awards, the Company has elected to continue to follow its current practice of estimating forfeitures. None of the other provisions in this amended guidance had a significant impact on the Company's consolidated financial statements.

Recently Issued Accounting Pronouncements

ASU 2018-13 – In August 2018, the FASB issued ASU 2018-13, Disclosure Framework–Changes to the Disclosure Requirements for Fair Value Measurement. The amendments in this standard will remove, modify and add certain disclosures under ASC Topic 820, Fair Value Measurement, with the objective of improving disclosure effectiveness. ASU 2018-13 will be effective for the Company's fiscal year beginning October 1, 2020, with early adoption permitted. The transition requirements are dependent upon each amendment within this update and will be applied either prospectively or retrospectively. Since this update is intended to modify disclosures, the adoption of ASU 2018-13 is not expected to have a material impact on the Company's consolidated financial statements.

ASU 2017-12 – In August 2017, the FASB issued ASU 2017-12, Targeted Improvements to Accounting for Hedging Activities, which will amend the guidance in ASC Topic 815, Derivatives and Hedging. The objective of this ASU is to improve the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements through changes to both the designation and measurement guidance for qualifying hedging relationships and to the presentation of hedge results. In addition, the amendments in this ASU make certain targeted improvements to simplify the application of the hedge accounting guidance in current GAAP. All transition requirements and elections under ASU 2017-12 should be applied to hedging relationships existing on the date of adoption, with the effect of the adoption reflected as of the beginning of the fiscal year of adoption. The amended presentation and disclosure guidance is required only prospectively. ASU 2017-12 will be effective for the Company's fiscal year beginning October 1, 2019, with early adoption permitted. The Company is currently assessing the impact this ASU will have on its consolidated financial statements.

ASU 2017-04 – In January 2017, the FASB issued ASU 2017-04, Simplifying the Test for Goodwill Impairment, which is intended to simplify the test for goodwill impairment by eliminating Step 2 from the goodwill impairment

test, which measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. Under the amendments in this ASU, an entity should perform its annual

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goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. When measuring the goodwill impairment loss, income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit should be considered, if applicable. An entity will still have the option to perform the qualitative assessment for a reporting unit to determine if the quantitative test is necessary. ASU 2017-04 should be applied prospectively and will be effective for the Company's fiscal year beginning October 1, 2020, with early adoption permitted. The Company does not expect this ASU to have a material impact on its consolidated financial statements.

ASU 2016-18 – In November 2016, the FASB issued ASU 2016-18, Restricted Cash. This ASU will amend the guidance in ASC Topic 230, Statement of Cash Flows, and is intended to reduce the diversity in the classification and presentation of changes in restricted cash on the statement of cash flows. The amendments within this ASU will require that the reconciliation of the beginning-of-period and end-of-period cash and cash equivalents amounts shown on the statement of cash flows include restricted cash and restricted cash equivalents. If restricted cash and restricted cash equivalents are presented separately from cash and cash equivalents on the balance sheet, an entity will be required to reconcile the amounts presented on the statement of cash flows to the amounts on the balance sheet. An entity will also be required to disclose information regarding the nature of the restrictions. ASU 2016-18 requires retrospective application and became effective for the Company's fiscal year beginning October 1, 2018. The adoption of ASU 2016-18 will change the manner in which restricted cash and restricted cash equivalents are presented in the Company's consolidated financial statements.

ASU 2016-16 – In October 2016, the FASB issued ASU 2016-16, Intra-Entity Transfers of Assets Other Than Inventory. This ASU will amend the guidance in ASC Topic 740, Income Taxes. The amendments in this ASU are intended to improve the accounting for the income tax consequences of intra-entity transfers of assets other than inventory by requiring an entity to recognize the income tax consequences when a transfer occurs, instead of when the asset is sold to a third party. ASU 2016-16 requires modified retrospective adoption and became effective for the Company's fiscal year beginning October 1, 2018. The adoption of ASU 2016-16 did not have an impact on the Company's consolidated financial statements.

ASU 2016-13 – In June 2016, the FASB issued 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 will be effective for the Company's fiscal year beginning October 1, 2020, using a modified retrospective approach. Early adoption is permitted. The Company is currently assessing the impact this ASU will have on its consolidated financial statements.

ASU 2016-02 – In February 2016, the FASB issued ASU 2016-02, Leases. This ASU will supersede the guidance in 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 balance sheet 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 balance sheet. 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. Subsequent to issuing ASU 2016-02, the FASB has issued additional standards for the purpose of clarifying certain aspects of ASU 2016-02 and providing an additional (optional) transition method with which to adopt the new leases

standard. The subsequently issued ASUs have the same effective date and transition requirements as ASU 2016-02. Under ASU 2016-02, an entity may apply the amendments by using one of the following two methods: (1) recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach or (2) apply the standard at the adoption date and recognize a cumulative-effect

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adjustment to the opening balance of retained earnings in the period of adoption. ASU 2016-02 will be effective for the Company's fiscal year beginning October 1, 2019, with early adoption permitted. The Company has not selected a transition method and is currently assessing the impact of this ASU, but does not expect the standard to have a material impact on its net income. Upon adoption of ASU 2016-02, the Company expects to recognize right-of-use assets and lease liabilities for its operating leases, with initial measurement as defined by the ASU, in its Consolidated Balance Sheets.

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, with early adoption permitted. Subsequent to issuing ASU 2014-09, the FASB has issued additional standards for the purpose of clarifying certain aspects of ASU 2014-09. The subsequently issued ASUs have the same effective date and transition requirements as ASU 2014-09.

The guidance does not apply to revenue associated with financial instruments, such as interest revenue, which is accounted for under other GAAP. Accordingly, net interest revenue will not be impacted. The Company adopted the revenue recognition standard as of October 1, 2018 using the modified retrospective method of adoption. This adoption did not have a material impact on the Company's financial condition, results of operations or cash flows as the satisfaction of performance obligations under the new guidance is materially consistent with the Company's previous revenue recognition policies. Similarly, the amended guidance did not have a material impact on the recognition of costs incurred to obtain new contracts with clients. The Company's implementation work is now substantially complete and the additional disclosure requirements will be reflected in interim reporting beginning in the first quarter of fiscal year 2019.

2. Business Acquisition

On September 18, 2017, the Company completed its acquisition of Scottrade Financial Services, Inc. ("Scottrade"), pursuant to an Agreement and Plan of Merger dated October 24, 2016 (the "Acquisition"), among the Company, Rodger O. Riney, as Voting Trustee of the Rodger O. Riney Family Voting Trust U/A/D 12/31/2012 (the "Riney Stockholder"), and Alto Acquisition Corp., a wholly-owned subsidiary of the Company. Founded in 1980, Scottrade provided securities brokerage and investment services to retail investors and traders, and independent registered investment advisors through its online platform as well as through nearly 500 branch locations.

Immediately prior to the closing of the Acquisition, pursuant to the terms and conditions set forth in a separate Agreement and Plan of Merger, TD Bank, N.A., a wholly-owned subsidiary of The Toronto-Dominion Bank ("TD"), acquired Scottrade Bank, which was a wholly-owned subsidiary of Scottrade, from Scottrade (the "Bank Merger") for approximately $1.37 billion in cash (the "Bank Merger Consideration"). Immediately prior to the closing of the Acquisition, the Company also issued 11,074,197 shares of the Company's common stock to TD at a price of $36.12 per share, or approximately $400 million, pursuant to a subscription agreement dated October 24, 2016 between the

Company and TD. Immediately following the Bank Merger, the Acquisition was completed. The aggregate consideration paid by the Company for all of the outstanding capital stock of Scottrade consisted of 27,685,493 shares of the Company's common stock and $3.07 billion in cash (the "Cash Consideration"). The Cash Consideration was funded with the Bank Merger Consideration paid by TD Bank, N.A. to Scottrade, the proceeds received from

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the Company's issuance of the 3.300% Senior Notes on April 27, 2017, cash on hand and cash proceeds from the sale of the Company's common stock to TD, as described above. At the closing of the Acquisition, 1,736,815 shares of the Company's common stock otherwise payable to the Riney Stockholder were deposited into a third-party custodian account (the “Escrow Account”) pursuant to an escrow agreement to secure certain indemnification obligations of the Riney Stockholder.

In connection with the closing of the Acquisition, the Company entered into a registration rights agreement with TD, the Riney Stockholder and the other stockholders described therein (the "Ricketts Stockholders") providing for certain customary registration rights with respect to their shares of the Company's common stock. Additionally, the Company and the Riney Stockholder entered into a stockholders agreement (the "Riney Stockholders Agreement"), which contained various provisions relating to stock ownership, voting, election of directors and other matters. On December 14, 2017, all of the Company's common stock received as consideration by the Riney Stockholder in the Acquisition, including shares held in the Escrow Account, were sold in a public offering. Prior to the public offering, the Riney Stockholder replaced the shares previously held in the Escrow Account with cash. As a result of the Riney Stockholder no longer owning any shares of the Company's common stock, the registration rights agreement was terminated solely with respect to the Riney Stockholder and the Riney Stockholders Agreement was terminated.

The Company accounted for the purchase of Scottrade using the acquisition method of accounting under GAAP and accordingly, the purchase price of the Acquisition was allocated to the assets acquired and liabilities assumed based on their estimated fair values as of the date of acquisition. During the fiscal year ended September 30, 2018, the Company recorded purchase accounting adjustments, primarily attributable to post-closing adjustments related to the Bank Merger Consideration, assets acquired and liabilities assumed, resulting in a net increase in goodwill of $14 million. The purchase price allocation was finalized during September 2018, one-year from the anniversary of the Acquisition. Differences between purchase accounting estimates and actual results that arose prior to September 18, 2018 resulted in adjustments to the purchase price allocation. Any such adjustments arising on or after September 18, 2018 will be recorded in earnings. Goodwill associated with the Acquisition was primarily attributable to the anticipated synergies from combining the operations of the Company and Scottrade. Approximately $1.63 billion of the goodwill associated with the Acquisition is expected to be deductible for income tax purposes.

The purchase price for Scottrade was comprised of the following (dollars in millions):

TD Ameritrade Holding Corporation common stock issued to the Riney Stockholder and the Escrow Account[(1)]	$1,261
Cash paid at closing[(2)]	3,073
Total purchase price	$4,334

(1) Represents the value of 27,685,493 shares of the Company's common stock at a price of $45.55 per share. The per share value is based on the opening market price of the Company's common stock as of September 18, 2017, the Acquisition date. As discussed above, the shares held in the Escrow Account were sold and replaced with cash.
(2) Includes $1.37 billion of Bank Merger Consideration paid by TD Bank, N.A. to Scottrade, which was used to fund a portion of the Acquisition.

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The purchase price allocation for Scottrade is summarized as follows (dollars in millions):

Cash and cash equivalents[1]	$1,785
Cash and investments segregated and on deposit for regulatory purposes	3,535
Receivable from brokers, dealers and clearing organizations	167
Receivable from clients, net	3,136
Receivable from affiliates	2
Other receivables	54
Securities owned	37
Property and equipment	136
Goodwill	1,760
Acquired intangible assets	974
Deferred tax assets	70
Other assets	35
Total assets acquired	11,691
Payable to brokers, dealers and clearing organizations	(354)
Payable to clients	(6,248)
Accounts payable and other liabilities	(272)
Payable to affiliates	(47)
Long-term debt[2]	(436)
Total liabilities assumed	(7,357)
Total provisional purchase price allocated	$4,334

(1) Includes $1.37 billion of Bank Merger Consideration paid by TD Bank, N.A. to Scottrade, which was used to fund a portion of the Acquisition.
(2) On the date of Acquisition, amounts owed by Scottrade under its 6.125% senior notes, including a prepayment premium, and the amount owed under its 6.18% secured loan were repaid by the Company.
The results of operations for Scottrade are included in the Company's consolidated financial statements from the date of Acquisition. The following unaudited pro forma financial information sets forth the results of operations of the Company as if the Acquisition had occurred on October 1, 2015, the beginning of the comparable fiscal year prior to the year of Acquisition. The unaudited pro forma results include certain adjustments for acquisition-related costs, depreciation, amortization of intangible assets, interest expense on acquisition financing, and related income tax effects, and do not reflect potential revenue enhancements, cost savings or operating synergies that the Company expects to realize after the Acquisition. The unaudited pro forma financial information is based on currently available information, is presented for informational purposes only, and is not indicative of future operations or results had the Acquisition been completed as of October 1, 2015 or any other date.

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The following table summarizes the unaudited pro forma financial information for the fiscal years indicated (dollars in millions):

	2017	2016
	(unaudited)	
Pro forma net revenues	$4,586	$4,158
Pro forma net income	$921	$700
Pro forma basic earnings per share	$1.62	$1.23
Pro forma diluted earnings per share	$1.62	$1.22

3. Cash and Cash Equivalents

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

	September 30,	
	2018	2017
Broker-dealer subsidiaries	$2,094	$997
Corporate	342	279
Trust company subsidiary	124	79
Futures commission merchant and forex dealer member subsidiary	89	98
Investment advisory subsidiaries	41	19
Total	$2,690	$1,472

Capital requirements may limit the amount of cash available for dividend from the broker-dealer, trust company and FCM/FDM subsidiaries to the Parent.

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

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

	September 30,	
	2018	2017
U.S. government agency mortgage-backed securities	$1,302	$1,486
Cash in demand deposit accounts	956	3,653
Reverse repurchase agreements (collateralized by U.S. government debt securities)	500	1,004
Cash on deposit with futures commission merchants	202	209
U.S. government debt securities	200	4,019
U.S. government debt securities on deposit with futures commission merchant	25	75
Total	$3,185	$10,446

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

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

	September 30,	
	2018	2017
Receivable:		
Deposits paid for securities borrowed	$803	$1,154
Clearing organizations	545	151
Broker-dealers	14	21
Securities failed to deliver	12	8
Total	$1,374	$1,334
Payable:		
Deposits received for securities loaned	$2,914	$2,449
Securities failed to receive	34	21
Clearing organizations	29	32
Broker-dealers	3	2
Total	$2,980	$2,504

6. Allowance for Doubtful Accounts on Receivables

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

	2018	2017	2016
Beginning balance	$11	$9	$12
Provision for doubtful accounts, net	56	2	2
Acquired in business acquisition	—	2	—
Write-off of doubtful accounts	(13)	(2)	(5)
Ending balance	$54	$11	$9

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7. Property and Equipment

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

	September 30,	
	2018	2017
Buildings and building components	$462	$351
Computer equipment	326	270
Software	178	215
Leasehold improvements	176	173
Building construction in process	—	101
Land	61	77
Other property and equipment	92	83
	1,295	1,270
Less: Accumulated depreciation and amortization	(503)	(518)
Property and equipment at cost, net	$792	$752

8. Goodwill and Acquired Intangible Assets

The Company has recorded goodwill for business acquisitions 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. The following table summarizes changes in the carrying amount of goodwill (dollars in millions):

Balance as of September 30, 2016	$2,467
Goodwill recorded in acquisition of Scottrade (see Note 2)	1,746
Balance as of September 30, 2017	4,213
Purchase accounting adjustments[1]	14
Balance as of September 30, 2018	$4,227

(1) The purchasing accounting adjustments are primarily attributable to post-closing adjustments related to the Bank Merger Consideration, property acquired and liabilities assumed in the acquisition of Scottrade. The purchase price allocation was finalized during September 2018, one-year from the anniversary of the Acquisition. Differences between purchase accounting estimates and actual results that arose prior to September 18, 2018 resulted in adjustments to the purchase price allocation. Any such adjustments arising on or after September 18, 2018 will be recorded in earnings.

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

	September 30,					
	2018			2017		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Client relationships	$2,183	$ (1,003)	$ 1,180	$2,183	$ (877)	$ 1,306
Technology and content	108	(108)	—	108	(100)	8
Trade names	10	(7)	3	10	—	10
Trademark license	146	—	146	146	—	146
	$2,447	$ (1,118)	$ 1,329	$2,447	$ (977)	$ 1,470

Amortization expense on acquired intangible assets was $141 million, $79 million and $86 million for fiscal years 2018, 2017 and 2016, respectively. Estimated future amortization expense for acquired finite-lived intangible assets outstanding as of September 30, 2018 is as follows (dollars in millions):

Fiscal Year	Estimated Amortization Expense
2019	$ 124
2020	116
2021	106
2022	105
2023	75
Thereafter (to 2035)	657
Total	$ 1,183

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

9. Exit Liabilities

As of September 18, 2017, the date of Acquisition, the Company began to incur costs in connection with actions taken to attain synergies from combining the operations of the Company and Scottrade. These costs, collectively referred to as "acquisition-related exit costs," include severance and other costs associated with consolidating facilities and administrative functions. As of September 30, 2018, substantially all of the acquisition-related exit costs associated with the Acquisition have been incurred.

The following table summarizes activity in the Company's exit liabilities for the fiscal years ended September 30, 2018 and 2017, which are included in accounts payable and other liabilities on the Consolidated Balance Sheets (dollars in millions):

	Severance Pay and Other Employment Benefits		Contract Termination and Other Costs		Total
Balance, September 30, 2016	$ 4		$ —		$4
Exit liabilities assumed in business acquisition	100		—		100
Costs incurred and charged to expense	43	(1)	1	(2)	44
Costs paid or otherwise settled	(9)		(1)		(10)
Balance, September 30, 2017	138		—		138
Exit liabilities assumed - post closing adjustments	—		9		9
Costs incurred and charged to expense	235	(1)	213	(2)	448
Costs paid or otherwise settled	(352)		(174)		(526)
Balance, September 30, 2018	$ 21		$ 48		$69

(1) Costs incurred for severance pay and other employment benefits are included in employee compensation and benefits on the Consolidated Statements of Income.

(2) Costs incurred for contract termination and other costs are primarily included in other operating expense and professional services on the Consolidated Statements of Income.

There were no material exit costs incurred which were not associated with the Scottrade acquisition during fiscal years 2018, 2017 and 2016.

The following table summarizes the cumulative amount of acquisition related exit costs incurred by the Company related to the Scottrade acquisition as of September 30, 2018 (dollars in millions):

	Severance Pay and Other Employment Benefits	Contract Termination and Other Costs	Total
Exit liabilities assumed in business acquisition	$ 100	$ 9	$109
Employee compensation and benefits	267	—	267
Clearing and execution costs	—	1	1
Communications	—	1	1
Occupancy and equipment costs	—	7	7
Professional services	—	30	30
Other operating expense	—	173	173
Other non-operating expense	—	2	2

Total	$ 367	$ 223	$590

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10. Long-term Debt and Other Borrowings

Long-term debt and other borrowings consist of the following (dollars in millions):

September 30, 2018	Face Value	Unamortized Discounts and Debt Issuance Costs	Fair Value Adjustment[1]	Net Carrying Value
Other borrowings:				
Securities sold under agreements to repurchase	$96	$ —	$ —	$ 96
Long-term debt:				
Senior Notes:				
5.600% Notes due 2019	500	(1)	2	501
2.950% Notes due 2022	750	(4)	(27)	719
3.625% Notes due 2025	500	(3)	(17)	480
3.300% Notes due 2027	800	(9)	(52)	739
Subtotal - Long-term debt	2,550	(17)	(94)	2,439
Total long-term debt and other borrowings	$2,646	$ (17)	$ (94)	$ 2,535

September 30, 2017	Face Value	Unamortized Discounts and Debt Issuance Costs	Fair Value Adjustment[1]	Net Carrying Value
Other borrowings:				
Securities sold under agreements to repurchase	$97	$ —	$ —	$ 97
Long-term debt:				
Senior Notes:				
5.600% Notes due 2019	500	(1)	15	514
2.950% Notes due 2022	750	(5)	—	745
3.625% Notes due 2025	500	(3)	11	508
3.300% Notes due 2027	800	(9)	(3)	788
Subtotal - Long-term debt	2,550	(18)	23	2,555
Total long-term debt and other borrowings	$2,647	$ (18)	$ 23	$ 2,652

(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.

Fiscal year maturities on long-term debt outstanding at September 30, 2018 are as follows (dollars in millions):

2019	$—
2020	500
2021	—
2022	750
2023	—
Thereafter	1,300
Total	$2,550

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Senior Notes — As of September 30, 2018 and 2017, the Company had $2.55 billion aggregate principal amount of unsecured, fixed-rate Senior Notes due during calendar years 2019, 2022, 2025 and 2027 (together, the "Senior Notes"). The Company's Senior Notes were each sold through a public offering and pay interest semi-annually in arrears. Key information about the Senior Notes outstanding as of September 30, 2018 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%
2027 Notes	April 27, 2017	April 1, 2027	$800	3.300%

The Company used the proceeds from the issuance of the 2027 Notes during fiscal year 2017 to finance a portion of the cash consideration paid by the Company in its acquisition of Scottrade.

The 2022 Notes, 2025 Notes and 2027 Notes are not required to be guaranteed by any of the Company's subsidiaries. Prior to April 21, 2017, the 2019 Notes were required to be jointly, severally, fully and unconditionally guaranteed by each of the Company's current and future subsidiaries that was or became a borrower or a guarantor under the TD Ameritrade Holding Corporation Credit Agreement described below. As of April 21, 2017, the obligations under the TD Ameritrade Holding Corporation Credit Agreement are no longer guaranteed by any subsidiary of the Parent; therefore the guarantee of the 2019 Notes was released.

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, 2025 Notes and 2027 Notes, in whole or in part, at any time prior to February 1, 2022, January 1, 2025 and January 1, 2027, 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, 25 basis points in the case of the 2025 Notes and 20 basis points in the case of the 2027 Notes, plus, in each case, accrued and unpaid interest to the date of redemption. The Company may redeem the 2022 Notes, 2025 Notes and 2027 Notes, in whole or in part, at any time on or after February 1, 2022, January 1, 2025 and January 1, 2027, 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.

On October 30, 2018, the Company sold, through a public offering, an additional $1.0 billion aggregate principal amount of unsecured senior notes, consisting of both variable and fixed-rate notes. Key information regarding the recent debt issuance is summarized in the following table (dollars in millions):

Description	Date Issued	Maturity Date	Aggregate Principal	Interest Rate
2021 Notes	October 30, 2018	November 1, 2021	$600	Variable
2024 Notes	October 30, 2018	April 1, 2024	$400	3.75%

For additional details regarding the October 30, 2018 debt issuance, see Note 24, Subsequent Event.

Lines of Credit — TD Ameritrade Clearing, Inc. ("TDAC"), a clearing broker-dealer subsidiary of the Company, utilizes secured uncommitted lines of credit for short-term liquidity. Under the secured uncommitted lines, TDAC borrows on a demand basis from two unaffiliated banks and pledges client margin securities as collateral. Advances

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under the secured uncommitted lines are dependent on having acceptable collateral as determined by each secured uncommitted credit agreement. At September 30, 2018, the terms of the secured uncommitted credit agreements do not specify borrowing limits. The availability of TDAC's secured uncommitted lines is subject to approval by the individual banks each time an advance is requested and may be denied. There were no borrowings outstanding under the secured uncommitted lines of credit as of September 30, 2018.

Securities Sold Under Agreements to Repurchase (repurchase agreements) — Under repurchase agreements, the Company receives cash from the counterparty and provides U.S. government debt securities as collateral. The Company's repurchase agreements generally mature between 30 and 90 days following the transaction date and are accounted for as secured borrowings. The remaining contractual maturity of the repurchase agreements with outstanding balances as of September 30, 2018 and 2017 was less than 30 days and 90 days, respectively. The weighted average interest rate on the balances outstanding as of September 30, 2018 and 2017 was 2.35% and 1.25%, respectively. See "General Contingencies" in Note 15 for a discussion of the potential risks associated with repurchase agreements and how the Company mitigates those risks.

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 this exposure, the Company has entered into fixed-for-variable interest rate swaps on each of the Senior Notes. Each fixed-for-variable interest rate swap has a notional amount and a maturity date matching the aggregate principal amount and maturity date, respectively, for each of the respective Senior Notes. The interest rate swaps effectively change the fixed-rate interest on the Senior Notes to variable-rate interest. Under the terms of the interest rate swap agreements, the Company receives semi-annual fixed-rate interest payments based on the same rates applicable to the Senior Notes, and makes quarterly variable-rate interest payments based on three-month LIBOR plus (a) 2.3745% for the swap on the 2019 Notes, (b) 0.9486% for the swap on the 2022 Notes, (c) 1.1022% for the swap on the 2025 Notes and (d) 1.0340% for the swap on the 2027 Notes. As of September 30, 2018, the weighted average interest rate on the aggregate principal balance of the Senior Notes was 3.62%.

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):

	2018	2017	2016
Gain (loss) on fair value of interest rate swaps	$(117)	$(56)	$16
Gain (loss) on fair value of hedged fixed-rate debt	117	56	(16)
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 an anticipated debt refinancing. 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 September 30, 2018, the Company expects to amortize $4.4 million of pre-tax losses, that were reported in accumulated other

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comprehensive loss, into interest on borrowings on the Consolidated Statements of Income within the next 12 months.

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

	September 30,	
	2018	2017
Pay-variable interest rate swaps designated as fair value hedges:		
Other assets	$ 2	$ 26
Accounts payable and other liabilities	$ (96)	$ (3)

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, 2018 and 2017, the pay-variable interest rate swap counterparties had pledged $10 million and $40 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. As of September 30, 2018 and 2017, the Company had pledged $82 million and $1 million of collateral, respectively, to the pay-variable interest rate swap counterparties in the form of cash. An asset for collateral pledged to the swap counterparties in the form of cash is recorded in other receivables on the Consolidated Balance Sheets.

TD Ameritrade Holding Corporation Senior Revolving Credit Facilities — On April 21, 2017, the Parent entered into a credit agreement consisting of a senior unsecured committed revolving credit facility in the aggregate principal amount of $300 million (the "Parent Revolving Facility"), replacing the Parent's prior $300 million unsecured revolving credit facility. The maturity date of the Parent Revolving Facility is April 21, 2022. The obligations under the Parent Revolving Facility are not guaranteed by any subsidiary of Parent. TD Ameritrade Online Holdings Corp. ("TDAOH"), a wholly-owned subsidiary of the Company, guaranteed the Parent's obligations under the Parent's prior revolving credit facility and its 2019 Notes. Upon termination of the Parent's prior revolving credit facility on April 21, 2017, TDAOH's guarantee of the 2019 Notes was also terminated.

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 Eurodollar loans") or (b) (i) the highest of (x) the prime rate, (y) the federal funds effective rate (or, if the federal funds effective rate is unavailable, the overnight bank funding rate) plus 0.50% or (z) the eurodollar rate assuming a one-month interest period plus 1.00%, plus (ii) an interest rate margin ("ABR loans"). The interest rate margin ranges from 0.875% to 1.50% for Parent Eurodollar loans and from 0% to 0.50% for ABR loans, determined by reference to the Company's public debt ratings. The Parent is obligated to pay a commitment fee ranging from 0.08% to 0.20% on any unused amount of the Parent Revolving Facility, determined by reference to the Company's public debt ratings. There were no borrowings outstanding under the Parent Revolving Facility as of September 30, 2018 and 2017. As of September 30, 2018, the interest rate margin would have been 1.125% for Parent Eurodollar loans and 0.125% for ABR loans, and the commitment fee was 0.125%, each determined by reference to the Company's public debt ratings.

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

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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, 2018.

In addition to the Parent Revolving Facility, the Parent entered into a credit agreement on February 16, 2018, consisting of a senior unsecured committed revolving credit facility in the aggregate principal amount of $500 million, with substantially the same terms as the Parent Revolving Facility. The February 16, 2018 revolving credit facility matured on May 17, 2018.

TD Ameritrade Clearing, Inc. Senior Revolving Credit Facilities — TDAC has access to two senior unsecured committed revolving credit facilities with an aggregate principal amount of $1.45 billion, consisting of a $600 million (the "$600 Million Revolving Facility") and an $850 million (the "$850 Million Revolving Facility") senior revolving facility (together, the "TDAC Revolving Facilities") entered into on April 21, 2017 and May 17, 2018, respectively. The maturity dates of the $600 Million Revolving Facility and the $850 Million Revolving Facility are April 21, 2022 and May 16, 2019, respectively.

The applicable interest rate under each of the TDAC Revolving Facilities is calculated as a per annum rate equal to, at the option of TDAC, (a) LIBOR plus an interest rate margin ("TDAC Eurodollar loans") or (b) the federal funds effective rate plus an interest rate margin ("Federal Funds Rate loans"). The interest rate margin ranges from 0.75% to 1.25% for both TDAC Eurodollar loans and Federal Funds Rate loans, determined by reference to the Company's public debt ratings. TDAC is obligated to pay commitment fees ranging from 0.07% to 0.175% and from 0.06% to 0.125% on any unused amounts of the $600 Million Revolving Facility and the $850 Million Revolving Facility, respectively, each determined by reference to the Company's public debt ratings. There were no borrowings outstanding under the TDAC Revolving Facilities as of September 30, 2018 and 2017. As of September 30, 2018, the interest rate margin under the TDAC Revolving Facilities would have been 1.00% for both TDAC Eurodollar loans and Federal Funds Rate loans, determined by reference to the Company's public debt ratings. As of September 30, 2018, the commitment fees under the $600 Million Revolving Facility and the $850 Million Revolving Facility were 0.10% and 0.08%, respectively, each determined by reference to the Company's public debt ratings.

The TDAC Revolving Facilities contain 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, which may change from time to time. TDAC was in compliance with all covenants under the TDAC Revolving Facilities as of September 30, 2018.

TD, along with other financial institutions, is participating as a lender under the Parent Revolving Facility and the TDAC Revolving Facilities. As of September 30, 2018 and 2017, the total lending commitment received from TD under these credit facilities was $257 million and $115 million, respectively. For additional information regarding the Company's transactions with TD, see Note 21, Related Party Transactions.

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/or uncommitted lines of credit. Key information about the committed and/or uncommitted lines of credit is summarized in the following table (dollars in millions):

Borrower Subsidiary	Committed Facility	Uncommitted Facility[1]	Termination Date
TD Ameritrade Clearing, Inc.	$400	$300	March 1, 2022
TD Ameritrade, Inc.	N/A	$300	March 1, 2022
TD Ameritrade Futures & Forex LLC	$45	N/A	August 11, 2021

(1) The Parent is permitted, but under no obligation, to make loans under uncommitted facilities.

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Loans under both the committed and uncommitted facilities bear interest at the same rate as borrowings under the TDAC Revolving Facilities 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, 2018 and 2017.

11. Income Taxes

The Tax Cuts and Jobs Act was enacted on December 22, 2017. The Act reduces the U.S. federal corporate income tax rate from 35% to 21%, requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and creates new taxes on certain foreign sourced earnings. As of September 30, 2018, the Company has completed its accounting for the tax effects of the Act. The U.S. federal statutory income tax rate, for companies with a fiscal year end of September 30, 2018, was a blended rate of 24.5%. However, as the Company is on a calendar year for tax reporting purposes, the actual computed blended U.S. federal statutory income tax rate was somewhat lower due to the Company's income being earned unevenly during the fiscal year.

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

	2018	2017	2016
Current expense (benefit):			
Federal	$380	$484	$435
State	58	49	(4)
	438	533	431
Deferred expense (benefit):			
Federal	(32)	(11)	(5)
State	8	—	(3)
	(24)	(11)	(8)
Provision for income taxes	$414	$522	$423

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

	2018	2017	2016
Federal statutory income tax rate	24.5 %	35.0 %	35.0 %
Statutory versus actual blended federal income tax rate	(1.3)	—	—
State taxes, net of federal tax effect	2.6	2.8	2.8
Adjustments to estimated state income taxes	—	—	(0.2)
Federal incentives	0.4	(0.3)	(1.4)
Interest recorded (reversed) on unrecognized tax benefits, net	0.2	0.2	(1.1)
Remeasurement of U.S. deferred income taxes	(3.8)	—	—
Reversal of accruals for unrecognized tax benefits	(0.4)	(0.4)	(1.8)
Share-based payment compensation	(0.3)	—	—
Other	—	0.1	0.1
	21.9 %	37.4 %	33.4 %

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The Company's effective income tax rate for fiscal year 2018 was 21.9%, compared to 37.4% and 33.4% for fiscal years 2017 and 2016, respectively. The provision for income taxes for fiscal year 2018 included a net favorable adjustment of $71 million related to the remeasurement of the Company's deferred income tax balances as it pertains to the Act, a $5 million income tax benefit resulting from the change in accounting for income taxes related to equity-based compensation under ASU 2016-09, $12 million of favorable resolutions of state income tax matters and a $30 million favorable benefit resulting from accelerating certain deductions, including acquisition-related exit costs, to leverage higher 2017 pre-enactment tax rates. The effective income tax rate was also impacted by a $9 million unfavorable remeasurement of uncertain tax positions related to certain federal incentives. These items had a net favorable impact on the Company's earnings for fiscal year 2018 of approximately $0.19 per share. The provision for income taxes for fiscal year 2017 included $8 million of net favorable resolutions of state income tax matters and $4 million of favorable tax benefits for certain federal incentives. These items had a net favorable impact on the Company's earnings for fiscal year 2017 of approximately two cents per share. 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 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 $0.12 per share.

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

	September 30,	
	2018	2017
Deferred tax assets:		
Accrued and other liabilities	$78	$131
Stock-based compensation	19	28
Allowance for doubtful accounts	14	6
Unrecognized loss on cash flow hedging instruments	9	15
Intangible assets, state tax benefit	3	5
Operating loss carryforwards	2	1
Gross deferred tax assets	125	186
Less: Valuation allowance	(2)	(1)
Net deferred tax assets	123	185
Deferred tax liabilities:		
Acquired intangible assets	(236)	(331)
Property and equipment	(46)	(35)
Prepaid expenses	(13)	(11)
Unrealized gain on investments	(2)	—
Other deferred tax liabilities	(3)	(1)
Total deferred tax liabilities	(300)	(378)
Net deferred tax liabilities	$(177)	$(193)

At September 30, 2018, subsidiaries of the Company have approximately $35 million of separate state operating loss carryforwards. These carryforwards expire between fiscal years 2021 and 2037. Because the realization of the tax benefit from state loss carryforwards is dependent on certain subsidiaries generating sufficient state taxable

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income in future periods, as well as annual limitations on future utilization, the Company has provided a valuation allowance against the computed benefit in order to reflect the tax benefit expected to be realized.

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

	2018	2017	2016
Beginning balance	$152	$142	$154
Additions based on tax positions related to the current year	35	28	30
Additions for tax positions of prior years	8	—	20
Reductions due to lapsed statute of limitations	(9)	(7)	(8)
Reductions due to settlements with taxing authorities	(3)	(1)	(21)
Reductions for tax positions of prior years	(2)	(10)	(33)
Ending balance	$181	$152	$142

The balance of unrecognized tax benefits as of September 30, 2018 was $181 million ($151 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, 2017 was $152 million ($108 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 Company's federal claims for refund for tax years 2012 through 2014 are being examined by the Internal Revenue Service. The federal returns for 2015 through 2017 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, 2018 could decrease by up to $77 million ($67 million net of the federal benefit on state matters) within the next 12 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 $4 million and $2 million of interest and penalties expense (net of the federal benefit) on the Consolidated Statements of Income for fiscal years 2018 and 2017, respectively, primarily due to accruals for unrecognized tax benefits. The Company recognized $17 million of net benefits for interest and penalties (net of the federal income tax effect) for fiscal year 2016, primarily due to favorable resolutions and remeasurement of uncertain tax positions. As of September 30, 2018 and 2017, accrued interest and penalties related to unrecognized tax benefits was $30 million and $26 million, respectively.

12. 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., an introducing broker-dealer subsidiary of the Company, 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 net capital 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

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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 positions carried by the FCM in client and nonclient accounts. As an FDM, TDAFF is also 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, 2018	$2,831	$ 525	$ 2,306	10.79	%
September 30, 2017	$1,595	$ 340	$ 1,255	9.39	%

TD Ameritrade, Inc.

Date	Net Capital	Required Net Capital (Minimum Dollar Requirement)	Net Capital in Excess of Required Net Capital
September 30, 2018	$ 181	$ 0.25	$ 181
September 30, 2017	$ 155	$ 0.25	$ 155

Scottrade, 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, 2018[1]	N/A	N/A	N/A	N/A	
September 30, 2017	$ 348	$ 70	$ 278	9.99	%

(1) On February 26, 2018, Scottrade, Inc. transferred substantially all of its broker-dealer business net assets, including its clearing operations, to other subsidiaries of the Company. The Company's request to withdraw Scottrade, Inc.'s registration as a broker-dealer was granted and the withdrawal became effective on September 7, 2018.

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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 ($20 Million Plus 5% of All Foreign Exchange Liabilities Owed to Forex Clients in Excess of $10 Million)	Adjusted Net Capital in Excess of Required Adjusted Net Capital
September 30, 2018	$ 129	$ 23	$ 106
September 30, 2017	$ 77	$ 22	$ 55

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 $39 million and $32 million as of September 30, 2018 and 2017, respectively, which exceeded the required Tier 1 capital by $18 million and $13 million, respectively.

13. 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 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 or ratably over a three-year period. RSUs granted to non-employee directors generally vest over a one-year period. Performance-based restricted stock units ("PRSUs") are a form of RSUs in which the number of shares ultimately received depends on how the Company's total shareholder return compares to the total shareholder returns of companies in a selected performance peer group. PRSUs are subject to a three-year cliff vesting period. At the end of the performance period, the number of shares of common stock issued can range from 80% to 120% of target, depending on the Company's

ranking in the performance peer group. Shares of common stock are issued following the end of the performance period.

Stock-based compensation expense was $60 million, $36 million and $34 million for fiscal years 2018, 2017 and 2016, respectively. The related income tax benefits were $17 million, $14 million and $13 million for fiscal years 2018, 2017 and 2016, respectively.

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The following is a summary of option activity in the Company's stock incentive plans for the fiscal year ended September 30, 2018:

	Number of Options (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in millions)
Outstanding at beginning and end of year	503	$ 27.97	7.3	$ 13
Exercisable at end of year	252	$ 27.97	7.3	$ 6

The weighted-average grant-date fair value of options granted during fiscal year 2016 was $6.16. No options were granted during fiscal years 2018 and 2017. The total intrinsic value of options exercised during fiscal years 2017 and 2016 was $26 million and $0.1 million, respectively. No options were exercised during fiscal year 2018. As of September 30, 2018, the total unrecognized compensation cost related to nonvested stock options awards was $1 million and was expected to be recognized over a weighted-average period of 1.3 years.

The fair value of stock options granted during fiscal year 2016 was estimated using a Black-Scholes-Merton valuation model with the following inputs:

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

The risk-free interest rate input was based on U.S. Treasury note yields with remaining terms comparable to the expected option life input 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. The grant date fair value of PRSUs was determined based upon a Monte Carlo simulation model whereby the stock prices of the Company and the selected peer group companies were simulated using correlated Geometric Brownian motion paths in order to estimate the Company's total expected shareholder return rank within the peer group index and the corresponding percent of PRSUs that are estimated to be earned per the PRSU award agreement. RSUs and PRSUs 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, 2018:

	Number of Units (in thousands)	Weighted Average Grant Date Fair Value
Nonvested at beginning of year	2,394	$ 34.83
Granted	671	$ 50.61
Vested	(807)	$ 33.24
Forfeited	(129)	$ 41.72
Nonvested at end of year	2,129	$ 39.99

The weighted-average grant-date fair value of RSUs granted during fiscal years 2018, 2017 and 2016 was $50.61, $40.66 and $27.97, respectively. As of September 30, 2018, there was $31 million of estimated unrecognized

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compensation cost related to nonvested RSUs, which was expected to be recognized over a weighted average period of 1.9 years. The total fair value of RSUs that vested during fiscal years 2018, 2017 and 2016 was $42 million, $70 million and $71 million, respectively.

The following is a summary of PRSU activity in the Company's stock incentive plans for the fiscal year ended September 30, 2018:

	Number of Units (in thousands)	Weighted Average Grant Date Fair Value
Nonvested at beginning of year	265	$ 39.48
Granted	235	$ 49.50
Nonvested at end of year	500	$ 44.19

The weighted-average grant-date fair value of the PRSUs granted during the fiscal years 2018 and 2017 was $49.50 and $39.48, respectively. As of September 30, 2018, there was $9 million of estimated unrecognized compensation cost related to nonvested PRSUs, which was expected to be recognized over a weighted average period of 1.9 years. No PRSUs were granted during fiscal year 2016.

The fair value of PRSUs granted was estimated using a Monte Carlo simulation model with the following inputs for the fiscal years indicated:

	2018	2017
Risk-free interest rate	1.84%	1.34%
Expected dividend yield	0 %	0 %
Expected volatility	28 %	27 %
Expected term (years)	2.8	2.9

The risk-free interest rate input was based on U.S. Treasury note yields with remaining terms comparable to the expected term input used in the valuation model. The expected dividend yield was selected to be zero as the vesting condition is based on total shareholder return, which includes changes in price, plus reinvestment of dividends paid. The expected volatility was based on historical daily price changes for a period of time that corresponds with the expected term input used in the valuation model. The expected term input was based on the contractual remaining period of time until the award vests in accordance with the PRSU award agreement.

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, 2018, 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.

14. 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 $53 million, $38 million and $35 million for fiscal years 2018, 2017 and 2016, respectively.

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15. 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
2019	$ 75	$ (1)	$ 74
2020	64	(1)	63
2021	45	—	45
2022	34	—	34
2023	28	—	28
Thereafter (to 2033)	99	—	99
Total	$ 345	$ (2)	$ 343

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 $83 million, $54 million and $51 million for fiscal years 2018, 2017 and 2016, respectively.

Legal and Regulatory Matters

Order Routing Matters — In 2014, five putative class action complaints were filed regarding TD Ameritrade, Inc.'s routing of client orders and one putative class action was filed regarding Scottrade, Inc.'s routing of client orders. Five of the six cases were dismissed and the United States Court of Appeals, 8th Circuit, affirmed the dismissals in those cases that were appealed. The one remaining case is Roderick Ford (replacing Gerald Klein) v. TD Ameritrade Holding Corporation, et al., Case No. 8:14CV396 (U.S. District Court, District of Nebraska). Plaintiff alleges that, when routing client orders to various market centers, defendants did not seek best execution, and instead routed clients' orders to market venues that pay TD Ameritrade, Inc. the most money for order flow. Plaintiff alleges that defendants made misrepresentations and omissions regarding the Company's order routing practices. The complaint asserts claims of violations of Section 10(b) and 20 of the Exchange Act and SEC Rule 10b-5. The complaint seeks damages, injunctive relief, and other relief. Plaintiff filed a motion for class certification, which defendants opposed. On July 12, 2018, the Magistrate Judge issued findings and a recommendation that plaintiffs' motion for class certification be denied. Plaintiff filed objections to the Magistrate Judge's findings and recommendation, which defendants opposed. On September 14, 2018, the District Judge sustained plaintiff's objections, rejected the Magistrate Judge's recommendation and granted plaintiff's motion for class certification. On September 28, 2018, defendants filed a petition requesting that the U.S. Court of Appeals, 8th Circuit, grant an immediate appeal of the District Court's class certification decision. The Securities Industry and Financial Markets Association and the U.S. Chamber of Commerce filed amicus curiae briefs in support of the petition together with motions for permission to file the briefs. On October 9, 2018, plaintiff filed an opposition to the petition. The Company intends to vigorously defend against this lawsuit and is unable to predict the outcome or the timing of the ultimate resolution of the lawsuit, or the potential loss, if any, that may result.

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

Lawsuit regarding Scottrade Acquisition — On April 6, 2017, a stockholder of the Company filed a stockholder derivative complaint regarding the acquisition of Scottrade by the Company and the acquisition of Scottrade Bank by TD. The suit filed in the Delaware Chancery Court is captioned Vero Beach Police Officers' Retirement Fund, derivatively on behalf of nominal defendant TD Ameritrade Holding Corp. v. Larry Bettino et al., C.A. No. 2017-0264-JRS. On December 18, 2017, the plaintiff filed an amended complaint. The suit names as defendants TD

and the members of the Company's board of directors. It also names the Company as a nominal defendant. The

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complaint alleges that the Company's acquisition of Scottrade and TD's acquisition of Scottrade Bank were unfair from the perspective of the Company because TD Bank, N.A. acquired Scottrade Bank for an allegedly low price, which in turn caused the Company to pay an allegedly high price to acquire Scottrade. The complaint claims that the Company's directors and TD, as the Company's alleged controlling stockholder, breached their fiduciary duties to the Company and its stockholders, and that TD aided and abetted the Company directors' breach of fiduciary duty and was unjustly enriched. The complaint seeks a declaration that demand on the Company's board is excused as futile and seeks corporate governance reforms, damages, interest and fees. On August 9, 2018, the parties submitted to the court for its approval a stipulation of settlement of this action. Under the proposed settlement, TD and an insurer on behalf of the Company's directors will make a settlement payment of an immaterial amount; plaintiff may apply for an award of attorneys' fees and expenses in an amount not to exceed 20% of the settlement payment; the balance of the settlement payment will be paid to the Company; and the lawsuit will be dismissed and the claims will be released. A hearing on approval of the settlement and an award of attorneys' fees and expenses is scheduled for December 3, 2018. There can be no assurance that the proposed settlement will be finalized and approved by the court. If the proposed settlement is not finalized or approved by the court, the Company will be unable to predict the outcome or the timing of the ultimate resolution of this lawsuit, or the potential losses, if any, that may result.

Aequitas Securities Litigation — An amended putative class action complaint was filed in the U.S. District Court for the District of Oregon in Lawrence Ciuffitelli et al. v. Deloitte & Touche LLP, EisnerAmper LLP, Sidley Austin LLP, Tonkon Torp LLP, TD Ameritrade, Inc., and Integrity Bank & Trust, Case No. 3:16CV580, on May 19, 2016. A second amended putative class action complaint was filed on September 8, 2017, in which Duff & Phelps was added as a defendant. The putative class includes all persons who purchased securities of Aequitas Commercial Finance, LLC and its affiliates on or after June 9, 2010. Other groups of plaintiffs have filed five non-class action lawsuits in Oregon Circuit Court, Multnomah County, against these and other defendants: Walter Wurster, et al. v. Deloitte & Touche et al., Case No. 16CV25920 (filed Aug. 11, 2016), Kenneth Pommier, et al. v. Deloitte & Touche et al., Case No. 16CV36439 (filed Nov. 3, 2016), Charles Ramsdell, et al. v. Deloitte & Touche et al., Case No. 16CV40659 (filed Dec. 2, 2016), Charles Layton, et al. v. Deloitte & Touche et al., Case No. 17CV42915 (filed October 2, 2017) and John Cavanagh, et al. v. Deloitte & Touche et al., Case No. 18CV09052 (filed March 7, 2018). FINRA arbitrations have also been filed against TD Ameritrade, Inc. The claims in these actions include allegations that the sales of Aequitas securities were unlawful, the defendants participated and materially aided in such sales in violation of the Oregon securities laws, and material misstatements and omissions were made. While the factual allegations differ in various respects among the cases, plaintiffs' allegations include assertions that: TD Ameritrade customers purchased more than $140 million of Aequitas securities; TD Ameritrade served as custodian for Aequitas securities; recommended and referred investors to financial advisors as part of its advisor referral program for the purpose of purchasing Aequitas securities; participated in marketing the securities; recommended the securities; provided assurances to investors about the safety of the securities; and developed a market for the securities. In the Ciuffitelli putative class action, plaintiffs allege that more than 1,500 investors were owed more than $600 million on the Aequitas securities they purchased. On August 1, 2018, the Magistrate Judge in that case issued findings and a recommendation that defendants' motions to dismiss the pending complaint be denied with limited exceptions not applicable to the Company. TD Ameritrade and other defendants filed objections to the Magistrate Judge's findings and recommendation, which plaintiffs opposed. On September 24, 2018, the District Judge issued an opinion and order adopting the Magistrate Judge's findings and recommendation. Discovery has commenced. In the five non-class action lawsuits, approximately 200 named plaintiffs collectively allege a total of approximately $125 million in losses plus other damages. In the Wurster and Pommier cases, the Court, on TD Ameritrade's motion, dismissed the claims by those plaintiffs who were TD Ameritrade customers, in favor of arbitration. Discovery is ongoing. The Court in the Wurster and Pommier cases denied TD Ameritrade's motion to dismiss the claims by the plaintiffs who were not TD Ameritrade customers. Plaintiffs in the Ramsdell case have filed a second amended complaint in which TD

Ameritrade is not named as a defendant. On September 24, 2018, plaintiffs in the Cavanagh case dismissed their claims against TD Ameritrade. On July 17, 2018, plaintiffs in the Ciuffitelli case filed a motion for preliminary approval of an $18.5 million settlement with the defendant Tonkon Torp law firm of the claims against it in all the pending cases. On September 24, 2018, defendants filed a response requesting the Court to defer considering the plaintiffs' motion or to deny it as presented. The Company intends to vigorously

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defend against this litigation. The Company is unable to predict the outcome or the timing of the ultimate resolution of this litigation, or the potential losses, if any, that may result.

Other Legal and Regulatory Matters — The Company is subject to a number of other lawsuits, arbitrations, claims and other legal proceedings in connection with its business. Some of these legal actions include claims for substantial or unspecified compensatory and/or punitive damages. In addition, in the normal course of business, the Company discusses matters with its regulators raised during regulatory examinations or otherwise subject to their inquiry. These matters could result in censures, fines, penalties or other sanctions. 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 $175 million as of September 30, 2018. 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

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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 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 accounts 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 utilizes securities sold under agreements to repurchase (repurchase agreements) to finance its short-term liquidity and capital needs. Under these agreements, the Company receives cash from the counterparties and provides U.S. Treasury securities as collateral, allowing the counterparties the right to sell or repledge the collateral. These agreements expose the Company to credit losses in the event the counterparties cannot meet their obligations. The Company mitigates this risk by requiring credit approvals for counterparties, by monitoring the

market value of pledged securities owned on a daily basis and requiring the counterparties to return cash or excess collateral pledged when necessary.

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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,	
	2018	2017
Client margin securities	$ 31.4	$ 23.8
Stock borrowings	0.8	1.2
Total collateral available	$ 32.2	$ 25.0
Collateral loaned	$ 2.9	$ 2.4
Collateral repledged	6.3	4.1
Total collateral loaned or repledged	$ 9.2	$ 6.5

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	2018	2017
Cash	Receivable from brokers, dealers and clearing organizations	$ 545	$ 151
U.S. government debt securities	Securities owned, at fair value	50	398
Total		$ 595	$ 549

The Company enters into off-balance sheet arrangements with TD and unaffiliated third-party depository financial institutions (together, the "Sweep Program Counterparties") to manage its sweep program. The sweep program is offered to eligible clients whereby the client's uninvested cash is swept into FDIC-insured (up to specified limits) money market deposit accounts at the Sweep Program Counterparties. The Company earns revenue on client cash at the Sweep Program Counterparties based on the return of floating-rate and fixed-rate notional investments. The Company designates amounts and maturity dates for the fixed-rate notional investments within the sweep program portfolios, subject to certain limitations. In the event the Company instructs the Sweep Program Counterparties to withdraw a fixed-rate notional investment prior to its maturity, the Company may be required to reimburse the Sweep Program Counterparties for any losses as a result of the early withdrawal. In order to mitigate the risk of potential loss due to the early withdrawal of fixed-rate notional investments, the Company maintains a certain level of short-term floating-rate investments within the sweep program portfolios to meet client cash demands. See "Insured Deposit Account Agreement" in Note 21 for a description of the sweep arrangement between the Company and TD.

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.

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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 from the client transactions introduced to them by the Company.

See "Insured Deposit Account Agreement" in Note 21 for a description of the guarantees included in that agreement.

16. Fair Value Disclosures

Fair Value Measurement — Definition and Hierarchy

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

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

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

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

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The following tables present the Company's fair value hierarchy for assets and liabilities measured at fair value on a recurring basis as of September 30, 2018 and 2017 (dollars in millions):

	As of September 30, 2018			
	Level 1	Level 2	Level 3	Fair Value
Assets:				
Cash equivalents:				
Money market mutual funds	$2,373	$—	$ —	$ 2,373
Investments segregated and on deposit for regulatory purposes:				
U.S. government debt securities	—	225	—	225
U.S. government agency mortgage-backed securities	—	1,302	—	1,302
Subtotal - Investments segregated for regulatory purposes	—	1,527	—	1,527
Securities owned:				
U.S. government debt securities	—	149	—	149
Other	1	6	—	7
Subtotal - Securities owned	1	155	—	156
Investments available-for-sale:				
U.S. government debt securities	—	484	—	484
Other assets:				
Pay-variable interest rate swaps[(1)]	—	2	—	2
U.S. government debt securities	—	1	—	1
Auction rate securities	—	—	1	1
Subtotal - Other assets	—	3	1	4
Total assets at fair value	$2,374	$2,169	$ 1	$ 4,544
Liabilities:				
Accounts payable and other liabilities:				
Pay-variable interest rate swaps[(1)]	$—	$96	$ —	$ 96

(1) See "Fair Value Hedging" in Note 10 for details.

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	As of September 30, 2017			
	Level 1	Level 2	Level 3	Fair Value
Assets:				
Cash equivalents:				
Money market mutual funds	$1,081	$—	$ —	$ 1,081
Investments segregated and on deposit for regulatory purposes:				
U.S. government debt securities	—	4,094	—	4,094
U.S. government agency mortgage-backed securities	—	1,486	—	1,486
Subtotal - Investments segregated for regulatory purposes	—	5,580	—	5,580
Securities owned:				
U.S. government debt securities	—	498	—	498
Other	1	4	—	5
Subtotal - Securities owned	1	502	—	503
Investments available-for-sale:				
U.S. government debt securities	—	746	—	746
Other assets:				
Pay-variable interest rate swaps[(1)]	—	26	—	26
U.S. government debt securities	—	1	—	1
Auction rate securities	—	—	1	1
Subtotal - Other assets	—	27	1	28
Total assets at fair value	$1,082	$ 6,855	$ 1	$ 7,938
Liabilities:				
Accounts payable and other liabilities:				
Pay-variable interest rate swaps[(1)]	$—	$ 3	$ —	$ 3

(1) See "Fair Value Hedging" in Note 10 for details.

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

Valuation Techniques

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

Level 2 Measurements:

Debt securities — Fair values for debt securities are based on prices obtained from an independent pricing vendor. The primary inputs to the valuation include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields and credit spreads. The Company validates the vendor pricing by periodically comparing it to pricing from another independent pricing

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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.

U.S. government agency mortgage-backed securities — Fair values for mortgage-backed 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 and in markets that are not active, a market-derived prepayment curve, weighted average yields on the underlying collateral and spreads to benchmark indices. The Company validates the vendor pricing by periodically comparing it to pricing from two other independent sources. 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, accounts payable and other liabilities and certain other borrowings are short-term in nature and accordingly are carried at amounts that approximate fair value. These financial instruments 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 and other assets include 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 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). Cash and investments segregated and on deposit for regulatory purposes also 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 4 for a summary of cash and investments segregated and on deposit for regulatory purposes. Other assets included reverse repurchase agreements of $65 million as of September 30, 2017.

Securities sold under agreements to repurchase (repurchase agreements) — Under repurchase agreements the Company receives cash from the counterparties and provides U.S. Treasury securities as collateral. The obligations to repurchase securities sold are reflected as a liability on the Consolidated Balance Sheets. Repurchase agreements are treated as collateralized financing transactions and are carried at amounts at which the securities will subsequently be repurchased, plus accrued interest. The Company's repurchase agreements are short-term in nature and accordingly the carrying value is a reasonable estimate of fair value (categorized as Level 2 of the fair value hierarchy).

Long-term debt — As of September 30, 2018, 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 $2.51 billion, compared to the aggregate carrying value of the Senior Notes on the Consolidated Balance Sheet of $2.44 billion. As of September 30, 2017, the Company's Senior Notes had an aggregate estimated fair value, based on quoted

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

market prices, of approximately $2.63 billion, compared to the aggregate carrying value of the Senior Notes on the Consolidated Balance Sheet of $2.56 billion.

17. Offsetting Assets and Liabilities

Substantially all of the Company's securities sold under agreements to repurchase (repurchase agreements), 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, 2018 and 2017 (dollars in millions):

	September 30, 2018					
				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[5]	Collateral Received or Pledged (Including Cash)[6]	Net Amount[7]
Assets:						
Investments segregated for regulatory purposes:						
Reverse repurchase agreements	$500	$ —	$ 500	$—	$ (500)	$ —
Receivable from brokers, dealers and clearing organizations:						
Deposits paid for securities borrowed[1]	803	—	803	(41)	(744)	18
Other assets:						
Pay-variable interest rate swaps	2	—	2	(2)	—	—
Total	$1,305	$ —	$ 1,305	$(43)	$ (1,244)	$ 18
Liabilities:						
Payable to brokers, dealers and clearing organizations:						
Deposits received for securities loaned[2][3]	$2,914	$ —	$ 2,914	$(43)	$ (2,544)	$ 327
Securities sold under agreements to repurchase[4]	96	—	96	(96)	—	—
Accounts payable and other liabilities:						
Pay-variable interest rate swaps	96	—	96	(82)	—	14
Total	$3,106	$ —	$ 3,106	$(221)	$ (2,544)	$ 341

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	September 30, 2017					
	Gross Amounts of Recognized Assets and Liabilities	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts Presented in the Consolidated Balance Sheet	Gross Amounts Not Offset in the Consolidated Balance Sheet		
				Financial Instruments[5]	Collateral Received or Pledged (Including Cash) [6]	Net Amount [7]
Assets:						
Investments segregated for regulatory purposes:						
Reverse repurchase agreements	$1,004	$ —	$ 1,004	$—	$ (1,004)	$ —
Receivable from brokers, dealers and clearing organizations:						
Deposits paid for securities borrowed[1]	1,154	—	1,154	(110)	(1,023)	21
Other assets:						
Pay-variable interest rate swaps	26	—	26	(26)	—	—
Reverse repurchase agreements	65	—	65	—	(65)	—
Total other assets	91	—	91	(26)	(65)	—
Total	$2,249	$ —	$ 2,249	$(136)	$ (2,092)	$ 21
Liabilities:						
Payable to brokers, dealers and clearing organizations:						
Deposits received for securities loaned[2][3]	$2,449	$ —	$ 2,449	$(112)	$ (2,113)	$ 224
Securities sold under agreements to repurchase[4]	97	—	97	(97)	—	—
Accounts payable and other liabilities:						
Pay-variable interest rate swaps	3	—	3	(1)	—	2
Total	$2,549	$ —	$ 2,549	$(210)	$ (2,113)	$ 226

(1) Included in the gross amounts of deposits paid for securities borrowed is $462 million and $675 million as of September 30, 2018 and 2017, respectively, transacted through a risk-sharing program with the OCC, which guarantees the return of cash to the Company. See "General Contingencies" in Note 15 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 $2.01 billion and $1.65 billion as of September 30, 2018 and 2017, respectively, transacted through a risk-sharing program with the OCC, which guarantees the return of securities to the Company. See "General Contingencies" in Note 15 for a discussion of the potential risks associated with securities lending transactions and how the Company mitigates those risks.

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

(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 two 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,	
	2018	2017
Deposits received for securities loaned:		
Equity securities	$2,583	$2,109
Exchange-traded funds	223	230
Closed-end funds	74	66
Other	34	44
Total	$2,914	$2,449

(4) The collateral pledged includes available-for-sale U.S. government debt securities at fair value. All of the Company's repurchase agreements have a remaining contractual maturity of less than 90 days and, upon default by either party, may be terminated at the option of the non-defaulting party. See "General Contingencies" in Note 15 for a discussion of the potential risks associated with repurchase agreements and how the Company mitigates those risks.

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

(6) 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, 2018 and 2017, the Company had received total collateral with a fair value of $1.30 billion and $2.26 billion, respectively, and pledged total collateral with a fair value of $2.76 billion and $2.32 billion, respectively.

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

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

18. Accumulated Other Comprehensive Loss

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

	2018			2017			2016		
	Before Tax	Tax Effect	Net of Tax	Before Tax	Tax Effect	Net of Tax	Before Tax	Tax Effect	Net of Tax
Investments available-for-sale:									
Unrealized loss	$(12)	$ 3	$(9)	$(9)	$ 4	$(5)	$—	$ —	$ —
Reclassification adjustment for realized loss included in net income [1]	11	(4)	7	—	—	—	—	—	—
Net change in investments available-for-sale	(1)	(1)	(2)	(9)	4	(5)	—	—	—
Cash flow hedging instruments:									
Reclassification adjustment for portion of realized loss amortized to net income [2]	5	(1)	4	4	(2)	2	5	(2)	3
Net change in cash flow hedging instruments	5	(1)	4	4	(2)	2	5	(2)	3
Other comprehensive income (loss)	$4	$ (2)	$2	$(5)	$ 2	$(3)	$5	$ (2)	$ 3

(1) The before tax reclassification amount and related tax effect are included in loss on sale of investments and provision for income taxes, respectively, on the Consolidated Statements of Income.

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

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

	2018	2017	2016
Investments available-for-sale:			
Beginning balance	$(5)	$—	$—
Other comprehensive loss before reclassification	(9)	(5)	—
Amount reclassified from accumulated other comprehensive loss	7	—	—
Current period change	(2)	(5)	—
Ending balance	$(7)	$(5)	$—
Cash flow hedging instruments:			
Beginning balance	$(20)	$(22)	$(25)
Amount reclassified from accumulated other comprehensive loss	4	2	3
Adoption of Accounting Standards Update 2018-02 (Note 1)	(4)	—	—
Current period change	—	2	3
Ending balance	$(20)	$(20)	$(22)
Total accumulated other comprehensive loss:			
Beginning balance	$(25)	$(22)	$(25)
Current period change	(2)	(3)	3
Ending balance	$(27)	$(25)	$(22)

19. 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, 2018, 2017 and 2016 were derived from its operations in the United States.

20. Accelerated Stock Repurchase Agreements

On September 12, 2018, the Company entered into an agreement with an investment bank counterparty to purchase shares of its common stock under an accelerated stock repurchase transaction (the "September 2018 ASR Agreement"). The Company paid $150 million to the counterparty and received an initial delivery of 2.2 million shares of its common stock on September 13, 2018, representing 80% of the potential shares to be repurchased based on the closing stock price of $54.69 on September 12, 2018. Settlement of the transaction occurred after the end of an averaging period, which began on September 13, 2018 and ended on October 12, 2018. 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 0.6 million shares on October 16, 2018. The Company ultimately repurchased a total of approximately 2.8 million shares under the September 2018 ASR Agreement at a net weighted average price of $53.13 per share.

In June 2016, the Company entered into an agreement with an investment bank counterparty to purchase $42.5 million of its common stock under an accelerated stock repurchase transaction (the "June 2016 ASR Agreement"). Pursuant to the terms of the June 2016 ASR Agreement, the Company received an initial delivery of 1.1 million shares of its common stock in June 2016 and received an additional 0.3 million shares upon completion of the agreement in September 2016. The Company ultimately repurchased a total of approximately 1.4 million shares under the June 2016 ASR Agreement at a net weighted average price of $29.89 per share.

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

In December 2015, the Company entered into an agreement with an investment bank counterparty to purchase $45 million of its common stock under an accelerated stock repurchase transaction (the "December 2015 ASR Agreement"). Pursuant to the terms of the December 2015 ASR Agreement, the Company received an initial delivery of 1.0 million shares of its common stock in December 2015 and received an additional 0.3 million shares upon completion of the agreement in January 2016. The Company ultimately repurchased a total of approximately 1.3 million shares under the December 2015 ASR Agreement at a net weighted average price of $33.98 per share.
The Company treated the ASR agreements as forward contracts indexed to its own common stock. The forward contracts met all of the applicable criteria for equity classification, including the Company's right to settle in shares. The Company 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.

21. Related Party Transactions

Transactions with TD and its Affiliates

As a result of the Company's acquisition of TD Waterhouse Group, Inc. during fiscal year 2006, TD became an affiliate of the Company. TD owned approximately 42% of the Company's common stock as of September 30, 2018. 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, TD Bank USA and TD Bank, N.A. (together, the "TD Depository Institutions") make available to clients of the Company FDIC-insured (up to specified limits) 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 had 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 was automatically renewed for an additional five-year term 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, 2018, the IDA portfolio was comprised of approximately 78% fixed-rate notional investments and 22% 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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

insurance premiums). In the event that (1) the federal funds effective rate is established at 0.75% or greater and (2) the rate on 5-year U.S. dollar interest rate swaps is equal to or greater than 1.50% for 20 consecutive business days, then the rate earned by the Company on new fixed-rate notional investments will be reduced by 20% of the excess of the 5-year U.S. dollar swap rate over 1.50%, up to a maximum of 0.10%.

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

The interest rates paid to clients are set by the TD Depository Institutions and are not linked to any index. The servicing fee to the TD Depository Institutions under the IDA agreement is equal to 25 basis points on the aggregate average daily balance in the IDA accounts, subject to adjustment as it relates to deposits of less than or equal to $20 billion kept in floating-rate investments or in fixed-rate notional investments with a maturity of up to 24 months ("short-term fixed-rate investments"). For 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 likelihood that the marketing fee calculation would result in a negative amount is remote. Accordingly, no contingent liability is carried on the Consolidated Balance Sheets for the IDA agreement. In the event the Company withdraws a notional investment prior to its maturity, the Company is required to reimburse the TD Depository Institutions an amount equal to the economic replacement value of the investment, as defined in the IDA agreement. See "General Contingencies" in Note 15 for a discussion of how the Company mitigates the risk of losses due to the early withdrawal of fixed-rate notional investments.

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 its Affiliates		
		2018	2017	2016
Insured Deposit Account Agreement	Bank deposit account fees	$1,426	$1,101	$926
Mutual Fund Agreements	Investment product fees	17	15	11
Other	Various	13	10	7
Total revenues		$1,456	$1,126	$944

Description	Statement of Income Classification	Expenses to TD and its Affiliates		
		2018	2017	2016
Canadian Call Center Services Agreement[1]	Various	$ —	$ 11	$ 22
Referral and Strategic Alliance Agreement	Other expense	5	5	3
Other	Various	2	1	1

Total expenses	$ 7	$ 17	$ 26

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

(1) The Company notified TD of its intent to not extend or renew the Canadian Call Center Services Agreement and services under this agreement ended by September 30, 2017.

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,	
	2018	2017
Assets:		
Receivable from affiliates	$ 151	$ 110
Liabilities:		
Payable to brokers, dealers and clearing organizations	$ 47	$ 37
Payable to affiliates	7	38

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.

As of September 30, 2018, payables to affiliates on the Consolidated Balance Sheets included $38 million of liabilities assumed in connection with the acquisition of Scottrade. These liabilities were settled during the first quarter of fiscal year 2019. As of September 30, 2017, receivables from and payables to affiliates included $27 million of assets acquired and $71 million of liabilities assumed, respectively, in connection with the acquisition of Scottrade.

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

22. Condensed Financial Information (Parent Company Only)

The following tables present the Parent company's condensed balance sheets, statements of income and statements of cash flows. Because all other comprehensive income (loss) activity occurred on the Parent company for all periods presented, the Parent company's condensed statements of comprehensive income are not presented.

PARENT COMPANY ONLY
CONDENSED BALANCE SHEETS
As of September 30, 2018 and 2017

	2018	2017
	(In millions)	
ASSETS		
Cash and cash equivalents	$151	$154
Receivable from subsidiaries	8	6
Investments available-for-sale, at fair value (including $98 million and $99 million of securities pledged as collateral for repurchase agreements at September 30, 2018 and 2017, respectively)	484	746
Investments in subsidiaries	9,976	9,043
Other, net	162	108
Total assets	$10,781	$10,057
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Accounts payable and other liabilities	$240	$104
Payable to subsidiaries and affiliates	3	54
Securities sold under agreements to repurchase	96	97
Long-term debt	2,439	2,555
Total liabilities	2,778	2,810
Stockholders' equity	8,003	7,247
Total liabilities and stockholders' equity	$10,781	$10,057

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

PARENT COMPANY ONLY
CONDENSED STATEMENTS OF INCOME
For the Years Ended September 30, 2018, 2017 and 2016

	2018	2017	2016
	(In millions)		
Net revenues	$52	$31	$30
Operating expenses	21	34	26
Operating income (loss)	31	(3)	4
Other expense	106	71	53
Loss before income taxes and equity in income of subsidiaries	(75)	(74)	(49)
Provision for (benefit from) income taxes	15	(22)	6
Loss before equity in income of subsidiaries	(90)	(52)	(55)
Equity in income of subsidiaries	1,563	924	897
Net income	$1,473	$872	$842

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

PARENT COMPANY ONLY
CONDENSED STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2018, 2017 and 2016

	2018	2017	2016
	(In millions)		
Cash flows from operating activities:			
Net income	$1,473	$872	$842
Adjustments to reconcile net income to net cash flows provided by operating activities:			
Equity in income of subsidiaries	(1,563)	(924)	(897)
Deferred income taxes	13	(12)	—
Dividends from subsidiaries	1,030	1,230	825
Loss on sale of investments	11	—	—
Stock-based compensation	60	36	34
Other, net	9	9	8
Changes in operating assets and liabilities:			
Receivable from subsidiaries	(2)	2	(3)
Other assets	(92)	—	1
Accounts payable and other liabilities	42	(67)	38
Payable to subsidiaries and affiliates	(24)	(4)	26
Net cash provided by operating activities	957	1,142	874
Cash flows from investing activities:			
Investment in subsidiaries	(425)	(15)	(60)
Loans made under intercompany credit agreements	(175)	—	—
Collections on intercompany credit agreements	175	—	—
Cash paid in business acquisition	(4)	(1,698)	—
Proceeds from sale of investments available-for-sale, at fair value	643	—	—
Purchase of investments available-for-sale, at fair value	(392)	—	(757)
Proceeds from sale and maturity of short-term investments	—	—	600
Purchase of short-term investments	—	—	(601)
Net cash used in investing activities	(178)	(1,713)	(818)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	—	798	—
Payment of debt issuance costs	(3)	(8)	—
Principal payments on long-term debt	—	(385)	—
Reimbursement (payment) of prepayment premium on long-term debt	2	(54)	—
Net proceeds from (payments on) securities sold under agreements to repurchase	(1)	97	—
Proceeds from Parent Senior Revolving Facility	200	—	—
Principal payments on Parent Senior Revolving Facility	(200)	—	—
Payment of cash dividends	(477)	(379)	(362)
Proceeds from issuance of common stock	—	400	—
Purchase of treasury stock	(255)	—	(352)
Purchase of treasury stock for income tax withholding on stock-based compensation	(17)	(27)	(30)
Payment for future treasury stock under accelerated stock repurchase agreement	(31)	—	—
Other, net	—	35	16
Net cash provided by (used in) financing activities	(782)	477	(728)

Net decrease in cash and cash equivalents	(3)	(94)	(672)
Cash and cash equivalents at beginning of year	154	248	920
Cash and cash equivalents at end of year	$151	$154	$248
Supplemental cash flow information:			
Interest paid	$94	$50	$47
Income taxes paid	$309	$452	$488
Noncash investing activities:			
Issuance of common stock in acquisition	$—	$1,261	$—
Assets transferred to a subsidiary, net	$—	$15	$—

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

23. Quarterly Data (Unaudited)
(Dollars in millions, except per share amounts)

	For the Fiscal Year Ended September 30, 2018			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net revenues	$ 1,257	$ 1,415	$ 1,382	$ 1,398
Operating income	$ 336	$ 396	$ 631	$ 635
Net income	$ 297	$ 271	$ 451	$ 454
Basic earnings per share	$ 0.52	$ 0.48	$ 0.79	$ 0.80
Diluted earnings per share	$ 0.52	$ 0.48	$ 0.79	$ 0.80

	For the Fiscal Year Ended September 30, 2017			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net revenues	$ 859	$ 904	$ 931	$ 983
Operating income	$ 353	$ 358	$ 394	$ 361
Net income	$ 216	$ 214	$ 231	$ 211
Basic earnings per share	$ 0.41	$ 0.41	$ 0.44	$ 0.40
Diluted earnings per share	$ 0.41	$ 0.40	$ 0.44	$ 0.39

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

24. Subsequent Event

Senior Notes — On October 30, 2018, the Company sold, through a public offering, $600 million aggregate principal amount of unsecured variable-rate senior notes due November 1, 2021 (the "2021 Notes") and $400 million aggregate principal amount of unsecured 3.750% senior notes due April 1, 2024 (the "2024 Notes"). The Company intends to use the net proceeds from the issuance of the 2021 Notes and 2024 Notes for general corporate purposes, including to augment liquidity.

The 2021 Notes will bear interest at a variable rate, reset quarterly, equal to three-month LIBOR plus 0.430% per annum, payable quarterly on February 1, May 1, August 1 and November 1 of each year, beginning on February 1, 2019. Interest on the fixed-rate 2024 Notes will be payable in arrears semi-annually on April 1 and October 1 of each year, beginning on April 1, 2019.

The Company's obligations in respect to the 2021 Notes and the 2024 Notes are not guaranteed by any of its subsidiaries. The Company may redeem the 2024 Notes, in whole or in part, at any time prior to March 2, 2024 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, plus accrued and unpaid interest to the date of redemption. The Company may redeem the 2021 Notes and 2024 Notes, in whole or in part, at any time on or after October 2, 2021 and March 2, 2024, 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.

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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, 2018 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, 2018, the Company's internal control over financial reporting is effective.

The Company's internal control over financial reporting as of September 30, 2018 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, 2018. That opinion appears on the next page.

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Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of TD Ameritrade Holding Corporation

Opinion on Internal Control over Financial Reporting

We have audited TD Ameritrade Holding Corporation's internal control over financial reporting as of September 30, 2018, 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). In our opinion, TD Ameritrade Holding Corporation (the Company) maintained, in all material respects, effective internal control over financial reporting as of September 30, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of September 30, 2018 and 2017, 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, 2018, and the related notes and our report dated November 16, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

The Company'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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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.

Definition and Limitations of Internal Control over Financial Reporting

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.

/s/ ERNST & YOUNG LLP

New York, New York

November 16, 2018

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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, 2018. Management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of September 30, 2018.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting (as that term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) 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 2019 annual meeting of stockholders to be filed with the SEC pursuant to Regulation 14A within 120 days after September 30, 2018 (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, 2018, information about compensation plans under which equity securities of the Company are authorized for issuance:

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights		(b) Weighted average exercise price of outstanding options, warrants and rights		(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))	
Equity compensation plans approved by security holders	3,286,766	(1)	$ 27.97	(2)	5,552,799	(3)

(1) Consists of 503,247 stock options, 2,129,241 restricted stock units, 499,830 performance restricted stock units, and 154,448 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, 2018, there were 4,733,256 shares and 819,543 shares remaining available for issuance pursuant to the LTIP and the Directors Plan, respectively.

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.

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(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)
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)
4.9	Third Supplemental Indenture, dated April 27, 2017, 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 April 28, 2017)
4.10	Form of 3.300% Senior Note due 2027 (included in Exhibit 4.9)
4.11	Fourth Supplemental Indenture, dated November 1, 2018, 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 November 1, 2018)

4.12	Form of 3.750% Senior Notes due 2024 (included in Exhibit 4.11)
4.13	Form of Senior Floating Rate Notes due 2021 (included in Exhibit 4.11)
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 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)

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Exhibit No.	Description
10.4*	Form of Performance-Based Restricted Stock Unit Agreement for Tim Hockey (incorporated by reference to Exhibit 10.3 of the Company's quarterly report on Form 10-Q filed on February 6, 2017)
10.5*	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)
10.6*	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)
10.7*	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)
10.8*	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)
10.9*	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)
10.10*	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)
10.11*	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)
10.12*	Executive Employment Term Sheet, effective as of September 18, 2017, between Peter J. deSilva and TD Ameritrade Holding Corporation (incorporated by reference to Exhibit 10.12 of the Company's Annual Report on Form 10-K filed on November 17, 2017)
10.13*	Separation and Release of Claims Agreement, effective November 1, 2017, between J. Thomas Bradley and TD Ameritrade Holding Corporation (incorporated by reference to Exhibit 10.13 of the Company's Annual Report on Form 10-K filed on November 17, 2017)
10.14*	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)
10.15*	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)
10.16*	Form of Performance-Based Restricted Stock Unit Agreement for Employees (incorporated by reference to Exhibit 10.4 of the Company's quarterly report on Form 10-Q filed on February 6, 2017)

10.17*	Form of Restricted Stock Unit Agreement for Employees (3 Year Cliff Vesting) (incorporated by reference to Exhibit 10.2 of the Company's quarterly report on Form 10-Q filed on August 5, 2016)
10.18*	Form of Restricted Stock Unit Agreement for Employees (3 Year Pro Rata Vesting)
10.19*	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)
10.20*	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)
10.21*	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)
10.22*	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)

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Exhibit No.	Description
10.23	Stockholders Agreement among Ameritrade Holding Corporation, The Toronto-Dominion Bank, J. Joe Ricketts and certain of his affiliates dated as of June 22, 2005 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on June 28, 2005)
10.24	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)
10.25	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)
10.26	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)
10.27	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)
10.28	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)
10.29†	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 August 7, 2018)
10.30	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)
10.31	Registration Rights Agreement, dated as of September 18, 2017, by and among TD Ameritrade Holding Corporation, The Toronto-Dominion Bank, TD Luxembourg International Holdings S.à.r.l., Rodger O. Riney, as Voting Trustee of the Rodger O. Riney Family Voting Trust U/A/D 12/31/2012 and the other stockholders described therein (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on September 18, 2017)
10.32	Stockholders Agreement, dated as of September 18, 2017, 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 10.2 of the Company's Form 8-K filed on September

	18, 2017)
10.33	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)
10.34	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)
10.35	Credit Agreement, dated April 21, 2017, among TD Ameritrade Holding Corporation, the lenders party thereto, U.S. Bank National Association, as syndication agent, Barclays Bank PLC, TD Securities (USA) LLC and Wells Fargo Securities, LLC, 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 April 21, 2017)

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Exhibit No.	Description
10.36	Credit Agreement, dated April 21, 2017, among TD Ameritrade Clearing, Inc., the lenders party thereto, U.S. Bank National Association, as syndication agent, Barclays Bank PLC, TD Securities (USA) LLC and Wells Fargo Securities, LLC, 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 April 21, 2017)
10.37	Credit Agreement, dated May 17, 2018, among TD Ameritrade Clearing, Inc., the lenders party thereto, Wells Fargo Securities, LLC, Barclays Bank PLC, Citibank, N.A., JPMorgan Chase Bank, N.A., U.S. Bank National Association and TD Securities (USA) LLC, as joint bookrunners and joint lead arrangers, and Wells Fargo Bank, National Association, as administrative agent (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on May 21, 2018)
10.38	First Amendment, dated May 17, 2018, to Credit Agreement, dated April 21, 2017, among TD Ameritrade Clearing, Inc., the lenders party thereto, U.S. Bank National Association, as syndication agent, Barclays Bank PLC, TD Securities (USA) LLC, Wells Fargo Securities, LLC, and Industrial and Commercial Bank of China Ltd., New York Branch, 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 May 21, 2018)
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	Press Release, dated October 30, 2018 (incorporated by reference to Exhibit 99.1 of the Company's Form 8-K filed on November 1, 2018)
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 16th day of November, 2018.

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 16th day of November, 2018.

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

/s/ KAREN E. MAIDMENT
Karen E. Maidment
Director