

STATEMENT OF FINANCIAL CONDITION AND SUPPLEMENTAL INFORMATION

TD Ameritrade Futures & Forex LLC

(An Indirect Wholly-Owned Subsidiary of TD Ameritrade Holding Corporation)

September 30, 2020

With Report of Independent Registered Public Accounting Firm

TD Ameritrade Futures & Forex LLC  
(An Indirect Wholly-Owned Subsidiary of TD Ameritrade Holding Corporation)

Statement of Financial Condition and Supplemental Information

September 30, 2020

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## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Member of TD Ameritrade Futures & Forex LLC

### Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of TD Ameritrade Futures & Forex LLC (the Company) as of September 30, 2020 and the related notes (the “financial statement”). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company at September 30, 2020, in conformity with U.S. generally accepted accounting principles.

### Basis for Opinion

This financial statement is the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statement based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

### Supplemental Information

The accompanying information contained in Schedule I has been subjected to audit procedures performed in conjunction with the audit of the Company’s financial statement. Such information is the responsibility of the Company’s management. Our audit procedures included determining whether the information reconciles to the financial statement or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information. In forming our opinion on the information, we evaluated whether such information, including its form and content, is presented in conformity with Regulation 1.10 under the Commodity Exchange Act. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statement as a whole.

We have served as the Company’s auditor since 2015.

November 20, 2020

TD Ameritrade Futures & Forex LLC  
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Statement of Financial Condition

(In Thousands)

September 30, 2020

**Assets**

Cash and cash equivalents.....	\$ 125,318
Cash and investments segregated and on deposit for regulatory purposes.....	355,285
Receivable from brokers, dealers and clearing organizations .....	13,423
Receivable from clients.....	4,705
Receivable from nonclients .....	2
Receivable from affiliates .....	51
Other receivables .....	153
Goodwill.....	63,329
Deferred income taxes, net .....	99
Other assets.....	31
Total assets.....	<u>\$ 562,396</u>

**Liabilities and member's equity**

Liabilities:

Payable to clients.....	\$ 323,221
Payable to nonclients .....	910
Payable to affiliates .....	4,608
Accounts payable and accrued liabilities .....	2,180
Total liabilities.....	<u>330,919</u>
Member's equity.....	<u>231,477</u>
Total liabilities and member's equity .....	<u>\$ 562,396</u>

*See accompanying notes.*

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Notes to the Statement of Financial Condition

*(Dollars In Thousands)*

September 30, 2020

**1. Organization and Nature of Operations**

TD Ameritrade Futures & Forex LLC (the "Company") is an indirect wholly-owned subsidiary of TD Ameritrade Holding Corporation (the "Parent") through the Company's immediate parent, TD Ameritrade Online Holdings Corp. ("TDAOH"). On October 6, 2020, pursuant to an Agreement and Plan of Merger, dated as of November 24, 2019 (as amended, the "Merger Agreement"), the Parent and its wholly-owned subsidiaries were acquired by The Charles Schwab Corporation ("CSC") (the "Merger"). The transaction was accounted for under the acquisition method of accounting and CSC intends to apply pushdown accounting to the Company. The Company evaluated subsequent events through November 20, 2020, the date on which the Statement of Financial Condition was available to be issued.

The Company provides futures and foreign exchange trade execution services to its clients and clients of other entities related by common ownership, all of which are indirect wholly-owned subsidiaries of the Parent. The Company is registered as a futures commission merchant ("FCM") and forex dealer member ("FDM") with the Commodity Futures Trading Commission ("CFTC") and is a member of, and the corresponding services functions are regulated by, the National Futures Association ("NFA"). The Company is required to comply with all applicable regulations of the CFTC and NFA.

The Company contracts with external providers for futures clearing and to facilitate foreign exchange trading for its clients.

In March 2020, the World Health Organization declared the spread of coronavirus disease 2019 ("COVID-19") a worldwide pandemic. The pandemic has negatively impacted the global economy and caused significant volatility in the financial markets. The Company continues to actively monitor the pandemic and has taken and intends to continue taking steps to identify and mitigate the adverse impacts on, and risks to, its business, financial condition, liquidity, operations, employees, clients and business partners. In response to the pandemic, the Company implemented remote work arrangements for nearly all of its employees and has restricted business travel. To date, with the Company's ability to meet a vast majority of its clients' needs through its technology-based platforms and services, these arrangements have not materially affected the Company's ability to maintain its business operations, including the operation of its financial reporting systems, internal control over financial reporting, and disclosure controls and procedures. Based on information available as of the date of this report, the Company does not expect the pandemic to have a material adverse impact on its Statement of Financial Condition in the near term; although, given the daily evolution of the pandemic, the global responses to curb its spread and the related economic impacts, the Company is currently unable to estimate the long-term effects of the pandemic on its financial condition.

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Notes to the Statement of Financial Condition (continued)

*(Dollars In Thousands)*

## **2. Significant Accounting Policies**

### **Use of Estimates**

The preparation of the Statement of Financial Condition in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Statement of Financial Condition. Actual results could differ from those estimates.

### **Cash and Cash Equivalents**

The Company considers temporary, highly-liquid investments with an original maturity of three months or less to be cash equivalents.

### **Cash and Investments Segregated and on Deposit for Regulatory Purposes**

Cash and investments segregated and on deposit for regulatory purposes consists of cash deposits and/or investments that have been segregated or secured for the benefit of futures clients according to the regulations of the CFTC governing FCMs.

### **Receivable from Brokers, Dealers and Clearing Organizations**

Receivable from brokers, dealers and clearing organizations primarily arise in connection with foreign exchange transactions and includes Company and client cash held by unaffiliated service providers.

### **Receivable from/Payable to Clients**

Receivable from clients arises primarily in connection with futures transactions. Payable to clients arises primarily in connection with futures and foreign exchange transactions and include client cash held in futures and forex accounts and the fair value of any net unrealized gains/losses on open client futures and foreign exchange contracts. The value of client options on futures is not reflected in the accompanying Statement of Financial Condition.

### **Receivable from/Payable to Nonclients**

Certain employee futures accounts are considered "nonclient" for regulatory purposes.

### **Goodwill**

The Parent and TDAOH have recorded goodwill for purchase business combinations to the extent the purchase price of each completed acquisition exceeded the fair value of the net identifiable assets of the acquired company. Goodwill resulting from certain business combinations has been pushed down to the Company. The Company tests goodwill for impairment on at least an annual basis and more frequently as events occur or changes in circumstances indicate that the carrying amount of

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Notes to the Statement of Financial Condition (continued)

*(Dollars In Thousands)*

such assets may not be recoverable. In performing the impairment tests, the Company performs an assessment utilizing qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount, including goodwill. No impairment charges have resulted from the impairment assessment.

**Amortization of Acquired Intangible Assets**

Acquired intangible assets pushed down to the Company are amortized on a straight-line basis over their estimated useful lives.

**Long-Lived Assets and Acquired Intangible Assets**

The Company reviews its long-lived assets and finite-lived acquired intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If based on that review, changes in circumstances indicate that the carrying amount of such assets may not be recoverable, the Company evaluates recoverability by comparing the undiscounted cash flows associated with the asset to the asset's carrying amount. The Company also evaluates the remaining useful lives of intangible assets to determine if events or trends warrant a revision to the remaining period of amortization.

**Income Taxes**

The Company has elected to be treated as a corporation for income tax purposes. The Company files a consolidated U.S. income tax return with the Parent on a calendar year basis, combined returns for state tax purposes where required and separate state income tax returns where required. The tax provision is computed in accordance with a tax sharing agreement with the Parent that is primarily based on a separate company method of reporting. Deferred tax assets and liabilities are determined based on the differences between the Statement of Financial Condition carrying amounts and tax bases of assets and liabilities using enacted tax rates expected to apply to taxable income in the periods in which the deferred tax asset or liability is expected to be settled or realized. Uncertain tax positions are recognized if it is more likely than not that they will be sustained upon examination, based on the technical merits of the position. The amount of tax benefit recognized is the largest amount of benefit that is greater than 50% likely of being realized upon settlement.

**Recently Issued Accounting Pronouncements**

ASU 2020-04 – In March 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-04, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting if certain criteria are met. The amendments in ASU 2020-04 provide optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions that

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Notes to the Statement of Financial Condition (continued)

*(Dollars In Thousands)*

reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The guidance is currently effective and allows entities to adopt the standard through December 31, 2022, using a prospective approach. The Company is evaluating the guidance and the potential impact of adopting ASU 2020-04 on its Statement of Financial Condition.

*ASU 2018-13* – In August 2018, the FASB issued ASU 2018-13, *Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. The amendments in this standard will remove, modify and add certain disclosures under Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurement*, with the objective of improving disclosure effectiveness. On October 1, 2020, the Company adopted ASU 2018-13 using a retrospective approach. The adoption of this standard did not have a material impact on the Company's Statement of Financial Condition.

*ASU 2017-04* – In January 2017, the FASB issued ASU 2017-04, *Simplifying the Test for Goodwill Impairment*, which is intended to simplify the test for goodwill impairment by eliminating Step 2 from the goodwill impairment test, which measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. Under the amendments in this ASU, an entity should perform its annual goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. When measuring the goodwill impairment loss, income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit should be considered, if applicable. An entity will still have the option to perform the qualitative assessment for a reporting unit to determine if the quantitative test is necessary. On October 1, 2020, the Company adopted ASU 2017-04 using a prospective approach. The adoption of this standard did not have a material impact on the Company's Statement of Financial Condition.

*ASU 2016-13* – In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*. The main objective of ASU 2016-13 is to provide financial statement users with more decision-useful information about an entity's expected credit losses on financial instruments and other commitments to extend credit at each reporting date. To achieve this objective, the amendments in this update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to develop credit loss estimates. Subsequent to issuing ASU 2016-13, the FASB has issued additional standards for the purpose of clarifying certain aspects of ASU 2016-13, as well as providing codification improvements and targeted transition relief under the standard. The subsequently issued ASUs have the same effective date and transition requirements as ASU 2016-13. On October 1, 2020, the Company adopted ASU 2016-13 using a modified retrospective approach. The adoption of this standard did not have a material impact on the Company's Statement of Financial Condition.



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Notes to the Statement of Financial Condition (continued)

(Dollars In Thousands)

**3. Cash and Investments Segregated and on Deposit for Regulatory Purposes**

Cash segregated and on deposit for regulatory purposes consists of the following as of September 30, 2020:

Cash on deposit with futures commission merchants .....	\$ 275,703
Cash in demand deposit accounts .....	79,582
Total .....	<u>\$ 355,285</u>

**4. Receivables from Contracts with Clients**

The following table presents the opening and closing balances of the Company's receivables from contracts with clients that are within the scope of ASC 606, *Revenue from Contracts with Customers*, on the Statement of Financial Condition:

	<u>Other Receivables</u>
Opening balance, September 30, 2019 .....	\$ 306
Closing balance, September 30, 2020 .....	148
Decrease .....	<u>\$ (158)</u>

The difference between the opening and closing balances of the Company's receivables from contracts with clients primarily results from the timing difference between the Company's performance and the receipt of payments. No other significant contract assets or liabilities exist as of September 30, 2020 and September 30, 2019.

**5. Goodwill and Acquired Intangible Assets**

The following table summarizes changes in the Company's goodwill and acquired intangible assets:

	<u>Goodwill</u>	<u>Acquired Intangible Assets, Net</u>
Balance as of September 30, 2019 .....	\$ 63,329	\$ 1,195
Amortization of acquired intangible assets .....	—	(1,195)
Balance as of September 30, 2020 .....	<u>\$ 63,329</u>	<u>\$ —</u>

The Company's acquired intangible assets, which consisted of client relationships, became fully amortized during the fiscal year ended September 30, 2020.

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**6. Income Taxes**

As of September 30, 2020, temporary differences between the Statement of Financial Condition carrying amounts and tax bases of assets and liabilities primarily arise from stock-based compensation and certain accrued liabilities.

Deferred income taxes consist of the following as of September 30, 2020:

Deferred tax assets.....	\$	101
Deferred tax liabilities.....		(2)
Net deferred tax assets.....	\$	<u>99</u>

The Company's income tax returns are subject to review and examination by federal, state and local taxing authorities. The federal returns for 2017 through 2019 remain open to examination under the statute of limitations. The years open to examination by state and local government authorities vary by jurisdiction, but the statute of limitations is generally three to four years from the date the tax return is filed.

As of September 30, 2020, accrued interest and penalties related to unrecognized tax benefits was \$77, which is included in payable to affiliates on the Statement of Financial Condition. The Company does not expect unrecognized tax benefits to significantly increase or decrease within the next 12 months.

**7. Capital Requirements**

The Company is subject to CFTC Regulations 1.17 and 5.7 under the Commodity Exchange Act, administered by the CFTC and the NFA. As an FCM, the Company is required to maintain minimum adjusted net capital under CFTC Regulation 1.17 of the greater of (1) \$1,000 or (2) its futures risk-based capital requirement, equal to 8% of the total risk margin requirement for all futures positions carried by the FCM in client and nonclient accounts. As an FDM, the Company is also subject to the net capital requirements under CFTC Regulation 5.7, which requires the Company to maintain minimum adjusted net capital of the greater of (1) any amount required under CFTC Regulation 1.17 as described above or (2) \$20,000 plus 5% of all foreign exchange liabilities owed to forex clients in excess of \$10,000. In addition, an FCM and FDM must provide notice to the CFTC if its adjusted net capital amounts to less than (1) 110% of its risk-based capital requirement under CFTC Regulation 1.17, (2) 150% of its \$1,000 minimum dollar requirement, or (3) 110% of \$20,000 plus 5% of all foreign exchange liabilities owed to forex clients in excess of \$10,000.

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The following table summarizes the Company's adjusted net capital and adjusted net capital requirements as of September 30, 2020:

<b>Adjusted Net Capital</b>	<b>Required Adjusted Net Capital (\$20,000 Plus 5% of All Foreign Exchange Liabilities Owed to Forex Clients in Excess of \$10,000)</b>	<b>Adjusted Net Capital in Excess of Required Adjusted Net Capital</b>
\$ 154,574	\$ 22,966	\$ 131,608

### 8. Employee Benefit and Stock Incentive Plans

The Parent has a 401(k) and profit-sharing plan covering eligible employees of the Company, under which the Company's annual profit-sharing contributions are determined at the discretion of the Parent's Board of Directors. The Company also makes matching contributions pursuant to the plan document. The Company's employees also participate in the Parent's stock incentive plans.

### 9. Commitments and Contingencies

#### Borrowing Arrangement

*Parent Credit Agreement* – The Company has entered into an amended and restated credit agreement with the Parent (the "Parent Credit Agreement"), which has an initial term of five years ending on August 11, 2021, and will automatically renew for an additional five-year term, unless either party provides notice to the other of its intent to terminate not less than 30 days before the end of the then current term. Under the Parent Credit Agreement, the Company may borrow cash or securities from the Parent up to 75% of the sum of 1) the Company's "residual interest target" as determined by the Company in accordance with applicable rules and regulations and 2) the Company's total retail forex obligation excess represented solely by the Company's deposit. As of September 30, 2020, the loan commitment amount was \$45,000.

The applicable interest rate is calculated as a per annum rate equal to, at the Company's option, (1) LIBOR plus an interest rate margin ("Eurodollar loans") or (2) the federal funds effective rate plus an interest rate margin ("Federal Funds Rate loans"). The interest rate margin ranges from 0.75% to 1.25% for both Eurodollar loans and Federal Funds Rate loans, determined by reference to the Parent's public debt ratings. As of September 30, 2020, the interest rate margin would have been 1.00% for both Eurodollar loans and Federal Funds Rate loans, determined by reference to the Parent's public debt ratings. Loans under the committed facility must be repaid with interest on or before the termination date. There were no borrowings outstanding under the Parent Credit Agreement as of September 30, 2020.

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Notes to the Statement of Financial Condition (continued)

*(Dollars In Thousands)*

**Legal and Regulatory Matters**

*Forex Arbitration* – A National Futures Association arbitration claim served July 2019 was filed against the Company, TD Ameritrade, Inc., and a representative alleging that in 2018 respondents wrongfully converted over \$14,400 from claimant's forex account through forced margin liquidations and unauthorized trading. Claimant claims that respondents' alleged conduct violated provisions of the Commodity Exchange Act, National Futures Association Rules, the Nebraska Deceptive Trade Practices Act, and the Nebraska Consumer Protection Act. Claimant also includes claims for negligence, fraud, breach of the covenant of good faith and fair dealing, unjust enrichment, breach of fiduciary duty, aiding and abetting, and respondeat superior. The Company intends to vigorously defend against the arbitration and is unable to predict the outcome or the timing of the ultimate resolution of this arbitration, or the potential losses, if any, that may result.

*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. In addition, in the normal course of business, the Company discusses matters with its regulators raised during regulatory examinations or otherwise subject to their inquiry. These matters could result in censures, fines, penalties or other sanctions. ASC 450, *Contingencies*, governs the recognition and disclosure of loss contingencies, including potential losses from legal and regulatory matters. ASC 450 categorizes loss contingencies using three terms based on the likelihood of occurrence of events that result in a loss: "probable" means that "the future event or events are likely to occur;" "remote" means that "the chance of the future event or events occurring is slight;" and "reasonably possible" means that "the chance of the future event or events occurring is more than remote but less than likely." Under ASC 450, the Company accrues for losses that are considered both probable and reasonably estimable. The Company may incur losses in addition to the amounts accrued where the losses are greater than estimated by management, or for matters for which an unfavorable outcome is considered reasonably possible, but not probable.

The Company estimates that the aggregate range of reasonably possible losses in excess of amounts accrued is from \$0 to \$13,500 as of September 30, 2020. This estimated aggregate range of reasonably possible losses is based upon currently available information for those legal and regulatory matters in which the Company is involved, taking into account the Company's best estimate of reasonably possible losses for those matters as to which an estimate can be made. For certain matters, the Company does not believe an estimate can currently be made, as some matters are in preliminary stages and some matters have no specific amounts claimed. The Company's estimate involves significant judgment, given the varying stages of the proceedings and the inherent uncertainty of predicting outcomes. The estimated range will change from time to time as the underlying matters, stages of proceedings and available information change. Actual losses may vary significantly from the current estimated range.

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Notes to the Statement of Financial Condition (continued)

*(Dollars In Thousands)*

The Company believes, based on its current knowledge and after consultation with counsel, that the ultimate disposition of these legal and regulatory matters, individually or in the aggregate, is not likely to have a material adverse effect on the Statement of Financial Condition of the Company. However, in light of the uncertainties involved in such matters, the Company is unable to predict the outcome or the timing of the ultimate resolution of these matters, or the potential losses, fines, penalties or equitable relief, if any, that may result.

**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 Statement of Financial Condition could be significantly changed at a later date upon final determinations by taxing authorities.

**Credit Risk**

Two primary sources of credit risk inherent in the Company's business are (1) client credit risk related to leverage and (2) counterparty credit risk related to the execution and settlement of client futures and foreign exchange transactions. These activities may expose the Company to credit risk in the event the clients or counterparties are unable to fulfill their contractual obligations.

The Company extends leverage to its clients. Leverage involves securing a large potential future obligation with a lesser amount of collateral. The risks associated with leverage increase during periods of rapid market movements, or in cases where client positions are concentrated and market movements occur. The Company has the authority to liquidate certain positions in the client's account at prevailing market prices in order to reduce the risk of loss. However, during periods of rapid market movements, client collateral and proceeds from liquidated positions may not be sufficient to cover client obligations. The Company seeks to mitigate the risks associated with its client leverage activities by requiring clients to maintain margin collateral in compliance with various regulatory and internal guidelines. The Company monitors required margin levels throughout each trading day and, pursuant to such guidelines, requires clients to deposit additional collateral, or to reduce positions, when necessary.

The Company contracts with unaffiliated FCM, FDM and broker-dealer entities to clear and execute futures and foreign exchange transactions for its clients. This can result in concentrations of credit risk with one or more of these counterparties. This risk is partially mitigated by the counterparties' obligation to comply with rules and regulations governing FCMs, FDMs and broker-dealers in the United States. These rules generally require maintenance of minimum net capital thresholds and segregation of client funds and securities from holdings of the clearing FCMs and broker-dealers. In addition, the Company manages this risk by requiring credit approvals for counterparties and by utilizing account funding and sweep arrangement agreements (see Note 11) that generally specify

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Notes to the Statement of Financial Condition (continued)

*(Dollars In Thousands)*

that all client cash in excess of futures funding requirements be transferred back to the clients' securities brokerage accounts on a daily basis.

**Guarantees**

The Company clears its clients' futures transactions on an omnibus account basis through unaffiliated clearing firms. The Company also contracts with an external provider to facilitate foreign exchange trading for its clients. The Company has agreed to indemnify these unaffiliated clearing firms and the external provider for any loss that they may incur from the client transactions introduced to them by the Company. The Company does not expect losses under the indemnifications to be material to the Company's Statement of Financial Condition.

**10. Fair Value Disclosures**

**Fair Value Measurement — Definition and Hierarchy**

ASC 820, *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 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 and are developed based on market data obtained from sources independent of the Company. Unobservable inputs reflect the Company's own assumptions about the assumptions other market participants would use in pricing the asset or liability and are 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 money market mutual funds.
- 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.
- Level 3 – Unobservable inputs for the asset or liability, where there is little, if any, observable market activity or data for the asset or liability.

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The following table presents the Company's fair value hierarchy for assets measured at fair value on a recurring basis as of September 30, 2020:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Fair Value</b>
<b>Assets:</b>				
Cash equivalents:				
Money market mutual funds .....	\$ 41,917	\$ —	\$ —	\$ 41,917

There were no transfers between any levels of the fair value hierarchy during fiscal year 2020.

**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.

**Fair Value of Financial Instruments Not Recorded at Fair Value**

*Receivable from brokers, dealers and clearing organizations, receivable from/payable to clients, receivable from/payable to nonclients, receivable from/payable to affiliates, other receivables and accounts payable and accrued liabilities* are short-term in nature and accordingly are carried at amounts that approximate fair value. These financial instruments are recorded at or near their respective transaction prices and historically have been settled or converted to cash at approximately that value (categorized as Level 2 of the fair value hierarchy).

**11. Related-Party Transactions**

**Allocated Costs from Affiliates Based on Services Agreements**

The Company is allocated costs from entities related by common ownership. The expenses associated with these agreements and the allocated costs from affiliates during the fiscal year ended September 30, 2020 were primarily comprised of employee compensation and benefits, communications, depreciation and amortization, professional services and facilities.

**Account Funding and Sweep Arrangement Agreements**

All clients who maintain a futures and/or forex account with the Company must also maintain a securities brokerage account with TD Ameritrade, Inc., which is held at TD Ameritrade Clearing, Inc. ("TDAC"), an indirect wholly-owned subsidiary of the Parent. Pursuant to account funding and sweep arrangement agreements between the Company, TD Ameritrade, Inc. and TDAC, all client

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Notes to the Statement of Financial Condition (continued)

*(Dollars In Thousands)*

cash is initially deposited and held in the client's securities brokerage account, subject to transfer on a daily basis to the client's futures account if funds are required as a result of futures funding requirements. Futures funding requirements may include the transfer of cash to satisfy a margin call, pre-fund margin to establish a new position or to satisfy any deficit. Unless a client opts out, all cash remaining in the client's futures account in excess of these futures funding requirements is transferred back to the client's securities brokerage account on a daily basis. Clients have the ability to transfer funds between their securities brokerage account and their futures and/or forex account. In the event the Company's clients have unsecured losses in their futures and/or forex accounts, the losses are transferred to TDAC, which then becomes subject to the terms of the clearing agreement between TD Ameritrade, Inc. and TDAC. Pursuant to the clearing agreement between TD Ameritrade, Inc. and TDAC, TDAC charges TD Ameritrade, Inc. for unsecured losses. During the fiscal year ended September 30, 2020, TDAC charged TD Ameritrade, Inc. \$2,165 for clients' net unsecured futures and/or forex losses.

**Fully-Disclosed Futures Commission Merchant Services Agreement**

Under fully-disclosed futures commission merchant services agreements between the Company and two broker-dealer entities related by common ownership, the Company earns revenues from these related entities for processing futures transactions.

**Receivables from and Payables to Affiliates**

The following table summarizes the classification and amount of receivables from and payables to affiliates on the Statement of Financial Condition resulting from related party transactions as of September 30, 2020:

**Assets:**

Receivable from affiliates:

Receivable from affiliates related by common ownership.....	\$	51
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**Liabilities:**

Payable to affiliates:

Payable to Parent for income taxes.....	\$	2,562
Payable to entities related by common ownership.....		2,046
Total.....	\$	4,608

The Company settles consolidated and combined current income tax payables and receivables with the Parent periodically, as amounts become due to or from the taxing authorities. Receivables from affiliates and other payables to affiliates are generally settled in cash on a monthly basis.



## Supplemental Information

TD Ameritrade Futures & Forex LLC  
(An Indirect Wholly-Owned Subsidiary of TD Ameritrade Holding Corporation)

Schedule I

Statement of Segregation Requirements and Funds in Segregation For  
Customers Trading on U.S. Commodity Exchanges Pursuant to  
Regulation 4(d)(2) Under the Commodity Exchange Act  
(In Thousands)

As of September 30, 2020

SEGREGATION REQUIREMENTS

Net ledger balance	
Cash.....	\$ 255,206
Net unrealized profit (loss) in open futures contracts traded on a contract market .....	(6,019)
Exchange traded options	
Market value of open option contracts purchased on a contract market .....	25,336
Market value of open option contracts granted (sold) on a contract market.....	(40,287)
Net equity (deficit) .....	234,236
Accounts liquidating to a deficit and accounts with debit balances - net of customer owned securities (\$0).....	4,158
Amount required to be segregated .....	<u>238,394</u>

FUNDS IN SEGREGATED ACCOUNTS

Deposited in segregated funds bank accounts	
Cash.....	79,582
Net equities with other futures commission merchants	
Net liquidating equity.....	260,752
Total amount in segregation.....	<u>340,334</u>
Excess (deficiency) funds in segregation.....	<u>\$ 101,940</u>
Management Target Amount Excess funds in segregation (unaudited).....	\$ 50,000
Excess (deficiency) funds in segregation over (under) Management Target Amount Excess (unaudited) .....	\$ 51,940

There are no material differences between the above computation for determination of segregation requirements pursuant to regulations under the Commodity Exchange Act and the corresponding computation included in TD Ameritrade Futures and Forex LLC's unaudited Form 1-FR-FCM report, filed on October 16, 2020.