



## Charles Schwab's \$26bn takeover of TD Ameritrade gets DOJ okay

Approval clears the way for the mega-merger of RIA custodians and discount brokers to close on schedule.

by Ian Wenik for Citywire

The Department of Justice (DOJ) has approved Charles Schwab's \$26bn takeover of TD Ameritrade.

Regulatory approval clears the way for the merger of discount brokers to close in the second half of 2020, as the companies indicated when the deal was first revealed in November of 2019. Shareholders of both Schwab and TD Ameritrade are set to vote on the merger today.

'We're gratified by the DOJ's decision and appreciate its diligent and thorough review,' said Walt Bettinger, Schwab's chief executive. 'We are pleased to be clearing an important milestone in our planned acquisition of TD Ameritrade and look forward to today's scheduled votes by the stockholders of our two companies, which represent another important step toward completion of the transaction.'

Schwab did not indicate that it needed to divest itself of any of its businesses in order to win approval for the deal.

'I'm not surprised they weren't asked to divest because of how much competition exists in each of their business lines,' said Brandon Kawal, a principal at RIA consultancy Advisor Growth Strategies. 'Schwab will get some scale benefits as they advance their position as a market leader, but I think there is still room for innovative competitors. Also, I think you see Schwab is competing in multiple verticals, so it's hard to argue that they are pushing out would-be competition.'

Shares of both Schwab and TD Ameritrade surged in premarket trading. TD Ameritrade's stock price jumped 9.02% to \$45.10, while Schwab's price rose 5.97% to \$41.87.

The DOJ had been conducting an [antitrust review](#) of the merger process to ensure that a combined Charles Schwab/TD Ameritrade would not limit competition in the discount brokerage and RIA custody space. Consulting firm Cerulli Associates estimates that a combined Charles Schwab/TD Ameritrade will custody 51% of all RIA assets, roughly \$2.1tn.

Schwab and TD Ameritrade's combination had been under DOJ scrutiny for nearly six months: in January, the department filed a 'second request' for information about the merger, which typically entails millions of dollars in expenses and the production of thousands upon thousands of internal documents.

Executives at Schwab have been mostly tight-lipped about what the combined company's RIA offering will look like, but have indicated that the company plans to preserve at least some of TD Ameritrade's technology offering for advisors, such as iRebal, a portfolio rebalancing tool.

'We will be as open architecture as we need to be. We want to embrace all technology,' Schwab Advisor Services head Bernie Clark [said in April](#). 'There's good value in iRebal. We're not leaving that behind. That will be part of the new platform.'

Schwab said it expects integration of TD Ameritrade to take 18-36 months after closing.

'This merger does open the possibility that Schwab can invest more, innovate faster, and increase price-to-value. It will all come down to how effective they are at integrating over the next one-and-a-half to three years,' Kawal said. 'I think that's a net positive for the consumer, but it does raise the stakes.'