TD AMERITRADE CLEARING, INC.

Statement of Financial Condition (Unaudited)
March 31, 2021

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

Assets		March 31, 2021
Cash and cash equivalents	$	2,746
Cash and investments segregated and on deposit for regulatory purposes		9,789
Receivables from brokerage clients — net of allowance for credit losses of $13		41,677
Other assets		2,154
Total assets	$	56,366
Liabilities and stockholder's equity		
Payables to brokerage clients	$	43,496
Accrued expenses and other liabilities		6,710
Short-term borrowings		1,000
Total liabilities		51,206
Stockholder's equity:		
Common stock — 20,000 shares authorized; $10 par value per share; 9,946 shares issued and outstanding		—
Additional paid-in capital		4,508
Retained earnings		652
Total stockholder's equity		5,160
Total liabilities and stockholder's equity	$	56,366

See Notes to Statement of Financial Condition.

1. Organization and Nature of Operations

TD Ameritrade Clearing, Inc. (the "Company") is an indirect wholly-owned subsidiary of The Charles Schwab Corporation ("CSC") through the Company's immediate parent, TD Ameritrade Online Holdings Corp. ("TDAOH") and TD Ameritrade Holding Corporation ("TDA Holding"). On October 6, 2020, pursuant to an Agreement and Plan of Merger, dated as of November 24, 2019 (as amended, the "Merger Agreement"), TDA Holding and its wholly-owned subsidiaries were acquired by CSC (the "Merger"). See Note 3, Business Combination, for additional information related to the Merger. The Company evaluated subsequent events through May 18, 2021, the date on which the statement of financial condition was available to be issued.

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 entities related by common ownership, all of which are indirect wholly-owned subsidiaries of CSC. The Company is required to comply with all applicable rules and regulations of the Securities and Exchange Commission ("SEC"), the Financial Industry Regulatory Authority ("FINRA") and the various securities exchanges in which it maintains membership.

2. 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 income tax expense or benefit and legal and regulatory reserves. Actual results may differ from these estimates.

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 Investments Segregated and on Deposit for Regulatory Purposes

Pursuant to Rule 15c3-3 of the Securities Exchange Act (Customer Protection Rule) and other applicable regulations, the Company maintains cash or qualified securities in segregated reserve accounts for the exclusive benefit of clients. Cash and investments segregated and on deposit for regulatory purposes may include securities purchased under agreements to resell (resale agreements), which are collateralized by U.S. Government and agency securities. Resale agreements are accounted for as collateralized financing transactions that are recorded at their contractual amounts plus accrued interest. Under these resale agreements, the Company obtains collateral with a market value equal to or in excess of the principal amount loaned and the interest accrued. Collateral is valued daily by the Company, with additional collateral obtained to ensure full collateralization. Cash and investments segregated also include U.S. Treasury securities. U.S. Treasury securities are recorded at fair value and unrealized gains and losses are included in earnings.

The Company applies the practical expedient based on collateral maintenance provisions under Accounting Standards Codification (ASC) 326, *Financial Instruments – Credit Losses*, in estimating an allowance for credit losses for resale agreements. 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.

Securities Borrowed and Securities Loaned

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. The Company applies the practical expedient based on collateral maintenance provisions in estimating an allowance for credit losses for securities borrowed receivables.

Receivables from Brokerage Clients

Receivables from brokerage clients include margin loans to securities brokerage clients and other trading receivables from 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 specific 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 in estimating an allowance for credit losses for margin loans. 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 delinquent margin loans, including the accrued interest on such loans, no later than at 90 days past due. The collateral is not reflected in the statement of financial condition. Pursuant to clearing agreements with TD Ameritrade, Inc. and other entities related by common ownership, the Company is reimbursed for unsecured losses that result from a client's failure to complete such transactions.

Securities Owned at Fair Value

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.

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 the CSC 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 earnings in the period during which such changes are enacted. Uncertain tax positions are 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 Value 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, and other securities owned. 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. The Company generally obtains prices from three independent third-party pricing sources for 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. The Company compares 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 the independent third-party pricing services unless such prices are inconsistent with the definition of fair value and result in material differences in the amount recorded.

(Tabular Amounts in Millions)

New Accounting Standards

Adoption of New Accounting Standards

Standard	Description	Date of Adoption	Effects on the Statement of Financial Condition or Other Significant Matters
Accounting Standards Update (ASU) 2016-13, “Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments”	Provides guidance for recognizing impairment of most debt instruments measured at amortized cost, including loans and held to maturity debt securities. Requires estimating current expected credit losses (CECL) over the remaining life of an instrument or a portfolio of instruments with similar risk characteristics based on relevant information about past events, current conditions, and reasonable forecasts. The initial estimate of, and the subsequent changes in, CECL will be recognized as credit loss expense through current earnings and will be reflected as an allowance for credit losses offsetting the carrying value of the financial instrument(s) on the balance sheet. Amends the other-than-temporary impairment (OTTI) model for available for sale (AFS) debt securities by requiring the use of an allowance, rather than directly reducing the carrying value of the security, and eliminating consideration of the length of time such security has been in an unrealized loss position as a factor in concluding whether a credit loss exists. Adoption requires modified retrospective transition through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the entity applies the new guidance except that a prospective transition is required for AFS debt securities for which an OTTI has been recognized prior to the effective date.	October 1, 2020	The Company adopted CECL using the modified retrospective method. The adoption of CECL resulted in an immaterial impact to the Company’s statement of financial condition.
ASU 2020-04, “Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting”	Provides optional expedients and exceptions for applying existing accounting guidance to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met, including simplifying accounting analyses for contract modifications. This guidance only applies to the items listed above if they reference LIBOR or another reference rate expected to be discontinued because of reference rate reform and only for a limited period of time. When elected, the optional expedients for contract modifications must be applied consistently for all eligible contracts or eligible transactions subject to the same accounting guidance that would have otherwise been applied. Once elected, the amendments must be applied prospectively.	N/A. Effective March 12, 2020 through December 31, 2022	The Company adopted this guidance prospectively as of October 1, 2020. There was no impact to the Company’s statement of financial condition upon initial adoption.

There are no new accounting standards not yet adopted that are material to the Company as of March 31, 2021.

(Tabular Amounts in Millions)

3. Business Combination

On October 6, 2020, CSC completed its acquisition of TDA Holding pursuant to the Merger Agreement. The transaction was accounted for under the acquisition method of accounting and pushdown accounting was applied to the Company as of October 6, 2020. Under pushdown accounting, the Company adopted CSC's new basis of accounting for its assets and liabilities.

The following table details the impacts of pushdown accounting on the Company's balance sheets:

	Statement of Financial Condition October 5, 2020	Pushdown Accounting Adjustments	Statement of Financial Condition October 6, 2020
Assets			
Other assets	$ 1,974	$ 14	$ 1,988
Total assets	$ 45,827	$ 14	$ 45,841
Liabilities and Stockholder's Equity			
Payable to brokerage clients	$ 37,329	$ (3)	$ 37,326
Accrued expenses and other liabilities	4,243	(76)	4,167
Total liabilities	41,572	(79)	41,493
Stockholder's Equity			
Additional paid-in capital	808	3,540	4,348
Retained earnings	3,447	(3,447)	—
Total stockholder's equity	4,255	93	4,348
Total liabilities and stockholder's equity	$ 45,827	$ 14	$ 45,841

The estimated fair values of the assets and liabilities assumed are considered provisional and are based on currently available information. The determination of estimated fair values requires management to make significant estimates and assumptions. The Company believes that the information available provides a reasonable basis for estimating the fair values of assets and liabilities assumed; however, these provisional estimates may be adjusted upon the availability of new information regarding facts and circumstances which existed at the date of Merger. The Company expects to finalize the valuation of assets and liabilities as soon as practicable, but not later than one year from the Merger date. Any adjustments to the initial estimates of the fair value of assets and liabilities will be recorded as adjustments to the respective assets and liabilities, with the residual amounts allocated to additional paid-in capital.

Prior to the Merger, the Company was party to an Insured Deposit Account ("IDA") agreement ("predecessor IDA agreement") with TD Bank USA, National Association and TD Bank, National Association (together, "the TD Depository Institutions"). Under the predecessor IDA agreement, a sweep program was offered by the TD Depository Institutions to eligible clients of the Company whereby clients' uninvested cash was swept off-balance sheet to FDIC-insured (up to specified limits) accounts. Effective as of the date of the Merger, the predecessor IDA agreement was amended and restated in its entirety, the successor IDA agreement. The successor IDA agreement has an initial term expiring July 1, 2031 and is automatically renewable for successive five-year terms, provided that it may be terminated by either CSC or the TD Depository Institutions by providing written notice of non-renewal at least two years prior to the initial expiration date or the expiration date of any subsequent renewal period. Certain revisions under the successor IDA agreement include (1) changing the predecessor IDA agreement servicing fee to the TD Depository Institutions from 25 basis points to 15 basis points on the aggregate average daily balance in the IDA accounts and (2) starting on July 1, 2021, CSC will have the option to reduce IDA balances swept to the TD Depository Institutions by up to $10 billion every 12 months, subject to certain limitations and adjustments.

(Tabular Amounts in Millions)

4. Receivables from and Payables to Brokerage Clients

Receivables from and payables to brokerage clients as of March 31, 2021 are as follows:

Receivables		
Margin loans, net of allowance for credit losses of $13	$	41,516
Other brokerage receivables		161
Receivables from brokerage clients — net	$	41,677
Payables		
Interest-bearing payables	$	40,869
Non-interest-bearing payables		2,627
Payables to brokerage clients	$	43,496

5. Other Assets

The Components of other assets at March 31, 2021 are as follows:

Other receivables from brokers, dealers, and clearing organizations	$	1,251
Securities borrowed		422
Customer contract receivables		198
Receivables — interest, dividends, and other		148
Other securities owned at fair value		3
Other		132
Total other assets	$	2,154

6. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities at March 31, 2021 are as follows:

Deposits for securities loaned	$	5,967
Payable to affiliates		219
Current taxes payable		209
Payables to brokers, dealers, and clearing organizations		165
Bank overdrafts		57
Accrued compensation and employee benefits		14
Other		79
Total accrued expenses and other liabilities	$	6,710

7. Short-term borrowings

The Company maintains secured uncommitted lines of credit, under which the Company borrows on either a demand or short-term basis and pledges client margin securities as collateral. There was $1.0 billion outstanding under the secured uncommitted lines of credit as of March 31, 2021. See Note 9 for additional information.

The Company maintained two senior unsecured committed revolving credit facilities with an aggregate borrowing capacity of $1.5 billion, consisting of an $850 million senior revolving credit facility and a $600 million senior revolving credit facility. The $850 million facility matured on April 20, 2021 and was not renewed. The $600 million facility matures on April 21, 2022. There were no borrowings outstanding under the Company's senior revolving facilities as of March 31, 2021.

The Company maintains a $6.0 billion credit facility with CSC which is scheduled to expire on December 31, 2022. The Company also maintains a $1.5 billion committed credit facility and a $300 million uncommitted credit facility with TDA Holding which are scheduled to expire on March 1, 2022. There were no amounts drawn under these facilities at March 31, 2021.

8. Commitments and Contingencies

Legal and Regulatory Matters

The Company 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, 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.

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.

Guarantees

The Company is a member of and provides guarantees to securities clearinghouses and exchanges in connection with client trading activities. Under related agreements, the Company is generally required to guarantee the performance of other members. Under these agreements, if a member becomes unable to satisfy its obligations to the clearinghouse, other members would be required to meet shortfalls. The Company's liability under these arrangements is not quantifiable and could exceed the cash and securities it has posted to the clearinghouse as collateral. However, the likelihood that the Company would be required to make payments under these agreements is considered remote. Accordingly, no contingent liability is carried on the statement of financial condition for these guarantees.

Successor IDA Agreement

The Company’s successor IDA agreement with the TD Depository Institutions became effective on October 6, 2020. The successor IDA agreement creates responsibilities of the Company and certain contingent obligations. Pursuant to the successor IDA agreement, cash held in eligible brokerage client accounts must be swept off-balance sheet to money market deposit accounts at the TD Depository Institutions. CSC and certain of its subsidiaries provide marketing, recordkeeping and support services to the TD Depository Institutions with respect to the money market deposit accounts in exchange for an aggregate monthly fee, determined by reference to certain yields, less a service fee on client cash deposits held at the TD Depository Institutions, FDIC deposit assessments, and interest on deposits paid to clients. Though unlikely, in the event the sweep arrangement fee computation were to result in a negative amount in any given month, CSC and certain of its subsidiaries, including the Company, would be required to pay the TD Depository Institutions.

9. 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, the Company may be exposed to the risk of acquiring the securities at prevailing market prices in order to satisfy 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. In addition, most of the Company’s securities lending transactions are through a program with a clearing organization, which guarantees the return of cash to the Company. The Company also borrow securities from other broker-dealers to fulfill short sales by brokerage clients and deliver cash to the lender in exchange for the securities. The fair value of these borrowed securities was $413 million at March 31, 2021. The Company’s securities lending transactions are subject to enforceable master netting arrangements with other broker-dealers; however, the Company does not net securities lending transactions. Therefore, the securities loaned and securities borrowed are presented gross in the statement of financial condition.

(Tabular Amounts in Millions)

The following table presents information about the Company's securities lending and other activity depicting the potential effect of rights of setoff between these recognized assets and recognized liabilities at March 31, 2021:

	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: Counterparty Offsetting	Gross Amounts Not Offset in the Statement of Financial Condition: Collateral	Net Amount
Assets:						
Securities borrowed [1]	$ 422	$ —	$ 422	$ (304)	$ (116)	$ 2
Total	$ 422	$ —	$ 422	$ (304)	$ (116)	$ 2
Liabilities:						
Securities loaned [2,3]	$ 5,967	$ —	$ 5,967	$ (304)	$ (5,343)	$ 320
Secured short-term borrowings [4]	1,000	—	1,000	—	(1,000)	—
Total	$ 6,967	$ —	$ 6,967	$ (304)	$ (6,343)	$ 320

[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. The cash collateral received from counterparties under securities lending transactions was equal to or greater than the market value of the securities loaned at March 31, 2021.
[3] Securities loaned are predominantly comprised of equity securities held in client brokerage accounts with overnight and continuous remaining contractual maturities.
[4] Included in short-term borrowings on the statement of financial condition. See below for collateral pledged and Note 7 for additional information.

Client Trade Settlement

The Company is obligated to settle transactions with brokers and other financial institutions even if clients fail to meet their obligations to the Company. 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, the Company may incur losses. The Company has 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 entities related by common ownership, 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 utilize collateralized securities in their brokerage accounts in accordance with federal regulations. The following table summarizes the fair value of client securities that were available, under such regulations, that could have been utilized as collateral, as well as the fair value of securities that the Company had utilized under such regulations and from securities borrowed transactions as of March 31, 2021:

Fair value of client securities available to be utilized by the Company	$ 57,895
Fair value of client securities pledged or utilized for:	
Fulfillment of requirements with the Options Clearing Corporation [1]	9,565
Fulfillment of client short sales	2,518
Securities lending to other broker-dealers	5,641
Collateral for short-term borrowings	1,356
Total fair value of client securities utilized by the Company	$ 19,080

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

(Tabular Amounts in Millions)

10. Fair Value 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 March 31, 2021.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table presents the fair value hierarchy for assets measured at fair value on a recurring basis as of March 31, 2021. Liabilities recorded at fair value were not material, and therefore are not included in the following table:

	Level 1	Level 2	Level 3	Balance at Fair Value
Cash equivalents:				
Money market mutual funds	$ 2,292	$ —	$ —	$ 2,292
Investments segregated and on deposit for regulatory purposes:				
U.S. government debt securities	—	8,200	—	8,200
Other assets:				
Equity, corporate debt, and other securities	2	1	—	3
Total	$ 2,294	$ 8,201	$ —	$ 10,495

Fair Value of Other Financial Instruments

The following table presents the fair value hierarchy for other financial instruments at March 31, 2021:

	Carrying Amount	Level 1	Level 2	Level 3	Balance at Fair Value
Assets					
Cash and cash equivalents	$ 454	$ 454	$ —	$ —	$ 454
Cash and investments segregated and on deposit for regulatory purposes	1,589	1,589	—	—	1,589
Receivables from brokerage clients — net	41,677	—	41,677	—	41,677
Other assets	1,707	—	1,707	—	1,707
Liabilities					
Payables to brokerage clients	$ 43,496	$ —	$ 43,496	$ —	$ 43,496
Accrued expenses and other liabilities	6,132	—	6,132	—	6,132
Short-term borrowings	1,000	—	1,000	—	1,000

11. Related-Party Transactions

Allocated Costs from Affiliates Based on Services and Expense Allocation Agreements

The Company is allocated costs from entities related by common ownership.

Clearing Agreements

The Company earns clearing fees from TD Ameritrade, Inc. and other entities related by common ownership for clearing services provided on behalf of introduced clients pursuant to the provisions of clearing agreements. The Company also shares a portion of revenues, including order routing revenue, net interest revenue and bank deposit account fees, with these related entities pursuant to the revenue sharing provisions of the clearing agreements, for introducing and servicing these clients.

Account Funding and Sweep Arrangement Agreements

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

Receivables from and Payables to Affiliates

The following table summarizes the classification and amount of payables to affiliates on the statement of financial condition resulting from related party transactions as of March 31, 2021. Receivables from affiliates were not material, and therefore are not included in the following table:

Liabilities		
Payable to brokerage clients:		
Payables to entities related by common ownership	$	42
Accrued expenses and other liabilities:		
Payable to affiliates:		
Payable to entities related by common ownership	$	219
Current taxes payable:		
Payable to CSC for income taxes	$	154
Payables to brokers, dealers, and clearing organizations:		
Payable to entities related by common ownership	$	17

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

(Tabular Amounts in Millions)

12. Income Taxes

As of March 31, 2021, temporary differences between the financial statement carrying amounts and tax bases of assets and liabilities primarily arise from reserves and allowances, unrealized gains on investments, difference in basis of investments, and employee compensation accruals.

Deferred income taxes consists of the following as of March 31, 2021:

Deferred tax assets	$	16
Deferred tax liabilities		(14)
Net deferred tax assets [1]	$	2

[1] Amounts are primarily included in other assets on the statement of financial condition at March 31, 2021.

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. It is reasonably possible that the gross unrecognized tax benefits as of March 31, 2021, could decrease by up to $2 million ($2 million net of the federal benefit on state matters) within the next 12 months as a result of settlements of certain examinations or expiration of the statute of limitations with respect to other tax filings.

As of March 31, 2021, accrued interest and penalties related to unrecognized tax benefits was $16 million, which is included in accrued expenses and other liabilities on the statement of financial condition.

13. Regulatory Requirements

The Company is subject to the SEC Uniform Net Capital Rule (Rule 15c3-1 under the Exchange Act), administered by the SEC and FINRA, which requires the maintenance of minimum net capital, as defined. The Company computes net capital under the alternative method as permitted by SEC Rule 15c3-1, which requires the Company to maintain minimum net capital 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 broker-dealer. Under the alternative method, a broker-dealer may not repay any subordinated borrowings, pay cash dividends or make any unsecured advances or loans to its parent company or employees if such payment would result in net capital of less than (1) 5% of aggregate debit balances or (2) 120% of its minimum dollar requirement. At March 31, 2021, 2% of aggregate debit balances was $924 million, which exceeded the minimum dollar requirement.

At March 31, 2021, the Company’s net capital was $4.8 billion (10% of aggregate debit balances), which was $3.9 billion in excess of its minimum required net capital and $2.5 billion in excess of 5% of aggregate debit balances.

Pursuant to the SEC’s Customer Protection Rule and other applicable regulations, the Company 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 March 31, 2021 totaled $10.1 billion, of which $59 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 April 1, 2021, the Company had deposited $623 million of cash into its segregated reserve accounts.