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Texas State Securities Board

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IN THE MATTER OF THE DEALER §
REGISTRATION OF §
TD AMERITRADE, INC. §

Order No. LID-25-CAF-05

I. CONSENT ORDER

This Consent Order (the "Order") is entered into by the Texas State Securities Board ("TSSB") with TD Ameritrade, Inc. ("TD Ameritrade"), with respect to a coordinated investigation led by seven jurisdictions, including Alabama, Iowa, Massachusetts, Missouri, Montana, Texas, and Washington (the "Multi-State Group"), into whether TD Ameritrade engaged in acts or practices that violated the Texas Securities Act, Tex. Gov't Code §§ 4001.001-4008.105 (the "Texas Securities Act"), and the rules and regulations promulgated thereunder, Texas State Securities Board Rules, 7 Tex. Admin. Code §§ 101.1-139.27 (the "Board Rules").

As the result of the investigation, the Multi-State Group concluded that TD Ameritrade executed 3,365 equity transactions in Texas which included an unreasonable commission for services performed (*i.e.*, in excess of 5% of the principal trade amount), totaling \$48,049.38.

TD Ameritrade neither admits nor denies the facts set forth in Section V and the violations of law set forth in Section VI below, and consents to the entry of this Order by the TSSB, thereby settling the above-captioned matter with prejudice.

II. Jurisdiction

1. The TSSB has jurisdiction over matters relating to securities pursuant to the Texas Securities Act and the Administrative Procedure Act, Tex. Gov't Code Ann. §§ 2001.001-2001.903 (the "Administrative Procedure Act").
2. This Order is entered in accordance with § 4007.105(a)(13)(B) and § 4007.106(a)(3) of the Texas Securities Act and § 115.10(a) of the Board Rules. TD Ameritrade elects to permanently waive any rights to a hearing and any other procedural rights granted by the Texas Securities Act or the Administrative Procedure Act.

3. The acts and practices that are the subject of TSSB's investigation occurred while TD Ameritrade was registered with the Securities Commissioner of Texas ("Securities Commissioner") as a broker-dealer in Texas.

III. RELEVANT TIME PERIOD

4. Except as otherwise expressly stated, the conduct described herein occurred during the approximate time period of June 30, 2018, to June 30, 2023 (the "Relevant Time Period").

IV. RESPONDENT

5. TD Ameritrade was a broker-dealer previously registered in Texas with a main address of 200 South 108th Avenue, Omaha, Nebraska 68154. TD Ameritrade is identified by Financial Industry Regulatory Authority ("FINRA") CRD No. 7870. TD Ameritrade has filed a Uniform Request for Broker-Dealer Withdrawal ("Form BDW"), and the Securities Exchange Commission has withdrawn its registration.

V. STATEMENT OF FACTS

TD Ameritrade's Minimum Commission Practices for Equity Transactions Failed to Ensure Transactions Were Executed at a Fair and Reasonable Price

6. During the Relevant Time Period, TD Ameritrade executed 3,365 equity transactions in Texas which included an unreasonable commission for services performed (*i.e.*, in excess of 5% of the principal trade amount), totaling \$48,049.38.
7. During the Relevant Time Period, TD Ameritrade charged a fixed minimum commission for broker-assisted trades—*i.e.*, those not placed directly online by customers (the "Minimum Equity Commission").¹
8. The Board Rules prohibit TD Ameritrade from charging unreasonable commissions for services performed.
9. FINRA Rule 2121 Supplementary Material .01 (Rule 2121.01) sets a guideline of five percent for determining whether a commission is unfair or unreasonable. However, the "5% Policy" is a guide, not a rule. A commission of five percent or even less may be considered unfair or unreasonable, and a commission of five percent or more may be considered fair or reasonable, depending on the various circumstances.

¹ During the Relevant Time Period, over 99% of TD Ameritrade's orders were unsolicited, self-directed trades placed online by its customers. Broker-assisted trades constituted less than 1% of TD Ameritrade's order. From June 2018 to October 2019, this fee was \$44.99; and thereafter, the fee was \$25.

TD Ameritrade Did Not Reasonably Supervise Transactions Which Applied the Minimum Equity Commission

10. TD Ameritrade did not reasonably supervise transactions that included the Minimum Equity Commission charge to ensure that TD Ameritrade charged its customers a reasonable commission.
11. TD Ameritrade's policies and procedures contemplated review of commissions as part of normal supervisory review processes.
12. Despite these systems, TD Ameritrade's surveillance policies failed to reasonably detect and correct unreasonable commission charges, specifically as it relates to the Minimum Equity Commission.
13. As a result, TD Ameritrade failed to adequately supervise small principal equity transactions where the Minimum Equity Commission was in excess of five percent (5%).

VI. VIOLATIONS OF LAW

14. Section 115.10(a) of the Board Rules requires dealers to establish, maintain, and enforce a system to supervise the activities of its agents that is reasonably designed to achieve compliance with the Texas Securities Act, the Board Rules, and all applicable securities laws and regulations.
15. TD Ameritrade's acts and practices, as described above, constitute a violation of § 115.10(a) of the Board Rules.
16. Pursuant to § 4007.105(a)(13)(B) of the Texas Securities Act, TD Ameritrade's violation of § 115.10(a) of the Board Rules constitute a basis for the issuance of an Order reprimanding TD Ameritrade.
17. Pursuant to § 4007.106(a)(3) of the Texas Securities Act, TD Ameritrade's violation of § 115.10(a) of the Board Rules also constitute a basis for the assessment of an administrative fine.

VII. ORDER

IT IS HEREBY ORDERED:

- A. TD Ameritrade is reprimanded by the TSSB;
- B. TD Ameritrade shall provide restitution in an amount of no more than \$48,049.38 representing the portion of the commission on certain small principal equity transactions that exceeded five percent (5%) of the principal trade amount during the Relevant Time

Period to the affected Texas customers, plus interest in the amount of six percent (6%) from the date of the transaction to June 3, 2025. TD Ameritrade shall provide restitution within one hundred twenty (120) days of execution of this Order;

- C. Restitution shall be in the form of a check for all former customers;
- D. TD Ameritrade shall provide a notice of restitution to customers on terms not unacceptable to the Multi-State Group ("Notice Letter"). The Notice Letter shall be sent prior to or with the distribution of any restitution. Within forty-five (45) days of the mailing of the Notice Letter, TD Ameritrade shall provide the TSSB with a list of all Texas residents for whom TD Ameritrade receives a Notice Letter as returned to sender. To the extent the TSSB has access to different address information, TD Ameritrade shall mail a second Notice Letter to each Texas resident within thirty (30) days of the TSSB providing such different address;
- E. TD Ameritrade shall prepare and submit to the TSSB a report detailing the restitution paid pursuant to the Order, which shall include dates, amounts, and methods of the transfer of funds for all restitution payments within forty-five (45) days of completion of distribution of restitution;
- F. TD Ameritrade shall pay an administrative fine in the amount of \$15,000.00 and investigation costs in the amount of \$35,000.00 to the TSSB within fifteen (15) days following the date of entry of the Order. Payment shall be: (1) made by check; (2) made payable to the "State of Texas," and (3) mailed by FedEx or UPS to 208 East 10th Street, Room 610, Austin, Texas 78701-2407;
- G. TD Ameritrade shall not claim, assert, or apply for a tax deduction or tax credit with regard to any state, federal or local tax for any amounts that TD Ameritrade shall pay pursuant to the Order;
- H. TD Ameritrade shall not seek or accept, directly or indirectly, reimbursement or indemnification, including, but not limited to, any payments made pursuant to any insurance policy, with regard to any amount that TD Ameritrade shall pay pursuant to the Order;
- I. If TD Ameritrade is the subject of a voluntary or involuntary bankruptcy petition under Title 11 of the United States Code within three hundred sixty-five (365) days of the entry of the Order, TD Ameritrade shall provide written notice to the TSSB within five (5) days of the date of the petition;
- J. Any fine, penalty, and/or money that TD Ameritrade shall pay in accordance with the Order is intended by TD Ameritrade and the TSSB to be a contemporaneous exchange for new value given to TD Ameritrade pursuant to 11 U.S.C. § 547(c)(1)(A) and is, in fact, a substantially contemporaneous exchange pursuant to 11 U.S.C. § 547(c)(1)(B);
- K. If TD Ameritrade fails to materially comply materially with any of the terms set forth

in the Order, the TSSB may institute an action to have the Order declared null and void. Additionally, after a fair hearing and the issuance of an order finding that TD Ameritrade has not complied with the Order, the TSSB may move to have the Order declared null and void, in whole or in part, and re-institute the associated proceeding that had been brought against TD Ameritrade; and

- L. For good cause shown, the TSSB may extend any of the procedural dates set forth above. TD Ameritrade shall make any requests for extensions of the procedural dates set forth above in writing to the TSSB.

VIII. NO DISQUALIFICATION

This Order waives any disqualification in the Texas Securities Act and Board Rules, or rules and regulations thereunder, including any disqualification from relying upon the registration exemptions or safe harbor provisions to which TD Ameritrade may be subject. This Order is not intended to be a final order based upon a violation of the Texas Securities Act that prohibits fraudulent, manipulative, or deceptive conduct. This Order is not intended to form the basis of any disqualifications under Section 3(a)(39) of the Securities Exchange Act of 1934; or Rules 504(b)(3) and 506(d)(1) of Regulation D, Rule 262(a) of Regulation A and Rule 503(a) of Regulation CF under the Securities Act of 1933. This Order is not intended to form the basis of disqualification under the FINRA rules prohibiting continuance in membership absent the filing of a MC-400A application or disqualification under SRO rules prohibiting continuance in membership. This Order is not intended to form a basis of a disqualification under 204(a)(2) of the Uniform Securities Act of 1956 or Section 412(d) of the Uniform Securities Act of 2002. Except in an action by the TSSB to enforce the obligations of this Order, any acts performed or documents executed in furtherance of this Order: (a) may not be deemed or used as an admission of, or evidence of, the validity of any alleged wrongdoing, liability, or lack of any wrongdoing or liability; or (b) may not be deemed or used as an admission of, or evidence of, any such alleged fault or omission of TD Ameritrade in any civil, criminal, arbitration, or administrative proceeding in any court, administrative agency, or tribunal.

SIGNED AND ENTERED BY THE SECURITIES COMMISSIONER this 19th day of December 2025.



TRAVIS J. ILES
Securities Commissioner

Respondent:

Signed by:

James Kostulias

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James Kostulias
Managing Director
Head of Trading Services
TD Ameritrade, Inc.

Approved as to Form:

Cristi R. Ochoa

Cristi Ochoa,
Deputy Securities Commissioner

Elliott Wolf

Elliott Wolf,
Attorney
Legal and Investigations Division

Paul Tyrrell

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