

TD AMERITRADE HOLDING CORP
Form 10-K/A
May 06, 2009

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

**Form 10-K/A
Amendment No. 1**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the fiscal year ended September 30, 2008

**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: 0-49992**

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

Delaware
*(State or other jurisdiction of
incorporation or organization)*

82-0543156
*(I.R.S. Employer
Identification Number)*

**4211 South 102nd Street,
Omaha, Nebraska 68127**
(Address of principal executive offices and zip code)

(402) 331-7856
(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Common Stock \$0.01 par value	The NASDAQ Stock Market LLC

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

Title of class
None

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

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

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

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

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes 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. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting
company

(Do not check if a smaller
reporting company)

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

The aggregate market value of the common stock held by non-affiliates of the registrant was approximately \$3.7 billion computed by reference to the closing sale price of the stock on the Nasdaq Global Select Market on March 31, 2008, the last trading day of the registrant's most recently completed second fiscal quarter.

The number of shares of common stock outstanding as of November 14, 2008 was 591,748,475 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Definitive Proxy Statement relating to the registrant's 2009 Annual Meeting of Stockholders to be filed hereafter (incorporated into Part III hereof).

Explanatory Note

This Amendment is being filed to include additional disclosure under Part I, Item 1 Business and Item 1A Risk Factors in response to comments received from the Securities and Exchange Commission. Except for Item 1 and Item 1A of Part I, no other information included in the original report on Form 10-K is amended by this Form 10-K/A.

Unless otherwise indicated, references to we, us, Company, or TD AMERITRADE mean TD AMERITRADE Holding Corporation and its subsidiaries, and references to fiscal mean the Company's fiscal year ended September 30 (for fiscal years 2008 and 2007) or the last Friday of September (for fiscal years prior to 2007). References to the parent company mean TD AMERITRADE Holding Corporation.

PART I

Item 1. *Business*

Form of Organization

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

Mission Statement

In the U.S., we want to be...

The investment firm of choice for the typical family.

One of the best-run companies.

Operations

We are a leading provider of securities brokerage services and technology-based financial services to retail investors and business partners, predominantly through the Internet, a national branch network and relationships with one of the largest groups of independent registered investment advisors (RIAs). Our services appeal to a broad market of independent, value-conscious retail investors, traders, financial planners and institutions. We use our efficient platform to offer brokerage services to retail investors and institutions under a simple, low-cost commission structure.

We have been an innovator in electronic brokerage services since entering the retail securities brokerage business in 1975. We believe that we were the first brokerage firm to offer the following products and services to retail clients: touch-tone trading; trading over the Internet; unlimited, streaming, free real-time quotes; extended trading hours; direct access; and commitment on the speed of order execution. Since initiating online trading, we have substantially increased our number of brokerage accounts, average daily trading volume and total assets in client accounts. We have also built, and continue to invest in, a proprietary trade processing platform that is both cost-efficient and highly scalable, significantly lowering our operating costs per trade. In addition, we have made significant and effective investments in building the TD AMERITRADE brand.

Strategy

We intend to capitalize on the growth and consolidation of the retail brokerage industry in the United States and leverage our low-cost infrastructure to grow our market share and profitability. Our long-term growth strategy is to increase our market share of client assets by providing superior offerings to long-term investors, RIAs, and active traders. We strive to enhance the client experience by providing sophisticated asset management products and services, enhanced technological capabilities that enable self-directed investors to trade and invest in new asset classes and a superior, proprietary, single-platform system to support RIAs. The key elements of our strategy are as follows:

Focus on retail brokerage services. We plan to focus on attracting active traders, long-term investors and RIAs to our retail brokerage services. This focused strategy is designed to enable us to maintain our low operating cost structure while offering our clients outstanding products and services.

Provide a comprehensive long-term investor solution. We continue to expand our suite of diversified investment products and services to best serve investors' needs. We help clients make investment decisions by providing simple-to-use investment tools and objective research, guidance and education.

Maintain industry leadership and market share with active traders. We help traders make better-informed investment decisions by offering fast access to markets, insight into market trends and innovative tools such as strategy back-testing and comprehensive options research and trading capabilities.

Continue to be a leader in the RIA industry. We provide RIAs with comprehensive brokerage and custody services supported by our robust integrated technology platform, customized personal service and practice

management solutions.

Leverage our infrastructure to add incremental revenue. Through our proprietary technology, we are able to provide a very robust online experience for long-term investors and active traders. Our low-cost, scalable platform provides speed, reliability and quality trade execution services for clients. The scalable capacity of our trading system allows us to add a significant number of transactions while incurring minimal additional fixed costs.

Continue to be a low-cost provider of quality services. Our operating expense per trade is among the lowest of any of our publicly-traded competitors. We intend to continue to lower our operating costs per trade by creating economies of scale, utilizing our single-platform proprietary system, continuing to automate processes and locating much of our operations in low-cost geographical areas. This low fixed-cost infrastructure provides us with significant financial flexibility.

Continue to differentiate our offerings through innovative technologies and service enhancements. We have been an innovator in our industry over our 30-year history. We continually strive to provide our clients with the ability to customize their trading experience. We provide our clients greater choice by tailoring our features and functionality to meet their specific needs.

Leverage the TD AMERITRADE brand. We believe that we have a superior brand identity and that our advertising has established TD AMERITRADE as a leading brand in the retail brokerage market.

Continue to aggressively pursue growth through acquisitions. When evaluating potential acquisitions, we look for transactions that will give us operational leverage, technological leverage, increased market share or other strategic opportunities.

On February 4, 2008, we purchased a portion of Fiserv, Inc.'s (Fiserv) investment support services business by acquiring all of the outstanding capital stock of Fiserv Trust Company, a wholly-owned subsidiary of Fiserv. The acquisition added approximately \$25 billion in client assets to TD AMERITRADE, including \$15 billion held in more than 75,000 accounts managed by approximately 500 independent RIAs and \$10 billion held in more than 2,000 plans administered by 80 independent third party administrators (TPAs). This acquisition is discussed in further detail in the Company's Form 10-K Item 8, Financial Statements and Supplementary Data Notes to Consolidated Financial Statements: Note 2 Business Combinations.

On January 24, 2006, we acquired the U.S. brokerage business of TD Waterhouse Group, Inc. (TD Waterhouse) from The Toronto-Dominion Bank (TD). The transaction combined highly complementary franchises to create a retail broker with the scale, breadth and financial strength to be a leading player in the increasingly competitive and consolidating investor services industry. The acquisition of TD Waterhouse provided us with a national network of over 100 branches, as well as relationships with one of the largest groups of independent RIAs. We also now provide our clients with a Federal Deposit Insurance Corporation (FDIC)-insured money market sweep alternative for their cash through an arrangement with TD Bank USA, N.A. This acquisition is discussed in further detail under the heading Acquisition of TD Waterhouse in the Company's Form 10-K Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

Client Offerings

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

TD AMERITRADE® is our core offering for self-directed retail investors. We offer sophisticated tools and services, including Streamer Suite,™ TD AMERITRADE command center, SnapTicket,™ Trade Triggers,™ QuoteScope,™ Advanced Analyzer,™ Market Motion Detector, Pattern Matcher,™ StrategyDesk™ and WealthRuler.™ We offer Ameritrade Apex™ for clients who place an average of five trades per month over a three-month period or have a \$100,000 total account value. Apex clients receive free access to services that are normally

available on a subscription basis and access to exclusive services and content.

TD AMERITRADE Institutional is a leading provider of comprehensive brokerage and custody services to more than 4,000 independent RIAs and their clients. Our advanced technology platform, coupled with personal support from our dedicated service teams, allows RIAs to run their practices more effectively and efficiently while optimizing time with clients. Additionally, TD AMERITRADE Institutional provides a robust offering of products, programs and services. These services are all designed to help advisors build their businesses while helping their clients reach their financial goals.

TD AMERITRADE Izone serves self-directed traders who are willing to forgo traditional support and service in favor of a purely electronic brokerage experience and lower commissions.

Amerivest™ is an online advisory service that develops a portfolio of exchange-traded funds (ETFs) to help long-term investors pursue their financial goals. Our subsidiary, Amerivest Investment Management, LLC, recommends an investment portfolio based on our proprietary automated five-step process centered on an investor s goals and risk tolerance.

TDX Independence ETFs were launched in October 2007. Our subsidiary, Amerivest Investment Management, LLC, is a sub-advisor to XShares Advisors LLC for TDX Independence Funds, Inc. TDX Independence Funds, Inc. is an investment company that provides diversified goal-based investing options through five lifecycle ETFs. The target-date funds begin by focusing on asset growth through a higher weighting of stocks, shifting to capital preservation over time through historically less risky allocations, thus creating what we believe to be the first lifecycle ETFs. These ETFs seek to replicate certain lifecycle indexes created by Zacks Investment Research.

TD AMERITRADE Corporate Services provides self-directed brokerage services to employees and executives of corporations, either directly in partnership with the employer or through joint marketing relationships with third-party administrators, such as 401(k) providers and employee benefit consultants.

Products and Services

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

Common and preferred stock. Clients can purchase common and preferred stocks and American Depository Receipts traded on any United States exchange or quotation system.

Exchange-Traded Funds. ETFs are baskets of securities (stocks or bonds) that typically track recognized indices. They are similar to mutual funds, except they trade the same way that a stock trades, on a stock exchange. We have launched an online resource dedicated to ETFs, offering tools, education and information for active and long-term investors seeking alternatives for pursuing their investment strategies.

Option trades. We offer a full range of option trades, including spreads, straddles and strangles. All option trades, including complex trades, are accessible on our trading platform.

Mutual funds. Clients can compare and select from a portfolio of over 13,000 mutual funds from leading fund families, including a broad range of no-transaction-fee (NTF) funds. Clients can also easily exchange funds within the same mutual fund family.

Fixed income. We offer our clients access to a variety of Treasury, corporate, government agency and municipal bonds, as well as mortgage-backed securities and certificates of deposit.

Margin lending. We extend credit to clients that maintain margin accounts.

Cash management services. Through third-party banking relationships, we offer money market deposit accounts and money market mutual funds to our clients as cash sweep alternatives. We also offer checking and ATM services through these relationships.

We earn commissions and transaction fees on client trades in common and preferred stock, ETFs, options, mutual funds and fixed income securities. Margin lending and the related securities lending business generate net interest revenue. Cash management services and fee-based mutual funds generate money market deposit account fees and investment product fee revenues. The following table presents the percentage of net revenues contributed by each class of similar services during the last three fiscal years:

Class of Service	Percentage of Net Revenues Fiscal Year Ended		
	Sept. 30, 2008	Sept. 30, 2007	Sept. 29, 2006
Commissions and transaction fees	40.1%	37.4%	40.9%

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Net interest revenue	21.7%	25.6%	38.6%
Money market deposit account fees	24.8%	24.6%	10.3%
Investment product fees	12.2%	10.7%	7.8%
Other revenues	1.2%	1.7%	2.4%
Net revenues	100.0%	100.0%	100.0%

We provide our clients with an array of channels to access our products and services. These include the Internet, our network of retail branches, wireless telephone or personal digital assistant, interactive voice response and registered representatives via telephone.

Client Service and Support

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

We endeavor to optimize our highly-rated client service by:

Ensuring prompt response to client service calls through adequate staffing with properly trained and motivated personnel in our client service departments, a majority of whom hold a Series 7 license;

Tailoring client service to the particular expectations of the clients of each of our client segments and

Expanding our use of technology to provide automated responses to the most typical inquiries generated in the course of clients' securities trading and related activities.

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

Web sites. Our Web sites provide basic information on how to use our services as well as an in-depth education center that includes a guide to online investing and an encyclopedia of finance. Ted, our Virtual Investment Consultant, is a new tool on our Web sites that allows certain retail clients to interact with a virtual representative to ask questions regarding our products, tools and services.

Branches. We offer a nationwide network of over 100 retail branches, located primarily in large metropolitan areas.

E-mail. Clients are encouraged to use e-mail to contact our client service representatives. Our operating standards require a response within 24 hours of receipt of the e-mail; however, we strive to respond within four hours after receiving the original message.

Telephone. For clients who choose to call or whose inquiries necessitate calling one of our client service representatives, we provide a toll-free number that connects to advanced call handling systems. These systems provide automated answering and directing of calls to the proper department. Our systems also allow linkage between caller identification and the client database to give the client service representative immediate access to the client's account data when the call is received. Client service representatives are available 24 hours a day, seven days a week (excluding market holidays).

Technology and Information Systems

Our technological capabilities and systems are central to our business and are critical to our goal of providing the best execution at the best value to our clients. Our operations require reliable, scalable systems that can handle complex financial transactions for our cl