FRB Order No. 2020-04
September 30, 2020

FEDERAL RESERVE SYSTEM

The Toronto-Dominion Bank
Toronto, Canada

TD Group US Holdings LLC
Wilmington, Delaware

Order Approving the Acquisition of Shares in a Savings and Loan Holding Company, Thereby Indirectly Acquiring Shares in Subsidiary Savings Associations And Certain Nonbanking Subsidiaries

The Toronto-Dominion Bank ("Toronto-Dominion"), Toronto, Canada, and its subsidiary, TD Group US Holdings LLC, Wilmington, Delaware (together with Toronto-Dominion, "TD"), both financial holding companies within the meaning of the Bank Holding Company Act of 1956 ("BHC Act"), have requested the Board's approval under sections 4(c)(8) and (j) of the BHC Act and section 225.24 of the Board's Regulation Y[1] to acquire more than five percent of the voting shares of The Charles Schwab Corporation ("Schwab"), San Francisco, California, a savings and loan holding company.[2]

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[1] 12 U.S.C. §§ 1843(c)(8) and (j); 12 CFR 225.24.

[2] TD would acquire these shares in connection with Schwab's acquisition of TD Ameritrade Holding Corporation ("Ameritrade"), Omaha, Nebraska, as each share of Ameritrade would be exchanged for shares of Schwab. Specifically, Schwab would acquire all of the shares of Ameritrade in exchange for shares of Schwab. In consideration for TD's sale of its approximate 43.0 percent ownership interest in Ameritrade to Schwab, TD would acquire 9.9 percent voting common shares of Schwab, plus approximately 3.7 percent nonvoting common shares. Schwab would thereafter merge Ameritrade into Schwab ("Ameritrade Merger").

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (85 Federal Register 112 (January 2, 2020)).[3] The time for submitting comments has expired, and the Board did not receive any comments on the proposal.

Toronto-Dominion, with consolidated assets of approximately $1.2 trillion, is the second largest bank in Canada by asset size.[4] Toronto-Dominion provides retail and commercial banking, wealth management, insurance, and investment banking products and services and operates in North America (including the United States), Europe, and Asia. In the United States, TD Group US Holdings LLC, Toronto-Dominion's intermediate holding company, holds approximately $475.6 billion in assets. TD controls TD Bank, National Association ("TD Bank"), with total assets of $384.0 billion and total deposits of $331.9 billion, and TD Bank USA, National Association ("TD Bank USA"), with total assets of $23.7 billion and total deposits of $19.7 billion, both of Wilmington, Delaware. Together, the banks have retail banking operations in fifteen states and the District of Columbia.

Schwab, with consolidated assets of approximately $400.5 billion, is the 13th largest insured depository organization in the United States. Schwab controls deposits of approximately $301.7 billion, which represent 1.8 percent of the total amount of deposits of insured depository institutions in the United States. Schwab controls three state-chartered savings banks: Charles Schwab Bank ("CSB"), Charles Schwab Premier Bank ("Premier Bank"), both of Westlake, Texas, and Charles Schwab Trust Bank ("Trust Bank"), Henderson, Nevada. As of June 30, 2020, CSB, Premier Bank, and

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[3] 12 CFR 262.3(b).

[4] Asset data and nationwide deposit-ranking data are as of June 30, 2020, unless otherwise noted. Asset and asset-ranking data for TD on a consolidated basis are as of June 30, 2020, and are based on the exchange rate as of that date.

Trust Bank reported total assets of $292.4 billion, $26.0 billion, and $11.2 billion, respectively.[5]

On consummation of the proposal, TD's U.S. operations would continue to have approximately $475.6 billion in consolidated assets, which represent 1.8 percent of the total assets of insured depository organizations in the United States.[6] TD would continue to control total U.S. deposits of approximately $348.8 billion, which represent 2.1 percent of the total deposits of insured depository institutions in the United States.

Noncontrolling Investment

TD has stated that it does not propose to control or exercise a controlling influence over Schwab as a result of the proposal. For purposes of the BHC Act, a company has control over another company if the first company (i) directly or indirectly or acting through one or more other persons owns, controls, or has power to vote 25 percent or more of any class of voting securities of the other company; (ii) controls in any manner the election of a majority of the directors of the other company; or (iii) directly or indirectly exercises a controlling influence over the management or policies of the other company.[7] In addition, the Board's Regulation Y sets forth a set of rebuttable presumptions of control and noncontrol.[8]

As noted above, upon consummation of the proposal, TD would own 9.9 percent of the voting common stock of Schwab and additional nonvoting common stock of Schwab, for a total equity ownership interest of up to 14.9 percent of the combined voting and nonvoting common stock of Schwab. In addition, TD has made

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[5] Each of Schwab's state-chartered savings bank subsidiaries has elected to be treated as a savings association pursuant to section 10(l) of the Home Owners' Loan Act.

[6] Asset data and nationwide deposit-ranking data for TD's U.S. operations are as of June 30, 2020.

[7] 12 U.S.C. § 1841(a)(2); 12 CFR 225.2(e).

[8] See 12 CFR part 225, subpart D. The Board has approved final revisions to the control provisions of Regulation Y ("Control Rule") that take effect on September 30, 2020. See 85 Fed. Reg. 12398 (March 2, 2020); 85 Fed. Reg. 18427 (April 2, 2020).

certain representations regarding its relationships with Schwab upon consummation of the proposed transaction. These representations include that (i) TD would have the power to designate two of fourteen total directors on the board of directors of Schwab, and TD's director representatives would not have the power to make or block major operational or policy decisions of Schwab; (ii) TD would have no officers or employees in common with Schwab; and (iii) TD would not have any limiting contractual rights with respect to Schwab, as that term is defined in the Control Rule. TD and Schwab would have substantial business relationships with each other following the proposed acquisition, including a large deposit sweep arrangement. TD represents that these business relationships would not account for 10 percent or more of Schwab's annual revenues on a rolling basis following the proposed transaction. Based on these representations and other information provided by TD, TD would not trigger any of the presumptions of control under the Board's regulations with respect to Schwab.[9]

Factors Governing Board Review of the Transaction

The Board previously has determined by regulation that the operation of a savings association by a bank holding company is closely related to banking for purposes of section 4(c)(8) of the BHC Act.[10] The Board requires that savings associations acquired by bank holding companies conform their direct and indirect activities to those permissible for bank holding companies under section 4(c)(8) of the BHC Act.[11] TD has represented that all of the activities of Schwab and its subsidiaries conform to those permissible under section 4 of the BHC Act and Regulation Y.

Section 4(j)(2)(A) of the BHC Act requires the Board to consider whether the proposed acquisition of shares of Schwab "can reasonably be expected to produce

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[9] 12 CFR 225.31(d). The proposed relationships between TD and Schwab would not trigger a presumption of control under the Control Rule.

[10] 12 CFR 225.28(b)(4)(ii).

[11] Id.

benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, unsound banking practices, or risk to the stability of the United States banking or financial system."[12] As part of its evaluation, the Board reviews the financial and managerial resources and the future prospects of the companies involved, the effect of the proposal on competition in the relevant markets, the risk to the stability of the U.S. banking or financial system, and the public benefits of the proposal.[13] The Board also reviews the records of performance of the relevant insured depository institutions under the Community Reinvestment Act ("CRA").[14]

Competitive Considerations

As part of the Board's consideration of the factors under section 4(j)(2) of the BHC Act, the Board evaluates the competitive effects of a proposal in light of all of the facts of record.[15]

TD, through its U.S. bank subsidiaries, operates approximately 1,220 retail branch locations in fifteen states and the District of Columbia. The TD banks and the Schwab banks compete in local banking markets in which they offer retail banking services through their branch locations and throughout the United States through their internet platforms. However, both organizations receive deposits from across the country, making it unlikely that either organization holds a high concentration of deposits in any local market. Based on the size of the organizations, the large number of internet-based competitors, and the diffuse geographic nature of TD's and Schwab's internet

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[12] 12 U.S.C. § 1843(j)(2)(A).

[13] See 12 CFR 225.26; see, e.g., Capital One Financial Corporation, FRB Order 2012-2 (February 14, 2012) ("Capital One Order"); Bank of America Corporation/Countrywide, 94 Federal Reserve Bulletin C81 (2008); Wachovia Corporation, 92 Federal Reserve Bulletin C183 (2006).

[14] 12 U.S.C. § 2901 et seq.

[15] 12 U.S.C. § 1843(j)(2)(A).

deposits, the proposed transaction would not result in a material increase in concentration in any single market, including the markets in which TD and Schwab operate. Of note, Schwab operates branches in two banking markets—Fort Worth, Texas, and Las Vegas, Nevada—and TD does not have a branch presence in either of these markets. Therefore, consummation of the proposal would not affect competition in any local banking market.

The DOJ has conducted a review of the potential competitive effects of the proposal and has advised the Board that consummation of the proposal would not likely have a significantly adverse effect on competition in any relevant banking market. In addition, the appropriate banking agencies have been afforded an opportunity to comment and have not objected to the proposal.

The Board also examined the effects of the proposal on the securities brokerage, investment advisory, mutual fund, asset management, and fiduciary services businesses. The Board previously has determined that the geographic market for these businesses are regional or national in scope with numerous competitors.[16]

Based on all of the facts of record, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of resources in any relevant banking market. Accordingly, the Board determines that competitive considerations are consistent with approval.

Financial, Managerial, and Other Supervisory Considerations

In reviewing proposals under section 4(j)(2) of the BHC Act, the Board considers the financial and managerial resources and the future prospects of the institutions involved. In its evaluation of financial factors, the Board reviews information regarding the financial condition of the organizations involved on both parent-only and consolidated bases, as well as information regarding the financial condition of the subsidiary depository institutions and the organizations' significant nonbanking operations. In this evaluation, the Board considers a variety of information regarding capital adequacy, asset quality, liquidity, and earnings performance, as well as any public

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[16] See Capital One Order, supra note 14.

comments on the proposal. The Board evaluates the financial condition of the applicant, including its capital position, asset quality, liquidity, earnings prospects, and the impact of the proposed funding of the transaction. The Board also considers the ability of the applicant to absorb the costs of the proposal and to complete effectively the proposed transaction. In assessing financial factors, the Board considers capital adequacy to be especially important. The Board considers the future prospects of the organizations involved in the proposal in light of their financial and managerial resources.

TD and its subsidiary depository institutions are well capitalized and would remain so on consummation of the proposal. The proposed transaction is structured as a share exchange.[17] The asset quality, earnings, and liquidity of TD are consistent with approval. In addition, the future prospects of the institutions under the proposal are consistent with approval.

The Board also has considered the managerial resources of the organizations involved. The Board has reviewed the examination records of TD's U.S. operations and Schwab's operations, including assessments of their management, risk-management programs, and operations. In addition, the Board has considered information provided by TD, the supervisory experiences that the Board and other relevant bank supervisory agencies have had with the organizations, and the organizations' records of compliance with applicable banking, consumer, and anti-money-laundering laws.

TD and its subsidiary depository institutions are each considered to be well managed. TD's existing risk-management program and its directors and senior management are considered to be satisfactory. TD's directors and senior executive

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[17] To effect the transaction, each share of Ameritrade common stock would be converted into a right to receive shares of Schwab common stock, based on an exchange ratio. Shares of Ameritrade common stock owned by TD would be automatically converted into Schwab common stock to the extent that such common stock consideration would be less than or equal to 9.9 percent of Schwab common stock outstanding immediately following the Ameritrade Merger.

officers have knowledge of and experience in the banking and financial services sectors. TD has conducted comprehensive due diligence and would have two directors oversee TD's investment in Schwab, as well as help with the integration of Ameritrade into Schwab.

Based on all the facts of record, including TD's supervisory record and its managerial and operational resources, the Board determines that considerations relating to the financial and managerial resources and future prospects of the organizations involved, as well as the records of effectiveness of TD and Schwab in combatting money-laundering activities, are consistent with approval.

Convenience and Needs Considerations

As part of weighing the possible adverse effects of a transaction against its public benefits, as required by section 4(j)(2) of the BHC Act, the Board considers the effects of the proposal on the convenience and needs of the communities to be served.[18] In its evaluation of the effects of the proposal on the convenience and needs of the communities to be served, the Board considers whether the relevant institutions are helping to meet the credit needs of these communities, as well as other potential effects of the proposal on the convenience and needs of the communities to be served, and places particular emphasis on the records of the relevant depository institutions under the CRA. The CRA requires the federal financial supervisory agencies to encourage insured depository institutions to help meet the credit needs of the local communities in which they operate, consistent with their safe and sound operation,[19] and requires the appropriate federal financial supervisory agency to assess a depository institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income ("LMI") neighborhoods, in evaluating bank expansionary proposals.[20]

[18] 12 U.S.C. § 1843(j)(2).

[19] 12 U.S.C. § 2901(b).

[20] 12 U.S.C. § 2903.

In addition, the Board considers the banks' overall compliance records and recent fair lending examinations. Fair lending laws require all lending institutions to provide applicants with equal access to credit, regardless of their race, ethnicity, or certain other characteristics. The Board also considers assessments of other relevant supervisors, the supervisory views of examiners, other supervisory information, information provided by the applicant, and comments received on the proposal. The Board also may consider the acquiring institution's business model, its marketing and outreach plans, its plans after consummation, and any other information the Board deems relevant.

In assessing the convenience and needs factor in this case, the Board has considered all the facts of record, including reports of examination of the CRA performance of TD Bank, TD Bank USA, and CSB;[21] the consumer compliance, including fair lending records of the banks; and the supervisory views of the Office of the Comptroller of the Currency ("OCC"), Consumer Financial Protection Bureau ("CFPB"), and Federal Reserve Bank of Dallas;[22] confidential supervisory information; and information provided by TD.

Records of Performance Under the CRA

In evaluating the CRA performance of the involved institutions, the Board generally considers the institutions' most recent CRA evaluation, as well as other information and supervisory views from the appropriate federal supervisors, which in this

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[21] Premier Bank and Trust Bank have not yet been subject to examination under the CRA.

[22] On August 20, 2020, the CFPB issued a consent order against TD Bank to resolve allegations that the bank violated certain consumer protection laws and regulations in the offering of an overdraft protection product. See https://www.consumerfinance.gov/policy-compliance/enforcement/actions/td-bank-na/. The Board does not believe the proposed noncontrolling investment by TD would distract the firm from any corrective actions required under the consent order.

case is the OCC.[23] In addition, the Board considers information provided by the applicant and by public commenters.

The CRA requires that the appropriate federal financial supervisor for a depository institution prepare a written evaluation of the institution's record of helping to meet the credit needs of its entire community, including LMI neighborhoods.[24] An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site evaluation by the institution's primary federal supervisor of the institution's overall record of lending in its communities.

In general, federal financial supervisors apply a lending test ("Lending Test"), investment test ("Investment Test"), and service test ("Service Test") to evaluate the performance of large insured depository institutions, such as TD Bank, in helping to meet the credit needs of the communities the institutions serve. The Lending Test specifically evaluates an institution's lending to determine whether the institution is helping to meet the credit needs of individuals and geographies of all income levels. As part of the Lending Test, examiners review and analyze an institution's data reported under the Home Mortgage Disclosure Act of 1975 ("HMDA"),[25] in addition to small business, small farm, and community development loan data collected and reported under the CRA regulations, to assess an institution's lending activities with respect to borrowers and geographies of different income levels. The institution's lending performance is based on a variety of factors, including (1) the number and amounts of home mortgage, small business, small farm, and consumer loans (as applicable) in the institution's CRA assessment areas ("AAs"); (2) the geographic

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[23] See Interagency Questions and Answers Regarding Community Reinvestment, 81 Fed. Reg. 48506, 48548 (July 25, 2016).

[24] 12 U.S.C. § 2906.

[25] 12 U.S.C. § 2801 et seq.

distribution of the institution's lending, including the proportion and dispersion of the institution's lending in its AAs and the number and amounts of loans in low-, moderate-, middle-, and upper-income areas; (3) the distribution of loans based on borrower characteristics, including, for home mortgage loans, the number and amounts of loans to low-, moderate-, middle-, and upper-income individuals;[26] (4) the institution's community development lending, including the number and amounts of community development loans and their complexity and innovativeness; and (5) the institution's use of innovative or flexible lending practices to address the credit needs of LMI individuals and geographies.[27] The Investment Test evaluates the number and amounts of qualified investments that benefit the institution's AAs, and the Service Test evaluates the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of the institution's community development services.[28]

CRA Performance of TD Bank

TD Bank was assigned an overall "Outstanding" rating by the OCC at its most recent CRA performance evaluation, as of April 2, 2018 ("TD Bank Evaluation").[29]

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[26] Examiners also consider the number and amounts of small business and small farm loans to businesses and farms with gross annual revenues of $1 million or less, small business and small farm loans by loan amount at origination, and consumer loans, if applicable, to low-, moderate-, middle-, and upper-income individuals. See, e.g., 12 CFR 228.22(b)(3).

[27] See 12 CFR 228.22(b).

[28] See 12 CFR part 228, subpart B.

[29] The TD Bank Evaluation was conducted using Large Institution CRA Examination Procedures. Examiners reviewed loans reportable under HMDA and the CRA from January 1, 2014, through December 31, 2017. The evaluation period for community development loans, investments, and services was from January 1, 2014, through December 31, 2017. The TD Bank Evaluation covered TD Bank's 64 AAs located in 15 states and the District of Columbia, and 6 multistate metropolitan statistical areas ("MMSAs").

TD Bank received "Outstanding" ratings for the Lending and Investment Tests and a "High Satisfactory" rating for the Service Test.

Examiners found that TD Bank's overall lending activity was good. Examiners noted that the bank's distribution of loans to geographies and borrowers of different income levels was good. Examiners also found that TD Bank had an excellent level of community development lending. With respect to the Investment Test, examiners highlighted the bank's excellent level and responsiveness of qualified investment activity.

Moreover, examiners found that TD Bank's delivery systems were accessible to geographies and individuals of different income levels throughout the bank's AAs. Examiners also noted that the bank's community development services were effective and responsive in helping the bank address community needs.

CRA Performance of TD Bank USA

TD Bank USA was assigned an overall "Outstanding" rating by the OCC at its most recent CRA performance evaluation, as of September 18, 2017 ("TD Bank USA Evaluation").[30] Examiners found that the bank demonstrated a high level of community development lending, community development services, and qualified investment activity. Examiners also found that TD Bank USA demonstrated occasional use of innovative or complex qualified investments, community development loans, or community development services. In addition, examiners noted that the bank exhibited excellent responsiveness to credit and community development needs in its AA.

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[30] The TD Bank USA Evaluation was conducted using Limited Purpose Institution CRA Examination Procedures. A limited purpose institution is an institution that offers only a narrow product line (such as credit cards or automobile loans) to a regional or broader market and for which a designation as "limited purpose bank" is in effect. Examiners reviewed loans reportable under HMDA and the CRA from March 14, 2013, through December 31, 2016. TD Bank USA's only AA consists of a portion of the Philadelphia–Camden–Wilmington PA–NJ–DE–MD MMSA.

CRA Performance of CSB

CSB was assigned an overall CRA rating of "Outstanding" at its most recent CRA performance evaluation by the OCC, as of July 31, 2017 ("CSB Evaluation").[31] Examiners found that the bank exceeded its strategic plan goals for outstanding performance with respect to community development lending and community development services, and generally exceeded its goals for outstanding performance regarding community development investments.

Conclusion on Convenience and Needs Considerations

The Board has considered all the facts of record, including the records of the relevant depository institutions under the CRA, the institutions' records of compliance with fair lending and other consumer protection laws, confidential supervisory information, information provided by TD, and the potential effects of the proposal on the convenience and needs of the communities to be served. Based on that review, the Board determines that convenience and needs considerations are consistent with approval.

Financial Stability

The Dodd-Frank Act added "risk to the stability of the United States banking or financial system" to the list of possible adverse effects that the Board must weigh against any expected public benefits in considering a proposal under section 4(j) of the BHC Act.[32]

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[31] The CSB Evaluation was conducted pursuant to an OCC-approved CRA strategic plan, which included measurable goals for meeting the lending, investment, and service needs of the bank's AAs. Examiners reviewed loans reportable under HMDA and the CRA, community development loans, qualified investments, and community development services from January 1, 2014, through December 31, 2016. The bank's strategic plan included two AAs: the Reno–Sparks, Nevada, AA and the San Francisco Bay Area, California, AA.

[32] 12 U.S.C. § 1843(j)(2)(A).

To assess the likely effect of a proposed transaction on the stability of the U.S. banking or financial system, the Board considers a variety of metrics that capture the systemic footprint of the resulting firm and the incremental effect of the transaction on the systemic footprint of the acquiring firm. These metrics include measures of the size of the resulting firm, the availability of substitute providers for any critical products and services offered by the resulting firm, the interconnectedness of the resulting firm with the banking or financial system, the extent to which the resulting firm contributes to the complexity of the financial system, and the extent of the cross-border activities of the resulting firm.[33] These categories are not exhaustive, and additional categories could inform the Board's decision. In addition to these quantitative measures, the Board considers qualitative factors, such as the opaqueness and complexity of an institution's internal organization, that are indicative of the relative degree of difficulty of resolving the resulting firm. A financial institution that can be resolved in an orderly manner is less likely to inflict material damage on the broader economy.[34]

In this case, the Board has considered information relevant to risks to the stability of the U.S. banking or financial system due to TD's proposed acquisition of a noncontrolling interest in Schwab. Consummation of this proposal would not result in a significant increase in the size of TD. Nor would the proposal result in a significant decrease in availability of substitute providers of critical financial services. Both the acquirer and the target would remain separately engaged in retail banking, investment advisory, wealth management, and securities brokerage activities. TD has, and as a result of the proposal, would continue to have, small-to-moderate market shares in these products and services on a nationwide basis. In addition, although the proposal would increase the connections between TD and Schwab, the acquisition would not heighten

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[33] Many of the metrics considered by the Board measure an institution's activities relative to the U.S. financial system.

[34] For further discussion of the financial stability standard, see Capital One Order, supra note 14.

TD's interconnectedness with other firms or markets in such a way that would significantly increase risks to the financial system in the event of the financial distress of TD or Schwab. Moreover, the acquisition would not have meaningful effects on the cross-border activities of the acquirer; and would not lead to changes in the acquirer's organizational structure, complexity, or unique characteristics that would complicate its resolution. Finally, upon consummation, the acquirer would not pose a significant risk to the U.S. banking or financial system in the event of its financial distress.[35]

In addition, in light of the noncontrolling nature of the investment, the Board assessed whether the material financial distress of one firm would be likely to cause a material financial distress of the other firm. The Board assessed the full set of linkages that would exist between TD and Schwab upon consummation of the proposal, including the equity investment, director interlocks, and a large deposit sweep arrangement. The Board has determined that the set of linkages presented in this proposal would not significantly increase risks to financial stability. In particular, the Board notes that TD would not consolidate Schwab for accounting purposes, would not be viewed as controlling Schwab for purposes of the BHC Act and Regulation Y, and would not be viewed as economically interdependent with Schwab under the Board's single-counterparty credit limit rule.[36] Based on this analysis, the Board has determined that the set of linkages presented in this proposal would not make TD and Schwab co-vulnerable in a manner that would significantly increase risks to financial stability.

In light of all the facts and circumstances, this transaction would not appear to result in meaningfully greater or more concentrated risks to the stability of the U.S.

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[35] The Board also considered the Global Systemically Important Bank ("GSIB") score of TD Group US Holdings LLC. The GSIB score is a measure of a firm's systemic importance. See 80 Fed. Reg. 49082 (August 14, 2015). After the proposed transaction, TD Group US Holdings LLC would still have a GSIB method 1 score of 37 basis points, well below the minimum threshold (130 basis points) that identifies a financial institution as a GSIB.

[36] See 12 CFR 252.76.

banking or financial system. Based on these and all other facts of record, the Board determines that considerations relating to financial stability are consistent with approval.

Weighing of Public Benefits of the Proposal

As noted above, in connection with a proposal under section 4 of the BHC Act, the Board is required to "consider whether performance of the activity by a bank holding company or a subsidiary of such company can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, unsound banking practices, or risk to the stability of the United States banking or financial system."[37] Under the proposal, TD would acquire a noncontrolling interest in Schwab. There are public benefits to be derived from permitting bank holding companies to make potentially profitable investments in financial companies and from permitting banking organizations to allocate their resources in the manner they consider to be most efficient when such investments and actions are consistent, as in this case, with the relevant considerations under the BHC Act.[38] In particular, TD has represented that the acquisition of a noncontrolling interest in Schwab is expected to enhance its financial position as it would have a minority investment in a large, diversified financial company.

The Board concludes that the conduct of the proposed nonbanking activities within the framework of Regulation Y, Board precedent, and this order, is not likely to result in significant adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, unsound banking practices, or risk to the stability of the U.S. banking or financial system. Based on the entire record, and for the reasons discussed above, the Board concludes that the balance of benefits and potential

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[37] 12 U.S.C. § 1843(j)(2).

[38] See, e.g., Morgan Stanley (Board Order dated September 21, 2008); Arvest Bank Group, Inc. (Board Order dated August 22, 2003); The Charles Schwab Corporation (Board Order dated May 1, 2000).

adverse effects related to competition, financial and managerial resources, convenience to the public, financial stability, and other factors weighs in favor of approval of this proposal. Accordingly, the Board determines that the balance of the public benefits under the standard of section 4(j)(2) of the BHC Act is consistent with approval.[39]

Conclusion

Based on the foregoing and all the facts of record, the Board determines that the proposal should be, and hereby is, approved. In reaching its conclusion, the Board has considered all the facts of record in light of the factors that it is required to consider under the BHC Act and other applicable statutes. The Board's approval is specifically conditioned on compliance by TD with all the conditions imposed in this order, including receipt of all required regulatory approvals, and on commitments made to the Board in connection with the application. For purposes of this action, the conditions and commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decision herein and, as such, may be enforced in proceedings under applicable law.

By order of the Board of Governors,[40] effective September 30, 2020.

(signed Ann E. Misback)

Ann E. Misback
Secretary of the Board

[39] 12 U.S.C. § 1843(j)(2)(A).

[40] Voting for this action: Chair Powell, Vice Chair Clarida, Vice Chair for Supervision Quarles, and Governor Bowman. Voting against this action: Governor Brainard.