
TD AMERITRADE CLEARING, INC.

(SEC I.D. NO. 8-16335)

Statement of Financial Condition (Unaudited)
June 30, 2023

TD AMERITRADE CLEARING, INC.
Statement of Financial Condition
(In Millions, Except Per Share and Share Amounts)
(Unaudited)

June 30, 2023

Assets

Cash and cash equivalents	\$ 3,481
Cash and investments segregated and on deposit for regulatory purposes	12,595
Receivables from brokerage clients — net	26,067
Other assets	2,484
Total assets	\$ 44,627

Liabilities and Stockholder's Equity

Payables to brokerage clients	\$ 37,165
Accrued expenses and other liabilities	2,808
Total liabilities	39,973
Stockholder's equity:	
Common stock — 20,000 shares authorized; 9,946 shares issued and outstanding; \$10 par value per share	—
Additional paid-in capital	4,347
Retained earnings	307
Total stockholder's equity	4,654
Total liabilities and stockholder's equity	\$ 44,627

See Notes to Statement of Financial Condition.

TD AMERITRADE CLEARING, INC.
Notes to Statement of Financial Condition
(Tabular Amounts in Millions)
(Unaudited)

1. Organization and Nature of Business

TD Ameritrade Clearing, Inc. (“TDAC,” “we,” “our,” or “the Company”) is an indirect wholly-owned subsidiary of The Charles Schwab Corporation (CSC) through the Company’s immediate parent, TD Ameritrade Online Holdings Corporation (TDAOH), and its parent, TD Ameritrade Holding Corporation (TDA Holding). On October 6, 2020, pursuant to an Agreement and Plan of Merger, TDA Holding and its wholly-owned subsidiaries were acquired by CSC (the “Merger”). CSC together with its consolidated subsidiaries, including TDAC, is referred to as “Schwab”.

The Company is a securities broker-dealer that provides trade execution and clearing services on a fully-disclosed basis to TD Ameritrade, Inc. and other related-parties, all of which are indirect wholly-owned subsidiaries of CSC. The Company also provides clients the ability to conduct futures and forex trading through Charles Schwab Futures and Forex LLC, an indirect wholly-owned subsidiary of TDA Holding.

The Company is registered as a broker-dealer with the United States (U.S.) Securities and Exchange Commission (SEC), the fifty states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. Much of the regulation of broker-dealers has been delegated to self-regulatory organizations. The Company is a member of various self-regulatory organizations and exchanges including the Financial Industry Regulatory Authority, Inc. (FINRA), NYSE Arca, Nasdaq Stock Market, Cboe EDGX and MEMX. The Company is required to comply with all applicable rules and regulations of the SEC, FINRA and the various securities exchanges in which it maintains membership.

Insured Deposit Account Agreement

On May 4, 2023, CSC and certain of its subsidiaries, including TDAC, executed the Second Amended and Restated Insured Deposit Account Agreement (the 2023 IDA agreement) with TD Bank USA, National Association and TD Bank, National Association (together, the TD Depository Institutions) that replaced and superseded the previous agreement dated November 24, 2019, as amended (the 2019 IDA agreement). In accordance with the 2023 IDA agreement, cash held in eligible brokerage client accounts is swept off-balance sheet to deposit accounts at the TD Depository Institutions, consistent with the 2019 IDA agreement. See Note 7 for additional information on the 2023 IDA agreement.

2. Summary of Significant Accounting Policies

Basis of presentation

The accompanying statement of financial condition has been prepared in conformity with generally accepted accounting principles (GAAP) in the U.S., which require management to make certain estimates and assumptions that affect the reported amounts in the accompanying statement of financial condition. Certain estimates relate to taxes on income as well as legal and regulatory reserves. Actual results may differ from these estimates.

Unsatisfied performance obligations

We do not have any unsatisfied performance obligations other than those that are subject to an elective practical expedient under Accounting Standards Codification (ASC) 606 *Revenue From Contracts With Customers* (ASC 606).

Cash and cash equivalents

The Company considers all highly liquid investments that mature in three months or less from the time of acquisition and that are not segregated and on deposit for regulatory purposes to be cash and cash equivalents. Cash and cash equivalents include money market funds and deposits with banks.

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Cash and investments segregated and on deposit for regulatory purposes

Pursuant to Rule 15c3-3 of the Securities Exchange Act of 1934 (Customer Protection Rule) and other applicable regulations, TDAC maintains cash or qualified securities in segregated reserve accounts for the exclusive benefit of clients. Cash and investments segregated includes U.S. Treasury securities. U.S. Treasury securities are recorded at fair value.

Receivables from brokerage clients

Receivables from brokerage clients include margin loans and other trading receivables from brokerage clients. Margin loans are collateralized by client securities and are carried at the amount receivable, net of an allowance for credit losses. Collateral is required to be maintained at specified minimum levels at all times. The Company monitors margin levels and requires clients to provide additional collateral, or reduce margin positions, to meet minimum collateral requirements if the fair value of the collateral changes. The Company applies the practical expedient based on collateral maintenance provisions under ASC 326 *Financial Instruments – Credit Losses* in estimating an allowance for credit losses for margin loans. This practical expedient can be applied for financial assets with collateral maintenance provisions requiring the borrower to continually adjust the amount of the collateral securing the financial assets as a result of fair value changes in the collateral. In accordance with the practical expedient, when the Company reasonably expects that borrowers (or counterparties, as applicable) will replenish the collateral as required, there is no expectation of credit losses when the collateral's fair value is greater than the amortized cost of the financial asset. If the amortized cost exceeds the fair value of collateral, then credit losses are estimated only on the unsecured portion. An allowance for credit losses on unsecured or partially secured receivables from brokerage clients is estimated based on the aging of those receivables. Unsecured balances due to confirmed fraud are reserved immediately. The Company's policy is to charge off any unsecured margin loans, including the accrued interest on such loans, no later than at 90 days past due. Pursuant to clearing agreements with TD Ameritrade, Inc. and other related-parties, the Company is reimbursed for losses incurred on unsecured receivables from brokerage clients. Clients with margin loans have agreed to allow the Company to pledge collateralized securities in accordance with federal regulations. The collateral is not reflected in the statement of financial condition.

Other securities owned at fair value

Other securities owned are included in other assets on the statement of financial condition and recorded at fair value based on quoted market prices or other observable market data. Client-held fractional shares are included in other securities owned for client positions for which off-balance sheet treatment pursuant to ASC 940 *Financial Services – Brokers and Dealers* is not applicable and the derecognition criteria in ASC 860 *Transfers and Servicing*, are not met. These client-held fractional shares have related repurchase liabilities that are accounted for at fair value. See Fair values of assets and liabilities below in this Note 2 for further information on these repurchase liabilities.

Securities borrowed and securities loaned

Securities borrowing and lending transactions are accounted for as collateralized financing transactions. Securities borrowed transactions require the Company to deliver cash to the lender in exchange for securities; the receivables from these transactions are included in other assets on the statement of financial condition. For securities loaned, the Company receives collateral in the form of cash in an amount equal to or greater than the market value of securities loaned; the payables from these transactions are included in accrued expenses and other liabilities on the statement of financial condition. The market value of securities borrowed and loaned is monitored, and collateral is adjusted to ensure full collateralization. TDAC applies the practical expedient based on collateral maintenance provisions in estimating an allowance for credit losses for securities borrowed receivables.

Income taxes

The Company is included in the consolidated federal income tax return of CSC. The Company provides for income taxes on all transactions that have been recognized in the statement of financial condition on a standalone basis, while taking into consideration the fact that the activity of this entity is included with CSC's other subsidiaries in CSC's consolidated income tax return. Accordingly, deferred tax assets are adjusted to reflect the tax rates at which future taxable amounts will likely be settled or realized. The effects of tax rate changes on future deferred tax assets and deferred tax liabilities, as well as other changes in income tax laws, are recorded in the period during which such changes are enacted. Uncertain tax positions are

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evaluated to determine whether they are more likely than not to be sustained upon examination. When tax positions are more likely than not to be sustained upon examination, the difference between positions taken on tax return filings and estimated potential tax settlement outcomes are recognized in accrued expenses and other liabilities. If a position is not more likely than not to be sustained, then none of the tax benefit is recognized in the Company's statement of financial condition.

Fair values of assets and liabilities

Fair value is defined as the price that would be received to sell an asset or the price paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement accounting guidance describes the fair value hierarchy for disclosing assets and liabilities measured at fair value based on the inputs used to value them. The fair value hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are based on market pricing data obtained from third-party sources independent of the Company. A quoted price in an active market provides the most reliable evidence of fair value and is generally used to measure fair value whenever available.

Unobservable inputs reflect management's judgment about the assumptions market participants would use in pricing the asset or liability. Where inputs used to measure fair value of an asset or liability are from different levels of the hierarchy, the asset or liability is categorized based on the lowest level input that is significant to the fair value measurement in its entirety. Assessing the significance of a particular input requires judgment.

The fair value hierarchy includes three levels based on the objectivity of the inputs as follows:

- Level 1 inputs are quoted prices in active markets as of the measurement date for identical assets or liabilities that the Company has the ability to access.
- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates, benchmark yields, issuer spreads, new issue data, and collateral performance.
- Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

Assets and liabilities measured at fair value on a recurring basis

The Company's assets and liabilities measured at fair value on a recurring basis include: certain cash equivalents, certain investments segregated and on deposit for regulatory purposes, other securities owned, which are included in other assets, and certain accrued expenses and other liabilities. The Company uses the market approach to determine the fair value of assets and liabilities. When available, the Company uses quoted prices in active markets to measure the fair value of assets and liabilities. Quoted prices for investments in exchange-traded securities represent end-of-day close prices published by exchanges. Quoted prices for money market funds and other mutual funds represent reported net asset values. When utilizing market data and bid-ask spread, the Company uses the price within the bid-ask spread that best represents fair value. When quoted prices in active markets do not exist, the Company uses prices obtained from independent third-party pricing services to measure the fair value of investment assets, and we generally obtain prices from three independent third-party pricing sources for such assets recorded at fair value.

Our primary independent pricing service provides prices for our fixed income investments such as certificates of deposits; U.S. government securities; state and municipal securities; and corporate debt securities. Such prices are based on observable trades, broker/dealer quotes and discounted cash flows that incorporate observable information such as yields for similar types of securities (a benchmark interest rate plus observable spreads) and weighted-average maturity for the same or similar "to-be-issued" securities. We compare the prices obtained from the primary independent pricing service to the prices obtained from the additional independent pricing services to determine if the price obtained from the primary independent pricing service is reasonable. The Company does not adjust the prices received from independent third-party pricing services unless such prices are inconsistent with the definition of fair value and result in material differences in the amounts recorded.

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Liabilities measured at fair value on a recurring basis include repurchase liabilities related to client-held fractional shares of equities, exchange-traded funds (ETFs), and other securities. See Other securities owned at fair value above in this Note 2 for the treatment of client-held fractional shares. The Company has elected the fair value option pursuant to ASC 825 *Financial Instruments* for the repurchase liabilities to match the measurement and accounting of the related client-held fractional shares. The fair values of the repurchase liabilities are based on quoted market prices or other observable market data consistent with the related client-held fractional shares. The Company's liabilities to repurchase client-held fractional shares do not have credit risk. The repurchase liabilities are included in accrued expenses and other liabilities on the statement of financial condition.

New Accounting Standards

No new accounting standards that are material to the Company were adopted during the six months ended June 30, 2023. There are currently no new accounting standards not yet adopted that are material to the Company.

3. Receivables from and Payables to Brokerage Clients

Receivables from and payables to brokerage clients as of June 30, 2023 are as follows:

Receivables	
Margin loans	\$ 25,840
Other brokerage receivables	227
Receivables from brokerage clients — net ^(1, 2)	\$ 26,067
Payables	
Interest-bearing payables	\$ 33,701
Non-interest-bearing payables	3,464
Payables to brokerage clients	\$ 37,165

⁽¹⁾ TD Ameritrade, Inc. and other related-parties reimburse the Company for unsecured losses resulting from client margin activities.

⁽²⁾ The allowance for credit losses for receivables from brokerage clients was immaterial as of June 30, 2023.

4. Other Assets

The components of other assets at June 30, 2023 are as follows:

Other receivables from brokers, dealers, and clearing organizations	\$ 844
Securities borrowed ⁽¹⁾	724
Other securities owned at fair value ⁽²⁾	414
Customer contract receivables ⁽³⁾	156
Receivables — interest, dividends, and other	154
Receivables from affiliates	60
Other ⁽⁴⁾	132
Total other assets	\$ 2,484

⁽¹⁾ Substantially all of the securities borrowed are from an affiliate. See Note 10.

⁽²⁾ Includes fractional shares held in client brokerage accounts. Corresponding repurchase liabilities in an equal amount for these client-held fractional shares are included in accrued expenses and other liabilities on the statement of financial condition. See also Notes 2 and 5.

⁽³⁾ Represents substantially all receivables from contracts with customers within the scope of ASC 606.

⁽⁴⁾ Includes net contract assets of \$87 million at June 30, 2023 related to the buy down of fixed-rate obligation amounts pursuant to the 2023 IDA agreement. See Notes 1 and 7 for additional information on the 2023 IDA agreement. TDAC does not have any significant contract liability balances as of June 30, 2023.

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5. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities at June 30, 2023 are as follows:

Deposits for securities loaned ⁽¹⁾	\$ 1,855
Repurchase liabilities ⁽²⁾	408
Payables to affiliates	185
Payables to brokers, dealers, and clearing organizations ⁽³⁾	110
Other	250
Total accrued expenses and other liabilities	\$ 2,808

⁽¹⁾ Substantially all of the securities loaned are with an affiliate. See Note 10.

⁽²⁾ This represents the liabilities related and equal to the fractional shares held in client brokerage accounts and included in other securities owned at fair value in other assets on the statement of financial condition. See also Notes 2 and 4.

⁽³⁾ Includes payables to brokers, dealers, and clearing organizations with affiliates. See Note 10.

Exit and Other Related Costs

Effective October 6, 2020, Schwab completed its acquisition of TDA Holding. Schwab's integration of TDA Holding's operations continued during the first six months of 2023, including the completion of client transition groups in February and May 2023. Based on current integration plans, Schwab expects to complete most remaining client transitions from TD Ameritrade, Inc. and TDAC to Charles Schwab & Co., Inc. (CS&Co), an indirect wholly-owned subsidiary of CSC, across two groups over the remainder of 2023, with the transition of a small client group in the first half of 2024.

During 2023, TDAC's retention liabilities of \$1 million were assumed by CS&Co upon transfer of certain TDAC employees to CS&Co and as of June 30, 2023, TDAC had no remaining liability for exit and other costs related to the integration. Along with the transfer, the Company paid cash to CS&Co for future settlement of the liabilities.

6. Borrowings

The Company maintains secured uncommitted lines of credit from third-party banks, under which the Company borrows on either a demand or short-term basis and pledges client margin securities as collateral. There were no borrowings outstanding under these secured uncommitted lines of credit as of June 30, 2023.

Related-party borrowing facilities: The Company maintains an \$8.0 billion credit facility with CSC, which expires on December 31, 2025. Borrowings under this facility do not qualify as regulatory capital for TDAC. There were no borrowings outstanding under this credit facility at June 30, 2023.

The Company also maintains a secured uncommitted line of credit with Charles Schwab Bank, SSB (CSB), a wholly-owned subsidiary of CSC. This line of credit is subject to the Federal Reserve Act Section 23A affiliate transactions. The Company had no borrowings outstanding under this line of credit at June 30, 2023.

7. Commitments and Contingencies

Guarantees and indemnifications: The Company provides guarantees to securities clearing houses and exchanges under standard membership agreements, which require members to guarantee the performance of other members. Under the agreements, if another member becomes unable to satisfy its obligations to the clearing houses and exchanges, other members would be required to meet shortfalls. The Company's liability under these arrangements is not quantifiable and may exceed the amounts it has posted as collateral. The potential requirement for the Company to make payments under these arrangements is remote. Accordingly, no liability has been recognized for these guarantees.

IDA agreement: TDAC and certain affiliates were parties to the 2019 IDA agreement with the TD Depository Institutions, which created responsibilities and certain contingent obligations of TDAC and certain affiliates. On May 4, 2023, the 2019

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IDA agreement was replaced and superseded by the 2023 IDA agreement, which specifies responsibilities, including certain contingent obligations, of TDAC and certain affiliates going forward. Pursuant to the 2023 IDA agreement, uninvested cash within eligible brokerage client accounts is swept off-balance sheet to deposit accounts at the TD Depository Institutions. TDAC and certain affiliates provide recordkeeping and support services to the TD Depository Institutions with respect to the deposit accounts for which TDAC and certain affiliates receive an aggregate monthly fee.

The 2023 IDA agreement extends the agreement term to sweep balances to the TD Depository Institutions through July 1, 2034, and requires that CSC and its broker-dealer subsidiaries, including TDAC, maintain minimum and maximum IDA balances as follows:

- Through September 10, 2025, CSC and its broker-dealer subsidiaries must maintain minimum balances above the total of then-outstanding unmatured fixed-rate obligation amounts, with a maximum of \$30 billion above this total amount. During this period, withdrawals of IDA balances by CSC and its broker-dealer subsidiaries are generally permitted only to the extent of withdrawals initiated by customers, with limited exceptions, except to the extent necessary for CSC and its broker-dealer subsidiaries to maintain balances below the applicable maximum.
- After September 10, 2025, withdrawals of IDA balances are permitted at the discretion of CSC and its broker-dealer subsidiaries, subject to an obligation to maintain IDA balances above a minimum of \$60 billion, with a maximum of \$90 billion.

The 2023 IDA agreement eliminates the requirement of the 2019 IDA agreement that at least 80% of the IDA balances be designated as fixed-rate obligation amounts. Designation of deposit balances for investment in fixed- or floating-rate instruments under the 2023 IDA agreement is now at the sole discretion of CSC and its broker-dealer subsidiaries with certain limitations on the amount of fixed-rate obligation amounts.

Pursuant to the 2023 IDA agreement, CSC and its broker-dealer subsidiaries have the option to buy down up to \$5 billion of fixed-rate obligation amounts by paying a market-based fee during the agreement term, subject to certain limits. If IDA balances decline below the required IDA balance minimum as described above, CSC and its broker-dealer subsidiaries would be required to make a nonperformance payment to the TD Depository Institutions pursuant to the terms of the 2023 IDA agreement.

In May 2023, CSC and its broker-dealer subsidiaries opted to buy down \$2.4 billion of fixed-rate obligation amounts, incurring a market-based fee, of which \$88 million was allocated to TDAC, and capitalized as a contract asset, included in other assets on the statement of financial condition.

As of June 30, 2023, the total ending IDA balance was \$102.7 billion, of which \$96.4 billion was fixed-rate obligation amounts and \$6.3 billion was floating-rate obligation amounts.

Legal contingencies: TDAC is subject to claims and lawsuits in the ordinary course of business, including arbitrations, class actions and other litigation, some of which include claims for substantial or unspecified damages. The Company is also the subject of inquiries, investigations, and proceedings by regulatory and other governmental agencies.

Predicting the outcome of a litigation or regulatory matter is inherently difficult, requiring significant judgment and evaluation of various factors, including the procedural status of the matter and any recent developments; prior experience and the experience of others in similar cases; available defenses, including potential opportunities to dispose of a case on the merits or procedural grounds before trial (e.g., motions to dismiss or for summary judgment); the progress of fact discovery; the opinions of counsel and experts regarding potential damages; and potential opportunities for settlement and the status of any settlement discussions. It may not be reasonably possible to estimate a range of potential liability until the matter is closer to resolution – pending, for example, further proceedings, the outcome of key motions or appeals, or discussions among the parties. Numerous issues may have to be developed, such as discovery of important factual matters and determination of threshold legal issues, which may include novel or unsettled questions of law. Reserves are established or adjusted or further disclosure and estimates of potential loss are provided as the matter progresses and more information becomes available.

The Company believes it has strong defenses in all significant matters currently pending and is contesting liability and any damages claimed. Nevertheless, some of these matters may result in adverse judgments or awards, including penalties,

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injunctions or other relief, and the Company may also determine to settle a matter because of the uncertainty and risks of litigation. With respect to pending matters, based on current information and consultation with counsel, it does not appear reasonably possible that the outcome of any such matter would be material to the financial condition of the Company.

8. Financial Instruments Subject to Off-Balance Sheet Credit Risk

Securities Lending: The Company loans brokerage client securities temporarily to other brokers and clearing houses in connection with its securities lending activities and receives cash as collateral for the securities loaned. Increases in security prices may cause the fair 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 or provide additional cash collateral, we may be exposed to the risk of acquiring the securities at prevailing market prices in order to satisfy our client obligations. The Company mitigates this risk by requiring credit approvals for counterparties, monitoring the fair value of securities loaned, and requiring additional cash as collateral when necessary. The Company conducts substantially all its securities lending business through an arrangement with CS&Co. CS&Co lends TDAC's margin and fully-paid customer securities to external counterparties via a non-custody lending model utilizing CS&Co's trading infrastructure channels. The Company also borrows securities from other broker-dealers to fulfill short sales by brokerage clients and delivers cash to the lender in exchange for the securities. The fair value of borrowed securities was \$719 million at June 30, 2023. Our securities lending transactions are subject to enforceable master netting arrangements with other broker-dealers; however, we do not net securities lending transactions. Therefore, the securities loaned and securities borrowed are presented gross in the statement of financial condition.

The following table presents information about the Company's securities lending activity depicting the potential effect of rights of setoff between these recognized assets and recognized liabilities at June 30, 2023:

	Gross Assets/ Liabilities	Gross Amounts Offset in the Statement of Financial Condition	Net Amounts Presented in the Statement of Financial Condition	Gross Amounts Not Offset in the Statement of Financial Condition		Net Amount
				Counterparty Offsetting	Collateral	
Assets:						
Securities borrowed ⁽¹⁾	\$ 724	\$ —	\$ 724	\$ (724)	\$ —	\$ —
Total	\$ 724	\$ —	\$ 724	\$ (724)	\$ —	\$ —
Liabilities:						
Securities loaned ⁽²⁾	\$ 1,855	\$ —	\$ 1,855	\$ (724)	\$ (1,097)	\$ 34
Total	\$ 1,855	\$ —	\$ 1,855	\$ (724)	\$ (1,097)	\$ 34

⁽¹⁾ Included in other assets in the statement of financial condition.

⁽²⁾ Included in accrued expenses and other liabilities in the statement of financial condition. Securities loaned are predominantly comprised of equity securities held in client brokerage accounts with overnight and continuous remaining contractual maturities. The cash collateral received from counterparties under securities lending transactions was equal to or greater than the market value of the securities loaned at June 30, 2023.

Client trade settlement: The Company is obligated to settle transactions with brokers and other financial institutions even if our clients fail to meet their obligations to us. Clients are required to complete their transactions on settlement date, generally two business days after the trade date. If clients do not fulfill their contractual obligations, we may incur losses. We have established procedures to reduce this risk by requiring deposits from clients in excess of amounts prescribed by regulatory requirements for certain types of trades, and therefore the potential to make payments under these client transactions is remote. Pursuant to clearing agreements with TD Ameritrade, Inc. and other related-parties, the Company is reimbursed for unsecured losses that result from a client's failure to complete such transactions. Accordingly, no liability has been recognized for these transactions.

Margin lending: Clients with margin loans have agreed to allow the Company to pledge collateralized securities in their brokerage accounts in accordance with federal regulations. The following table summarizes the fair value of client securities

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that were available, under such regulations, that could have been used as collateral, as well as the fair value of securities that we had pledged under such regulations and from securities borrowed transactions as of June 30, 2023:

Fair value of client securities available to be pledged	\$ 36,183
Fair value of securities pledged for:	
Fulfillment of requirements with the Options Clearing Corporation ⁽¹⁾	7,636
Fulfillment of client short sales	3,445
Securities lending to other broker-dealers	1,759
Total collateral pledged	\$ 12,840

Note: Excludes amounts available and pledged for securities lending from fully-paid client securities. The fair value of fully-paid client securities available and pledged was \$56 million as of June 30, 2023.

⁽¹⁾ Securities pledged to fulfill client margin requirements for open option contracts established with the Options Clearing Corporation.

9. Fair Values of Assets and Liabilities

For a description of the fair value hierarchy and the Company's fair value methodologies, including the use of independent third-party pricing services, see Note 2. The Company did not adjust prices received from the primary independent third-party pricing service at June 30, 2023.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table presents the fair value hierarchy for assets and liabilities measured at fair value on a recurring basis at June 30, 2023:

	Level 1	Level 2	Level 3	Balance at Fair Value
Cash equivalents:				
Money market funds	\$ 3,310	\$ —	\$ —	\$ 3,310
Total cash equivalents	3,310	—	—	3,310
Investments segregated and on deposit for regulatory purposes:				
U.S. Government securities	—	11,090	—	11,090
Total investments segregated and on deposit for regulatory purposes	—	11,090	—	11,090
Other assets:				
Other securities owned at fair value:				
Equity, corporate debt, and other securities	214	39	—	253
Mutual funds and ETFs	161	—	—	161
Total other securities owned at fair value	375	39	—	414
Total other assets	375	39	—	414
Total assets	\$ 3,685	\$ 11,129	\$ —	\$ 14,814
Accrued expenses and other liabilities	\$ 371	\$ 37	\$ —	\$ 408
Total liabilities	\$ 371	\$ 37	\$ —	\$ 408

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Fair Value of Other Financial Instruments

The following table presents the fair value hierarchy for other financial instruments at June 30, 2023:

	Carrying Amount	Level 1	Level 2	Level 3	Balance at Fair Value
Assets					
Cash and cash equivalents	\$ 171	\$ 171	\$ —	\$ —	\$ 171
Cash and investments segregated and on deposit for regulatory purposes	1,504	1,504	—	—	1,504
Receivables from brokerage clients — net	26,067	—	26,067	—	26,067
Other assets	1,600	—	1,600	—	1,600
Liabilities					
Payables to brokerage clients	\$ 37,165	\$ —	\$ 37,165	\$ —	\$ 37,165
Accrued expenses and other liabilities	1,965	—	1,965	—	1,965

10. Related-Party Transactions

The Company engages in various related-party transactions with CSC and other affiliates under common control. The accompanying statement of financial condition is not necessarily indicative of the conditions that would exist if the Company were operated as an unaffiliated entity.

Clearing Agreements

The Company earns clearing fees from TD Ameritrade, Inc. and other related-parties for clearing services provided on behalf of introduced clients pursuant to the provisions of clearing agreements. Included in payables to brokerage clients on the statement of financial condition is the clearing deposit held for the introducing relationship with TD Ameritrade, Inc. in the amount of \$40 million.

Securities Lending

TDAC engages in certain securities lending and borrowing activities with CS&Co, pursuant to an intercompany arrangement, as described in Note 8. TDAC had aggregated gross securities loaned and borrowed positions with CS&Co for \$1.9 billion and \$724 million, respectively, as of June 30, 2023, which are included in accrued expenses and other liabilities and other assets, respectively, on the statement of financial condition. As of June 30, 2023, TDAC had a receivable for interest earned on securities loaned to CS&Co of \$18 million.

Broker-Dealer Bank Sweep

Certain uninvested cash balances in client brokerage accounts are swept off-balance sheet to CSC's banking subsidiaries. CSC's banking subsidiaries pay TDAC a monthly fee for administrative services in support of the operation of the bank sweep program. Pursuant to the agreement, CSB, on behalf of CSC's banking subsidiaries, pays TDAC a fee for each customer securities account that maintains balances in deposit accounts at the banking entities.

Related-party Service and Expense Administrative Agreements

The Company recognizes costs pursuant to service and expense administrative agreements with related-parties.

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Receivables from and Payables to Affiliates

The following table summarizes receivables from and payables to affiliates associated with the activities described above. The following balances are included in other assets and accrued expenses and other liabilities, respectively, on the statement of financial condition as of June 30, 2023:

Other assets:	
Receivables from brokers, dealers, and clearing organizations	\$ 3
Securities borrowed	724
Receivables from affiliates	60
Total	\$ 787
Accrued expenses and other liabilities:	
Deposits for securities loaned	\$ 1,855
Payables to affiliates	185
Payables to brokers, dealers, and clearing organizations	10
Total	\$ 2,050

These receivables from and payables to affiliates are generally settled in cash on a monthly basis.

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11. Taxes on Income

The temporary differences that created deferred tax assets and liabilities as of June 30, 2023 are detailed below:

Deferred tax assets:	
Reserves and allowances	\$ 11
State and local taxes	6
Employee compensation, severance, and benefits	2
Total deferred tax assets	\$ 19
Deferred tax liabilities:	
Net unrealized gain on investment	\$ (7)
Other	(5)
Total deferred tax liabilities	(12)
Deferred tax asset — net	\$ 7

Unrecognized tax benefits totaled \$7 million as of June 30, 2023, \$6 million of which, if recognized, would affect the annual effective tax rate.

As of June 30, 2023, we had accrued \$3 million for the payment of interest.

The Company was included in the TDA Holding consolidated federal income tax return prior to the Merger, and in CSC's consolidated federal income tax return after the Merger. TDA Holding's consolidated federal income tax returns for 2019 and 2020 and, as applicable to the Company, CSC's consolidated federal income tax returns for 2020 through 2022 remain subject to examination. The years open to examination by state and local governments vary by jurisdiction.

12. Regulatory Requirements

As a securities broker-dealer, the Company is subject to the SEC's Uniform Net Capital Rule. TDAC computes net capital under the alternative method permitted by the Uniform Net Capital Rule, which requires the maintenance of minimum net capital, as defined, of the greater of 2% of aggregate debit balances arising from client transactions or a minimum dollar requirement of \$1.5 million, which is based on the type of business conducted by the Company. Under the alternative method, a broker-dealer may not repay subordinated borrowings, pay cash dividends, or make any unsecured advances or loans 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. At June 30, 2023, 2% of aggregate debit balances was \$622 million, which exceeded the minimum dollar requirement of \$1.5 million.

At June 30, 2023, the Company's net capital was \$4.2 billion (13.5% of aggregate debit balances), which was \$3.6 billion in excess of its minimum required net capital and \$2.7 billion in excess of 5% of aggregate debit balances.

Pursuant to the SEC's Customer Protection Rule and other applicable regulations, TDAC is required to maintain cash or qualified securities in segregated reserve accounts for the exclusive benefit of clients. Amounts included in cash and investments segregated and on deposit for regulatory purposes represent actual balances on deposit, whereas cash and investments required to be segregated and on deposit for regulatory purposes at June 30, 2023 totaled \$13.5 billion, of which \$52 million was for Proprietary Accounts of Broker-Dealers (PAB). The Company computes a separate reserve requirement for PAB and segregate a portion of cash to meet this requirement. As of July 3, 2023, the Company had deposited \$1.3 billion of cash into its segregated reserve accounts.

13. Subsequent Events

On August 3, 2023, the Company paid, in cash, a \$300 million dividend and a return of capital of \$150 million to TDAOH.