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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
for the quarterly period ended June 30, 2012

OR

¨ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
for the transition period from to

Commission file number: 1-35509

TD Ameritrade Holding Corporation

(Exact name of registrant as specified in its charter)

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

4211 South 102nd Street, Omaha, Nebraska, 68127

(Address of principal executive offices) (Zip Code)

(402) 331-7856

(Registrant s telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months. Yes x No ¨

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

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

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

As of July 30, 2012, there were 546,503,934 outstanding shares of the registrant s common stock.

TD AMERITRADE HOLDING CORPORATION

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors

TD Ameritrade Holding Corporation

We have reviewed the condensed consolidated balance sheet of TD Ameritrade Holding Corporation and subsidiaries (the Company) as of June 30, 2012, and the related condensed consolidated statements of income for the three-month and nine-month periods ended June 30, 2012 and 2011, and the condensed consolidated statements of cash flows for the nine-month periods ended June 30, 2012 and 2011. These financial statements are the responsibility of the Company s management.

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

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of TD Ameritrade Holding Corporation and subsidiaries as of September 30, 2011, and the related consolidated statements of income, stockholders equity, and cash flows for the year then ended (not presented herein) and in our report dated November 18, 2011, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of September 30, 2011, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ ERNST & YOUNG LLP

Chicago, Illinois

August 8, 2012

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TD AMERITRADE HOLDING CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(Columnar amounts in thousands)

	June 30, 2012 (Unaudited)	September 30, 2011
ASSETS		
Cash and cash equivalents	$ 909,766	$ 1,031,963
Short-term investments	129,619	3,557
Cash and investments segregated in compliance with federal regulations (including reverse repurchase agreements of $2.4 billion at June 30, 2012 and $1.9 billion at September 30, 2011)	3,546,772	2,519,249
Receivable from brokers, dealers and clearing organizations	1,053,066	834,469
Receivable from clients, net	8,738,710	8,059,410
Receivable from affiliates	81,525	92,963
Other receivables, net	96,898	115,316
Securities owned, at fair value	345,678	446,609
Property and equipment at cost, net	401,366	340,690
Goodwill	2,466,967	2,466,978
Acquired intangible assets, net	955,074	1,024,352
Deferred income taxes	2,197	4,642
Other assets	186,247	185,564
Total assets	$ 18,913,885	$ 17,125,762
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Payable to brokers, dealers and clearing organizations	$ 2,184,238	$ 1,709,572
Payable to clients	10,099,387	8,979,327
Accounts payable and accrued liabilities	551,731	585,720
Payable to affiliates	4,288	3,912
Deferred revenue	31,810	42,230
Long-term debt	1,341,644	1,336,789
Capitalized lease obligations	6,719	10,784
Deferred income taxes	353,679	341,611
Total liabilities	14,573,496	13,009,945
Stockholders equity:		
Preferred stock, $0.01 par value; 100 million shares authorized, none issued		
Common stock, $0.01 par value; one billion shares authorized; June 30, 2012 - 631,399,374 shares issued; September 30, 2011 - 631,381,860 shares issued; June 30, 2012 - 546,783,330 outstanding; September 30, 2011 - 554,285,716 outstanding	6,314	6,314
Additional paid-in capital	1,602,161	1,583,327
Retained earnings	3,989,475	3,645,846
Treasury stock, common, at cost - June 30, 2012 - 84,616,044 shares; September 30, 2011 - 77,096,144 shares	(1,257,917)	(1,119,969)
Deferred compensation	141	146
Accumulated other comprehensive income	215	153

Total stockholders equity	4,340,389	4,115,817
Total liabilities and stockholders equity	$ 18,913,885	$ 17,125,762

See notes to condensed consolidated financial statements.

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TD AMERITRADE HOLDING CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In thousands, except per share amounts)

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Nine Months Ended June 30, 2012	Nine Months Ended June 30, 2011
Revenues:				
Transaction-based revenues:				
Commissions and transaction fees	$ 266,078	$ 281,591	$ 831,516	$ 912,607
Asset-based revenues:				
Interest revenue	119,975	132,334	338,869	371,959
Brokerage interest expense	(1,607)	(1,052)	(4,459)	(3,581)
Net interest revenue	118,368	131,282	334,410	368,378
Insured deposit account fees	206,339	196,817	620,590	562,759
Investment product fees	54,034	43,938	143,753	125,075
Total asset-based revenues	378,741	372,037	1,098,753	1,056,212
Other revenues	22,446	31,154	63,530	90,382
Net revenues	667,265	684,782	1,993,799	2,059,201
Operating expenses:				
Employee compensation and benefits	176,455	168,564	523,442	500,632
Clearing and execution costs	21,891	22,648	66,064	71,566
Communications	28,470	27,057	83,332	81,782
Occupancy and equipment costs	36,342	36,318	111,317	104,663
Depreciation and amortization	18,334	16,914	53,015	49,629
Amortization of acquired intangible assets	22,941	24,083	69,278	72,747
Professional services	39,708	42,882	128,893	123,257
Advertising	50,248	48,109	190,419	204,092
Other	18,739	35,668	66,269	71,291
Total operating expenses	413,128	422,243	1,292,029	1,279,659
Operating income	254,137	262,539	701,770	779,542
Other expense:				
Interest on borrowings	7,060	6,916	21,378	25,227
Loss on debt refinancing		1,435		1,435
Total other expense	7,060	8,351	21,378	26,662
Pre-tax income	247,077	254,188	680,392	752,880
Provision for income taxes	93,248	96,793	237,904	278,778

Net income	$ 153,829	$ 157,395	$ 442,488	$ 474,102
Earnings per share - basic	$ 0.28	$ 0.28	$ 0.81	$ 0.83
Earnings per share - diluted	$ 0.28	$ 0.27	$ 0.80	$ 0.82
Weighted average shares outstanding - basic	547,682	570,287	548,673	573,034
Weighted average shares outstanding - diluted	553,043	576,784	554,237	579,168
Dividends declared per share	$ 0.06	$ 0.05	$ 0.18	$ 0.15

See notes to condensed consolidated financial statements.

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TD AMERITRADE HOLDING CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands, except share amounts)

	Nine Months Ended June 30, 2012	2011
Cash flows from operating activities:		
Net income	$ 442,488	$ 474,102
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	53,015	49,629
Amortization of acquired intangible assets	69,278	72,747
Deferred income taxes	14,513	7,394
Loss on disposal of property	7,445	16,720
Loss on debt refinancing		1,435
Stock-based compensation	34,961	25,995
Excess tax benefits on stock-based compensation	(17,707)	(9,370)
Other, net	(1,961)	185
Changes in operating assets and liabilities:		
Cash and investments segregated in compliance with federal regulations	(1,027,523)	616,766
Receivable from brokers, dealers and clearing organizations	(218,597)	174,703
Receivable from clients, net	(679,300)	(1,323,229)
Receivable from/payable to affiliates, net	12,145	(7,879)
Other receivables, net	18,418	(23,685)
Securities owned	100,931	151,900
Other assets	5,329	(7,945)
Payable to brokers, dealers and clearing organizations	474,666	148,699
Payable to clients	1,120,060	458,621
Accounts payable and accrued liabilities	(16,606)	(2,125)
Deferred revenue	(10,420)	(17,224)
Net cash provided by operating activities	381,135	807,439
Cash flows from investing activities:		
Purchase of property and equipment	(121,135)	(109,904)
Cash received in sale of business		5,228
Cash transferred in disposal of subsidiary		(3,453)
Purchase of short-term investments	(127,540)	(1,045)
Proceeds from sale and maturity of short-term investments	1,000	1,100
Purchase of investments	(536)	(5,006)
Other, net	1,854	550
Net cash used in investing activities	(246,357)	(112,530)

See notes to condensed consolidated financial statements.

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TD AMERITRADE HOLDING CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(Unaudited)

(In thousands, except share amounts)

	Nine Months Ended June 30, 2012	2011
Cash flows from financing activities:		
Payment of debt issuance costs	$	$ (1,783)
Principal payments on long-term debt		(4,262)
Principal payments on capital lease obligations	(4,065)	(8,100)
Proceeds from exercise of stock options; Nine months ended June 30, 2012 - 1,248,626 shares; 2011 - 628,293 shares	5,061	3,204
Purchase of treasury stock; Nine months ended June 30, 2012 - 10,643,037 shares; 2011 - 7,068,892 shares	(176,848)	(144,245)
Return of prepayment on structured stock repurchase		118,834
Payment of cash dividends	(98,859)	(85,936)
Excess tax benefits on stock-based compensation	17,707	9,370
Net cash used in financing activities	(257,004)	(112,918)
Effect of exchange rate changes on cash and cash equivalents	29	163
Net increase (decrease) in cash and cash equivalents	(122,197)	582,154
Cash and cash equivalents at beginning of period	1,031,963	741,492
Cash and cash equivalents at end of period	$ 909,766	$ 1,323,646
Supplemental cash flow information:		
Interest paid	$ 25,396	$ 35,687
Income taxes paid	$ 213,831	$ 233,713
Noncash financing activities:		
Settlement of structured stock repurchase; 3,159,360 shares	$	$ 50,366

See notes to condensed consolidated financial statements.

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TD AMERITRADE HOLDING CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three-Month and Nine-Month Periods Ended June 30, 2012 and 2011

(Unaudited)

1. BASIS OF PRESENTATION

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

These financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) and, in the opinion of management, reflect all adjustments, which are all of a normal recurring nature, necessary to present fairly the financial position, results of operations and cash flows for the periods presented in conformity with U.S. generally accepted accounting principles. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company s annual report filed on Form 10-K for the fiscal year ended September 30, 2011.

Recently Adopted Accounting Pronouncements

ASU 2011-04 On January 1, 2012, the Company adopted Accounting Standards Update (ASU) 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs.* The amendments in ASU 2011-04 change the wording used to describe many of the requirements in U.S. Generally Accepted Accounting Principles for measuring fair value and for disclosing information about fair value measurements. Some of the amendments clarify the intent of the Financial Accounting Standards Board (FASB) about the application of existing fair value measurement and disclosure requirements. Other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. The adoption of ASU 2011-04 did not have a material impact on the Company s condensed consolidated financial statements.

Recently Issued Accounting Pronouncements

ASU 2011-11 In December 2011, the FASB issued ASU 2011-11, *Disclosures about Offsetting Assets and Liabilities.* The amendments in ASU 2011-11 will enhance disclosures by requiring improved information about financial and derivative instruments that are either (1) offset (netting assets and liabilities) in accordance with Section 210-20-45 or Section 815-10-45 of the FASB Accounting Standards Codification or (2) subject to an enforceable master netting arrangement or similar agreement. ASU 2011-11 is effective for annual periods beginning on or after January 1, 2013, and interim periods within those annual periods, and requires retrospective disclosures for comparative periods presented. Therefore, ASU 2011-11 will be effective for the Company s fiscal year beginning October 1, 2013. Adoption of ASU 2011-11 is not expected to have a material impact on the Company s financial statements.

2. CASH AND CASH EQUIVALENTS

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

	June 30, 2012	September 30, 2011
Corporate	$ 424,373	$ 259,986
Broker-dealer subsidiaries	386,693	656,206
Trust company subsidiary	74,230	108,587
Investment advisory subsidiaries	24,470	7,184

Total	$ 909,766	$ 1,031,963

Capital requirements may limit the amount of cash available for dividend from the broker-dealer and trust company subsidiaries to the parent company. Cash and cash equivalents of the investment advisory subsidiaries is generally not available for corporate purposes.

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3. INCOME TAXES

The Company s effective income tax rate for the nine months ended June 30, 2012 was 35.0%, compared to 37.0% for the nine months ended June 30, 2011. The provision for income taxes for the nine months ended June 30, 2012 was significantly lower than normal primarily due to $18.5 million of favorable resolutions of state income tax matters. This favorably impacted the Company s earnings for the nine months ended June 30, 2012 by approximately three cents per share. The provision for income taxes for the nine months ended June 30, 2011 was somewhat lower than normal due to $5.5 million of favorable resolutions of state income tax matters and $1.2 million of favorable deferred income tax adjustments resulting from state income tax law changes. These items favorably impacted the Company s earnings for the nine months ended June 30, 2011 by approximately one cent per share.

4. LONG-TERM DEBT

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

June 30, 2012	Face Value	Unamortized Discount	Fair Value Adjustment (1)	Net Carrying Value
Senior Notes:				
2.950% Senior Notes due 2012	$ 250,000	$ (36)	$ 1,540	$ 251,504
4.150% Senior Notes due 2014	500,000	(239)	27,727	527,488
5.600% Senior Notes due 2019	500,000	(511)	63,163	562,652
Total long-term debt	$ 1,250,000	$ (786)	$ 92,430	$ 1,341,644

September 30, 2011	Face Value	Unamortized Discount	Fair Value Adjustment (1)	Net Carrying Value
Senior Notes:				
2.950% Senior Notes due 2012	$ 250,000	$ (100)	$ 4,170	$ 254,070
4.150% Senior Notes due 2014	500,000	(313)	33,223	532,910
5.600% Senior Notes due 2019	500,000	(562)	50,371	549,809
Total long-term debt	$ 1,250,000	$ (975)	$ 87,764	$ 1,336,789

(1) Fair value adjustments relate to changes in the fair value of the debt while in a fair value hedging relationship. See Interest Rate Swaps below.

Interest Rate Swaps 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, on December 30, 2009, the Company entered into fixed-for-variable interest rate swaps on the 2.950% Senior Notes due December 1, 2012 (the 2012 Notes) and the 4.150% Senior Notes due December 1, 2014 (the 2014 Notes) for notional amounts of $250 million and $500 million, respectively, with maturity dates matching the respective maturity dates of the 2012 Notes and 2014 Notes. In addition, on January 7, 2011, the Company entered into a fixed-for-variable interest rate swap on the 5.600% Senior Notes due December 1, 2019 (the 2019 Notes) for a notional amount of $500 million, with a maturity date matching the maturity date of the 2019 Notes. The interest rate swaps effectively change the fixed-rate interest on the Senior Notes to variable-rate interest. Under the terms of the interest rate swap agreements, 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) 0.9693% for the swap on the 2012 Notes, (b) 1.245% for the swap on the 2014 Notes and (c) 2.3745% for the swap on the 2019 Notes. As of June 30, 2012, the weighted-average effective interest rate on the Senior Notes was 2.11%.

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

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	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Nine Months Ended June 30, 2012	Nine Months Ended June 30, 2011
Gain (loss) on fair value of interest rate swaps	$ 14,902	$ 11,294	$ 4,666	$ (7,729)
Gain (loss) on fair value of hedged fixed-rate debt	(14,902)	(11,294)	(4,666)	7,729
Net gain (loss) recorded in interest on borrowings	$	$	$	$

The following table summarizes the fair value of outstanding derivatives designated as hedging instruments on the Condensed Consolidated Balance Sheets (dollars in thousands):

	June 30, 2012	September 30, 2011
Derivatives recorded under the caption Other assets :		
Interest rate swap assets	$ 92,430	$ 87,764

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 and by entering into credit support agreements. The bilateral credit support agreements related to the interest rate swaps require daily collateral coverage, in the form of cash or U.S. Treasury securities, for the aggregate fair value of the interest rate swaps. As of June 30, 2012, the interest rate swap counterparties for the Senior Notes had pledged $97.3 million of collateral to the Company in the form of cash. As of September 30, 2011, the interest rate swap counterparty for the 2012 Notes and 2014 Notes had pledged $50.1 million of collateral to the Company in the form of U.S. Treasury securities and the interest rate swap counterparty for the 2019 Notes had pledged $57.5 million of collateral in the form of cash. A liability for collateral pledged to the Company in the form of cash is recorded in accounts payable and accrued liabilities on the Condensed Consolidated Balance Sheets.

5. CAPITAL REQUIREMENTS

The Company s broker-dealer subsidiaries are subject to the SEC Uniform Net Capital Rule (Rule 15c3-1 under the Securities Exchange Act of 1934, or the Exchange Act), administered by the SEC and Financial Industry Regulatory Authority (FINRA), which requires the maintenance of minimum net capital, as defined. Net capital and the related net capital requirement may fluctuate on a daily basis.

TD Ameritrade Clearing, Inc. (TDAC), the Company s clearing broker-dealer subsidiary, and TD Ameritrade, Inc., the Company s introducing broker-dealer subsidiary, compute net capital under the alternative method as permitted by Rule 15c3-1. TDAC is required to maintain minimum net capital of the greater of $1.5 million, which is based on the type of business conducted by the broker-dealer, or 2% of aggregate debit balances arising from client transactions.

Under Rule 15c3-1, TD Ameritrade, Inc. is required to maintain minimum net capital of the greater of $250,000 or 2% of aggregate debit balances. As a futures commission merchant registered with the Commodity Futures Trading Commission (CFTC), TD Ameritrade, Inc. is also subject to CFTC Regulation 1.17 under the Commodity Exchange Act, administered by the CFTC and the National Futures Association, which requires the maintenance of minimum net capital of the greatest of (a) $1.0 million, (b) its futures risk-based capital requirement, equal to 8% of the total risk margin requirement for all futures positions carried by the futures commission merchant in client and nonclient accounts, or (c) its Rule 15c3-1 net capital requirement.

Under the alternative method, a broker-dealer may not repay any subordinated borrowings, pay cash dividends or make any unsecured advances or loans to its parent company or employees if such payment would result in a net capital amount of (a) less than 5% of aggregate debit balances, (b) less than 110% of its risk-based capital requirement under Regulation 1.17, or (c) less than 120% of its minimum dollar requirement. These net capital thresholds, which are specified in Exchange Act Rule 17a-11 and CFTC Regulation 1.12, are typically referred to as early warning net capital thresholds.

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

TD Ameritrade Clearing, Inc.

Date	Net Capital	Required Net Capital (2% of Aggregate Debit Balances)	Net Capital in Excess of Required Net Capital	Net Capital in Excess of Early Warning Threshold (5% of Aggregate Debit Balances)	Ratio of Net Capital to Aggregate Debit Balances
June 30, 2012	$ 1,288,311	$ 202,723	$ 1,085,588	$ 781,503	12.71%
September 30, 2011	$ 1,263,535	$ 199,308	$ 1,064,227	$ 765,265	12.68%

TD Ameritrade, Inc.

Date	Net Capital	Required Net Capital (8% of Total Risk Margin or Minimum Dollar Requirement)	Net Capital in Excess of Required Net Capital	Net Capital in Excess of Early Warning Threshold (110% or 120% of Required Net Capital)
June 30, 2012	$ 218,174	$ 5,590	$ 212,584	$ 212,025
September 30, 2011	$ 374,907	$ 1,000	$ 373,907	$ 373,707

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 $19.8 million and $18.6 million as of June 30, 2012 and September 30, 2011, respectively, which exceeded the required Tier 1 capital by $9.8 million and $8.6 million, respectively.

6. COMMITMENTS AND CONTINGENCIES

Reserve Fund Matters During September 2008, The Reserve, an independent mutual fund company, announced that the net asset value of the Reserve Yield Plus Fund declined below $1.00 per share. The Yield Plus Fund was not a money market mutual fund, but its stated objective was to maintain a net asset value of $1.00 per share. TD Ameritrade, Inc. s clients continue to hold shares in the Yield Plus Fund (now known as Yield Plus Fund In Liquidation), which is being liquidated. On July 23, 2010, The Reserve announced that through that date it had distributed approximately 94.8% of the Yield Plus Fund assets as of September 15, 2008 and that the Yield Plus Fund had approximately $39.7 million in total remaining assets. The Reserve stated that the fund s Board of Trustees has set aside almost the entire amount of the remaining assets to cover potential claims, fees and expenses. The Company estimates that TD Ameritrade, Inc. clients current positions held in the Reserve Yield Plus Fund amount to approximately 79% of the fund.

TD Ameritrade, Inc. has received subpoenas and other requests for documents and information from the SEC and other regulatory authorities regarding TD Ameritrade, Inc. s offering of the Yield Plus Fund to clients. TD Ameritrade, Inc. is cooperating with the investigations and requests. On January 27, 2011, TD Ameritrade, Inc. entered into a settlement with the SEC, agreeing to the entry of an Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions (Order). In the Order, the SEC found that TD Ameritrade, Inc. failed reasonably to supervise its registered representatives with a view to preventing their violations of Section 17(a)(2) of the Securities Act of 1933 in connection with their offer and sale of the Yield Plus Fund. TD Ameritrade, Inc. did not admit or deny any of the findings in the Order, and no fine was imposed. Under the settlement agreement, TD Ameritrade, Inc. agreed to pay $0.012 per share to all eligible current or former clients that purchased shares of the Yield Plus Fund and continued to own those shares. Clients who purchased Yield Plus Fund shares through independent registered investment advisors were not eligible for the payment. In February 2011, the Company paid clients approximately $10 million under the settlement agreement.

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The Pennsylvania Securities Commission has filed an administrative order against TD Ameritrade, Inc. involving the sale of Yield Plus Fund securities to certain Pennsylvania clients. An administrative hearing will be held to determine whether there have been violations of certain provisions of the Pennsylvania Securities Act of 1972 and rules thereunder and to determine what, if any, administrative sanctions should be imposed. TD Ameritrade, Inc. is defending the action.

In November 2008, a purported class action lawsuit was filed with respect to the Yield Plus Fund. The lawsuit is captioned *Ross v. Reserve Management Company, Inc. et al.* and is pending in the U.S. District Court for the Southern District of New York. The Ross lawsuit is on behalf of persons who purchased shares of Reserve Yield Plus Fund. On November 20, 2009, the plaintiffs filed a first amended complaint naming as defendants the fund s advisor, certain of its affiliates and the Company and certain of its directors, officers and shareholders as alleged control persons. The complaint alleges claims of violations of the federal securities laws and other claims based on allegations that false and misleading statements and omissions were made in the Reserve Yield Plus Fund prospectuses and in other statements regarding the fund. The complaint seeks an unspecified amount of compensatory damages including interest, attorneys fees, rescission, exemplary damages and equitable relief. On January 19, 2010, the defendants submitted motions to dismiss the complaint. The motions are pending.

The Company estimates that its clients current aggregate shortfall, based on the original par value of their holdings in the Yield Plus Fund, less the value of fund distributions to date and the value of payments under the Company s SEC settlement, is approximately $37 million. This amount does not take into account any assets remaining in the fund that may become available for future distributions.

The Company is unable to predict the outcome or the timing of the ultimate resolution of the Pennsylvania action and the Ross lawsuit, or the potential loss, if any, that may result from these unresolved matters. However, management believes the outcome of these pending proceedings is not likely to have a material adverse effect on the financial condition, results of operations or cash flows of the Company.

Other Legal and Regulatory Matters The Company is subject to 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. A substantial adverse judgment or other unfavorable resolution of these matters could have a material adverse effect on the Company s financial condition, results of operations and cash flows or could cause the Company significant reputational harm. Management believes the Company has adequate legal defenses with respect to these legal proceedings to which it is a defendant or respondent and the outcome of these pending proceedings is not likely to have a material adverse effect on the financial condition, results of operations or cash flows of the Company. However, the Company is unable to predict the outcome or the timing of the ultimate resolution of these matters, or the potential losses, if any, that may result from these matters.

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. Management believes the outcome of any resulting actions will not be material to the Company s financial condition, results of operations or cash flows. However, the Company is unable to predict the outcome or the timing of the ultimate resolution of these matters, or the potential fines, penalties or injunctive or other equitable relief, if any, that may result from these matters.

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

General Contingencies In the ordinary course of business, there are various contingencies that are not reflected in the condensed consolidated financial statements. These include the Company s broker-dealer 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 executes and clears client transactions involving the sale of securities not yet purchased (short sales). Such margin-related transactions may expose the Company to credit risk in the event a client s assets are not sufficient to fully cover losses that the client may incur. Leverage involves securing a large

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potential future obligation with a lesser amount of cash and securities. The risks associated with margin credit and leverage increase during periods of rapid market movements, or in cases where leverage or collateral is concentrated and market movements occur. In the event the client fails to satisfy its obligations, the Company has the authority to purchase or sell financial instruments in the client s account at prevailing market prices in order to fulfill the client s obligations. However, during periods of rapid market movements, clients who utilize margin credit or leverage and who have collateralized their obligations with securities may find that the securities have a rapidly depreciating value and may not be sufficient to cover their obligations in the event of liquidation. The Company seeks to mitigate the risks associated with its client margin and leverage activities by requiring clients to maintain margin collateral in compliance with various regulatory and internal guidelines. The Company monitors required margin levels throughout each trading day and, pursuant to such guidelines, requires clients to deposit additional collateral, or to reduce positions, when necessary.

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

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

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

As of June 30, 2012, client excess margin securities of approximately $12.2 billion and stock borrowings of approximately $0.8 billion were available to the Company to utilize as collateral on various borrowings or for other purposes. The Company had loaned approximately $2.2 billion and repledged approximately $1.5 billion of that collateral as of June 30, 2012.

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

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

See Insured Deposit Account Agreement in Note 10 for a description of a guarantee included in that agreement.

Employment Agreements The Company has entered into employment agreements with several of its key executive officers. These employment agreements generally provide for annual base salary and incentive compensation, as well as stock award acceleration and severance payments in the event of termination of employment under certain defined circumstances or changes in control of the Company. Incentive compensation, a portion of which is awarded in the form of stock-based compensation, is based on the Company s financial performance and other factors.

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7. FAIR VALUE DISCLOSURES

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

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

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

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. This category includes active exchange-traded funds, money market mutual funds, mutual funds and equity securities.

Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Such inputs include quoted prices in markets that are not active, quoted prices for similar assets and liabilities in active and inactive markets, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data by correlation or other means. This category includes most debt securities and other interest-sensitive financial instruments.

Level 3 Unobservable inputs for the asset or liability, where there is little, if any, observable market activity or data for the asset or liability. This category includes assets and liabilities related to money market and other mutual funds managed by The Reserve for which the net asset value has declined below $1.00 per share and the funds are being liquidated. This category also includes auction rate securities for which the periodic auctions have failed.

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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 June 30, 2012 and September 30, 2011 (dollars in thousands):

	As of June 30, 2012			
	Level 1	Level 2	Level 3	Fair Value
Assets:				
Cash equivalents:				
Money market mutual funds	$ 819,811	$	$	$ 819,811
Short-term investments:				
U.S. government debt securities		128,590		128,590
U.S. government agency debt securities		1,029		1,029
Subtotal - Short-term investments		129,619		129,619
Investments segregated in compliance with federal regulations:				
U.S. government debt securities		754,232		754,232
Securities owned:				
Auction rate securities			6,039	6,039
Money market and other mutual funds			1,102	1,102
Equity securities	3,918	275		4,193
U.S. government debt securities		332,486		332,486
Municipal debt securities		1,290		1,290
Corporate debt securities		267		267
Other debt securities		301		301
Subtotal - Securities owned	3,918	334,619	7,141	345,678
Other assets:				
Interest rate swaps(1)		92,430		92,430
Total assets at fair value	$ 823,729	$ 1,310,900	$ 7,141	$ 2,141,770
Liabilities:				
Accounts payable and accrued liabilities:				
Securities sold, not yet purchased:				
Equity securities	$ 9,368	$ 14	$	$ 9,382
Municipal debt securities		255		255
Corporate debt securities		43		43
Total liabilities at fair value	$ 9,368	$ 312	$	$ 9,680

(1) See Interest Rate Swaps in Note 4 for details.

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	As of September 30, 2011			
	Level 1	Level 2	Level 3	Fair Value
Assets:				
Cash equivalents:				
Money market mutual funds	$ 949,804	$	$	$ 949,804
Short-term investments:				
U.S. government debt securities		2,528		2,528
U.S. government agency debt securities		1,029		1,029
Subtotal - Short-term investments		3,557		3,557
Securities owned:				
Auction rate securities			19,609	19,609
Money market and other mutual funds			1,098	1,098
Equity securities	521	278		799
U.S. government debt securities		423,010		423,010
Municipal debt securities		972		972
Corporate debt securities		653		653
Other debt securities		468		468
Subtotal - Securities owned	521	425,381	20,707	446,609
Other assets:				
Interest rate swaps (1)		87,764		87,764
Total assets at fair value	$ 950,325	$ 516,702	$ 20,707	$ 1,487,734
Liabilities:				
Accounts payable and accrued liabilities:				
Securities sold, not yet purchased:				
Equity securities	$ 4,600	$ 55	$	$ 4,655
Municipal debt securities		178		178
Corporate debt securities		9		9
Total liabilities at fair value	$ 4,600	$ 242	$	$ 4,842

(1) See Interest Rate Swaps in Note 4 for details.

There were no transfers between any levels of the fair value hierarchy during the periods presented in the tables below. The following tables present the changes in Level 3 assets measured at fair value on a recurring basis for the three months and nine months ended June 30, 2012 and 2011 (dollars in thousands):

	Three Months Ended June 30, 2012		Nine Months Ended June 30, 2012	
	Securities Owned		Securities Owned	
	Auction Rate Securities	Money Market and Other Mutual Funds	Auction Rate Securities	Money Market and Other Mutual Funds

Balance, beginning of period	$ 7,379	$ 1,099	$ 19,609	$ 1,098
Net gains (losses) included in earnings[1]	77	(2)	(88)	(2)
Purchases	185	5	625	6
Sales	(562)		(2,117)	
Settlements	(1,040)		(11,990)	
Balance, end of period	$ 6,039	$ 1,102	$ 6,039	$ 1,102

(1) Net gains (losses) on securities owned are recorded in other revenues on the Condensed Consolidated Statements of Income.

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	Three Months Ended June 30, 2011 Securities Owned		Nine Months Ended June 30, 2011 Securities Owned	
	Auction Rate Securities	Money Market and Other Mutual Funds	Auction Rate Securities	Money Market and Other Mutual Funds
Balance, beginning of period	$ 109,385	$ 1,026	$ 209,288	$ 5,404
Net gains included in earnings(1)	714		3,685	
Purchases, sales, issuances and settlements, net	(48,148)	41	(151,022)	(4,337)
Balance, end of period	$ 61,951	$ 1,067	$ 61,951	$ 1,067

(1) Net gains on auction rate securities are recorded in other revenues on the Condensed Consolidated Statements of Income. For the nine months ended June 30, 2011, net gains on auction rate securities include $0.4 million of net unrealized gains on assets held as of June 30, 2011.

There were no nonfinancial assets or liabilities measured at fair value during the three months and nine months ended June 30, 2012 and 2011.

Valuation Techniques

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

Level 2 Measurements:

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

Interest Rate Swaps These derivatives are valued by the counterparties using a model 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. Counterparty credit risk is not an input to the valuation because the Company 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 counterparty valuations by comparing them to a valuation model provided by another third party service.

Level 3 Measurements:

Money Market and Other Mutual Funds The fair value of positions in money market and other mutual funds managed by The Reserve is estimated by management based on the underlying portfolio holdings data published by The Reserve.

Auction Rate Securities (ARS) ARS are long-term variable rate securities tied to short-term interest rates that are reset through a Dutch auction process, which generally occurs every seven to 35 days. Holders of ARS were previously able to liquidate their holdings to prospective buyers by participating in the auctions. During fiscal 2008, the Dutch auction process failed and holders were no longer able to liquidate their holdings through the auction process. The fair value of Company ARS holdings is primarily estimated based on an internal pricing model. The pricing model takes into consideration the characteristics of the underlying securities, as well as multiple inputs, including counterparty credit quality, expected timing of redemptions and an estimated yield premium that a market participant would require over otherwise comparable securities to compensate for the illiquidity of the ARS. These inputs require significant management judgment.

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The following table summarizes quantitative information about Level 3 unobservable inputs as of June 30, 2012:

Asset	Valuation Technique	Unobservable Input	Range	Weighted Average
Auction Rate Securities	Discounted cash flow	Constant prepayment rate (Annual)	15% - 20%	18%
		Yield premium for illiquidity	2%	2%

Fair Value of Financial Instruments Not Recorded at Fair Value

Cash and investments segregated in compliance with federal regulations 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 U.S. Treasury securities in amounts exceeding the carrying value of the resale agreements. Accordingly, the carrying value approximates fair value (categorized as Level 2 of the fair value hierarchy).

Senior Notes As of June 30, 2012, the Company s Senior Notes had an aggregate estimated fair value, based on quoted market prices (categorized as Level 1 of the fair value hierarchy), of approximately $1.357 billion, compared to the aggregate carrying value of the Senior Notes on the Condensed Consolidated Balance Sheet of $1.342 billion. As of September 30, 2011, the Company s Senior Notes had an aggregate estimated fair value, based on quoted market prices, of approximately $1.340 billion, compared to the aggregate carrying value of the Senior Notes on the Condensed Consolidated Balance Sheet of $1.337 billion.

8. EARNINGS PER SHARE

The following is a reconciliation of the numerator and denominator used in the computation of basic and diluted earnings per share for the periods indicated (in thousands, except per share amounts):

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Nine Months Ended June 30, 2012	Nine Months Ended June 30, 2011
Net income	$ 153,829	$ 157,395	$ 442,488	$ 474,102
Weighted average shares outstanding - basic	547,682	570,287	548,673	573,034
Effect of dilutive securities:				
Common stock equivalent shares related to stock-based compensation	5,361	6,497	5,564	6,134
Weighted average shares outstanding - diluted (1)	553,043	576,784	554,237	579,168
Earnings per share - basic	$ 0.28	$ 0.28	$ 0.81	$ 0.83
Earnings per share - diluted	$ 0.28	$ 0.27	$ 0.80	$ 0.82

(1) The Company excluded from the calculation of diluted earnings per share 2.5 million and 0.2 million shares underlying stock-based compensation awards for the three months ended June 30, 2012 and 2011, respectively, and 2.5 million and 1.0 million shares underlying

stock-based compensation awards for the nine months ended June 30, 2012 and 2011, respectively, because their inclusion would have been antidilutive.

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9. COMPREHENSIVE INCOME

Comprehensive income is as follows for the periods indicated (dollars in thousands):

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2012	2011	2012	2011
Net income	$ 153,829	$ 157,395	$ 442,488	$ 474,102
Other comprehensive income:				
Net unrealized investment gains (losses)	32	(2)	36	(1)
Foreign currency translation adjustment	(16)	21	26	161
Total other comprehensive income	16	19	62	160
Comprehensive income	$ 153,845	$ 157,414	$ 442,550	$ 474,262

10. RELATED PARTY TRANSACTIONS

Transactions with TD and Affiliates

As a result of the acquisition of TD Waterhouse during fiscal 2006, TD became an affiliate of the Company. TD owned approximately 45.2% of the Company s common stock as of June 30, 2012, of which 45% is permitted to be voted under the terms of the Stockholders Agreement among TD, the Company and certain other stockholders. Pursuant to the Stockholders Agreement, 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

The Company is party to an insured deposit account (IDA) agreement with TD Bank USA, N.A. (TD Bank USA), TD Bank, N.A. and TD. Under the IDA agreement, TD Bank USA and TD Bank, N.A. (together, the Depository Institutions) make available to clients of the Company FDIC-insured money market deposit accounts as either designated sweep vehicles or as non-sweep deposit accounts. The Company provides marketing, recordkeeping and support services for the Depository Institutions with respect to the money market deposit accounts. In exchange for providing these services, the Depository Institutions pay the Company a fee based on the yield earned on the client IDA assets, less the actual interest paid to clients, a flat fee to the Depository Institutions of 25 basis points and the cost of FDIC insurance premiums.

The IDA agreement has a term of five years beginning July 1, 2008, and is automatically renewable for successive five-year terms, provided that it may be terminated by any party upon two years prior written notice. As of June 30, 2012, neither the Company nor TD has exercised its termination rights. The fee earned on the IDA agreement is calculated based on two primary components: (a) the yield on fixed-rate 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 and (b) floating-rate investments, based on the monthly average rate for 30-day LIBOR. The agreement provides that, from time to time, the Company may request amounts and maturity dates for the fixed-rate investments in the IDA portfolio, subject to the approval of the Depository Institutions. As of June 30, 2012, the IDA portfolio was comprised of approximately 92% fixed rate investments and 8% floating rate investments.

In the event the fee computation results in a negative amount, the Company must pay the Depository Institutions the negative amount. This effectively results in the Company guaranteeing the Depository Institutions revenue of 25 basis points on the IDA agreement, plus the reimbursement of FDIC insurance premiums. The fee computation under the IDA agreement is affected by many variables, including the type, duration, credit quality, principal balance and yield of the investment portfolio at the Depository Institutions, the prevailing interest rate environment, the amount of client deposits and the yield paid on client deposits. Because a negative IDA fee computation would arise only if there were extraordinary movements in many of these variables, the maximum potential amount of future payments the Company could be required to make under this arrangement cannot be reasonably estimated. Management believes the potential for the fee calculation to result in a negative amount is remote and the fair value of the guarantee is not material. Accordingly, no contingent liability is carried on the Condensed Consolidated Balance Sheets for the IDA agreement.

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

		Revenues from TD and Affiliates			
	Statement of Income	Three months ended June 30,		Nine months ended June 30,	
Description	Classification	2012	2011	2012	2011
Insured Deposit Account Agreement	Insured deposit account fees	$ 206,339	$ 196,817	$ 620,590	$ 562,759
Mutual Fund Agreements	Investment product fees	1,136	1,418	2,785	7,290
Referral and Strategic Alliance Agreement	Various	2,480	1,223	5,446	2,909
Securities borrowing and lending, net	Net interest revenue	694	895	2,162	3,167
TD Waterhouse Canada Order Routing Agreement	Other revenues	561	574	1,896	1,989
TD Waterhouse UK Servicing Agreement	Commissions and transaction fees	105	116	331	365
Total revenues		$ 211,315	$ 201,043	$ 633,210	$ 578,479

		Expenses to TD and Affiliates			
	Statement of Income	Three months ended June 30,		Nine months ended June 30,	
Description	Classification	2012	2011	2012	2011
Canadian Call Center Services Agreement	Professional services	$ 4,394	$ 4,525	$ 13,398	$ 13,521
Certificates of Deposit Brokerage Agreement	Advertising			1,095	1,845
Cash Management Services Agreement	Clearing and execution costs	399	216	1,154	644
Referral and Strategic Alliance Agreement	Various	138	449	868	1,508
Total expenses		$ 4,931	$ 5,190	$ 16,515	$ 17,518

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

	June 30, 2012	September 30, 2011
Assets:		
Receivable from brokers, dealers and clearing organizations	$ 367	$ 206
Receivable from affiliates	81,525	92,963
Liabilities:		
Payable to brokers, dealers and clearing organizations	$ 84,285	$ 87,771
Payable to affiliates	4,288	3,912

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

11. SUBSEQUENT EVENT

On August 6, 2012, the Company entered into a securities purchase agreement with Knight Capital Group, Inc. (Knight). Under the agreement, the Company purchased 40,000 shares of Knight 2% convertible preferred stock for $40 million in cash. Each preferred share will be convertible to 666.667 shares of Knight Class A common stock, subject to regulatory approvals and customary anti-dilution adjustments. This conversion ratio equates to an effective price of $1.50 per Knight common share. Assuming the conversion of all Knight convertible preferred stock to common stock, the Company estimates that it would own approximately 7% of Knight s common stock following such conversion. The Company has classified its Knight shares as available-for-sale securities.

The Company clears its clients futures transactions on an omnibus account basis through a subsidiary of Knight. The Company also routes certain client orders for equities and other securities to Knight subsidiaries for execution.

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12. CONDENSED CONSOLIDATING FINANCIAL INFORMATION

The Senior Notes are jointly and severally and fully and unconditionally guaranteed by TD Ameritrade Online Holdings Corp. (TDAOH), a wholly-owned subsidiary of the Company. Presented below is condensed consolidating financial information for the Company, its guarantor subsidiary and its non-guarantor subsidiaries for the periods indicated.

TD AMERITRADE HOLDING CORPORATION

CONDENSED CONSOLIDATING BALANCE SHEET

AS OF JUNE 30, 2012

(Unaudited)

(In thousands)

	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Total
ASSETS					
Cash and cash equivalents	$ 183,300	$ 6,041	$ 720,425	$	$ 909,766
Short-term investments	126,083		3,536		129,619
Cash and investments segregated in compliance with federal regulations			3,546,772		3,546,772
Receivable from brokers, dealers and clearing organizations			1,053,066		1,053,066
Receivable from clients, net			8,738,710		8,738,710
Investments in subsidiaries	5,437,038	5,226,221	548,478	(11,211,737)	
Receivable from affiliates	13,521	4,084	77,488	(13,568)	81,525
Goodwill			2,466,967		2,466,967
Acquired intangible assets, net		145,674	809,400		955,074
Other, net	144,887	5,599	913,518	(31,618)	1,032,386
Total assets	$ 5,904,829	$ 5,387,619	$ 18,878,360	$ (11,256,923)	$ 18,913,885
LIABILITIES AND STOCKHOLDERS EQUITY					
Liabilities:					
Payable to brokers, dealers and clearing organizations	$	$	$ 2,184,238	$	$ 2,184,238
Payable to clients			10,099,387		10,099,387
Accounts payable and accrued liabilities	222,781		334,514	(5,564)	551,731
Payable to affiliates	15		17,841	(13,568)	4,288
Long-term debt	1,341,644				1,341,644
Other		49,289	368,973	(26,054)	392,208
Total liabilities	1,564,440	49,289	13,004,953	(45,186)	14,573,496
Stockholders equity	4,340,389	5,338,330	5,873,407	(11,211,737)	4,340,389
Total liabilities and stockholders equity	$ 5,904,829	$ 5,387,619	$ 18,878,360	$ (11,256,923)	$ 18,913,885

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TD AMERITRADE HOLDING CORPORATION

CONDENSED CONSOLIDATING BALANCE SHEET

AS OF SEPTEMBER 30, 2011

(Unaudited)

(In thousands)

	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Total
ASSETS					
Cash and cash equivalents	$ 93,469	$ 7,170	$ 931,324	$	$ 1,031,963
Short-term investments			3,557		3,557
Cash and investments segregated in compliance with federal regulations			2,519,249		2,519,249
Receivable from brokers, dealers and clearing organizations			834,469		834,469
Receivable from clients, net			8,059,410		8,059,410
Investments in subsidiaries	5,431,356	5,240,332	555,001	(11,226,689)	
Receivable from affiliates	6,016	3,754	89,352	(6,159)	92,963
Goodwill			2,466,978		2,466,978
Acquired intangible assets, net		145,674	878,678		1,024,352
Other, net	148,759	5,773	969,580	(31,291)	1,092,821
Total assets	$ 5,679,600	$ 5,402,703	$ 17,307,598	$ (11,264,139)	$ 17,125,762
LIABILITIES AND STOCKHOLDERS EQUITY					
Liabilities:					
Payable to brokers, dealers and clearing organizations	$	$	$ 1,709,572	$	$ 1,709,572
Payable to clients			8,979,327		8,979,327
Accounts payable and accrued liabilities	226,883		364,574	(5,737)	585,720
Payable to affiliates	111	38	9,922	(6,159)	3,912
Long-term debt	1,336,789				1,336,789
Other		49,118	371,061	(25,554)	394,625
Total liabilities	1,563,783	49,156	11,434,456	(37,450)	13,009,945
Stockholders equity	4,115,817	5,353,547	5,873,142	(11,226,689)	4,115,817
Total liabilities and stockholders equity	$ 5,679,600	$ 5,402,703	$ 17,307,598	$ (11,264,139)	$ 17,125,762

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TD AMERITRADE HOLDING CORPORATION

CONDENSED CONSOLIDATING STATEMENT OF INCOME

THREE MONTHS ENDED JUNE 30, 2012

(Unaudited)

(In thousands)

	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Total
Net revenues	$ 14,678	$	$ 667,225	$ (14,638)	$ 667,265
Operating expenses	12,006	3	415,757	(14,638)	413,128
Operating income (loss)	2,672	(3)	251,468		254,137
Other expense (income)	7,414		(354)		7,060
Income (loss) before income taxes and equity in income of subsidiaries	(4,742)	(3)	251,822		247,077
Provision for (benefit from) income taxes	(1,307)	(1)	94,556		93,248
Income (loss) before equity in income of subsidiaries	(3,435)	(2)	157,266		153,829
Equity in income of subsidiaries	157,264	148,452	8,403	(314,119)	
Net income	$ 153,829	$ 148,450	$ 165,669	$ (314,119)	$ 153,829

TD AMERITRADE HOLDING CORPORATION

CONDENSED CONSOLIDATING STATEMENT OF INCOME

THREE MONTHS ENDED JUNE 30, 2011

(Unaudited)

(In thousands)

	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Total
Net revenues	$ 5,720	$ 60	$ 684,781	$ (5,779)	$ 684,782
Operating expenses	6,178	47	421,797	(5,779)	422,243
Operating income (loss)	(458)	13	262,984		262,539
Other expense (income)	8,426		(75)		8,351
Income (loss) before income taxes and equity in income of subsidiaries	(8,884)	13	263,059		254,188
Provision for (benefit from) income taxes	(2,746)	5	99,534		96,793
Income (loss) before equity in income of subsidiaries	(6,138)	8	163,525		157,395

Equity in income of subsidiaries	163,533	169,238	9,580	(342,351)	
Net income	$ 157,395	$ 169,246	$ 173,105	$ (342,351)	$ 157,395

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TD AMERITRADE HOLDING CORPORATION

CONDENSED CONSOLIDATING STATEMENT OF INCOME

NINE MONTHS ENDED JUNE 30, 2012

(Unaudited)

(In thousands)

	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Total
Net revenues	$ 28,193	$ 1	$ 1,993,760	$ (28,155)	$ 1,993,799
Operating expenses	25,345	9	1,294,830	(28,155)	1,292,029
Operating income (loss)	2,848	(8)	698,930		701,770
Other expense (income)	22,133		(755)		21,378
Income (loss) before income taxes and equity in income of subsidiaries	(19,285)	(8)	699,685		680,392
Provision for (benefit from) income taxes	(17,251)	(902)	256,057		237,904
Income (loss) before equity in income of subsidiaries	(2,034)	894	443,628		442,488
Equity in income of subsidiaries	444,522	433,889	24,610	(903,021)	
Net income	$ 442,488	$ 434,783	$ 468,238	$ (903,021)	$ 442,488

TD AMERITRADE HOLDING CORPORATION

CONDENSED CONSOLIDATING STATEMENT OF INCOME

NINE MONTHS ENDED JUNE 30, 2011

(Unaudited)

(In thousands)

	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Total
Net revenues	$ 11,014	$ 181	$ 2,059,175	$ (11,169)	$ 2,059,201
Operating expenses	10,617	172	1,280,039	(11,169)	1,279,659
Operating income	397	9	779,136		779,542
Other expense	26,590		72		26,662
Income (loss) before income taxes and equity in income of subsidiaries	(26,193)	9	779,064		752,880
Provision for (benefit from) income taxes	(11,779)	(344)	290,901		278,778

Income (loss) before equity in income of subsidiaries	(14,414)	353	488,163		474,102
Equity in income of subsidiaries	488,516	501,805	28,424	(1,018,745)	
Net income	$ 474,102	$ 502,158	$ 516,587	$ (1,018,745)	$ 474,102

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TD AMERITRADE HOLDING CORPORATION

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

NINE MONTHS ENDED JUNE 30, 2012

(Unaudited)

(In thousands)

	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Total
Net cash provided by operating activities	$ 30,408	$ 871	$ 349,856	$ 381,135
Cash flows from investing activities:				
Purchase of property and equipment			(121,135)	(121,135)
Purchase of short-term investments	(126,506)		(1,034)	(127,540)
Other, net			2,318	2,318
Net cash used in investing activities	(126,506)		(119,851)	(246,357)
Cash flows from financing activities:				
Purchase of treasury stock	(176,848)			(176,848)
Payment of cash dividends	(98,859)			(98,859)
Other, net	22,768		(4,065)	18,703
Net cash used in financing activities	(252,939)		(4,065)	(257,004)
Intercompany investing and financing activities, net	438,868	(2,000)	(436,868)	
Effect of exchange rate changes on cash and cash equivalents			29	29
Net increase (decrease) in cash and cash equivalents	89,831	(1,129)	(210,899)	(122,197)
Cash and cash equivalents at beginning of period	93,469	7,170	931,324	1,031,963
Cash and cash equivalents at end of period	$ 183,300	$ 6,041	$ 720,425	$ 909,766

TD AMERITRADE HOLDING CORPORATION

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

NINE MONTHS ENDED JUNE 30, 2011

(Unaudited)

(In thousands)

	Guarantor	Non-Guarantor

	Parent	Subsidiary	Subsidiaries	Total
Net cash provided by operating activities	$ 32,904	$ 4,426	$ 770,109	$ 807,439
Cash flows from investing activities:				
Purchase of property and equipment			(109,904)	(109,904)
Other, net			(2,626)	(2,626)
Net cash used in investing activities			(112,530)	(112,530)
Cash flows from financing activities:				
Purchase of treasury stock	(144,245)			(144,245)
Return of prepayment on structured stock repurchase	118,834			118,834
Payment of cash dividends	(85,936)			(85,936)
Other, net	11,580		(13,151)	(1,571)
Net cash used in financing activities	(99,767)		(13,151)	(112,918)
Intercompany investing and financing activities, net	115,944	(5,000)	(110,944)	
Effect of exchange rate changes on cash and cash equivalents			163	163
Net increase (decrease) in cash and cash equivalents	49,081	(574)	533,647	582,154
Cash and cash equivalents at beginning of period	67,033	25,058	649,401	741,492
Cash and cash equivalents at end of period	$ 116,114	$ 24,484	$ 1,183,048	$ 1,323,646

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

The following discussion of the financial condition and results of operations of the Company should be read in conjunction with the Selected Financial Data and the Consolidated Financial Statements and Notes thereto included in the Company s annual report on Form 10-K for the fiscal year ended September 30, 2011, and the Condensed Consolidated Financial Statements and Notes thereto contained in this quarterly report on Form 10-Q.

This discussion contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. Forward-looking statements include statements preceded by, followed by or that include the words may, could, would, should, believe, exp anticipate, plan, estimate, target, project, intend and similar expressions. In particular, forward-looking statements contained in this discus 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 average yield earned on insured deposit account assets; our migration of client cash balances into the insured deposit account offering; our effective income tax rate; and our capital and liquidity needs and our plans to finance such needs.

The Company s actual results could differ materially from those anticipated in such forward-looking statements. Important factors that may cause such differences include, but are not limited to: general economic and political conditions and other securities industry risks; fluctuations in interest rates; stock market fluctuations and changes in client trading activity; credit risk with clients and counterparties; increased competition; systems failures, delays and capacity constraints; network security risks; liquidity risk; new laws and regulations affecting our business; regulatory and legal matters and uncertainties and the other risks and uncertainties set forth under Item 1A. Risk Factors of the Company s annual report on Form 10-K for the fiscal year ended September 30, 2011. The forward-looking statements contained in this report speak only as of the date on which the statements were made. We undertake no obligation to publicly update or revise these statements, whether as a result of new information, future events or otherwise, except to the extent required by the federal securities laws.

The preparation of our financial statements requires us to make judgments and estimates that may have a significant impact upon our financial results. Note 1 of our Notes to Consolidated Financial Statements for the fiscal year ended September 30, 2011, 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; valuation of stock-based compensation; estimates of effective income tax rates, deferred income taxes and related valuation allowances; accruals for contingent liabilities; and valuation of guarantees. These areas are discussed in further detail under the heading Critical Accounting Policies and Estimates in Item 7 of our annual report on Form 10-K for the fiscal year ended September 30, 2011.

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

GLOSSARY OF TERMS

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

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

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

Average client trades per funded account (annualized) *Total trades* divided by the average number of *funded accounts* during the period, annualized based on the number of *trading days* in the fiscal year.

Average client trades per day *Total trades* divided by the number of *trading days* in the period. This metric is also known as *daily average revenue trades (DARTs).*

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Average commissions and transaction fees per trade Total commissions and transaction fee revenues as reported on the Company s Consolidated Statements of Income (excluding revenues from the active trader business acquired from thinkorswim Group Inc. (thinkorswim) and clearing revenues from TD Waterhouse UK) divided by *total trades* for the period. Commissions and transaction fee revenues primarily consist of trading commissions, revenue-sharing arrangements with market destinations (also referred to as payment for order flow) and markups on riskless principal transactions in fixed-income securities.

Basis point When referring to interest rates, one basis point represents one one-hundredth of one percent.

Beneficiary accounts *Brokerage accounts* managed by a custodian, guardian, conservator or trustee on behalf of one or more beneficiaries. Examples include accounts maintained under the Uniform Gift to Minors Act (UGMA) or Uniform Transfer to Minors Act (UTMA), guardianship, conservatorship and trust arrangements and pension or profit plan for small business accounts.

Brokerage accounts Accounts maintained by the Company on behalf of clients for securities brokerage activities. The primary types of brokerage accounts are *cash accounts, margin accounts, IRA accounts* and *beneficiary accounts.*

Cash accounts *Brokerage accounts* that do not have *margin account* approval.

Client assets The total value of cash and securities in *brokerage accounts.*

Client cash and money market assets The sum of all client cash balances, including *client credit balances* and client cash balances swept into *insured deposit accounts* or money market mutual funds.

Client credit balances Client cash held in *brokerage accounts,* excluding balances generated by client short sales on which no interest is paid. Interest paid on client credit balances is a reduction of *net interest revenue.* Client credit balances are included in payable to clients on our Consolidated Balance Sheets.

Client margin balances The total amount of cash loaned to clients in *margin accounts.* Such loans are secured by client assets. Interest earned on client margin balances is a component of *net interest revenue.* Client margin balances are included in receivable from clients on our Consolidated Balance Sheets.

Conduit-based assets Deposits paid on *securities borrowing* associated with our conduit-based securities borrowing/lending business. In our conduit business, we act as an intermediary by borrowing securities from one counterparty and lending the same securities to another counterparty. We generally earn a net interest spread equal to the excess of interest earned on *securities borrowing* deposits over the interest paid on *securities lending* deposits.

Daily average revenue trades (DARTs) *Total trades* divided by the number of *trading days* in the period. This metric is also known as *average client trades per day.*

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

EPS excluding amortization of intangible assets Earnings per share (EPS) excluding amortization of intangible assets is a non-GAAP financial measure. We define EPS excluding amortization of intangible assets as earnings (loss) per share, adjusted to remove the after-tax effect of amortization of acquired intangible assets. We consider EPS excluding amortization of intangible assets an important measure of our financial performance. Amortization of acquired intangible assets is excluded because we believe it is not indicative of underlying business performance. EPS excluding amortization of intangible assets should be considered in addition to, rather than as a substitute for, GAAP earnings per share.

EPS from ongoing operations EPS from ongoing operations is a non-GAAP financial measure. We define EPS from ongoing operations as earnings (loss) per share, adjusted to remove any significant unusual gains or charges. We consider EPS from ongoing operations an important measure of the financial performance of our ongoing business. Unusual gains and charges are excluded because we believe they are not likely to be indicative of the ongoing operations of our business. EPS from ongoing operations should be considered in addition to, rather than as a substitute for, GAAP earnings per share.

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Fee-based investment balances Client assets invested in money market mutual funds, other mutual funds and Company programs such as AdvisorDirect® and Amerivest,™ on which we earn fee revenues. Fee revenues earned on these balances are included in *investment product fees* on our Consolidated Statements of Income.

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

Insured deposit account The Company is party to an Insured Deposit Account (IDA) agreement with TD Bank USA, N.A. (TD Bank USA), TD Bank, N.A. and The Toronto-Dominion Bank (TD). Under the IDA agreement, TD Bank USA and TD Bank, N.A. (together, the Depository Institutions) make available to clients of the Company FDIC-insured money market deposit accounts as either designated sweep vehicles or as non-sweep deposit accounts. The Company provides marketing, recordkeeping and support services for the Depository Institutions with respect to the money market deposit accounts. In exchange for providing these services, the Depository Institutions pay the Company a fee based on the yield earned on the client IDA assets, less the actual interest paid to clients, a flat fee to the Depository Institutions of 25 *basis point*s and the cost of FDIC insurance premiums.

Interest rate-sensitive assets Consist of *spread-based assets* and client cash invested in money market mutual funds.

Investment product fees Revenues earned on *fee-based investment balances*. Investment product fees include fees earned on money market mutual funds, other mutual funds and through Company programs such as AdvisorDirect® and Amerivest™.

IRA accounts (Individual Retirement Arrangements) A personal trust account for the exclusive benefit of a U.S. individual (or his or her beneficiaries) that provides tax advantages in accumulating funds to save for retirement or other qualified purposes. These accounts are subject to numerous restrictions on additions to and withdrawals from the account, as well as prohibitions against certain investments or transactions conducted within the account. The Company offers traditional, Roth, Savings Incentive Match Plan for Employees (SIMPLE) and Simplified Employee Pension (SEP) IRA accounts.

Liquid assets management target Liquid assets management target is a non-GAAP financial measure. We define liquid assets management target as the sum of (a) corporate cash and cash equivalents, (b) corporate short-term investments and (c) regulatory net capital of (i) our clearing broker-dealer subsidiary in excess of 10% of aggregate debit items and (ii) our introducing broker-dealer subsidiaries in excess of a minimum operational target established by management ($50 million in the case of our primary introducing broker-dealer, TD Ameritrade, Inc.). We include the excess capital of our broker-dealer subsidiaries in liquid assets management target, rather than simply including broker-dealer cash and cash equivalents, because capital requirements may limit the amount of cash available for dividend from the broker-dealer subsidiaries to the parent company. Excess capital, as defined under clause (c) above, is generally available for dividend from the broker-dealer subsidiaries to the parent company. Liquid assets management target is based on more conservative measures of broker-dealer net capital than liquid assets regulatory threshold (defined below) because we prefer to maintain significantly more conservative levels of net capital at the broker-dealer subsidiaries than the regulatory thresholds require. We consider liquid assets management target to be a measure that reflects our liquidity that would be readily available for corporate investing and financing activities under normal operating circumstances. *Liquid assets regulatory threshold* is a related metric that reflects our liquidity that would be available for corporate investing and financing activities under unusual operating circumstances, such as the need to provide funding for significant strategic business transactions. Our liquid assets metrics should be considered as supplemental measures of liquidity, rather than as substitutes for cash and cash equivalents.

Liquid assets regulatory threshold Liquid assets regulatory threshold is a non-GAAP financial measure. We define liquid assets regulatory threshold as the sum of (a) corporate cash and cash equivalents, (b) corporate short-term investments, (c) regulatory net capital of (i) our clearing broker-dealer subsidiary in excess of 5% of aggregate debit items and (ii) our introducing broker-dealer subsidiaries in excess of the applicable early warning net capital requirement and (d) Tier 1 capital of our trust company in excess of the minimum dollar requirement. We include the excess capital of our broker-dealer and trust company subsidiaries in liquid assets regulatory threshold, rather than simply including broker-dealer and trust company cash and cash equivalents, because capital requirements may limit the amount of cash available for dividend from the broker-dealer and trust company subsidiaries to the parent company. Excess capital, as defined under clauses (c) and (d) above, is generally available for dividend from the broker-dealer and trust company subsidiaries to the parent company. We consider liquid assets regulatory threshold to be a measure that reflects our liquidity that would be available for corporate investing and financing activities under unusual operating circumstances, such as the need to provide funding for significant strategic business transactions. *Liquid assets management target* is a related metric that reflects our liquidity that would be readily available for corporate investing and financing activities under normal operating circumstances. Our liquid assets metrics should be considered as supplemental measures of liquidity, rather than as substitutes for cash and cash equivalents.

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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.

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

Net interest margin (NIM) A measure of the net yield on our average *spread-based assets*. Net interest margin is calculated for a given period by dividing the annualized sum of *net interest revenue* (excluding *net interest revenue* from *conduit-based assets*) and *insured deposit account* fees by average *spread-based assets*.

Net interest revenue Net interest revenue is interest revenues less brokerage interest expense. Interest revenues are generated by charges to clients on margin balances maintained in *margin accounts,* the investment of cash from operations and *segregated cash* in short-term marketable securities and interest earned on *securities borrowing*. Brokerage interest expense consists of amounts paid or payable to clients based on credit balances maintained in *brokerage accounts* and interest incurred on *securities lending*. Brokerage interest expense does not include interest on Company non-brokerage borrowings.

Net new assets Consists of total client asset inflows, less total client asset outflows, excluding activity from business combinations. Client asset inflows include interest and dividend payments and exclude changes in client assets due to market fluctuations. Net new assets are measured based on the market value of the assets as of the date of the inflows and outflows.

Net new asset growth rate (annualized) Annualized *net new assets* as a percentage of *client assets* as of the beginning of the period.

New accounts The number of new client accounts (funded and unfunded) opened in a specified period.

Operating expenses excluding advertising Operating expenses excluding advertising is a non-GAAP financial measure. Operating expenses excluding advertising consists of total operating expenses, adjusted to remove advertising expense. We consider operating expenses excluding advertising an important measure of the financial performance of our ongoing business. Advertising spending is excluded because it is largely at the discretion of the Company, can vary significantly from period to period based on market conditions and generally relates to the acquisition of future revenues through *new accounts* rather than current revenues from existing accounts. Operating expenses excluding advertising should be considered in addition to, rather than as a substitute for, total operating expenses.

Return on client assets (ROCA) Annualized pre-tax income divided by average *client assets* during the period.

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.

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.

Segregated cash Client cash and investments segregated in compliance with Rule 15c3-3 of the Securities Exchange Act of 1934 (the Customer Protection Rule) and other regulations. Interest earned on segregated cash is a component of *net interest revenue.*

Spread-based assets Client and brokerage-related asset balances, including *client margin balances*, *segregated cash*, *insured deposit account* balances, deposits paid on *securities borrowing* (excluding *conduit-based assets*) and other cash and interest-earning investment balances. Spread-based assets is used in the calculation of our *net interest margin*.

Total trades Revenue-generating client securities trades, which are executed by the Company s broker-dealer subsidiaries, excluding trades related to the active trader business acquired from thinkorswim and trades processed for TD Waterhouse UK. Total trades are a significant source of the Company s revenues. Such trades include, but are not limited to, trades in equities, options, futures, foreign exchange, mutual funds and debt instruments. Trades generate revenue from commissions, markups on riskless principal transactions in fixed income securities, transaction fees and/or revenue-sharing arrangements with market destinations (also known as payment for order flow).

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

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Transaction-based revenues Revenues generated from client trade execution, consisting primarily of commissions, markups on riskless principal transactions in fixed income securities, transaction clearing fees and revenue sharing arrangements with market destinations (also known as payment for order flow).

RESULTS OF OPERATIONS

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

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

Financial Performance Metrics

Pre-tax income, net income, earnings per share and EBITDA (earnings before interest, taxes, depreciation and amortization) are key metrics we use in evaluating our financial performance. EBITDA is a non-GAAP financial measure.

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

The following table sets forth EBITDA in dollars and as a percentage of net revenues for the periods indicated and provides reconciliations to net income, which is the most directly comparable GAAP measure (dollars in thousands):

	Three months ended June 30,				Nine months ended June 30,			
	2012		2011		2012		2011	
	$	% of Net Revenue	$	% of Net Revenue	$	% of Net Revenue	$	% of Net Revenue
EBITDA								
EBITDA	$ 295,412	44.3%	$ 302,101	44.1%	$ 824,063	41.3%	$ 900,483	43.7%
Less:								
Depreciation and amortization	(18,334)	(2.7%)	(16,914)	(2.5%)	(53,015)	(2.7%)	(49,629)	(2.4%)
Amortization of acquired intangible assets	(22,941)	(3.4%)	(24,083)	(3.5%)	(69,278)	(3.5%)	(72,747)	(3.5%)
Interest on borrowings	(7,060)	(1.1%)	(6,916)	(1.0%)	(21,378)	(1.1%)	(25,227)	(1.2%)
Provision for income taxes	(93,248)	(14.0%)	(96,793)	(14.1%)	(237,904)	(11.9%)	(278,778)	(13.5%)
Net income	$ 153,829	23.1%	$ 157,395	23.0%	$ 442,488	22.2%	$ 474,102	23.0%

Our EBITDA decreased 8% for the first nine months of fiscal 2012 compared to the first nine months of fiscal 2011, primarily due to a 3% decrease in net revenues and a 1% increase in operating expenses. The decrease in net revenues was due primarily to a decrease of 33 basis points in net interest margin earned on spread-based balances, a 6% decrease in total client trades and a 3% decrease in average commissions and transaction fees per trade, partially offset by the effects of a 22% increase in average spread-based balances and a 14% increase in other fee-based investment balances. Detailed analysis of net revenues and operating expenses is presented later in this discussion.

Operating Metrics

Our largest sources of revenues are asset-based revenues and transaction-based revenues. For the nine months ended June 30, 2012, asset-based revenues and transaction-based revenues accounted for 55% and 42% of our net revenues, respectively. Asset-based revenues consist of (1) net interest revenue, (2) insured deposit account fees and (3) investment product fees. The primary factors driving our asset-based revenues are average balances and average rates. Average balances consist primarily of

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average client margin balances, average segregated cash balances, average client credit balances, average client insured deposit account balances, average fee-based investment balances and average securities borrowing and lending balances. Average rates consist of the average interest rates and fees earned and paid on such balances. The primary factors driving our transaction-based revenues are total client trades and average commissions and transaction fees per trade. We also consider client account and client asset metrics, although we believe they are generally of less significance to our results of operations for any particular period than our metrics for asset-based and transaction-based revenues.

Asset-Based Revenue Metrics

We calculate the return on our interest-earning assets (excluding conduit-based assets) and our insured deposit account balances using a measure we refer to as net interest margin. Net interest margin is calculated for a given period by dividing the annualized sum of net interest revenue (excluding net interest revenue from conduit-based assets) and insured deposit account fees by average spread-based assets. Spread-based assets consist of client and brokerage-related asset balances, including client margin balances, segregated cash, insured deposit account balances, deposits paid on securities borrowing (excluding conduit-based assets) and other cash and interest-earning investment balances. The following table sets forth net interest margin and average spread-based assets (dollars in millions):

	Three months ended June 30,		Increase/	Nine months ended June 30,		Increase/
	2012	2011	(Decrease)	2012	2011	(Decrease)
Avg. interest-earning assets (excluding conduit business)	$ 14,850	$ 14,034	$ 816	$ 14,658	$ 13,547	$ 1,111
Avg. insured deposit account balances	58,981	48,590	10,391	58,709	46,705	12,004
Avg. spread-based balances	$ 73,831	$ 62,624	$ 11,207	$ 73,367	$ 60,252	$ 13,115
Net interest revenue (excluding conduit business)	$ 118.3	$ 131.2	$ (12.9)	$ 334.2	$ 368.1	$ (33.9)
Insured deposit account fee revenue	206.3	196.8	9.5	620.6	562.8	57.8
Spread-based revenue	$ 324.6	$ 328.0	$ (3.4)	$ 954.8	$ 930.9	$ 23.9
Avg. annualized yield - interest-earning assets (excluding conduit business)	3.15%	3.70%	(0.55%)	3.00%	3.58%	(0.58%)
Avg. annualized yield - insured deposit account fees	1.38%	1.60%	(0.22%)	1.39%	1.59%	(0.20%)
Net interest margin (NIM)	1.74%	2.07%	(0.33%)	1.71%	2.04%	(0.33%)

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

	Interest Revenue (Expense) Three months ended June 30,		Increase/	Interest Revenue (Expense) Nine months ended June 30,		Increase/
	2012	2011	(Decrease)	2012	2011	(Decrease)
Segregated cash	$ 1.0	$ 0.4	$ 0.6	$ 2.4	$ 2.2	$ 0.2
Client margin balances	91.2	103.4	(12.2)	257.5	295.2	(37.7)
Securities borrowing (excluding conduit business)	27.2	28.1	(0.9)	77.4	73.0	4.4
Other cash and interest-earning investments	0.3	0.1	0.2	1.0	0.8	0.2
Client credit balances	(0.2)	(0.4)	0.2	(1.0)	(1.3)	0.3
Securities lending (excluding conduit business)	(1.2)	(0.4)	(0.8)	(3.1)	(1.8)	(1.3)
Net interest revenue (excluding conduit business)	118.3	131.2	(12.9)	334.2	368.1	(33.9)
Securities borrowing - conduit business	0.3	0.3		0.5	0.7	(0.2)
Securities lending - conduit business	(0.2)	(0.2)		(0.3)	(0.4)	0.1

Net interest revenue	$ 118.4	$ 131.3	$ (12.9)	$ 334.4	$ 368.4	$ (34.0)

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	Average Balance Three months ended June 30, 2012	2011	% Change	Average Balance Nine months ended June 30, 2012	2011	% Change
Segregated cash	$ 4,037	$ 2,871	41%	$ 4,577	$ 3,046	50%
Client margin balances	8,731	9,469	(8%)	8,119	8,849	(8%)
Securities borrowing (excluding conduit business)	510	485	5%	484	500	(3%)
Other cash and interest-earning investments	1,572	1,209	30%	1,478	1,152	28%
Interest-earning assets (excluding conduit business)	14,850	14,034	6%	14,658	13,547	8%
Securities borrowing - conduit business	369	329	12%	264	323	(18%)
Interest-earning assets	$ 15,219	$ 14,363	6%	$ 14,922	$ 13,870	8%
Client credit balances	$ 9,139	$ 8,656	6%	$ 9,341	$ 8,366	12%
Securities lending (excluding conduit business)	1,932	1,757	10%	1,683	1,654	2%
Interest-bearing liabilities (excluding conduit business)	11,071	10,413	6%	11,024	10,020	10%
Securities lending - conduit business	369	329	12%	264	323	(18%)
Interest-bearing liabilities	$ 11,440	$ 10,742	6%	$ 11,288	$ 10,343	9%

	Avg. Annualized Yield (Cost) Three months ended June 30, 2012	2011	Net Yield Increase/ (Decrease)	Avg. Annualized Yield (Cost) Nine months ended June 30, 2012	2011	Net Yield Increase/ (Decrease)
Segregated cash	0.10%	0.05%	0.05%	0.07%	0.09%	(0.02%)
Client margin balances	4.13%	4.32%	(0.19%)	4.17%	4.40%	(0.23%)
Other cash and interest-earning investments	0.06%	0.06%	0.00%	0.09%	0.10%	(0.01%)
Client credit balances	(0.01%)	(0.02%)	0.01%	(0.01%)	(0.02%)	0.01%
Net interest revenue (excluding conduit business)	3.15%	3.70%	(0.55%)	3.00%	3.58%	(0.58%)
Securities borrowing - conduit business	0.30%	0.31%	(0.01%)	0.24%	0.28%	(0.04%)
Securities lending - conduit business	(0.20%)	(0.25%)	0.05%	(0.14%)	(0.18%)	0.04%
Net interest revenue	3.08%	3.62%	(0.54%)	2.94%	3.50%	(0.56%)

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

	Fee Revenue Three months ended June 30, 2012	2011	Increase/ (Decrease)	Fee Revenue Nine months ended June 30, 2012	2011	Increase/ (Decrease)
Money market mutual fund	$ 1.1	$ 1.4	$ (0.3)	$ 2.8	$ 7.3	$ (4.5)
Other investment product fees	52.9	42.5	10.4	141.0	117.8	23.2
Total investment product fees	$ 54.0	$ 43.9	$ 10.1	$ 143.8	$ 125.1	$ 18.7

	Average Balance Three months ended June 30, 2012	2011	% Change	Average Balance Nine months ended June 30, 2012	2011	% Change
Money market mutual fund	$ 4,851	$ 8,761	(45%)	$ 5,189	$ 8,799	(41%)
Other fee-based investment balances	83,329	73,247	14%	78,457	68,820	14%

Total fee-based investment balances	$ 88,180	$ 82,008	8%	$ 83,646	$ 77,619	8%

	Average Annualized Yield Three months ended June 30,		Increase/	Average Annualized Yield Nine months ended June 30,		Increase/
	2012	**2011**	**(Decrease)**	**2012**	**2011**	**(Decrease)**
Money market mutual fund	0.09%	0.06%	0.03%	0.07%	0.11%	(0.04%)
Other investment product fees	0.25%	0.23%	0.02%	0.24%	0.23%	0.01%
Total investment product fees	0.24%	0.21%	0.03%	0.23%	0.21%	0.02%

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Transaction-Based Revenue Metrics

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

	Three months ended June 30,		%	Nine months ended June 30,		%
	2012	2011	Change	2012	2011	Change
Total trades (in millions)	22.39	23.29	(4%)	69.39	74.14	(6%)
Average commissions and transaction fees per trade [1]	$ 11.88	$ 12.08	(2%)	$ 11.98	$ 12.30	(3%)
Average client trades per day	355,449	369,716	(4%)	370,081	393,297	(6%)
Average client trades per funded account (annualized)	15.5	16.7	(7%)	16.3	18.0	(9%)
Activity rate - funded accounts	6.2%	6.6%	(6%)	6.5%	7.1%	(8%)
Trading days	63.0	63.0	0%	187.5	188.5	(1%)

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

Client Account and Client Asset Metrics

The following table sets forth certain metrics regarding client accounts and client assets, which we use to analyze growth and trends in our client base:

	Three months ended June 30,		%	Nine months ended June 30,		%
	2012	2011	Change	2012	2011	Change
New accounts opened	171,000	154,000	11%	494,000	495,000	(0%)
Funded accounts (beginning of period)	5,703,000	5,547,000	3%	5,617,000	5,455,000	3%
Funded accounts (end of period)	5,736,000	5,592,000	3%	5,736,000	5,592,000	3%
Percentage change during period	1%	1%		2%	3%	
Client assets (beginning of period, in billions)	$ 452.4	$ 412.3	10%	$ 378.7	$ 354.8	7%
Client assets (end of period, in billions)	$ 445.0	$ 413.7	8%	$ 445.0	$ 413.7	8%
Percentage change during period	(2%)	0%		18%	17%	
Net new assets (in billions)	$ 9.7	$ 7.9	23%	$ 30.7	$ 29.1	5%
Net new assets annualized growth rate[1]	9%	8%		11%	11%	

(1) Annualized net new assets as a percentage of client assets as of the beginning of the period.

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Condensed Consolidated Statements of Income Data

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

	Three months ended June 30, 2012	Three months ended June 30, 2011	% Change	Nine months ended June 30, 2012	Nine months ended June 30, 2011	% Change
Revenues:						
Transaction-based revenues:						
Commissions and transaction fees	$ 266.1	$ 281.6	(6%)	$ 831.5	$ 912.6	(9%)
Asset-based revenues:						
Interest revenue	120.0	132.3	(9%)	338.9	372.0	(9%)
Brokerage interest expense	(1.6)	(1.1)	53%	(4.5)	(3.6)	25%
Net interest revenue	118.4	131.3	(10%)	334.4	368.4	(9%)
Insured deposit account fees	206.3	196.8	5%	620.6	562.8	10%
Investment product fees	54.0	43.9	23%	143.8	125.1	15%
Total asset-based revenues	378.7	372.0	2%	1,098.8	1,056.2	4%
Other revenues	22.4	31.2	(28%)	63.5	90.4	(30%)
Net revenues	667.3	684.8	(3%)	1,993.8	2,059.2	(3%)
Operating expenses:						
Employee compensation and benefits	176.5	168.6	5%	523.4	500.6	5%
Clearing and execution costs	21.9	22.6	(3%)	66.1	71.6	(8%)
Communications	28.5	27.1	5%	83.3	81.8	2%
Occupancy and equipment costs	36.3	36.3	0%	111.3	104.7	6%
Depreciation and amortization	18.3	16.9	8%	53.0	49.6	7%
Amortization of acquired intangible assets	22.9	24.1	(5%)	69.3	72.7	(5%)
Professional services	39.7	42.9	(7%)	128.9	123.3	5%
Advertising	50.2	48.1	4%	190.4	204.1	(7%)
Other	18.7	35.7	(47%)	66.3	71.3	(7%)
Total operating expenses	413.1	422.2	(2%)	1,292.0	1,279.7	1%
Operating income	254.1	262.5	(3%)	701.8	779.5	(10%)
Other expense:						
Interest on borrowings	7.1	6.9	2%	21.4	25.2	(15%)
Loss on debt refinancing		1.4	(100%)		1.4	(100%)
Total other expense	7.1	8.4	(15%)	21.4	26.7	(20%)
Pre-tax income	247.1	254.2	(3%)	680.4	752.9	(10%)
Provision for income taxes	93.2	96.8	(4%)	237.9	278.8	(15%)
Net income	$ 153.8	$ 157.4	(2%)	$ 442.5	$ 474.1	(7%)

Other information:

Effective income tax rate	37.7%	38.1%		35.0%	37.0%	
Average debt outstanding	$ 1,257.1	$ 1,264.1	(1%)	$ 1,258.0	$ 1,268.8	(1%)
Average interest rate incurred on borrowings	2.16%	1.97%		2.14%	2.40%	

Note: Details may not sum to totals and subtotals due to rounding differences. Change percentages are based on non-rounded Condensed Consolidated Statements of Income amounts.

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Three-Month Periods Ended June 30, 2012 and 2011

Net Revenues

Commissions and transaction fees decreased 6% to $266.1 million, primarily due to lower client trades per day and lower average commissions and transaction fees per trade. Average client trades per day decreased 4% to 355,449 for the third quarter of fiscal 2012 compared to 369,716 for the third quarter of fiscal 2011. Average client trades per funded account (annualized) were 15.5 for the third quarter of fiscal 2012 compared to 16.7 for the third quarter of fiscal 2011. Average commissions and transaction fees per trade decreased to $11.88 for the third quarter of fiscal 2012 from $12.08 for the third quarter of fiscal 2011, primarily due to (1) a higher percentage of reduced commission trades, including negotiated rates for our active trader clients and promotional trades to attract new accounts and client assets, (2) lower average contracts per trade on option trades and (3) increased futures trades, which earn somewhat lower average commissions and transaction fees per trade and do not generate payment for order flow revenue. These decreases were partially offset by higher payment for order flow revenue per trade during the third quarter of fiscal 2012.

Net interest revenue decreased 10% to $118.4 million, due primarily to an 8% decrease in average client margin balances and a decrease of 19 basis points in the average yield earned on client margin balances for the third quarter of fiscal 2012 compared to the third quarter of fiscal 2011.

Insured deposit account fees increased 5% to $206.3 million, due primarily to a 21% increase in average client IDA balances, partially offset by a decrease of 22 basis points in the average yield earned on the IDA assets during the third quarter of fiscal 2012 compared to the third quarter of fiscal 2011. We expect that, absent an increase in interest rates, the average yield earned on IDA assets will continue to decrease somewhat, as investments in the IDA portfolio mature and are reinvested at lower rates. The increased IDA balances are partly due to our success in attracting net new client assets over the past year and partly due to our strategy of migrating client cash held in client credit balances or swept to money market mutual funds to the IDA offering. During the first quarter of fiscal 2012, we moved approximately $3 billion of client cash out of money market mutual funds, consisting of approximately $1 billion that was moved directly to insured deposit accounts and $2 billion that was initially moved to client credit balances and was subsequently moved to insured deposit accounts during the third quarter of fiscal 2012. We expect our migration strategy to position the Company to earn higher net revenues, as we generally earn a higher yield on IDA balances than on money market mutual fund or client credit balances.

Investment product fees increased 23% to $54.0 million, primarily due to a 14% increase in average other fee-based investment balances and an increase of 2 basis points in the average yield earned on those balances.

Other revenues decreased 28% to $22.4 million, due primarily to lower client education revenue and decreased fees from processing corporate securities reorganizations in the third quarter of fiscal 2012 compared to the third quarter of fiscal 2011.

Operating Expenses

Employee compensation and benefits expense increased 5% to $176.5 million, primarily due to higher stock-based compensation expense during the third quarter of fiscal 2012 compared to the third quarter of fiscal 2011 due to the effect of retirement eligibility provisions in certain stock award agreements.

Professional services decreased 7% to $39.7 million, primarily due to lower usage of consulting and contract services during the third quarter of fiscal 2012 compared to the third quarter of fiscal 2011.

Advertising expense increased 4% to $50.2 million, as increased retail advertising was mostly offset by decreased investor education promotion costs. We generally adjust our level of advertising spending in relation to stock market activity and other market conditions in an effort to maximize the number of new accounts while minimizing the advertising cost per new account. We find trading volumes in the stock market to be an effective indicator of self-directed investor engagement. When self-directed investors are actively engaged in the stock market, we tend to experience more success with our advertising, resulting in a lower cost per new account. We also find that self-directed investors tend to demonstrate more interest in financial products and services during certain times of the year, such as in the months immediately preceding the annual April tax filing deadline, and less interest during certain other times, such as the summer months. In addition, in periods when advertising market demand is weak, we may adjust our spending to take advantage of attractive advertising rates.

Other operating expenses decreased 47% to $18.7 million, primarily due to lower losses on disposal of property, client education travel and venue costs, and bad debt expense during the third quarter of fiscal 2012 compared to the third quarter of fiscal 2011. The third quarter of fiscal 2011 included $14.8 million of losses on disposal of property, primarily related to our decision to cease development of a new back office system, as well as technology assets written off related to exiting our Kansas City data center.

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Other Expenses and Income Taxes

Loss on debt refinancing of $1.4 million during the third quarter of fiscal 2011 consisted of a charge to write off the unamortized balance of debt issuance costs associated with our holding company s prior unsecured revolving credit facility under our November 25, 2009 amended and restated credit agreement. On June 28, 2011, our holding company replaced that facility with a new senior unsecured revolving credit facility.

Our effective income tax rate was 37.7% for the third quarter of fiscal 2012, compared to 38.1% for the third quarter of fiscal 2011. We expect our effective income tax rate to approximate 38% for the remainder of fiscal 2012, excluding the effect of any adjustments related to remeasurement or resolution of uncertain tax positions. However, we expect to experience some volatility in our quarterly and annual effective income tax rate because current accounting rules for uncertain tax positions require that any change in measurement of a tax position taken in a prior tax year be recognized as a discrete event in the period in which the change occurs.

Nine-Month Periods Ended June 30, 2012 and 2011

Net Revenues

Commissions and transaction fees decreased 9% to $831.5 million, primarily due to decreased client trading activity and lower average commissions and transaction fees per trade. Average client trades per day decreased 6% to 370,081 for the first nine months of fiscal 2012 compared to 393,297 for the first nine months of fiscal 2011, and there was one less trading day during the first nine months of fiscal 2012 compared to the first nine months of fiscal 2011. Average client trades per funded account (annualized) were 16.3 for the first nine months of fiscal 2012 compared to 18.0 for the first nine months of fiscal 2011. Average commissions and transaction fees per trade decreased to $11.98 for the first nine months of fiscal 2012 from $12.30 for the first nine months of fiscal 2011, primarily due to (1) a higher percentage of reduced commission trades, including negotiated rates for our active trader clients and promotional trades to attract new accounts and client assets, (2) lower average contracts per trade on option trades and (3) increased futures and foreign exchange trades, which earn somewhat lower average commissions and transaction fees per trade and do not generate payment for order flow revenue. These decreases were partially offset by higher payment for order flow revenue per trade during the first nine months of fiscal 2012.

Net interest revenue decreased 9% to $334.4 million, due primarily to an 8% decrease in average client margin balances and a decrease of 23 basis points in the average yield earned on client margin balances, partially offset by a $3.0 million increase in net interest revenue from our securities borrowing/lending program for the first nine months of fiscal 2012 compared to the first nine months of fiscal 2011.

Insured deposit account fees increased 10% to $620.6 million, due primarily to a 26% increase in average client IDA balances, partially offset by a decrease of 20 basis points in the average yield earned on the IDA assets during the first nine months of fiscal 2012 compared to the first nine months of fiscal 2011. The increased IDA balances are partly due to our success in attracting net new client assets over the past year and partly due to our strategy of migrating client cash held in client credit balances or swept to money market mutual funds to the IDA offering. During the first quarter of fiscal 2012, we moved approximately $3 billion of client cash out of money market mutual funds, consisting of approximately $1 billion that was moved directly to insured deposit accounts and $2 billion that was initially moved to client credit balances and was subsequently moved to insured deposit accounts during the third quarter of fiscal 2012.

Investment product fees increased 15% to $143.8 million, primarily due to a 14% increase in average other fee-based investment balances and an increase of 1 basis point in the average yield earned on those balances, partially offset by a 41% decrease in average client money market mutual fund balances in the first nine months of fiscal 2012 compared to the first nine months of fiscal 2011. The decrease in average money market mutual fund balances resulted primarily from our client cash migration strategy discussed above.

Other revenues decreased 30% to $63.5 million, due primarily to lower client education revenue and decreased fees from processing corporate securities reorganizations for the first nine months of fiscal 2012 compared to the first nine months of fiscal 2011, and the effect of $3.7 million of net gains on auction rate securities in the first nine months of fiscal 2011.

Operating Expenses

Employee compensation and benefits expense increased 5% to $523.4 million, primarily due to higher average headcount during the first nine months of fiscal 2012 compared to the first nine months of fiscal 2011 and higher stock-based compensation expense during the first nine months of fiscal 2012 compared to the first nine months of fiscal 2011 due to the effect of retirement eligibility provisions in certain stock award agreements. The average number of full-time equivalent employees was 5,427 for the first nine months of fiscal 2012 compared to 5,307 for the first nine months of fiscal 2011.

Clearing and execution costs decreased 8% to $66.1 million primarily due to a decrease in outsourced clearing fees for our thinkorswim business during the first nine months of fiscal 2012 compared to the first nine months of fiscal 2011. We completed the thinkorswim clearing conversion during the fourth quarter of fiscal 2011.

Occupancy and equipment costs increased 6% to $111.3 million primarily due to upgrades to our technology infrastructure and facilities.

Professional services increased 5% to $128.9 million, primarily due to higher usage of consulting and contract services in connection with lean process improvement initiatives during the first nine months of fiscal 2012 compared to the first nine months of fiscal 2011.

Advertising expense decreased 7% to $190.4 million primarily due to lower investor education promotion costs during the first nine months of fiscal 2012 compared to the first nine months of fiscal 2011.

Other operating expenses decreased 7% to $66.3 million, primarily due to lower losses on disposal of property and client education travel and venue costs, partially offset by higher bad debt and arbitration expenses during the first nine months of fiscal 2012 compared to the first nine months of fiscal 2011. The first nine months of fiscal 2012 included $7.4 million of losses on disposal of property, primarily related to our discontinued use of certain software and hardware during the second quarter of fiscal 2012. The first nine months of fiscal 2011 included $16.7 million of losses on disposal of property, primarily related to our decision to cease development of a new back office system, as well as technology assets written off related to exiting our Kansas City data center.

Other Expenses and Income Taxes

Interest on borrowings decreased 15% to $21.4 million, due primarily to lower average interest rates incurred on our debt during the first nine months of fiscal 2012 compared to the first nine months of fiscal 2011. The average interest rate incurred on our debt was 2.14% for the first nine months of fiscal 2012, compared to 2.40% for the first nine months of fiscal 2011. The lower average interest rate incurred on our debt during the first nine months of fiscal 2012 was primarily due to the effect of the fixed-for-variable interest rate swap on our $500 million 5.600% Senior Notes due 2019 entered into on January 7, 2011. We incur variable interest under this interest rate swap at a rate equal to three-month LIBOR plus 2.3745%, or approximately 2.84% as of June 30, 2012.

Loss on debt refinancing of $1.4 million during the first nine months of fiscal 2011 consisted of a charge to write off the unamortized balance of debt issuance costs associated with our holding company s prior unsecured revolving credit facility under our November 25, 2009 amended and restated credit agreement. On June 28, 2011, our holding company replaced that facility with a new senior unsecured revolving credit facility.

Our effective income tax rate was 35.0% for the first nine months of fiscal 2012, compared to 37.0% for the first nine months of fiscal 2011. The effective tax rate for the first nine months of fiscal 2012 was significantly lower than normal primarily due to $18.5 million of favorable resolutions of state income tax matters. This favorably impacted the Company s earnings for the nine months ended June 30, 2012 by approximately three cents per share. The effective tax rate for the first nine months of fiscal 2011 was somewhat lower than normal due to $5.5 million of favorable resolutions of state income tax matters and $1.2 million of favorable deferred income tax adjustments resulting from state income tax law changes. These items favorably impacted the Company s earnings for the first nine months of fiscal 2011 by approximately one cent per share.

LIQUIDITY AND CAPITAL RESOURCES

As a holding company, TD Ameritrade Holding Corporation conducts substantially all of its business through its operating subsidiaries, principally its broker-dealer subsidiaries.

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We have historically financed our liquidity and capital needs primarily through the use of funds generated from subsidiary operations and from borrowings under our credit agreements. We have also issued common stock and long-term debt to finance mergers and acquisitions and for other corporate purposes. Our liquidity needs during the first nine months of fiscal 2012 were financed primarily from our subsidiaries earnings and cash on hand. We plan to finance our operational capital and liquidity needs during the remainder of fiscal 2012 primarily from our subsidiaries earnings, cash on hand and, if necessary, borrowings on our parent company and broker-dealer credit facilities.

Dividends from our subsidiaries are the primary source of liquidity for the parent company. Some of our subsidiaries are subject to requirements of the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), the Commodity Futures Trading Commission (CFTC), the National Futures Association (NFA) and other regulators relating to liquidity, capital standards and the use of client funds and securities, which may limit funds available for the payment of dividends to the parent company.

Broker-dealer Subsidiaries

Our broker-dealer subsidiaries are subject to regulatory requirements that are intended to ensure their liquidity and general financial soundness. Under the SEC s Uniform Net Capital Rule (Rule 15c3-1 under the Securities Exchange Act of 1934, or the Exchange Act), our broker-dealer subsidiaries are required to maintain, at all times, at least the minimum level of net capital required under Rule 15c3-1. For clearing broker-dealers, this minimum net capital level is determined by a calculation described in Rule 15c3-1 that is primarily based on each broker-dealer s aggregate debits, which primarily are a function of client margin balances at our clearing broker-dealer subsidiary. Since our aggregate debits may fluctuate significantly, our minimum net capital requirements may also fluctuate significantly from period to period. The parent company may make cash capital contributions to broker-dealer subsidiaries, if necessary, to meet minimum net capital requirements.

Each of our broker-dealer subsidiaries may not repay any subordinated borrowings, pay cash dividends or make any unsecured advances or loans to its parent company or employees if such payment would result in a net capital amount of less than 5% of aggregate debit balances or less than 120% of its minimum dollar requirement. These net capital thresholds, which are specified in Rule 17a-11 under the Exchange Act, are typically referred to as early warning net capital thresholds. As of June 30, 2012, our clearing and introducing broker-dealer subsidiaries had $1,288 million and $218 million of net capital, respectively, which exceeded the early warning net capital thresholds by $782 million and $212 million, respectively.

Our clearing broker-dealer subsidiary, TD Ameritrade Clearing, Inc. (TDAC), engages in such activities as settling client securities transactions with clearinghouses, extending credit to clients through margin lending, securities lending and borrowing transactions and processing client cash sweep transactions to and from insured deposit accounts and money market mutual funds. These types of broker-dealer activities require active daily liquidity management.

Most of TDAC s assets are readily convertible to cash, consisting primarily of cash and investments segregated for the exclusive benefit of clients, receivables from clients and receivables from brokers, dealers and clearing organizations. Cash and investments segregated for the exclusive benefit of clients may be held in cash, reverse repurchase agreements (collateralized by U.S. Treasury securities), U.S. Treasury securities and other qualified securities. Receivables from clients consist of margin loans, which are demand loan obligations secured by readily marketable securities. Receivables from brokers, dealers and clearing organizations primarily arise from current open transactions, which usually settle or can be settled within a few business days.

TDAC is subject to cash deposit and collateral requirements with clearinghouses such as the Depository Trust & Clearing Corporation (DTCC) and the Options Clearing Corporation (OCC), which may fluctuate significantly from time to time based on the nature and size of our clients trading activity. As of June 30, 2012, TDAC had $173 million of cash deposited with clearing organizations for the clearing of client equity and option trades.

TDAC s liquidity needs relating to client trading and margin borrowing are met primarily through cash balances in client brokerage accounts, which were $10.0 billion as of June 30, 2012. 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. At June 30, 2012, TDAC had $3.5 billion of cash and investments segregated in compliance with federal regulations in special reserve bank accounts for the exclusive benefit of clients under Rule 15c3-3.

For general liquidity needs, TDAC also maintains a senior unsecured revolving credit facility in an aggregate principal amount of $300 million. There were no borrowings outstanding on this facility as of June 30, 2012.

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Liquid Assets

We consider our liquid assets metrics to be important measures of our liquidity and of our ability to fund corporate investing and financing activities. Our liquid assets metrics are considered non-GAAP financial measures. We include the excess capital of our broker-dealer and trust company subsidiaries in the calculation of our liquid assets metrics, rather than simply including broker-dealer and trust company cash and cash equivalents, because capital requirements may limit the amount of cash available for dividend from the broker-dealer and trust company subsidiaries to the parent company. Excess capital, as defined below, is generally available for dividend from the broker-dealer and trust company subsidiaries to the parent company. The liquid assets metrics should be considered as supplemental measures of liquidity, rather than as substitutes for cash and cash equivalents.

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

We define liquid assets regulatory threshold as the sum of (a) corporate cash and cash equivalents, (b) corporate short-term investments, (c) regulatory net capital of (i) our clearing broker-dealer subsidiary in excess of 5% of aggregate debit items and (ii) our introducing broker-dealer subsidiaries in excess of the applicable early warning net capital requirement and (d) Tier 1 capital of our trust company in excess of the minimum dollar requirement. For more information about the regulatory capital requirements of our broker-dealer and trust subsidiaries, please see Note 5 CAPITAL REQUIREMENTS under Item 1, Financial Statements Notes to Condensed Consolidated Financial Statements. We consider liquid assets regulatory threshold to be a measure that reflects our liquidity that would be available for corporate investing or financing activities under unusual operating circumstances, such as the need to provide funding for significant strategic business transactions.

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

	Liquid Assets - Management Target			Liquid Assets - Regulatory Threshold		
	Jun. 30, 2012	Sept. 30, 2011	Change	Jun. 30, 2012	Sept. 30, 2011	Change
Cash and cash equivalents	$ 909,766	$ 1,031,963	$ (122,197)	$ 909,766	$ 1,031,963	$ (122,197)
Less: Broker-dealer cash and cash equivalents	(386,693)	(656,206)	269,513	(386,693)	(656,206)	269,513
Trust company cash and cash equivalents	(74,230)	(108,587)	34,357	(74,230)	(108,587)	34,357
Investment advisory cash and cash equivalents	(24,470)	(7,184)	(17,286)	(24,470)	(7,184)	(17,286)
Corporate cash and cash equivalents	424,373	259,986	164,387	424,373	259,986	164,387
Plus: Corporate short-term investments	126,083		126,083	126,083		126,083
Excess trust company Tier 1 capital				9,849	8,555	1,294
Excess broker-dealer regulatory net capital	442,868	591,902	(149,034)	993,528	1,138,972	(145,444)
Liquid assets	$ 993,324	$ 851,888	$ 141,436	$ 1,553,833	$ 1,407,513	$ 146,320

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The increase in liquid assets is summarized as follows (dollars in thousands):

	Liquid Assets	
	Management Target	Regulatory Threshold
Liquid assets as of September 30, 2011	$ 851,888	$ 1,407,513
Plus: EBITDA[1]	824,063	824,063
Proceeds from exercise of stock options	5,061	5,061
Other investing activities	1,854	1,854
Less: Income taxes paid	(213,831)	(213,831)
Interest paid	(25,396)	(25,396)
Purchase of property and equipment	(121,135)	(121,135)
Purchase of investments	(536)	(536)
Purchase of treasury stock	(176,848)	(176,848)
Principal payments on capital lease obligations	(4,065)	(4,065)
Payment of cash dividends	(98,859)	(98,859)
Additional net capital requirement due to increase in aggregate debits	(17,077)	(8,538)
Other changes in working capital and regulatory net capital	(31,795)	(35,450)
Liquid assets as of June 30, 2012	$ 993,324	$ 1,553,833

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

Stock Repurchase Programs

On August 5, 2010, our board of directors authorized the repurchase of up to 30 million shares of our common stock. During the first quarter of fiscal 2012, we completed the August 5, 2010 stock repurchase authorization by repurchasing the remaining 6.7 million shares at a weighted average purchase price of $15.91 per share. From the inception of the stock repurchase authorization through December 31, 2011, we repurchased a total of 30 million shares at a weighted average purchase price of $16.73 per share.

On October 20, 2011, our board of directors authorized the repurchase of up to an additional 30 million shares of our common stock. During the third quarter of fiscal 2012, we repurchased approximately 2.5 million shares at a weighted average purchase price of $17.77 per share. From the inception of the stock repurchase authorization through June 30, 2012, we have repurchased approximately 3.3 million shares at a weighted average purchase price of $18.07 per share. As of June 30, 2012, we had approximately 26.7 million shares remaining on the stock repurchase authorization.

Cash Dividends

Our board of directors declared a $0.06 per share quarterly cash dividend on our common stock during each quarter of fiscal 2012. We paid a total of $98.9 million to fund the dividends for the first three quarters of fiscal 2012. We expect to pay approximately $33 million on August 14, 2012 to fund the fourth quarter dividend.

CONTRACTUAL OBLIGATIONS

The following item constitutes a material change in our contractual obligations outside the ordinary course of business since September 30, 2011:

Effective November 28, 2011, TD Ameritrade Services Company, Inc., one of our wholly-owned subsidiaries, entered into a Guaranteed Maximum Price Amendment to its construction agreement with Kiewit Building Group, Inc., dated December 1, 2009, to construct our Omaha campus. Under the amendment, the guaranteed maximum price to be paid by the Company increased by $55 million to $197 million to incorporate the interior construction. Completion of the work to be performed under the construction agreement is expected by June 2013.

OFF-BALANCE SHEET ARRANGEMENTS

We enter into guarantees and other off-balance sheet arrangements in the ordinary course of business, primarily to meet the needs of our clients and manage our asset-based revenues. For information on these arrangements, see the following sections under Item 1, Financial Statements Notes to Condensed Consolidated Financial Statements: Guarantees under Note 6 COMMITMENTS AND CONTINGENCIES and Insured Deposit Account Agreement under Note 10 RELATED PARTY TRANSACTIONS. The IDA agreement accounts for a significant percentage of our revenues (31% of our net revenues for the nine months ended June 30, 2012) and enables our clients to invest in an FDIC-insured deposit product without the need for the Company to maintain a bank charter.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

Market-related Credit Risk

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

The interest rate swaps on our Senior Notes are subject to counterparty credit risk. Credit risk on derivative financial instruments is managed by limiting activity to approved counterparties that meet a minimum credit rating threshold and by entering into credit support agreements. The bilateral credit support agreements related to the interest rate swaps require daily collateral coverage, in the form of cash or U.S. Treasury securities, for the aggregate fair value of the interest rate swaps.

Interest Rate Risk

As a fundamental part of our brokerage business, we invest in interest-earning assets and are obligated on interest-bearing liabilities. In addition, we earn fees on our insured deposit account arrangement with TD Bank USA, N.A. and TD Bank, N.A. and on money market mutual funds, which are subject to interest rate risk. Changes in interest rates could affect the interest earned on assets differently than interest paid on liabilities. A rising interest rate environment generally results in our earning a larger net interest spread. Conversely, a falling interest rate environment generally results in our earning a smaller net interest spread.

Our most prevalent form of interest rate risk is referred to as gap risk. This risk occurs when the interest rates we earn on our assets change at a different frequency or amount than the interest rates we pay on our liabilities. We have an Asset/Liability Committee as the governance body with the responsibility of managing interest rate risk, including gap risk.

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

The simulations assume that the asset and liability structure of our Condensed Consolidated Balance Sheet and the insured deposit account arrangement would not be changed as a result of a simulated change in interest rates. The results of the simulations based on our financial position as of June 30, 2012 indicate that a gradual 1% (100 basis points) increase in interest rates over a 12-month period would result in approximately $100 million higher pre-tax income, while a gradual 1% (100 basis points) decrease in interest rates over a 12-month period would result in approximately $44 million lower pre-tax income. The results of the simulations reflect the fact that short-term interest rates remain at historically low levels, including the federal funds target rate, which is currently a range of zero to 0.25%.

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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.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Management, including the Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of the Company s disclosure controls and procedures as of June 30, 2012. Management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of June 30, 2012.

Changes in Internal Control over Financial Reporting

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

Part II OTHER INFORMATION

Item 1. Legal Proceedings

Reserve Fund Matters During September 2008, The Reserve, an independent mutual fund company, announced that the net asset value of the Reserve Yield Plus Fund declined below $1.00 per share. The Yield Plus Fund was not a money market mutual fund, but its stated objective was to maintain a net asset value of $1.00 per share. TD Ameritrade, Inc. s clients continue to hold shares in the Yield Plus Fund (now known as Yield Plus Fund In Liquidation), which is being liquidated. On July 23, 2010, The Reserve announced that through that date it had distributed approximately 94.8% of the Yield Plus Fund assets as of September 15, 2008 and that the Yield Plus Fund had approximately $39.7 million in total remaining assets. The Reserve stated that the fund s Board of Trustees has set aside almost the entire amount of the remaining assets to cover potential claims, fees and expenses. The Company estimates that TD Ameritrade, Inc. clients current positions held in the Reserve Yield Plus Fund amount to approximately 79% of the fund.

TD Ameritrade, Inc. has received subpoenas and other requests for documents and information from the SEC and other regulatory authorities regarding TD Ameritrade, Inc. s offering of the Yield Plus Fund to clients. TD Ameritrade, Inc. is cooperating with the investigations and requests. On January 27, 2011, TD Ameritrade, Inc. entered into a settlement with the SEC, agreeing to the entry of an Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions (Order). In the Order, the SEC found that TD Ameritrade, Inc. failed reasonably to supervise its registered representatives with a view to preventing their violations of Section 17(a)(2) of the Securities Act of 1933 in connection with their offer and sale of the Yield Plus Fund. TD Ameritrade, Inc. did not admit or deny any of the findings in the Order, and no fine was imposed. Under the settlement agreement, TD Ameritrade, Inc. agreed to pay $0.012 per share to all eligible current or former clients that purchased shares of the Yield Plus Fund and continued to own those shares. Clients who purchased Yield Plus Fund shares through independent registered investment advisors were not eligible for the payment. In February 2011, the Company paid clients approximately $10 million under the settlement agreement.

The Pennsylvania Securities Commission has filed an administrative order against TD Ameritrade, Inc. involving the sale of Yield Plus Fund securities to certain Pennsylvania clients. An administrative hearing will be held to determine whether there have been violations of certain provisions of the Pennsylvania Securities Act of 1972 and rules thereunder and to determine what, if any, administrative sanctions should be imposed. TD Ameritrade, Inc. is defending the action.

In November 2008, a purported class action lawsuit was filed with respect to the Yield Plus Fund. The lawsuit is captioned *Ross v. Reserve Management Company, Inc. et al.* and is pending in the U.S. District Court for the Southern District of New York. The Ross lawsuit is on behalf of persons who purchased shares of Reserve Yield Plus Fund. On November 20, 2009, the plaintiffs filed a first amended complaint naming as defendants the fund s advisor, certain of its affiliates and the Company and certain of its directors, officers and shareholders as alleged control persons. The complaint alleges claims of violations of the federal securities laws and other claims based on allegations that false and misleading statements and omissions were made in the Reserve Yield Plus Fund prospectuses and in other statements regarding the fund. The complaint seeks an unspecified amount of compensatory damages including interest, attorneys fees, rescission, exemplary damages and equitable relief. On January 19, 2010, the defendants submitted motions to dismiss the complaint. The motions are pending.

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The Company estimates that its clients current aggregate shortfall, based on the original par value of their holdings in the Yield Plus Fund, less the value of fund distributions to date and the value of payments under the Company s SEC settlement, is approximately $37 million. This amount does not take into account any assets remaining in the fund that may become available for future distributions.

The Company is unable to predict the outcome or the timing of the ultimate resolution of the Pennsylvania action and the Ross lawsuit, or the potential loss, if any, that may result from these unresolved matters. However, management believes the outcome of these pending proceedings is not likely to have a material adverse effect on the financial condition, results of operations or cash flows of the Company.

Other Legal and Regulatory Matters The Company is subject to 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. A substantial adverse judgment or other unfavorable resolution of these matters could have a material adverse effect on the Company s financial condition, results of operations and cash flows or could cause the Company significant reputational harm. Management believes the Company has adequate legal defenses with respect to these legal proceedings to which it is a defendant or respondent and the outcome of these pending proceedings is not likely to have a material adverse effect on the financial condition, results of operations or cash flows of the Company. However, the Company is unable to predict the outcome or the timing of the ultimate resolution of these matters, or the potential losses, if any, that may result from these matters.

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. Management believes the outcome of any resulting actions will not be material to the Company s financial condition, results of operations or cash flows. However, the Company is unable to predict the outcome or the timing of the ultimate resolution of these matters, or the potential fines, penalties or injunctive or other equitable relief, if any, that may result from these matters.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed under Item 1A Risk Factors in our annual report on Form 10-K for the year ended September 30, 2011, which could materially affect our business, financial condition or future results of operations. The risks described in our Form 10-K are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or results of operations.

There have been no material changes from the risk factors disclosed in the Company s Form 10-K for the fiscal year ended September 30, 2011.

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

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares that May Yet Be Purchased Under the Program
April 1, 2012 April 30, 2012	667,346	$ 18.86	650,000	28,575,000
May 1, 2012 May 31, 2012	1,527,640	$ 17.57	1,525,000	27,050,000
June 1, 2012 June 30, 2012	432,238	$ 16.56	300,000	26,750,000
Total Three months ended June 30, 2012	2,627,224	$ 17.73	2,475,000	26,750,000

On October 20, 2011, our board of directors authorized the repurchase of up to 30 million shares of our common stock. We disclosed this authorization on November 18, 2011 in our annual report on Form 10-K. This program was the only stock repurchase program in effect and no programs expired during the third quarter of fiscal 2012.

During the quarter ended June 30, 2012, 152,224 shares were repurchased from employees for income tax withholding in connection with distributions of stock-based compensation.

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Item 6. Exhibits

3.1	Amended and Restated Certificate of Incorporation of TD Ameritrade Holding Corporation, dated January 24, 2006 (incorporated by reference to Exhibit 3.1 of the Company s Form 8-K filed on January 27, 2006)
3.2	Amended and Restated By-Laws of TD Ameritrade Holding Corporation, effective March 9, 2006 (incorporated by reference to Exhibit 3.1 of the Company s Form 8-K filed on March 15, 2006)
4.1	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)
4.2	Form of 2.950% Senior Note due 2012 (included in Exhibit 4.1)
4.3	Form of 4.150% Senior Note due 2014 (included in Exhibit 4.1)
4.4	Form of 5.600% Senior Note due 2019 (included in Exhibit 4.1)
15.1	Awareness Letter of Independent Registered Public Accounting Firm
31.1	Certification of Fredric J. Tomczyk, Principal Executive Officer, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of William J. Gerber, Principal Financial Officer, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation
101.LAB	XBRL Taxonomy Extension Label
101.PRE	XBRL Taxonomy Extension Presentation
101.DEF	XBRL Taxonomy Extension Definition

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Signatures

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

Dated: August 8, 2012

TD Ameritrade Holding Corporation
(Registrant)

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

(Principal Executive Officer)

By: /s/ WILLIAM J. GERBER
William J. Gerber
Executive Vice President, Chief Financial Officer

(Principal Financial and Accounting Officer)