



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, DC 20551

DECEMBER 11, 2014

Mr. Edward B. Pollock  
Executive Vice President  
Head of Regulatory Relationships & Government Affairs  
The Toronto-Dominion Bank  
1701 Route 70 East  
Cherry Hill, New Jersey 08034

Dear Mr. Pollock:

This is in response to your request, dated July 16, 2014, that the Board permit The Toronto-Dominion Bank, Toronto, Canada ("TD") to directly hold its ownership interest in TD Ameritrade Holding Corporation ("TD Ameritrade"), a Delaware corporation, and not to transfer its ownership interest in TD Ameritrade to a U.S. intermediate holding company formed for purposes of compliance with Regulation YY.

Regulation YY requires a foreign banking organization with \$50 billion or more in U.S. non-branch assets as of June 30, 2015, to establish a U.S. intermediate holding company and transfer its ownership interest in the substantial majority of its U.S. subsidiaries to the intermediate holding company by July 1, 2016.<sup>1</sup> Under Regulation YY, the Board may permit the foreign banking organization not to transfer its ownership interest in a U.S. subsidiary, after considering whether applicable law would prohibit the foreign banking organization from owning or controlling the U.S. subsidiary through a single U.S. intermediate holding company or whether circumstances otherwise would warrant an exception based on the foreign banking organization's activities, scope of operations, structure, or similar considerations.<sup>2</sup>

TD is a foreign banking organization with approximately \$[REDACTED] billion in total U.S. non-branch assets as of June 30, 2014. Assuming that

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<sup>1</sup> 12 CFR 252.153.

<sup>2</sup> 12 CFR 252.153(c)(2).

TD's U.S. non-branch assets will exceed \$50 billion on June 30, 2015, it will t required to form or designate a U.S. intermediate holding company under Regulation YY. [REDACTED]

TD Ameritrade is a publicly traded broker-dealer registered with the Securities and Exchange Commission. TD is currently the largest shareholder of TD Ameritrade, with an ownership stake of 40.4 percent. TD is prohibited by agreement from owning more than 45 percent of TD Ameritrade's common stock.<sup>3</sup> TD argues that because of its limited minority interest in TD Ameritrade, TD would only be able to employ investment level (rather than integrated operational level) risk and liquidity management, stress testing and capital planning processes for its investment in Ameritrade, regardless of whether TD Ameritrade were held by TD's U.S. intermediate holding company. In support of its request, TD argues that (1) it lacks actual control over TD Ameritrade and does not consolidate TD for accounting purposes, (2) the transfer could cause a potential impediment to recovery and resolution planning, (3) TD would incur substantial capital costs, and (4) allowing TD Ameritrade to remain outside of its intermediate holding company would not increase systemic risk.

After consideration of all relevant facts, including TD's activities, scope of operations, structure, and similar considerations, the Board has denied TD's request for an exemption from Regulation YY's requirement to transfer its ownership interest in TD Ameritrade to its U.S. intermediate holding company. The purpose of Regulation YY's requirement is to provide a single platform for the application of prudential standards and for the Board's supervision of the U.S. operations of a foreign banking organization.<sup>4</sup> Although TD does not consolidate TD Ameritrade on its balance sheet for accounting purposes, TD has "control" over TD Ameritrade for purposes of the Bank Holding Company Act and has significant influence over TD Ameritrade's operations.<sup>5</sup> Furthermore, TD Ameritrade has a number of significant interactions with TD's U.S. operations. For instance, they are partners to a deposit sweep agreement which represents a significant and ongoing interaction that provides a material amount of deposits to TD's two U.S. banks. They also share intellectual property and branding.

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<sup>3</sup> These shares are owned by TD Luxembourg International Holdings S.A.R.L., a direct subsidiary of TD.

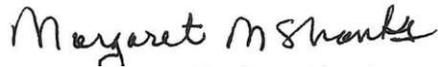
<sup>4</sup> 79 Fed. Reg. 17240, 17274 (March 27, 2014).

<sup>5</sup> 12U.S.C. 1841(a)(2). TD is the largest shareholder, owning 40.4 percent of the shares of common stock, and it appoints five of TD Ameritrade's 12 directors.

Requiring TD to hold its interest in TD Ameritrade through its intermediate holding company will help ensure that TD holds sufficient capital in the United States, and has established an appropriate risk-management framework, to account for the risks to its U.S. operations associated with its investment in TD Ameritrade.<sup>6</sup> This, in turn, should facilitate resolution by ensuring strong ex ante capital and liquidity buffers in the United States.

For the reasons stated above, the Board has denied TD's request for an exemption from Regulation YY's requirement to transfer its ownership interest in TD Ameritrade to its U.S. intermediate holding company.

Very truly yours,



Margaret McCloskey Shanks  
Deputy Secretary of the Board

cc: Barbara Gorzkowski  
Federal Reserve Bank of New York

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<sup>6</sup> Under the Board's regulatory capital framework, TD's U.S. intermediate holding company would be required to hold additional capital to reflect its exposure to TD Ameritrade, which is an unconsolidated financial institution. See 12 CFR 217.22(d). In the preamble to its adoption of Regulation YY, the Board noted that exemption requests where the principal goal or effect would be to reduce capital requirements as applied to an intermediate holding company would be unlikely to be approved. See 79 Fed. Reg. 17240-17275 (March 27, 2014).