

E TRADE FINANCIAL CORP  
Form DEF 14A  
March 30, 2011

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

**E\*TRADE Financial Corporation**

(Name of registrant as specified in its charter)

(Name of person(s) filing proxy statement, if other than the registrant)

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(3) Filing Party:

(4) Date Filed:

**Notice of Annual Meeting of Stockholders**

**To Be Held May 12, 2011**

**TO OUR STOCKHOLDERS:**

You are cordially invited to attend the Annual Meeting of Stockholders of E\*TRADE Financial Corporation ( E\*TRADE or the Company ), which will be held at the Time & Life Building Conference Center, 1271 Avenue of the Americas, 2nd Floor Room # 1, New York, NY 10020, on May 12, 2011 at 10:00 a.m. local time, for the following purposes:

1. To elect three directors to the Board of Directors;
2. To approve, by a non-binding advisory vote, the compensation paid by the Company to its Named Executive Officers;
3. To select, by a non-binding advisory vote, the frequency with which stockholders of the Company will be asked to approve, by a non-binding advisory vote, the compensation paid by the Company to its Named Executive Officers;
4. To consider and vote upon a proposal to ratify the selection of Deloitte & Touche LLP as independent registered public accounting firm for the Company for 2011; and
5. To act upon such other business as may properly come before the meeting or any adjournment or postponement thereof.

The Board of Directors has fixed the close of business on March 14, 2011 as the record date for determining those stockholders entitled to vote at the meeting.

We have adopted the U.S. Securities and Exchange Commission rule that allows companies to furnish their proxy materials over the Internet. As a result, we are mailing a Notice of Internet Availability of Proxy Materials (the Internet Availability Notice ) to our stockholders instead of a paper copy of this Proxy Statement and our 2010 Annual Report on Form 10-K, other than to those stockholders who have previously requested printed materials. The Internet Availability Notice contains instructions on how to access and review those documents over the Internet as well as instructions on how to obtain printed materials. We believe that this process allows us to provide our stockholders with the information they need in a more timely manner, while reducing the environmental impact and lowering the costs of printing and distributing our proxy materials. If you received an Internet Availability Notice by mail and would like to receive a printed copy of our proxy materials, you should follow the instructions for requesting such materials included in the Internet Availability Notice.

All stockholders of record on March 14, 2011 are invited to attend the Annual Meeting. No ticket is required for admission. However, for security purposes prior to gaining admission to the Annual Meeting, you will be required to go through building security in the main lobby of 1271 Avenue of the Americas, New York, NY 10020. In addition, to gain admission to the Annual Meeting, you will be required to present identification containing a photograph and some indication that you are a stockholder. Packages and bags may be inspected and they may have to be checked at the door. In addition, other security measures may be used for the security of those attending the meeting. Please plan accordingly.

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Representation of at least a majority of all outstanding shares of Common Stock is required to constitute a quorum. For that reason, it is important that your shares be represented at the meeting. **WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE VOTE AS SOON AS POSSIBLE.** Unless you request a paper copy of the Annual Report and Proxy Statement, you will not receive a paper proxy card. We encourage you to vote online. Your proxy may be revoked at any time prior to 11:59 p.m. EDT on May 11, 2011.

Please read the proxy materials carefully. Your vote is important and the Company appreciates your cooperation in considering and acting on the matters presented.

Very truly yours,  
Robert Druskin  
*Chairman of the Board*

March 30, 2011

New York, New York

**Stockholders Should Read the Entire Proxy Statement Carefully  
Prior to Returning Their Proxy Cards**

**PROXY STATEMENT**

**FOR ANNUAL MEETING OF STOCKHOLDERS OF E\*TRADE FINANCIAL CORPORATION**

**To Be Held May 12, 2011**

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors (the *Board*) of E\*TRADE Financial Corporation (E\*TRADE or the *Company*, *us* or *we*) of proxies to be voted at the Annual Meeting of Stockholders, which will be held at the Time & Life Building Conference Center, 1271 Avenue of the Americas, 2nd Floor Room # 1, New York, NY 10020, on May 12, 2011 at 10:00 a.m. local time, or at any adjournments or postponements thereof, for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders. The Internet Availability Notice was first mailed to stockholders on or about March 30, 2011. On or about March 30, 2011, we also mailed paper copies of this Proxy Statement and the proxy card to certain stockholders who requested paper materials. The principal offices of E\*TRADE are located at 1271 Avenue of the Americas, 14th Floor, New York, New York 10020-1302.

**VOTING PROCEDURES QUESTIONS AND ANSWERS**

*Who may vote and how many votes do I have?*

Common stockholders of record at the close of business on March 14, 2011 (the *Record Date*) may vote. On that date there were 248,236,633 outstanding shares of our Common Stock, \$0.01 par value per share (the *Common Stock*).

All of the shares of Common Stock are entitled to vote at the Annual Meeting. Stockholders of record will have one vote for each share they hold.

*How do proxies work?*

The Board is asking for your proxy. By giving the persons named your proxy, you authorize them to vote your shares at the meeting in the manner you direct. You may vote for all, some or none of the director nominees and you may choose to vote your shares or to withhold your shares with respect to the other matters we are submitting to a vote of our stockholders. If you complete and submit your proxy voting instructions, but do not specify how to vote, the persons named as proxies will vote your shares FOR the election of directors as described in Proposal 1 Election of Directors; FOR approval of the compensation paid to the Named Executive Officers of the Company as described in Proposal 2 Advisory Vote on Executive Compensation; for the selection of ONE year as the frequency with which stockholders will have the opportunity to vote on compensation paid to the Named Executive Officers as described in Proposal 3 Advisory Vote on the Frequency of an Advisory Vote on Executive Compensation; and FOR ratification of the selection of accountants as described in Proposal 4 Ratification of Selection of Independent Registered Public Accounting Firm.

*How can I receive a paper or electronic copy of this proxy statement?*

We are mailing the Internet Availability Notice to our stockholders instead of a paper copy of this Proxy Statement and our 2010 Annual Report on Form 10-K, except to certain stockholders who requested paper materials. The Internet Availability Notice contains instructions on how to access and review those documents



over the Internet. If you received an Internet Availability Notice by mail and would like to receive a printed copy of our proxy materials, you should follow the instructions for requesting such materials included in the Internet Availability Notice.

*How do I vote?*

You may vote in person by attending the meeting or by proxy. If you are a stockholder of record, you may vote by proxy through the Internet, by telephone or by mail. You may follow the instructions on the proxy card or the instructions below for voting by one of these methods.

To vote through the Internet, please visit [www.proxyvote.com](http://www.proxyvote.com) before 11:59 p.m. EDT on May 11, 2011. The Internet voting procedures are designed to authenticate the stockholder's identity and to allow stockholders to vote their shares and confirm that their instructions have been properly recorded. If you would like to receive future stockholder materials electronically, please enroll after you complete your voting process on [www.proxyvote.com](http://www.proxyvote.com).

Please help us save time and postage costs by voting through the Internet or by telephone. If your shares are held in street name by a broker or other nominee, you will receive instructions from the holder of record that you must follow in order to vote your shares. Whether you plan to attend the meeting or not, we encourage you to vote by proxy as soon as possible.

*What does it mean if I receive more than one Internet Availability Notice or Proxy Card?*

You may receive more than one Internet Availability Notice depending on how you hold your shares. You will receive an Internet Availability Notice or Proxy Card for shares registered in your name. If you hold shares through someone else, such as a bank or broker, you may also receive material from them asking how you want to vote. If your shares are registered differently and are in more than one account, you will receive more than one Internet Availability Notice or Proxy Card. We encourage you to have all accounts registered in the same name and address whenever possible.

*Can I change my vote?*

You can revoke your proxy before the time of voting at the meeting in several ways (the revocation has to be received before the meeting to be counted):

by voting again at [www.proxyvote.com](http://www.proxyvote.com),

by mailing a revised proxy dated later than the prior proxy, or

by notifying our Corporate Secretary in writing that you are revoking your proxy. Our Corporate Secretary may be reached at our principal offices located at 1271 Avenue of the Americas, 14th Floor, New York, New York 10020-1302.

You can also revoke your proxy by voting in person at the meeting.

*Who can attend the annual meeting?*

Only stockholders of record on March 14, 2011 or their duly appointed proxies and our guests may attend the meeting. Please bring some proof of share ownership with you to the meeting. The Internet Availability Notice received in connection with this meeting or a bank or brokerage account statement showing you owned Common Stock on March 14, 2011 is acceptable proof.



*What constitutes a quorum for the meeting?*

A quorum is necessary to conduct business at the meeting. A quorum requires the presence of a majority of the outstanding shares entitled to vote, in person or represented by proxy. You will be counted toward the quorum requirement if you have voted by proxy.

Abstentions, broker non-votes and votes withheld from director nominees count as shares present at the meeting for purposes of determining a quorum. A broker non-vote occurs when a broker or other nominee who holds shares for another does not vote on a particular item because the nominee does not have discretionary voting authority for that item and has not received instructions from the owner of the shares.

There is no separate quorum requirement for the advisory votes on the compensation paid by the Company to its Named Executive Officers in Proposal 2 and on the frequency with which stockholders will be asked to approve, by a non-binding advisory vote, the compensation paid by the Company to its Named Executive Officers in Proposal 3.

*How many votes are needed?*

Assuming a quorum is present, in an uncontested election, directors are elected by a majority of the votes cast. For Proposal 1, votes cast excludes both abstentions and broker non-votes. In an uncontested election, any director nominee who receives an equal or greater number of votes against or withheld from his or her election as compared to votes for such election must tender his or her resignation to the Nominating and Corporate Governance Committee of the Board. The Nominating and Corporate Governance Committee is required to make recommendations to the Board with respect to any such tendered resignation. The Board will act on the tendered resignation within 90 days from the certification of the vote and will publicly disclose its decision, including its rationale. Please see Board Meetings and Committees Majority Voting Policy below for further details.

The outcome of the votes on the compensation paid by the Company to its Named Executive Officers in Proposal 2 and on the frequency with which stockholders will be asked to approve such compensation in Proposal 3 will not be binding on the Board. Therefore, there is no required vote on these resolutions. The Board, in the exercise of its fiduciary duties, will consider the outcome of the advisory vote in determining how to proceed following such vote.

The affirmative vote of the majority of the shares of common stock present in person or represented by proxy and entitled to vote on the item will be considered the approval, by an advisory vote of the compensation of our Named Executive Officers ( Proposal 2 ), to recommend, by an advisory vote, the frequency of a stockholder vote on the compensation of our Named Executive Officers ( Proposal 3 ) and to ratify the selection of the independent registered public accounting firm ( Proposal 4 ). If you hold your shares in your own name and abstain from voting on these matters, your abstention will have the same effect as a negative vote for Proposals 2 and 4, and will increase the number of shares present in person or by proxy and entitled to vote from which a majority is to be calculated for Proposal 3.

If you hold your shares through a broker and you do not instruct the broker on how to vote, your broker may exercise its discretionary authority to vote your shares regarding Proposal 4, but cannot exercise its discretionary authority to vote your shares regarding Proposals 1, 2 and 3.

*Who pays for the solicitation of proxies?*

The Company pays the cost of soliciting proxies. We retained Morrow & Co., LLC, 470 West Ave., Stamford, CT 06902 to advise the Company and assist with the solicitation for an estimated fee of \$17,500 plus reasonable out-of-pocket expenses. We will reimburse brokerage firms and other custodians, nominees and

fiduciaries for their reasonable out-of-pocket expenses for sending soliciting materials to stockholders and obtaining their votes. In addition to solicitation by mail, proxies may be solicited personally or by telephone or electronic media by our regular employees.

*What if only one copy of these proxy materials was delivered to multiple stockholders who share a single address?*

In some cases, only one mailing envelope with multiple Internet Availability Notices (or delivery of one copy of this Proxy Statement and the accompanying 2010 Form 10-K, for those who request paper copies) is being delivered to multiple stockholders sharing an address unless we have received contrary instructions from one or more of the stockholders. We will deliver promptly, upon written or oral request, a separate copy of the mailing to a stockholder at a shared address to which a single copy of the mailing was delivered. To request a separate delivery of the mailing now or in the future, you may submit a written request to our Corporate Secretary, at the Company's principal offices located at 1271 Avenue of the Americas, 14th Floor, New York, New York 10020-1302. You may also send an email to [ir@etrade.com](mailto:ir@etrade.com) or call us at (646) 521-4340. Additionally, any stockholders who are presently sharing an address and receiving multiple copies of the same mailings and who would rather receive a single copy of such materials may instruct us accordingly by directing their request to us in the manner provided above.

**PROPOSAL 1**

**ELECTION OF DIRECTORS**

Three directors are currently standing for election to the Company's Board of Directors (the Board). The members of the Board are grouped into three classes. One class is elected at each Annual Meeting of Stockholders, to hold office for a term beginning on the date of the election and ending on the date of the third Annual Meeting of Stockholders following the beginning of the term.

The nominees for the Board are set forth below. In the absence of contrary instructions, the proxy holders intend to vote all proxies received by them in the accompanying form FOR the nominees for director listed below. In the event that any nominee is unable to or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for any nominee who is designated by the present Board to fill the vacancy. In the event that additional persons are nominated for election as directors, the proxy holders intend to vote all proxies they receive for the nominees listed below. As of the date of this Proxy Statement, the Board is not aware that any nominee is unable or will decline to serve as a director.

**Qualifications of Directors**

The Board, acting through the Nominating and Corporate Governance Committee (the Committee), is responsible for recommending to the stockholders a group of nominees that, taken together, have the experience, qualifications, attributes and skills to function effectively as a board. Our Corporate Governance Guidelines require the Committee periodically to review the composition of the Board in light of the current challenges and needs of the Company and determine whether to add or remove individuals after considering issues of knowledge, expertise, judgment, term of service, age, skills, diversity of background and experience, and relations with various constituencies.

In presenting this year's nominees, the Committee considered, among other things, the invaluable experience they gained in dealing with the Company's credit issues, their ability to work as a collegial group during various intense and stressful periods and their willingness to spend the time necessary to perform their role despite other professional commitments.

In addition to the characteristics common to all of our directors, which include integrity, a strong professional reputation and record of achievement in senior executive capacities, the Committee has included on our Board persons with diverse backgrounds and skills reflecting the needs of the Company. For example, in response to turnover on the Board in recent years, the Committee added several directors with strong banking, credit and risk management backgrounds, as well as a director with an impressive career in the brokerage and securities clearance industry. The Board also gained additional valuable experience in the brokerage industry and in retail/consumer financial services with last year's appointment of Mr. Freiberg as a director and the Company's Chief Executive Officer.

In determining that each member of the Board should serve on the Board, the Committee considers the following specific experience and skills of the current Board:

experience in a broad range of occupations and industries which provides differing viewpoints and expertise relating to execution of the Company's business plans. These include banking, brokerage and financial services (Messrs. Druskin, Freiberg, Griffin, Parks, Ms. Raffaelli, Messrs. Sciafani and Velli), technology and e-commerce (Messrs. Fisher, Randall and Ms. Weaver), marketing and consumer retail (Mr. Freiberg, Mmes. Raffaelli and Weaver) and legal (Messrs. Kanner and Willard);

experience as an early (Messrs. Fisher and Randall) or recent (Mr. Griffin) major investor in the Company, or experience as a long-time director of the Company's largest subsidiary, E\*TRADE Bank (Mr. Willard);

significant substantive experience in areas applicable to service on the Board's committees, including corporate financial management, auditing and accounting (Mr. Sclafani and Ms. Weaver), credit and risk management (Messrs. Druskin, Freiberg, Griffin and Parks), regulated financial services (Messrs. Druskin, Freiberg, Parks, Sclafani and Velli), bank regulation (Mr. Freiberg, Ms. Raffaelli and Messrs. Velli and Willard), and corporate governance (Mr. Kanner); and

geographical diversity to reflect the Company's broad and international client base, including Western U.S. (Messrs. Parks and Randall and Ms. Weaver), Europe (Mr. Willard), Japan (Mr. Fisher), Midwest U.S. (Mr. Griffin) and Eastern U.S. (Messrs. Druskin, Freiberg, Kanner, Ms. Raffaelli and Messrs. Sclafani and Velli).

#### Nominees to the Board of Directors

Name	Principal Occupation	Director Since	If Elected, Class and Year of Annual Stockholder Meeting at Which Director Will Next Stand for Election	Age as of May 12, 2011
Robert A. Druskin	Chairman of E*TRADE Financial Corporation	2008	Class I	63
Frederick W. Kanner	Of Counsel, Dewey & LeBoeuf LLP	2008	2014 Class I	67
Joseph M. Velli	Chairman and Chief Executive Officer of BNY ConvergEx Group, LLC	2010	2014 Class I	53

*Robert A. Druskin* has been a director of the Company since February 2008 and served as Lead Director from May 2009 through December 2009. Mr. Druskin became Chairman of the Board in December 2009 and served as Interim Chief Executive Officer of the Company from December 31, 2009 until March 31, 2010. He also became Chairman of the Board of E\*TRADE Bank and served as Chairman and a member of the boards of E\*TRADE Savings Bank, E\*TRADE United Bank and ETB Holdings, Inc., each subsidiaries of the Company, from December 31, 2009 until June 1, 2010. Mr. Druskin is former Chief Operating Officer of Citigroup and was a member of the Office of the Chairman. He joined Smith Barney (now a division of Citigroup) in 1991 as Chief Administrative Officer, later taking on the role of head of Asset Management and the Futures Division before returning to the role of Chief Administrative Officer. In 2000, Mr. Druskin became Chief Operations and Technology Officer for Citi. He later became the President and Chief Operating Officer, then Chief Executive Officer, of Citi Markets & Banking. He served as Chief Operating Officer of Citigroup from December 2006 until December 2007, when he retired from the company. Mr. Druskin is on the board of the United Negro College Fund and is a member and Chairman of the Board of Guiding Eyes for the Blind. Mr. Druskin earned a Bachelor of Arts from Rutgers University. Mr. Druskin is a member of the Nominating and Corporate Governance Committee.

*Frederick W. Kanner* has been a director of the Company since April 2008. Mr. Kanner is Of Counsel at the law firm of Dewey & LeBoeuf LLP in New York City. He was a partner of the firm from 1976 until he retired from full-time law practice on December 31, 2009. He served as Chairman of the firm's Corporate Finance Group for more than 15 years and as a member of its Management Committee for 20 years. He is a member of the board of directors of National Benefit Life Insurance Company, where he serves as Chairman of the Audit Committee, and the Lawyers' Committee for Civil Rights Under Law. Mr. Kanner received a Bachelor of Arts degree in economics from the University of Virginia and a Juris Doctorate from the Georgetown University Law Center. Mr. Kanner is a member of the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee.

*Joseph M. Velli* has been a director of the Company since January 2010. Mr. Velli is the Chairman and Chief Executive Officer of BNY ConvergEx Group, LLC, a global provider of software products and technology services to asset managers and financial intermediaries. Mr. Velli was formerly Senior Executive Vice President of The Bank of New York and Chief Executive Officer of BNY Securities Group. During his tenure with the Bank of New York, Mr. Velli led Global Issuer Services, Global Custody and related Investor Services, Consumer Banking and Global Marketing and Sales. He was also Sector Head of Global Issuer Services and Senior Executive Vice President, responsible for Consumer Banking at the Bank of New York. Prior to joining The Bank of New York, Mr. Velli was head of Citibank's Depositary Receipt business. He currently serves on the board of Paychex, Inc. Mr. Velli holds an M.B.A. in Finance from Fairleigh Dickinson University and a B.A. in accounting from William Paterson University of New Jersey. Mr. Velli is a member of the Compensation Committee.

**The Board of Directors recommends that stockholders vote FOR election of all of the nominees as directors listed above.**

#### Directors Not Standing for Election

The members of the Board who are not standing for election at this year's Annual Meeting are set forth below.

Name	Principal Occupation	Director Since	Class and Year of Annual Stockholder Meeting at Which Term Will Expire	Age as of May 12, 2011
Ronald D. Fisher	President of SoftBank Holdings, Inc.	2000	Class II 2013	63
Steven J. Freiberg	Chief Executive Officer of E*TRADE Financial Corporation	2010	Class II 2013	54
Kenneth C. Griffin	Founder and Chief Executive Officer of Citadel, LLC.	2009	Class II 2013	42
Michael K. Parks	Managing Director, Leveraged Finance Group, Trust Company of the West	2003	Class III 2012	51
C. Cathleen Raffaelli	Managing Partner, The Hamilton White Group, LLC	2003	Class I 2011	54
Lewis E. Randall	Private Investor	1982	Class III 2012	69
Joseph L. Sclafani	Retired Banking Executive	2008	Class III 2012	62
Donna L. Weaver	Chairman of MxSecure, Inc.	2003	Class II 2013	67
Stephen H. Willard	Chief Executive Officer, Flamel Technologies S.A.	2005	Class III 2012	50

*Ronald D. Fisher* has been a director of the Company since October 2000. Mr. Fisher is President of SoftBank Holdings, Inc. ( SoftBank ), where he oversees all of SoftBank's activities outside of Asia, and is a managing partner of SoftBank Capital. He joined SoftBank in October 1995. Mr. Fisher serves as a director of SoftBank Corporation, Japan and GSI Commerce, a publicly-traded developer and operator of e-commerce businesses. Mr. Fisher received a Bachelor of Commerce degree from the University of Witwatersrand, South Africa and a Master of Business Administration from Columbia University. Mr. Fisher is Chair of the Compensation Committee.



*Steven J. Freiberg* has served as the Company's Chief Executive Officer and as a director since April 2010. Mr. Freiberg is a financial services industry veteran, having served in multiple senior level positions over a 30-year career at Citigroup. Most recently, Mr. Freiberg served as Co-Chairman and Co-CEO of Citigroup's Global Consumer Group. During his tenure at Citigroup, Mr. Freiberg also served as Chairman and CEO of Citi Cards. Prior to that, as Chairman and CEO of Citigroup's Investment Products Division N.A., Mr. Freiberg had responsibility for retail investment products, platforms, sales and service. Mr. Freiberg has served as a board member of MasterCard International since 2006. He also serves on the board of the March of Dimes and the board of trustees of Hofstra University and is Co-Chair of the NYC Council of Habitat for Humanity. Mr. Freiberg holds both a B.B.A. and an M.B.A. from the Zarb School of Business at Hofstra University.

*Kenneth C. Griffin* has been a director of the Company since June 2009, pursuant to a director nomination right granted in 2007 to affiliates of Citadel LLC (together with its affiliates, Citadel). Mr. Griffin is the Founder and Chief Executive Officer of Citadel, a global financial institution. Mr. Griffin serves as Vice Chairman of the Chicago Public Education Fund and is a member of the board of trustees for the Art Institute of Chicago and the Museum of Contemporary Art. Mr. Griffin is a member of the World Economic Forum and the Economic Club of Chicago. Mr. Griffin received a bachelor's degree from Harvard College. Mr. Griffin is a member of the Finance and Risk Oversight Committee.

*Michael K. Parks* has been a director of the Company since April 2003. Mr. Parks is a Managing Director of Crescent Capital Group and for limited purposes a Managing Director of TCW Asset Management Company. From 2000 through December 2010, Mr. Parks was a Managing Director of The Trust Company of the West. From 1993 to 2000, he held various executive level positions at Aurora National Life Assurance Company (Aurora), a privately owned life insurance company, holding the positions of Chief Executive Officer, President and Chief Investment Officer from 1996 to 2000. From 1981 to 1992, he held various positions at Salomon Brothers Inc., including the position of Director, Financial Buyers/Leveraged Finance from 1990 to 1992. Mr. Parks also serves as a director of El Paso Electric Company, a publicly traded company, and Aurora. Mr. Parks received a Bachelor of Arts degree from Haverford College. Mr. Parks is Chair of the Finance and Risk Oversight Committee, and a member of the Audit Committee, where he is designated an audit committee financial expert.

*C. Cathleen Raffaelli* has been a director of the Company since April 2003. Ms. Raffaelli is the president and managing director of The Hamilton White Group, LLC, an investment and advisory group providing support for strategic partnering, business development, sales and marketing strategy to companies in financial services growth markets and education sectors. From 2004 through 2006, Ms. Raffaelli was the Chief Executive Officer and President of Cardean Learning Group (formerly Unext, Inc.), a privately held company that develops and delivers online education using advances in cognitive science and technology. Prior to 2004, she was a managing partner of The Hamilton White Group, LLC, the position to which she returned in 2006. Ms. Raffaelli serves as a director of the New York Federal Home Loan Bank, Indecomm Global Services, Brookline College, Potomac College and the University of Business and International Studies in Geneva, Switzerland. Ms. Raffaelli received a Bachelor of Science degree from the University of Baltimore and a Master of Business Administration from New York University. Ms. Raffaelli is a member of the Compensation Committee and the Finance and Risk Oversight Committee. Ms. Raffaelli notified the Board that she would not stand for re-election when her term expires at the 2011 Annual Meeting.

*Lewis E. Randall* has been a director of the Company since 1982. Mr. Randall is a private investor with significant prior management and director experience in the technology industry. Since 2002, he has been a director of the Cato Institute in Washington, D.C. Mr. Randall received a Bachelor of Arts degree from Harvard University. Mr. Randall is a member of the Compensation Committee and the Nominating and Corporate Governance Committee.

*Joseph L. Sclafani* has been a director of the Company since June 2008. Mr. Sclafani is former Executive Vice President and Controller, JPMorgan Chase & Co. His 38 years of experience include 27 years at JPMorgan Chase & Co. and its predecessors, serving most recently as Corporate Controller responsible for

corporate financial operations, regulatory reporting, financial accounting and reporting and accounting policies. Mr. Sclafani also spent 11 years at KPMG as a certified public accountant. He earned a Bachelor of Arts degree from St. Francis College in Brooklyn and completed post-graduate studies in finance at Bernard Baruch. Mr. Sclafani is Chair of the Audit Committee, where he is designated an audit committee financial expert, and is a member of the Finance and Risk Oversight Committee.

*Donna L. Weaver* has been a director of the Company since April 2003. Ms. Weaver is Chairman of MxSecure, Inc., a provider of internet-based transcription, electronic health record and speech recognition services and software to medical practices nationwide. A Certified Management Accountant, Ms. Weaver received a Bachelor of Science from the University of Arizona in Economics and Finance and a Master of Science in Management from the Stanford Graduate School of Business. Ms. Weaver has served on the boards of several public and private companies during her career. Ms. Weaver is Chair of the Nominating and Corporate Governance Committee and a member of the Audit Committee.

*Stephen H. Willard* has been a director of the Company since April 2005. He is the Chief Executive Officer of Flamel Technologies S.A. ( Flamel Technologies ), a biopharmaceutical company. Mr. Willard previously served as Associate Director of Resolutions of the Federal Deposit Insurance Corporation ( FDIC ), where he was responsible for management and resolution of troubled banks with assets in excess of \$1 billion. He has also worked as an investment banker and as an attorney in private practice. Mr. Willard serves on the board of directors of Flamel Technologies. From June 2000 until joining the Company s Board, Mr. Willard served as an independent member of the board of directors of ETB Holdings, Inc. and E\*TRADE Bank. Mr. Willard received a Bachelor of Arts degree from Williams College and a Juris Doctorate from Yale Law School. He is a member of the Audit Committee where he is designated an audit committee financial expert, the Finance and Risk Oversight Committee, and the Nominating and Governance Committee.



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**BOARD MEETINGS AND COMMITTEES**

The Board held a total of 22 meetings during 2010. Each current director attended at least 75% of the aggregate of the total number of meetings of (i) the Board and (ii) the committees of the Board on which he or she served. Our non-management directors meet in executive session without management; at a minimum, these executive sessions occur at each of the four regularly scheduled quarterly Board meetings. The Chairman of the Board, Robert A. Druskin, led these meetings during 2010. Communications to the Board, the Chairman of the Board, the non-management directors or any other director may be sent to: E\*TRADE Financial Corporation, at 1271 Avenue of the Americas, 14th Floor, New York, New York 10020-1302, Attention: Corporate Secretary. We do not have a formal policy regarding director attendance at our annual stockholder meeting, and seven of the twelve then-current directors attended the 2010 Annual Meeting of Stockholders.

During 2010, the Board had an Audit Committee, a Compensation Committee, a Finance and Risk Oversight Committee and a Nominating and Corporate Governance Committee. Each member of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee met the independence requirements of the NASDAQ Global Select Market ( NASDAQ ) and all members of the Finance and Risk Oversight Committee, with the exception of Mr. Griffin, met these independence requirements. The charters of each of these committees, as well as our Code of Professional Conduct, Corporate Governance Guidelines and Related Person Transaction Policy and Procedures, are available on our website at investor.etrade.com the Corporate Governance section. You may also request a copy of each of these documents free of charge by writing to E\*TRADE Financial Corporation, at 1271 Avenue of the Americas, 14th Floor, New York, New York 10020-1302, Attention: Corporate Secretary. We intend to post on our website referred to above any amendments to or waivers from our Code of Professional Conduct or Related Transaction Policy and Procedures that apply to our executive officers, including our principal executive officer, principal financial officer and principal accounting officer. The information on our website is not a part of this Proxy Statement. The committees of the Board, their members during 2010, their primary responsibilities and the number of times the committees met during 2010 are described below.

<b>Committee (1)</b>	<b>Members During 2010</b>	<b>Primary Responsibilities</b>	<b>Number of Meetings</b>
Audit Committee (2)	Joseph Sclafani,  (Chair)  Frederick Kanner (3)  Michael Parks  Lewis Randall (4)  Donna Weaver  Stephen Willard	Reviews the results of the Company's annual audits and quarterly reviews and meets with the Company's independent accountants to review the Company's internal controls and financial management practices.	18 meetings

Committee (1)	Members During 2010	Primary Responsibilities	Number of Meetings
Compensation Committee	Ronald Fisher  (Chair)  George Hayter (5)  Frederick Kanner  Cathleen Raffaelli  Lewis Randall  Joseph Velli (6)	Recommends to the Board the compensation arrangements for the Company's senior executives and oversees administration of our benefit plans, including our equity incentive plans. This Committee also reviews the performance of the Chief Executive Officer and the members of the Company's senior management team at least annually. As discussed in the Compensation Discussion and Analysis, this Committee retains an outside consultant.	8 meetings
Finance and Risk Oversight Committee	Michael Parks  (Chair)  Kenneth Griffin  Frederick Kanner (3)  Cathleen Raffaelli  Joseph Sclafani (7)  Stephen Willard	Assists the Board and the Company's senior management in overseeing the effective financial management of the Company and its subsidiaries; identifies, assesses and manages the Company's risk; optimizes the financial risk and return for the Company; and evaluates matters relating to potential mergers, acquisitions, principal investments and/or dispositions of assets, as well as potential investments by third parties in the Company and/or its securities.	10 meetings

Committee (1)	Members During 2010	Primary Responsibilities	Number of Meetings
Nominating and Corporate Governance Committee	Donna Weaver	Oversees the Company's corporate governance practices to ensure that the Board and the Company's senior management teams act in conformity with the standards of good corporate governance. This Committee also leads any search for new Board members. The Committee also leads the Board's succession planning activities.	9 meetings
	(Chair)		
	Robert Druskin (8)		
	Frederick Kanner		
	Lewis Randall		
	Stephen Willard		

- (1) Mr. Druskin, Chairman of the Board was invited to attend each Committee meeting in an *ex officio* role.
- (2) The Board has determined that each of Messrs. Parks, Sclafani and Willard is an audit committee financial expert within the meaning of applicable regulations under the Exchange Act. No member of the Audit Committee serves on the audit committee of more than one other public company.
- (3) Mr. Kanner joined the Audit Committee on May 13, 2010 and served as a member of the Finance and Risk Oversight Committee until May 13, 2010.
- (4) Mr. Randall served as a member of the Audit Committee until May 13, 2010.
- (5) Mr. Hayter retired from the Board as of April 1, 2010. He was a member of the Compensation Committee until March 31, 2010.
- (6) Mr. Velli became a member of the Compensation Committee on May 13, 2010.
- (7) Mr. Sclafani joined the Finance and Risk Oversight Committee on May 13, 2010.
- (8) Mr. Druskin joined the Nominating and Corporate Governance Committee on May 13, 2010.

#### **Risk Management**

The Board plays an active role, as a whole and also at the committee level, in overseeing the management of the Company's risks. The Board regularly reviews reports from members of senior management and committees on areas of material risk to the Company, including operational, financial, legal, strategic and regulatory risks. In particular, the Finance and Risk Oversight Committee assists the Board and senior management in the effective identification, assessment and management of the Company's risks and in working to improve the financial risk and return of the Company. The Finance and Risk Oversight Committee reviews financial matters including capital expenditures, asset and liability management, capital structure and financing, regulatory capital and ratios, dividend policy; the Company's risk governance and independent enterprise risk management (ERM) framework; the Company's policies and procedures for managing operational risk, credit risk, market risk, interest rate risk, investment risk and liquidity risk; and the Company's policies governing mergers and acquisitions, principal investments and dispositions of assets. The Compensation Committee assists the Board in evaluating risks arising from Company executive and non-executive compensation programs. The Nominating and Corporate Governance Committee assists the Board in overseeing risks associated with board organization, membership and structure, succession planning for our directors and executive officers, and corporate governance. The Audit Committee assists the Board in overseeing risks associated with financial reporting, internal controls and compliance with legal and regulatory requirements.



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## Director Independence

The Board has adopted categorical standards to assist in its evaluation of the independence of directors. The categorical standards describe various types of relationships that could exist between a Board member and the Company and sets thresholds at which such relationships would be deemed to be material in the determination of a director's independence. Although any director who meets the independence criteria of NASDAQ and the Board's own categorical standards (as well as Rule 10A-3(b) of the Exchange Act in the case of Audit Committee members) will be presumed to be independent, the Board may make a decision to the contrary based on its review of any other relevant factors. The Board's categorical standards are as follows:

1. A director who serves as an executive officer or employee of, or beneficially owns more than a 10% equity interest in, any corporation, partnership or other business entity that during the most recently completed fiscal year made payments to the Company or received payments from the Company for goods and services is still presumed independent if such payments were less than the greater of 5% of such other entity's gross consolidated revenues for such fiscal year and \$200,000.
2. A director who serves as an executive officer or employee of, or beneficially owns more than a 10% equity interest in, any bank, corporation, partnership or other business entity to which the Company was indebted at the end of its most recently completed fiscal year is still presumed independent if the indebtedness is in an amount less than the greater of 5% of such other entity's total consolidated assets at the end of such fiscal year and \$200,000.
3. A director who is a member or employee of a law firm that has provided services to the Company during the most recently completed fiscal year is still presumed independent if the total billings for such services were less than the greater of 5% of the law firm's gross revenues for such fiscal year and \$200,000.
4. A director who is a partner, executive officer or employee of any investment banking firm that has performed services for the Company (other than as a participating underwriter in a syndicate) during the most recently completed fiscal year is still presumed independent if the total compensation received for such services was less than the greater of 5% of the investment banking firm's consolidated gross revenues for such fiscal year and \$200,000.

After a review of all relevant factors and applying these categorical standards and the independence criteria of NASDAQ, the Board has determined that:

Messrs. Fisher, Kanner, Parks, Ms. Raffaelli, Messrs. Randall, Sclafani, Velli, Ms. Weaver and Mr. Willard are each independent.

Mr. Druskin was independent following his term of employment as Interim Chief Executive Officer.

Mr. Griffin, as Founder and Chief Executive Officer of Citadel, is not independent.

In determining that Mr. Velli was independent, the Nominating and Governance Committee considered a contract for clearing and transfer agent services entered into in 2010 between a subsidiary of the Company and a subsidiary of BNY ConvergEx Group LLC, where Mr. Velli is the CEO. The subsidiary of the Company chose the subsidiary of BNY ConvergEx for the contract following a competitive process, without any involvement by Mr. Velli, because the terms and price were substantially better than those offered by other providers. The fees paid by the subsidiary of the Company during 2010 represented less than 0.2% of BNY ConvergEx's consolidated revenues for the year.

Mr. Griffin did not serve on the Audit, Compensation or Nominating and Corporate Governance Committees of the Board in 2010 and Mr. Druskin did not serve on Audit, Compensation or Nominating and Corporate Governance Committees of the Board while he was Interim Chief Executive Officer. As a result, the Board has also determined that each member of the Company's Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee is independent.

### **Identifying and Evaluating Director Nominees**

The Nominating and Corporate Governance Committee uses various methods to identify director nominees. The Nominating and Corporate Governance Committee regularly assesses the appropriate size and composition of the Board and the particular needs of the Board, considering skill sets required and whether any vacancies are expected due to retirement or otherwise. Candidates may come to the attention of the Nominating and Corporate Governance Committee through current Board members, professional search firms, stockholders or other parties. While there is no diversity policy or fixed set of qualifications that must be satisfied before a candidate will be considered, we seek nominees with a broad diversity of experience, professions, skills, geographic representation and backgrounds. All candidates are then evaluated based on a review of the individual's qualifications, skills, independence and expertise, including the criteria included in our Corporate Governance Guidelines and the Board's desire to draw on diverse perspectives and expertise in conducting its work.

### **Nominations by Stockholders**

The Nominating and Corporate Governance Committee will consider director candidates submitted by any stockholder who has continuously held at least 5% of our voting securities (either directly or as part of a group) for at least one year and is not a competitor. Such recommendations must be mailed to: 1271 Avenue of the Americas, 14th Floor, New York, New York 10020-1302, Attention: Corporate Secretary. Such recommendations should be accompanied by (i) evidence of the stockholder's stock ownership over the previous twelve months, (ii) a statement that the stockholder is not a competitor of the Company, (iii) a resume and contact information for the director candidate, as well as a description of the candidate's qualifications, and (iv) a statement whether the candidate has expressed interest in serving as a director. The Nominating and Corporate Governance Committee follows the same process and uses the same criteria for evaluating candidates proposed by stockholders as it does for candidates proposed by other parties. The Nominating and Corporate Governance Committee will consider such candidacy and will advise the recommending stockholder of its final decision. Any stockholder nominee for the Board, at the request of the Board, must submit a statement that, if elected, the nominee intends to comply with the Company's majority voting policy, described below.

### **Board Leadership**

When Mr. Freiberg was appointed Chief Executive Officer in April 2010, Mr. Druskin became our non-executive Board Chairman. We believe this structure is appropriate at this time and strengthens the Board's independence from management.

### **Majority Voting Policy**

In May 2008, our Board amended our Bylaws and revised our Corporate Governance Guidelines to change the voting standard for the election of directors in uncontested elections from a plurality to a majority voting standard, subject to the rights of any series or class of stock to elect directors under specified circumstances, as set forth in the Company's Certificate of Incorporation. Under our majority voting policy, in an uncontested election, each nominee shall be elected to the Board by the majority of the votes cast with respect to the director's election (that is, the number of votes for a director's election must exceed 50% of the votes cast with respect to that director's election). Directors will continue to be elected by plurality vote in contested elections (that is, when the number of nominees for election exceeds the number of directors to be elected). Whether an election is contested or not is determined on the last day by which stockholders may submit notice to nominate a person for election as a director pursuant to the Company's Certificate of Incorporation.

If a nominee who is serving as a director is not elected at the annual meeting, Delaware law provides that the director would continue to serve on the Board as a holdover director. However, under our Bylaws and Corporate Governance Guidelines, each director must submit in advance an irrevocable, contingent resignation to the Chair of the Nominating and Corporate Governance Committee that the Board may accept if the director fails

to be elected by the majority of the votes cast with respect to the director's election. In that situation, the Nominating and Corporate Governance Committee will act on an expedited basis to determine whether to accept the director's resignation, and submit its recommendation to the Board. The Board will act on the Nominating and Corporate Governance Committee's recommendation and publicly disclose its decision and the rationale behind its decision within 90 days following certification of the stockholder vote. The Nominating and Corporate Governance Committee in making its recommendation, and the Board in making its decision, may each consider any factors or other information that it considers appropriate and relevant.

The Board expects that any director whose resignation becomes effective pursuant to this policy will excuse himself or herself from participating in the consideration of his or her resignation by either the Nominating and Corporate Governance Committee or the Board. If an incumbent director's resignation is not accepted, he or she will continue to serve until the next annual meeting and until his or her successor is duly elected, or until his or her earlier resignation or removal. In 2011, all nominees currently serve on the Board.

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**DIRECTOR COMPENSATION**

*Cash Compensation.* The Director Compensation policy for cash fees for non-employee directors in 2010 was as follows:

Annual Board Retainer for All Board Members	\$ 50,000
Additional Annual Retainer for Each Committee Chairperson	\$ 10,000
Additional Annual Retainer for Service as Chairman of the Board	\$ 50,000
Each Board Meeting Attended or Action by Written Consent	\$ 2,500
Each Committee Meeting Attended or Action by Written Consent as Committee Chairperson	\$ 2,500
Each Committee Meeting Attended as Chairman (1)	\$ 2,500
Each Committee Meeting Attended or Action by Written Consent as Committee Member	\$ 2,000

(1) In addition to membership on any particular Committee, the Chairman was invited to attend all meetings of the Board's Committees in an *ex officio* capacity and effective April 1, 2010, received compensation for each Committee meeting attended in such capacity. All non-employee directors receive reimbursement for reasonable out-of-pocket expenses incurred in connection with meetings of the Board and its committees. Non-employee directors do not participate in any other benefit plan (including pension or deferred compensation plan) or receive perquisites.

*Reverse Stock Split.* In June 2010, we completed a 1-for-10 reverse stock split and a corresponding decrease to our authorized shares of common stock to a total of 400 million shares. All prior periods presented in this Proxy Statement have been adjusted to reflect the impact of this reverse stock split.

*Equity Compensation.* In 2010, each non-employee director, other than Mr. Griffin, received the following grant of a restricted stock award on the date of our annual meeting:

A grant of restricted stock with a fair market value on the date of grant (measured as the average of the high and low of the price of the Common Stock on that date) equal to \$50,000, which resulted in the grant of 3,095 restricted shares to each individual.

Each restricted stock award vests over two years in two equal annual installments, subject to immediate vesting upon (i) certain changes in the ownership or control of the Company or (ii) the death of the director while serving as a Board member. Generally, non-employee directors receive initial grants when they join the Board and then annual grants at the time of the annual meeting. The Nominating and Corporate Governance Committee regularly reviews our non-employee director compensation policy.



**Director Compensation Table**

Name (1)	Fees Earned or Paid in Cash (\$)	Stock Awards (\$ (2) (3) (4)	Total (\$ (5)
Robert A. Druskin	212,000	50,000	262,000
Ronald D. Fisher	117,500	50,000	167,500
Steven J. Freiberg			
Kenneth C. Griffin	124,000		124,000
George A. Hayter	37,000		37,000
Frederick W. Kanner	174,500	50,000	224,500
Michael A. Parks	175,500	50,000	225,500
C. Cathleen Raffaelli	141,500	50,000	191,500
Lewis E. Randall	168,000	50,000	218,000
Joseph L. Sclafani	160,000	50,000	210,000
Joseph M. Velli	76,500	67,000	143,500
Donna L. Weaver	178,000	50,000	228,000
Stephen H. Willard	187,000	50,000	237,000

- (1) Excludes compensation Mr. Druskin received for serving as Interim Chief Executive Officer until March 31, 2010, which is reported in the Executive Compensation Summary Compensation Table below.
- (2) Amounts reported in this column constitute the aggregate grant date fair value of each award, calculated in accordance with the stock compensation accounting guidance under accounting principles generally accepted in the United States of America as more fully described in Note 19 of Item 8. Financial Statements and Supplementary Data in the Company's Annual Report on Form 10-K for the year ended December 31, 2010, filed on February 22, 2011 with the Securities and Exchange Commission.
- (3) As discussed above, on May 13, 2010, the date of the 2010 Annual Meeting of Stockholders, each non-employee director received a stock award with an aggregate grant date fair value equal to the Annual Board Retainer received by the directors. Each director who served on the Board at that time, other than Messrs. Freiberg and Griffin, received a stock award of 3,095 restricted shares, with an aggregate grant date fair value of \$50,000. Mr. Velli joined the Board in January 2010 and also received a stock award with an aggregate grant date fair value equal to the Annual Board Retainer on pro-rata basis for his service from January to May.
- (4) As of December 31, 2010, each of Messrs. Druskin, Fisher, Kanner, Parks, Randall, Sclafani and Willard and Mmes. Raffaelli and Weaver held an aggregate of 3,966 unvested restricted stock awards; Mr. Hayter held 871 unvested restricted stock awards. Mr. Velli held 4,087 unvested restricted stock awards. As of December 31, 2010, each of Messrs. Druskin, Kanner and Sclafani held an aggregate of 4,000 outstanding stock options; Mr. Fisher held an aggregate of 16,858 outstanding stock options; Mr. Hayter held an aggregate of 18,034 outstanding stock options; Mr. Parks and Mme. Raffaelli held an aggregate of 14,293 outstanding stock options; Mr. Randall held an aggregate of 16,000 outstanding stock options; Mme. Weaver held an aggregate of 12,000 outstanding stock options; and Mr. Willard held an aggregate of 13,500 outstanding stock options.
- (5) There are no compensation or benefit programs available for directors other than the cash fees and restricted stock awards described above. Consequently, the Company has not included columns in the Director Compensation Table for non-equity incentive plan compensation, change in pension value and non-qualified deferred compensation earnings or all other compensation, as the values for each of these items would be reported as zero.

*Policy of Equity Ownership for Board of Directors*

The Board believes that directors should hold meaningful equity ownership positions in the Company to help align the interests of directors with those of stockholders. Under our policy regarding equity ownership for non-employee directors, directors are expected to be beneficial owners of shares of the Common Stock with a market value equivalent to at least two years' annual retainer fees (not including any additional retainer for service as a Committee Chair or Chairman) within two years of joining the Board. Until a director has met this equity ownership guideline, directors are expected to hold any stock acquired by exercise of stock option or vesting of restricted stock, net of the cost of acquisition and any tax obligation. Each of the Company's non-employee directors is in compliance with the policy.

**PROPOSAL 2**

**ADVISORY VOTE ON EXECUTIVE COMPENSATION**

We are asking that you indicate your support, in a nonbinding advisory vote, for our executive compensation policies and practices as described in the Company's Compensation Discussion and Analysis, accompanying tables and related narrative contained in this Proxy Statement.

As described in detail under the heading "Compensation Discussion and Analysis," we strive to weigh our executive compensation program toward incentives for strong long-term performance and to align the financial interests of our executives with the interests of stockholders. Although, as an advisory vote, this proposal is not binding on the Company, we will carefully consider the stockholder vote on this matter.

Stockholders are being asked to vote on the following resolution:

RESOLVED, that the stockholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in the Company's Proxy Statement for the 2011 Annual Meeting of Stockholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission (Item 402 of Regulation S-K), including the Compensation Discussion and Analysis, the 2010 Summary Compensation Table and the other related tables and disclosure.

**The Board of Directors recommends that you vote FOR this proposal.**

**PROPOSAL 3**

**ADVISORY VOTE ON THE FREQUENCY OF AN ADVISORY VOTE ON EXECUTIVE COMPENSATION**

The Dodd-Frank Wall Street Reform and Consumer Protection Act provides that stockholders must be given the opportunity to vote, on a non-binding, advisory basis, for their preference as to how frequently we should seek future advisory votes on the compensation of our named executive officers as disclosed in accordance with the compensation disclosure rules of the Securities and Exchange Commission. By voting with respect to this proposal, stockholders may indicate whether they would prefer that we conduct future advisory votes on executive compensation once every one, two, or three years. Stockholders also may, if they wish, abstain from casting a vote on this proposal.

Our Board of Directors believes that an advisory vote on executive compensation that occurs once every year is the most appropriate alternative for the Company at this time. Although, as an advisory vote, this proposal is not binding on the Company, we will carefully consider the stockholder vote on this matter.

The proxy card provides stockholders with the opportunity to choose among four options (holding the vote every one, two or three years, or abstaining) and, therefore, stockholders will not be voting to approve or disapprove the recommendation of the Board of Directors.

**The Board of Directors recommends that you Vote for a frequency of ONE year as the preferred frequency for advisory votes on executive compensation.**

**PROPOSAL 4****RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board is asking the stockholders to ratify the selection of Deloitte & Touche LLP as the Company's independent registered public accounting firm for 2011. In the event the stockholders fail to ratify the appointment, the Audit Committee will consider it as a direction to select other auditors for 2011. Even if the selection is ratified, the Board at its discretion may direct the appointment of a different independent auditor at any time during the year if the Board determines that such a change would be in the best interests of the Company and its stockholders.

A representative of Deloitte & Touche LLP is expected to attend the Annual Meeting, will be given an opportunity to make a statement at the meeting if he or she desires to do so, and will be available to respond to appropriate questions from stockholders.

**Audit Fees paid to Deloitte & Touche LLP**

The aggregate fees billed by Deloitte & Touche LLP and their respective affiliates for professional services rendered in 2010 and 2009 are as follows:

	<b>Audit Fees (a)</b>	<b>Audit-Related Fees (b)</b>	<b>Tax Fees (c)</b>	<b>Total Fees</b>
<b>2010</b>	\$ 5,550,000	\$ 1,364,000	\$ 621,000	\$ 7,535,000
<b>2009</b>	\$ 6,600,000	\$ 1,250,000	\$ 1,400,000	\$ 9,250,000

- (a) Audit Fees in 2010 and 2009 include fees billed for the annual audit and quarterly reviews of the Company's financial statements and the annual audit of the Company's internal control over financial reporting for the year ended December 31, 2010 and December 31, 2009, respectively. Audit Fees also include review of documents filed with the Securities and Exchange Commission and participation at the Company's Audit Committee meetings.
- (b) Audit-Related Fees in 2010 and 2009 include fees for assistance related to regulatory compliance, amended custody rules, consultations related to accounting or disclosure treatment of transactions or events and/or the actual or potential effect of final or proposed rules, standards, or interpretations by the SEC, FASB, or other regulatory or standard-setting bodies, and work performed in connection with registration statements and other SEC filings.
- (c) Tax Fees in 2010 and 2009 include fees for compliance and preparation of tax filings and fees for tax advice related to various transactions.

All audit and non-audit services and fees were pre-approved by the Audit Committee, either individually or by category. The Audit Committee concluded that the provision of such services by Deloitte & Touche LLP was compatible with the maintenance of that firm's independence in the conduct of its auditing functions.

**Audit Committee Pre-Approval Policies and Procedures**

Pursuant to its charter, the Audit Committee pre-approves all audit and permissible non-audit services provided by the independent auditors. The Audit Committee charter allows the Committee to delegate its authority to pre-approve services to one or more Committee members, provided that the designees present the pre-approvals to the full Audit Committee at its next meeting.

**The Board of Directors recommends that stockholders vote FOR the proposal to ratify the selection of Deloitte & Touche LLP as the Company's independent registered public accounting firm for 2011.**

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**EXECUTIVE OFFICERS OF THE COMPANY**

In addition to Steven J. Freiberg, the Chief Executive Officer, the following executive officers are not directors and serve at the discretion of the Board:

Name	Age	Current Position
	As of May 12, 2011	
Matthew J. Audette	36	Executive Vice President, Chief Financial Officer
Michael J. Curcio	49	Executive Vice President, President, E*TRADE Securities LLC
Greg Framke	51	Executive Vice President, Chief Information and Operations Officer
Nicholas Utton	54	Executive Vice President, Chief Marketing Officer

*Matthew J. Audette* is the Executive Vice President, Chief Financial Officer of the Company, a position he held since January 2011. Mr. Audette joined E\*TRADE in 2000, when the Company acquired Telebank, where he served as Controller in the Capital Markets department. Mr. Audette served from 2005 through 2010 as Senior Vice President, Corporate Controller. Prior to 2005, he served as Controller of E\*TRADE Bank and Chief Financial Officer of E\*TRADE Bank. He was also interim Chief Financial Officer in 2008. He began his career in public accounting at KPMG and holds a Bachelor of Science in accounting from Virginia Tech.

*Michael J. Curcio* is the Executive Vice President, President of E\*TRADE Securities LLC, a position he has held since 2005. Mr. Curcio joined the Company in 2002. Mr. Curcio is responsible for the strategic direction, customer relationships and ongoing management of our core domestic retail franchise including our investing, trading and banking solutions. Prior to joining the Company, Mr. Curcio was employed at TD Waterhouse, where he last served as Executive Vice President, Customer Relationship Management. He is former vice chairman of the Philadelphia Stock Exchange board of governors. He serves on the board of directors of Access Worldwide Communications, Inc. and the Jazz Foundation of America and on the board for Operation Hope. Mr. Curcio holds a bachelor's degree in Business Administration from State University of New York at Plattsburgh.

*Greg Framke* is the Executive Vice President, Chief Information and Operations Officer, a position he has held since 2005. Mr. Framke is responsible for the management of all global technology development and infrastructure, as well as our global clearing and operations. Mr. Framke has been recognized as one of InfoWorld's 25 Most Influential CTOs and as a ComputerWorld Honors Program Laureate. Prior to joining the Company Mr. Framke was Director and Global Equity Technology Chief Operating Officer for Deutsche Bank Securities, as well as an Executive Director at Morgan Stanley & Co in New York City and London. He serves on the board of directors of Access Worldwide Communications, Inc. Mr. Framke holds a B.A. in International Finance, graduating with honors from The George Washington University.

*Nicholas Utton* is the Executive Vice President, Chief Marketing Officer of the Company, a position he has held since 2004. Mr. Utton is responsible for all marketing initiatives, including advertising, direct online and offline marketing programs and branding campaigns. Prior to joining the Company, Mr. Utton served as Executive Vice President of Marketing at JP Morgan Chase and Chief Marketing officer for MasterCard. Mr. Utton holds a graduate honors degree in commerce, majoring in business economics from the University of South Africa, Pretoria, and a bachelor's degree in commerce, majoring in business administration and marketing from the University of Natal (South Africa).

### SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding the beneficial ownership of the Common Stock as of March 14, 2011, by (i) each director; (ii) each executive officer listed in the Summary Compensation Table; (iii) all current directors and executive officers as a group; and (iv) each person who is known to the Company to beneficially own more than 5% of the outstanding shares of the Common Stock of the Company. All Shares are subject to the named person's sole voting and investment power except where otherwise indicated.

Name and Address of Beneficial Owner (1)	Number of Shares of Common Stock Beneficially Owned	Percentage of Common Stock Beneficially Owned (2)
<b>DIRECTORS AND EXECUTIVE OFFICERS:</b>		
Curcio, Michael J. (3)	196,570	*
Druskin, Robert A. (4)	28,411	*
Fisher, Ronald D. (5)	26,619	*
Framke, Gregory A. (6)	166,162	*
Freiberg, Steven J. (7)	57,142	*
Griffith, Kenneth C. (8)	24,578,147	9.90%
Kanner, Frederick W. (9)	18,411	*
Nolop, Bruce P. (10)	131,833	*
Parks, Michael K. (11)	21,783	*
Raffaeli, C. Cathleen (12)	20,305	*
Randall, Lewis E. (13)	156,417	*
Sclafani, Joseph L. (14)	8,623	*
Utton, Nicholas A. (15)	175,528	*
Velli, Joseph M.	4,087	*
Weaver, Donna L. (16)	35,961	*
Willard, Stephen H. (17)	22,821	*
All current directors and executive officers as a group (18)	25,584,122	10.31%
<b>STOCKHOLDERS OWNING MORE THAN 5%:</b>		
Citadel Group, LLC. (19) 131 S. Dearborn Street, 32 <sup>nd</sup> Floor Chicago, IL 60603	24,550,665 (20)	9.90%
TIAA CREF Investment Management LLC	12,909,875 (21)	5.20%

\* Less than 1%

- (1) Unless otherwise noted, all addresses are c/o E\*TRADE Financial Corporation, 1271 Avenue of the Americas, 14<sup>th</sup> Floor, New York, NY 10020.
- (2) Based on 248,236,633 shares outstanding on March 14, 2011. Shares of Common Stock subject to options that are exercisable within 60 days of March 14, 2011 (and shares of Company Stock that may be obtained upon the conversion of convertible securities) are deemed beneficially owned by the person holding such options for the purpose of computing the percentage of ownership of such person but are not treated as outstanding for the purpose of computing the percentage of any other person.
- (3) Includes 121,090 shares of Common Stock that are issuable upon exercise of vested options that are exercisable or will become exercisable within 60 days of March 14, 2011.
- (4) Includes 3,000 shares of Common Stock that are issuable upon exercise of vested options that are exercisable or will become exercisable within 60 days of March 14, 2011. After the end of his term as interim CEO, Mr. Druskin remained Chairman of the Company.

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- (5) Includes 15,656 shares of Common Stock that are issuable upon exercise of vested options that are exercisable or will become exercisable within 60 days of March 14, 2011.
  
- (6) Includes 103,055 shares of Common Stock that are issuable upon exercise of vested options that are exercisable or will become exercisable within 60 days of March 14, 2011.



- (7) Mr. Freiberg was named CEO of the Company effective April 1, 2010.
- (8) Includes shares beneficially owned by Citadel and its affiliates. See Note 20.
- (9) Includes 3,000 shares of Common Stock that are issuable upon exercise of vested options that are exercisable or will become exercisable within 60 days of March 14, 2011.
- (10) Includes 75,587 shares of Common Stock that are issuable upon exercise of vested options that are exercisable or will become exercisable within 60 days of March 14, 2011.
- (11) Includes 13,293 shares of Common Stock that are issuable upon exercise of vested options that are exercisable or will become exercisable within 60 days of March 14, 2011.
- (12) Includes 13,293 shares of Common Stock that are issuable upon exercise of vested options that are exercisable or will become exercisable within 60 days of March 14, 2011. Includes 211 shares beneficially owned by The Hamilton White Group, LLC.
- (13) Includes 15,000 shares of Common Stock that are issuable upon exercise of vested options that are exercisable or will become exercisable within 60 days of March 14, 2011. Includes 85,710 shares held by Lewis or Martha Randall as Trustees of the Lewis E. and Martha E. Randall Living Trust, dated August 16, 1984. Includes 22,000 shares held solely by Mr. Randall's wife and Mr. Randall disclaims beneficial ownership of such shares.
- (14) Includes 3,000 shares of Common Stock that are issuable upon exercise of vested options that are exercisable or will become exercisable within 60 days of March 14, 2011.
- (15) Includes 105,490 shares of Common Stock that are issuable upon exercise of vested options that are exercisable or will become exercisable within 60 days of March 14, 2011.
- (16) Includes 11,000 shares of Common Stock that are issuable upon exercise of vested options that are exercisable or will become exercisable within 60 days of March 14, 2011. Includes 24,907 shares held by Weaver Living Trust UAD 11/16/89.
- (17) Includes 12,500 shares of Common Stock that are issuable upon exercise of vested options that are exercisable or will become exercisable within 60 days of March 14, 2011.
- (18) Beneficial ownership of current directors and executive officers as a group includes the 67,675 shares of Common Stock beneficially owned by Matthew J. Audette who was appointed CFO of the Company, effective January 1, 2011 and does not include holdings of Bruce P. Nolop, who ceased to be CFO of the Company, effective December 31, 2010.
- (19) These securities are owned by various private investment funds for which Citadel Advisors LLC or Citadel Holdings I LP serves as portfolio manager with power to direct investments and/or power to vote the securities. For purposes of the reporting requirements of the Securities Exchange Act of 1934, Citadel is deemed to be a beneficial owner of such securities.
- (20)

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Based upon Citadel's Schedule 13D/A filed on February 28, 2011 and additional information supplied by Citadel, Citadel owns \$314,067,000 face amount of Convertible Debentures. Pursuant to the terms of the indenture for the Convertible Debentures (the Indenture), such debentures are convertible into Common Stock of the Company but are subject to limitations upon such conversion including that Citadel may not now, nor within 60 days, convert the Convertible Debentures to the extent that such conversion would cause it to beneficially own, as defined in Rule 13d-3 of the Exchange Act, in excess of 9.9% of the Common Stock outstanding immediately after giving effect to such conversion. The number of shares and percentage shown in the table above reflect the 9.9% limitation under the terms of the Indenture. If there were no limitations upon Citadel's ability to convert the Convertible Debentures, the Convertible Debentures would be convertible into 30,373,984 shares of Common Stock, which would represent (including the 24,550,005 shares of Common Stock already owned by Citadel) approximately 19.7% of the outstanding shares, assuming conversion of all convertible debentures held by Citadel, but not assuming conversion of convertible debentures held by other parties.

(21) Number of shares based upon Form 13F filed December 31, 2010.

## Compensation Discussion and Analysis

### *Our Compensation Philosophy: Compensation Considerations for 2010*

Our Compensation Committee strives to establish a compensation program for executive officers that is heavily weighted toward incentives for sustainable long-term performance. In particular, we do this by allocating a significant percentage of annual compensation opportunities towards:

Annual cash payments based on important near-term financial and operational goals that we believe will improve our long-term results; and

Equity grants that vest over a period of time and offer upside based on the long-term performance of our stock.

In determining whether our executive compensation was appropriate for 2010, the Board and Compensation Committee recognized our achievements in the following areas in particular:

We expanded our advice offering by introducing managed investment portfolio advisory services to long-term investors with an investment of \$25,000 or more, and unified managed account advisory services to long-term investors with an investment of \$250,000 or more;

We expanded Power E\*TRADE Pro's customization capabilities, navigation tools, and news and information, including CNBC Plus streaming video;

We launched the E\*TRADE Mobile Pro application for Apple iPad and Android Smartphones, expanding our suite of mobile applications, which already included BlackBerry® and Apple iPhone ;

We created Open API for third-party and independent software developers, which allows customers to have access to technical information and documentation, reference guides, and other resources to help network external applications and programs with our active trader platform; and

We introduced new research and trade idea generation tools (including market commentary from Dreyfus and Minyanville's Buzz & Banter, a business and finance site) that we believe help our customers identify investment opportunities and make informed decisions.

Our core business is our trading and investing customer franchise. Building on the strengths of this franchise, our growth strategy is focused on the following areas: retail brokerage, corporate services and market making, wealth management, and banking. Our strategy also includes an intense focus on mitigating the credit losses in our legacy loan portfolio and maintaining disciplined expense management. We remain focused on strengthening our overall capital structure and positioning the Company for future growth.

### *Process for Determining Executive Compensation*

*Compensation Committee.* The Compensation Committee is responsible for establishing and administering compensation programs for our senior executives, including programs for the Named Executive Officers (also called our NEOs) listed in the Summary Compensation Table below. The Compensation Committee reviews and approves executive compensation or, with respect to the CEO's compensation, recommends his compensation to the independent members of the full Board for approval or ratification.

*Compensation Consultants.* The Compensation Committee has full authority to retain any consultant(s) it deems appropriate and for 2010 retained Johnson Associates as its outside compensation consultant. Representatives from Johnson Associates attend meetings of the Compensation Committee.

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*Role of Management.* The Compensation Committee works with management, led by the CEO, in an effort to ensure that executive compensation programs will be as effective as possible to meet the Compensation Committee's objectives of retaining and motivating executive officers and rewarding desired performance. In

particular, the Compensation Committee considers the CEO's review of the performance of other executive officers, given his daily experience with them and his particular knowledge of their roles. However, the Compensation Committee ultimately makes its own determinations regarding form and amount of any executive's compensation and may accept or reject any recommendation from its consultants and management. In addition, the CEO is not present when the Compensation Committee or independent members of the full Board determine the CEO's compensation.

*Comparative Data.* To determine whether our compensation programs are competitive, the Compensation Committee considered publicly available data provided by Johnson Associates concerning programs and compensation levels offered by other companies in relevant markets. In particular, the Compensation Committee reviewed compensation data for the companies listed below, although it did not target a specific percentile for comparing compensation. Instead, it used this information as a reference point when considering whether compensation was appropriate and competitive. The Compensation Committee did not make changes in compensation levels for fiscal 2010 in response to its review of this information.

AllianceBernstein	Legg Mason
Associated Banc-Corp	Marshall & Ilsley
Broadridge Financial	Northern Trust
Charles Schwab	Raymond James
First Horizon National	SEI Investments
Invesco	TD Ameritrade
Jefferies	T. Rowe Price
Knight Capital	

***Overview of 2010 Executive Compensation***

*Total Compensation.* Each NEO has a total target compensation, which consists of a combination of fixed cash compensation (base salary), variable cash incentive payments (target annual cash bonus), and long-term equity compensation (target initial value of stock options and restricted stock awards.) The Compensation Committee intends that cash incentives will reward annual financial and operating objectives, while non-cash compensation is intended to reward longer term performance through vesting requirements and ties to our stock price over time. For continuing NEOs, target cash and equity values were not increased for 2010 because the Committee believed it was more appropriate to concentrate on rewarding actual performance. During 2010, the Compensation Committee reviewed tally sheets for the NEOs, including potential total annual compensation at different performance levels and the value of outstanding equity awards, but did not recommend changes in response to this review.

The differences in pay among executive officers is a result of the Compensation Committee's review of the individual's position and level of authority, or as a result of individual negotiations in connection with hiring the executive. For example, our CEO's compensation is significantly higher than that of our other executive officers because the CEO oversees all of our business units and functions, and Mr. Curcio's incentive compensation target amounts are highest among the other NEOs because he is in charge of our trading and investing business, which represents our core business and strategic focus.

*CEO Compensation.* In connection with Mr. Freiberg's appointment as CEO on April 1, 2010, based upon the recommendation of the Compensation Committee, the independent members of the Board approved an employment agreement with Mr. Freiberg, pursuant to which he receives an annual base salary of \$1,000,000, is eligible for an annual cash performance bonus with a target of \$3,000,000 and for annual equity incentives with a target initial value of \$3,000,000 (with the actual amount based on the performance of the Company) and subject to vesting over four years following the grant. The Compensation Committee believed that the CEO's compensation should be heavily weighted toward incentive compensation. In determining the amounts of his

compensation, the Compensation Committee considered a variety of factors, including data from the companies listed above (but it did not target a specific level within the market data), discussions with Johnson Associates as to market practice, and the Compensation Committee's collective judgment about levels needed to attract and incentivize the type of talented individual needed for the position. For 2010 only, Mr. Freiberg was guaranteed a pro rata payment of his target cash bonus and equity incentives to be paid in early 2011, which the Compensation Committee believed was appropriate because he was hired after performance goals for 2010 were established and after the performance period started.

*Interim CEO.* Mr. Druskin served as interim CEO until March 31, 2010. The Compensation Committee believed it was appropriate to compensate Mr. Druskin with a cash payment that would approximate an expected target compensation package for a permanent CEO, but with a fixed rather than variable payment because of the short-term nature of the appointment. Therefore, based on the recommendation of the Compensation Committee, the independent members of the Board approved a cash payment of \$300,000 per month for Mr. Druskin's services as interim CEO, and so the discussion below does not apply to his compensation.

*2010 Performance Metrics.* Our strategy for 2010 continued to be to maintain the strength of our operating business while managing risks, particularly those arising from the balance sheet management segment. Accordingly, our incentive compensation program focused on these areas, but included a significant element associated with strategic and qualitative performance. The determination of our bonus pool for 2010 was based on the following criteria:

*Operating Income of Trading and Investment Segment.* The first metric (representing 40% of the bonus pool) was chosen because it represents core business and strategic focus and because the majority of our employees work in this segment. Our target performance for 2010 was \$799 million in operating income, with a range of goals between \$640 million and \$960 million.

*Operating Income of Balance Sheet Management Segment.* The second metric (representing 15% of the bonus pool) was the operating income of our balance sheet management segment, excluding the impact of capital losses from the Company's historical portfolios. This metric had a lower weighting because this segment is and will be driving less of our overall business strategy in the future. The target performance was \$292 million in operating income, with a range of goals between \$180 million and \$410 million. This component had a wide range of goals in order to mitigate risk-taking with respect to the balance sheet by reducing the impact on the bonus pool of different outcomes.

*Operating Loss of Unallocated Corporate Costs.* The third metric (representing 10% of the bonus pool) was the operating loss of our unallocated corporate costs excluding restructuring costs and the impact of plan payments. This metric had a lower weighting because these unallocated costs consist of corporate overhead which impacts overall operating results, but does not drive our overall business strategy. The target performance was \$(150) million in operating loss, with a range of goals between \$(165) million and \$(135) million.

*Strategic and Qualitative Performance.* Because of the changing and uncertain economic environment and our unique circumstances, the Compensation Committee believed it was important to allocate a meaningful portion of the bonus pool (35%) to reward significant qualitative and quantitative elements that could not be forecast at the beginning of the year. Although this component did not have specific targets, the Compensation Committee specified that it would consider the external economic and business environment, as well as our progress in addressing the following key strategic goals: (i) maintaining and strengthening our capital position; and (ii) advancing our customer franchise, particularly among long-term investors.

For purposes of the incentive plan, operating income is before bonus accrual and excludes gain or loss on sales of loans and securities, and provision for loan losses, as applicable.

### ***Determination of 2010 Compensation***

#### ***Base Salary***

For 2010, no changes were made to base salary for the continuing NEOs because the Compensation Committee determined that base salaries were sufficient and instead focused on performance-based cash compensation and long-term equity compensation. Determinations regarding our CEO's starting salary are described above.

#### ***Cash Incentive Program***

This cash-based element of compensation provides executives an incentive and a reward for achieving meaningful near-term performance objectives that we believe will lead to sustainable performance. The Compensation Committee believes that it is important to vigorously assess achievement of our performance goals in determining whether and how much to pay in cash bonuses, but that it is important to retain a degree of flexibility given the nature of our business. At the end of the year, after reviewing both our financial and strategic performance, the Compensation Committee first approved a total bonus pool based on the factors described below and then assessed appropriate individual payments. In determining that the total bonus pool should be 106% of the accrued budget (but the same dollar amount as the prior year's total bonus pool), the Compensation Committee considered the following factors: (i) each of our financial performance metrics was close to or above target levels set for bonus plan purposes, and well above the threshold levels for bonus payout; and (ii) our accomplishment of our various operational and strategic goals, when combined with special considerations and market developments that we believed impacted some of our financial and strategic goals, was significantly above the target level.

(i) *Financial Goals.* With respect to each of the pre-established financial performance metrics for 2010:

*Trading and Investing Segment.* Excluding the impact of plan payments, we achieved approximately \$745 million of operating income. This represented 93% of the target performance level and exceeded the threshold performance level.

*Balance Sheet Management Segment.* Our performance at \$263 million of operating income excluding the impact of capital losses from the Company's historical portfolios was approximately 90% of the target performance level and exceeded the threshold performance level.

*Unallocated Corporate Costs.* Our performance at \$(146) million of operating loss excluding restructuring costs and the impact of plan payments exceeded our target performance level by 3%.

(ii) *Strategic and Qualitative Performance.* In assessing our achievement of this metric, after considering the following factors together with those described above under "Our Compensation Philosophy: Compensation Considerations for 2010" the Compensation Committee believed that collective performance in this important area was significantly above the target level:

*Attracting long-term investors* We achieved in several areas, including an increase in net new customer assets, customer service satisfaction and expanded advice offerings with Managed Investment Portfolios, and, although our net new accounts were below the targeted amount, they increased from the prior year.

Efforts to maintain and strengthen our capital position through:

Improvements in our loan losses

Improved liquidity and capital metrics

Improved bank capital metrics



As part of this assessment of the qualitative component of the bonus pool, the Compensation Committee also considered factors that may have reduced our performance results:

**Adjustments to budget** Operating income metrics were lower because of Board-directed lower levels of interest rate risk and strategic decision to invest more in the brand and marketing than in the original budget.

**Market environment** There was an overall decline in market volumes, which we believed limited our ability to meet our strategic goal for number of daily average revenue trades (or DARTS).

**Individual Bonus Payouts.** Based on the above factors, the Compensation Committee established the overall bonus pool slightly above target. In determining the individual NEO payments from this bonus pool, the Compensation Committee primarily considered which business segments were most successful and the importance to our business plan of the strategic successes, together with its view of leadership and effort by each individual officer. This resulted in the payments set forth in the Summary Compensation Table. For the NEOs (other than the CEO and CFO), the bonus payments ranged from approximately 107% to 117% of the individual's target. Mr. Curcio received the highest percentage of target because of our continuing focus on the trading and investing business. Our CEO, Mr. Freiberg, received his guaranteed pro rata target bonus as described above under his employment agreement. The bonus for our departing CFO, Mr. Nolop, was limited to 100% of his target bonus amount because he was departing, but the Compensation Committee believed this target level was appropriate given our overall performance and to recognize his efforts during the year.

#### **Equity Compensation**

**Annual Long-Term Incentive Compensation.** In early 2010, the Compensation Committee approved equity grants for the NEOs based on 2009 performance, as described in detail under Compensation Discussion and Analysis in our 2010 Proxy Statement. These equity grants vest annually over three years following the grant. These award amounts are set forth in the Grants of Plan-Based Awards table below because they were granted in 2010, although we consider them part of 2009 compensation.

Also in early 2010, the Compensation Committee established a program that would result in equity grants in early 2011, with the amounts depending on the Compensation Committee's view of 2010 performance (that is, based on the performance criteria described under Cash Incentive Program above). Therefore, in February 2011, the Compensation Committee approved equity awards to our continuing NEOs with initial values (other than to the CEO) of approximately 110% of the individual's target level. The Compensation Committee granted approximately 2/3 of the aggregate value in the form of restricted stock awards and 1/3 of the value in the form of stock options. The Compensation Committee believed it was appropriate to grant a higher percentage of restricted stock awards because it creates less dilution for other stockholders and, in the current environment, restricted stock awards provide a reward and incentive with less exposure to the risk that the awards will have no value due to general market conditions. However, the Compensation Committee believes it is appropriate to grant a portion of the awards in the form of stock options because they provide more incentive to increase our long-term stock price. Mr. Freiberg's total award value was pursuant to his employment agreement as described above, but the allocation between restricted stock awards and options was the same as for the other NEOs.

Because these awards were made in 2011, SEC disclosure rules require that they not be reflected in the Summary Compensation Table or Grants of Plan-Based Awards table below. However, we are reporting them below because we consider them part of our 2010 compensation. Each of the following awards was granted on February 10, 2011 and vests annually over four years, and the options have a per share exercise price of \$17.58 (representing the average of the high and low prices of our common stock on the grant date):

Name	Number of RSUs (rounded down to the nearest whole number)	Number of Options (rounded down to the nearest whole number)	Aggregate Grant Date Fair Value
Steven J. Freiberg	85,750	87,079	\$ 2,250,000
Michael Curcio	49,544	50,312	\$ 1,300,000
Greg Framke	45,733	46,442	\$ 1,200,000
Nicholas Utton	41,922	42,572	\$ 1,100,000

*Equity Ownership Guidelines.* The Company has implemented the following equity ownership guidelines:

The CEO should hold equity with a market value at the time of acquisition of five times base salary. Prior to meeting the recommended equity level, if he exercises a stock option or vests in a restricted stock award or restricted stock unit, he is expected to retain equity with a value equal to 75% of the profit after taxes realized on the exercise or vesting.

Other NEOs should hold equity with a market value at the time of acquisition of three times base salary. Prior to meeting the recommended equity level, if an NEO exercises a stock option or vests in a restricted stock award or restricted stock unit, he or she is expected to retain equity with a value equal to 50% of the profit after taxes realized on the exercise or vesting.

#### ***Recoupment Policy***

Our recoupment policy is applicable to all NEOs and certain other employees. If the Compensation Committee determines that incentive compensation was overpaid as a result of a restatement of our reported financial results or any inaccurate data used to calculate such compensation, the Compensation Committee will review the cash bonus and long-term incentive plan awards granted, vested or accrued and determine the amount and kind of the overpayment. To the extent practicable, in the best interests of stockholders, and as permitted by applicable law, the Compensation Committee will seek to recover or cancel any such overpayments. The Compensation Committee may make determinations of overpayment at any time through the date the Company files its audited financial statements for the fiscal year that follows the year for which the inaccurate performance criteria were measured. However, if the Compensation Committee determines that any person purposefully provided inaccurate information or otherwise was culpable in the inaccuracy of the performance metrics, the Compensation Committee shall be entitled to determine that the overpayment with respect to such person is the entire amount of the bonus or other incentive payment or equity awarded for the applicable year, and without regard to when the event occurred.

#### ***Severance and Change in Control Provisions***

As described in detail (including a quantification of potential benefits) under Employment Agreements and Potential Post-Employment Payments elsewhere in this proxy, we have entered into employment agreements with each of our current NEOs providing for severance benefits, including enhanced severance benefits in connection with a change in control. The Compensation Committee periodically reviews these arrangements and considers the costs and benefits, but believes these are appropriate in order to help prevent executives' concern over being arbitrarily terminated. The Compensation Committee balances the potential costs of these agreements against the need to retain our executives in a market that, in spite of the challenges over the last few years,

remains competitive. We do not provide any tax gross-up if the excise tax resulting from Section 280G is applied to any NEO. During 2010, as part of its regular review of executive compensation, the Compensation Committee approved new employment agreements for the NEOs (other than the CEO and CFO) in order to standardize the arrangements among the NEOs. The amounts of severance were not increased, except that the new agreements include 12 months of accelerated vesting of equity awards to correspond to the general provision of one year of severance benefits (outside of a change in control).

#### ***Other Benefit Plans and Perquisites***

We offer a non-qualified deferred compensation plan for senior management, but the amounts in a participating executive's plan account consist solely of the deferred compensation portion of his or her salary or cash incentive payments (as elected by the executive) and the market return on the deferred amounts, and we do not provide matching contributions or guaranteed returns. We have retained life insurance policies to support the payment of obligations under this plan.

We provide matching contributions to our 401(k) plan, which are made for executives in the same manner as for our other employees. We do not sponsor any defined benefit retirement plan for our executive officers or supplemental executive retirement plan. We provide executive officers with an umbrella liability insurance policy, providing for insurance coverage for the executive beyond what the executive has retained on his or her own behalf, with a cost per executive of less than \$5,000 per annum. Beyond this, there are no perquisites offered to our senior executives with anything other than a *de minimis* value, except for (i) for Mr. Framke, \$11,200 in personal travel expenses for family members during 2010 related to his overseas assignment; (iii) for Mr. Freiberg, \$34,730 in satisfaction of our agreement to pay him a specified amount if he declined participation in our health plan given his eligibility under a prior employer's plan.

#### ***Tax Considerations***

The tax deductibility of compensation is not currently a material consideration by the Compensation Committee. Although some of our incentive plans are structured so that certain types of awards will qualify as deductible, when determining executive compensation, the Compensation Committee instead focuses on the other considerations described in this Compensation Discussion and Analysis.

#### **Compensation Risk Assessment**

During 2010, the Compensation Committee considered the risk profile of its compensation programs, including a review of both executive and non-executive compensation in a series of meetings with its outside compensation consultant and members of our legal and HR teams. In particular, the Compensation Committee requested that its compensation consultant review all of our incentive plans. We may periodically adjust individual plans in response to this review to ensure that the plans are not materially risky. With respect to our executive officer compensation program, we believe the program supports long-term growth and does not encourage excessive risk-taking because of the following features of our program, as further described under Compensation Discussion and Analysis above:

the balance between fixed and variable pay;

operating income rather than revenue funds the incentive program, meaning executives must focus on all aspects of the business plan;

the aggregate bonus pool funding is capped;

we grant a mixture of full-value awards and stock options, usually with long-term vesting criteria, which we believe prevents a focus on a short-term run-up in our stock price;

our equity ownership guidelines as further described below limit the short-term gain our executives could realize if permitted to sell a large portion of their holdings;

executives' incentive compensation depends on both pre-established financial performance objectives and subjective assessments by the Compensation Committee of the quantitative and qualitative performance at the business and individual level; and

we have implemented a Recoupment policy for incentive compensation, as further described above.

**EXECUTIVE COMPENSATION****2010 Summary Compensation Table**

The following table includes information for our Named Executive Officers (also called our NEOs) which includes each person who served as our principal executive officer or principal financial officer at any time during fiscal 2010 and our other three most highly compensated executive officers at the end of fiscal 2009. Compensation is set forth for the most recent fiscal year for all Named Executive Officers, and for up to two additional fiscal years for named executive officers who also served in that capacity during such fiscal years.

Name	Year	Salary	Stock Awards (1)	Option Awards (2)	Non-Equity Incentive Plan Compensation (3)	All Other Compensation (4)	Total Compensation
Steven J. Freiberg, Chief Executive Officer	2010	\$ 738,462			\$ 2,250,000	\$ 41,769	\$ 3,030,231
Robert Druskin, Chairman and former Interim Chief Executive Officer (5)	2010	\$ 900,000					\$ 900,000
	2009						
Bruce Nolop, Former EVP, Chief Financial Officer	2010	\$ 500,000	\$ 67,000	\$ 32,424	\$ 500,000	\$ 1,007,107(6)	\$ 2,106,531
	2009	\$ 519,231 (7)	\$ 1,170,000	\$ 0	\$ 600,000	\$ 7,244	\$ 2,296,475
	2008	\$ 126,923	\$ 1,749,999	\$ 1,750,000	\$ 166,667	\$ 3,076	\$ 3,796,665
Michael Curcio, EVP, President, E*TRADE Securities LLC	2010	\$ 450,000	\$ 938,000	\$ 453,944	\$ 1,350,000	\$ 7,308	\$ 3,199,252
	2009	\$ 467,307 (7)	\$ 1,773,000	\$ 297,048	\$ 1,500,000	\$ 7,244	\$ 4,044,599
	2008	\$ 421,731	\$ 604,997	\$ 354,999	\$ 700,000	\$ 6,803	\$ 2,088,530
Greg Framke, EVP, Chief Information and Operations Officer	2010	\$ 450,000	\$ 804,000	\$ 389,094	\$ 1,100,000	\$ 18,408	\$ 2,761,502
	2009	\$ 467,307 (7)	\$ 1,706,000	\$ 264,043	\$ 1,100,000	\$ 36,939	\$ 3,574,289
	2008	\$ 421,731	\$ 589,998	\$ 354,999	\$ 600,000	\$ 6,739	\$ 1,973,467
Nicholas Utton, EVP, Chief Marketing Officer	2010	\$ 500,000	\$ 737,000	\$ 356,669	\$ 800,000	\$ 7,203	\$ 2,400,872
	2009	\$ 519,231 (7)	\$ 1,572,000	\$ 198,032	\$ 900,000	\$ 7,372	\$ 3,196,635
	2008	\$ 500,001	\$ 574,999	\$ 354,999	\$ 500,000	\$ 6,739	\$ 1,936,738

- (1) Amounts reported in this column constitute the aggregate grant date fair value of each stock award granted for the Named Executive Officer, calculated in accordance with the stock compensation accounting guidance under GAAP and based on the fair market value of the Common Stock on the grant date. For grants made in 2010, the stock awards reported in this column were in the amounts set forth in under Grants of Plan Based Awards below. The fair market value of the Common Stock (based on the average of the high and low sale prices) was \$14.60 per share and \$16.15 per share on the February 11, 2010 and May 13, 2010 grant dates, respectively.
- (2) Amounts reported in this column constitute the aggregate grant date fair value of each option award granted for the Named Executive Officer, calculated in accordance with the stock compensation accounting guidance under GAAP. For 2010, the stock options reported in this column were in the amounts set forth under Grants of Plan Based Awards. The valuation shown in this column is determined using a Black-Scholes-Merton option pricing model with assumptions made as more fully described in Note 19 of Item 8. Financial Statements and Supplementary Data in the Company's Annual Report on Form 10-K for the year ended December 31, 2010, filed on February 22, 2011 with the Securities and Exchange Commission. Our use of the Black-Scholes-Merton option pricing model does not necessarily mean we believe or acknowledge that it can accurately determine the actual value of options on the date that they will finally be exercised, if at all. The actual value of an option, if any, will depend on the future market price of the Company's common stock and the option holder's individual exercise and sale decisions, neither of which can be predicted with any degree of certainty.
- (3) Non-equity incentive plan compensation reported for the applicable year was based on performance in that year but paid in February of the following year.

- (4) In accordance with SEC rules, the compensation described in this table does not include medical or group life insurance received by the named executive officers that are available generally to all salaried employees of the

Company, and, except as expressly noted, perquisites and other personal benefits received by the named executive officers that in the aggregate do not exceed \$10,000. The amounts set forth in this column for other compensation for 2010 represent (i) Company contributions to the Company's 401(k) plan in the amount of \$6,125 for each NEO (other than Mr. Druskin); (ii) for Mr. Framke \$11,200 in personal travel expenses for family members during 2010 related to his overseas assignment; (iii) for Mr. Freiberg \$34,730 under our agreement to pay him if he declined participation in our health plan, as described under Compensation Discussion and Analysis above; and (iv) the cost of a Company-provided umbrella liability insurance policy.

- (5) Excludes compensation received for his services as non-employee director following him ceasing to be interim CEO, which is reported above under Director Compensation.
- (6) Includes \$1,000,000, representing one year of salary and target bonus, accrued in 2010 in accordance with his Transition Agreement described below.
- (7) Salaries listed for 2009 were higher than annualized salary as a result of an additional payroll period.

## GRANTS OF PLAN-BASED AWARDS (1)

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (2) (Dollars expressed in thousands and rounded to the nearest thousand)			All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards (\$/sh) (3)	Closing Price on Grant Date (\$/sh)	Full Grant Date Fair Value of Equity Awards (\$ (4)
		Threshold (\$)	Target (\$)	Maximum (\$)					
Steven Freiberg		1,125	2,250 (5)	3,375					
Robert Druskin		n/a	n/a	n/a	(6)	(6)			
Bruce Nolop		250	500	750					
	2/11/10				4,589			67,000	
	2/11/10					3,712	14.60	14.90	32,424
Michael Curcio		575	1,150	1,725					
	2/11/10				64,246			938,000	
	2/11/10					51,974	14.60	14.90	453,944
Greg Framke		488	975	1,462					
	2/11/10				55,068			804,000	
	2/11/10					44,549	14.60	14.90	389,094
Nicholas Utton		375	750	1,125					
	2/11/10				50,479			737,000	
	2/11/10					40,836	14.60	14.90	356,669

- (1) Pursuant to SEC disclosure rules, this table does not include equity grants made in early 2011 for performance during 2010 as further described in the Compensation Discussion and Analysis. The table only includes equity awards actually granted during 2010. Pursuant to our prior year's performance plan, these grants were made in early 2010 based on 2009 performance.
- (2) Amounts listed in these columns do not represent amounts actually paid or that may be paid in the future. Rather, these amounts are the target payments that were established under the Company's non-equity compensation plan for 2010 as discussed in the Compensation Discussion and Analysis, above. Payments made under the plan in February 2010 are listed in the Summary Compensation Table under the Non-equity Incentive Plan Compensation column. The amount listed in this table for Mr. Nolop represents his guaranteed bonus for 2010 under his employment agreement.
- (3) In accordance with the terms of its equity compensation plan, the Company has traditionally set the exercise price for stock options as the average of the high and low prices of the Company's stock on the date of the grant. The Company believes that using the average price provides a more accurate representation of the fair market value on the date of the grant, rather than selecting a single point in time (such as the closing of the market, when traders are balancing portfolios and clearing positions for the day, sometimes resulting in anomalies to the stock price).
- (4) The Company calculated the aggregate grant date fair value of the equity awards in accordance with the stock compensation accounting guidance under GAAP, but eliminated from that calculation any estimate of forfeitures related to service-based vesting conditions.
- (5) In accordance with Mr. Freiberg's Employment Agreement, his grant in 2010 was guaranteed at his Target amount, pro rata based upon the nine months he was a Company executive officer.
- (6)



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Does not include stock and option awards made to Mr. Druskin when he served as an independent director of the Company in 2010 which are set forth under Director Compensation above.

## OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

Name	Option Awards				Number of Shares or Units of Stock That Have Not Vested (#) (2)	Stock Awards	
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (1)	Option Exercise Price (\$)	Option Expiration Date		Market Value of Shares or Units of Stock That Have Not Vested (\$ (2)	Grant Date
Robert Druskin	2,000	(3)	\$ 43.55	5/16/2018			
	1,000	1,000 (3)	\$ 14.35	5/28/2019			
					871 (3)	\$ 13,870	5/28/2009
					3,095 (3)	\$ 49,287	5/13/2010
Steven Freiberg							
Bruce Nolop	74,349	20,276 (4)	\$ 32.10	9/12/2015			
		3,712 (5)	\$ 14.60	2/11/2017			
					11,682 (4)	\$ 186,035	9/12/2008
					41,407 (6)	\$ 659,406	9/8/2009
					4,589 (5)	\$ 73,079	2/11/2010
Michael Curcio	10,000		\$ 40.70	10/4/2012			
	7,000		\$ 38.00	3/14/2013			
	2,500		\$ 103.95	11/24/2013			
	7,500		\$ 138.90	2/6/2014			
	2,000		\$ 144.35	2/20/2014			
	2,470		\$ 132.25	2/16/2015			
	4,127		\$ 231.05	2/10/2013			
	5,052		\$ 237.70	2/15/2013			
	2,345	781	\$ 233.25	2/13/2014			
	16,290		\$ 51.90	2/11/2015			
	16,235	32,517 (7)	\$ 9.248	2/20/2016			
		51,974 (5)	\$ 14.60	2/11/2017			
				267	\$ 4,251	2/13/2007	
				43,490 (7)	\$ 692,578	2/20/2009	
				41,407 (6)	\$ 659,406	9/8/2009	
				64,246 (5)	\$ 1,023,117	2/11/2010	
Greg Framke	4,800		\$ 51.00	9/24/2011			
	400		\$ 103.25	1/2/2012			
	7,500		\$ 138.90	2/6/2014			
	2,400		\$ 144.35	2/20/2014			
	2,381		\$ 132.25	2/16/2015			
	3,515		\$ 231.05	2/10/2013			
	4,458		\$ 237.70	2/15/2013			
	2,345	781	\$ 233.25	2/13/2014			
	16,290		\$ 51.90	2/11/2015 (7)			
	14,431	28,904 (7)	\$ 9.248	2/20/2016 (8)			
		44,549 (5)	\$ 14.60	2/11/2017			
					267	\$ 2,125	2/13/2007
				38,657 (7)	\$ 615,612	2/20/2009	
				41,407 (6)	\$ 659,406	9/8/2009	
				55,068 (5)	\$ 876,957	2/11/2010	
Nick Utton	22,500		\$ 112.55	6/25/2014			
	11,573		\$ 108.80	5/3/2012			
	4,012		\$ 237.70	2/15/2013			

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3,752	1,250	\$ 233.25	2/13/2014			
16,290		\$ 51.90	2/11/2015 (7)			
10,823	21,678 (7)	\$ 9.248	2/20/2016 (8)			
	40,836 (5)	\$ 14.60	2/11/2017			
				428	\$ 3,407	2/13/2007
				28,993 (7)	\$ 461,713	2/20/2009
				41,407 (6)	\$ 659,406	9/8/2009
				50,479 (5)	\$ 803,878	2/11/2010

- (1) Unless otherwise noted, all unvested option awards vest equally over a four-year period measured from the date of grant.
- (2) Unless otherwise noted, all unvested restricted stock or restricted stock unit awards vest equally over a four-year period measured from the date of grant. The market value of unvested stock awards is based on \$16.00 per share, which was the closing price of our Common Stock on December 31, 2010.
- (3) These awards were granted were awards made to Mr. Druskin when he served as an independent director of the Company and vest equally over two years from the date of grant.
- (4) These awards to Mr. Nolop vested on the following schedule: 5/14 vested on December 31, 2009; 6/14 vested on December 31, 2010 and the remainder will be paid to Mr. Nolop in accordance with his Transition Agreement.
- (5) These awards vest equally over three years from the date of grant.
- (6) These awards vest over two years, with 1/3 vesting on December 31, 2010 and the remaining two-thirds vesting on December 31, 2011.
- (7) These awards vest over two years, with 1/3 vesting one year from the grant date and the remaining two-thirds vesting two years from the grant date.

**OPTION EXERCISES AND STOCK VESTED**

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)(1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)(1)
Robert Druskin (2)	N/A	N/A	N/A	N/A
Steven Freiberg	N/A	N/A	N/A	N/A
Bruce Nolop	N/A	N/A	54,070	\$ 869,314
Michael Curcio	N/A	N/A	56,127	\$ 888,186
Greg Framke	N/A	N/A	53,417	\$ 846,400
Nicholas Utton	N/A	N/A	48,209	\$ 765,970

- (1) Aggregate value realized upon exercise or vesting is based on the fair market value of our common stock (using the average of the high and low sale prices) on the date of exercise or vesting, as applicable. With respect to options, the value realized is calculated by subtracting the exercise price from that fair market value.
- (2) The above does not include option or stock awards received by Mr. Druskin in his capacity as a director.

**PENSION BENEFITS AND DEFERRED COMPENSATION**

We do not offer any defined benefit retirement plan to any of our employees, including the Named Executive Officers.

Although we have a non-qualified deferred compensation plan, during the fiscal year ended December 31, 2010, none of our NEOs elected to contribute to this plan and there were no aggregate withdrawals, distributions or balance as of December 31, 2010 with respect to any of our

NEOs.

**EMPLOYMENT AGREEMENTS AND POTENTIAL POST-EMPLOYMENT PAYMENTS**

**Transition Arrangement with Our Interim CFO**

Mr. Nolop ceased to be our Chief Financial Officer effective December 31, 2010. In connection with his departure, we entered into an agreement with him whereby he would provide advisory services during the first quarter of 2011 to assist with the transition. He received separation benefits consistent with his employment agreement. He received one year of salary, target bonus and medical benefits and accelerated vesting of his equity awards, as well as a special transition period payment of \$250,000 for remaining during the first quarter of 2011.

### Employment Agreements with Other Named Executive Officers

Under the terms of their employment agreements, each Named Executive Officer (including our Chief Executive Officer) is entitled to severance benefits in the event of (i) an involuntary termination of the executive's employment without Cause (as defined in the employment agreement); or (ii) a voluntary termination of the executive's employment due to an event of Good Reason, in each subject to the executive signing a release. The term Good Reason is defined in the applicable agreement, but generally includes such events as a material decrease in compensation; a material, adverse change in the executive's title, authority, responsibilities or duties; relocation; or a material breach by the Company of the agreement. If the termination occurs in anticipation of, or within two years following, a change in control (which we refer to as a CIC Termination below), the severance benefits are increased, as described below. The severance benefits include:

A lump sum payment equal to one times (or two times upon a CIC Termination) base salary and target bonus;

A pro-rated share of target bonus for the year of the termination if we meet our target performance objectives for the year;

Continued medical coverage for 12 months following termination of employment (or 24 months following a CIC Termination); and

12 months accelerated vesting of outstanding equity compensation awards.

In addition, under our standard forms of equity compensation agreement (including for executive officers), all equity awards become vested in the event of the employee's death. In addition, in the event of the executive's death, we will pay his estate a pro-rata share of his non-equity incentive plan amount for that year.

The following table shows the estimated value of benefits under each of the above scenarios, assuming the specified event occurred on December 31, 2010.

Name	Event of Termination	Cash Payment	Accelerated Vesting of Equity (1)	Other Benefits (2)	Total
Steven Freiberg	Involuntary Termination	\$ 7,000,000 (3)		\$ 20,000	\$ 7,020,000
	CIC Termination	\$ 14,000,000 (3)		\$ 40,000	\$ 14,040,000
	Death	\$ 7,000,000 (4)		\$ 20,000	\$ 7,020,000
Michael Curcio	Involuntary Termination	\$ 2,750,000 (3)	\$ 1,937,358	\$ 11,322	\$ 4,698,680
	CIC Termination	\$ 5,500,000 (3)	\$ 2,665,336	\$ 22,644	\$ 8,187,980
	Death	\$ 2,750,000 (4)	\$ 2,665,336		\$ 5,415,336
Greg Framke	Involuntary Termination	\$ 2,400,000 (3)	\$ 1,784,259	\$ 17,465	\$ 4,201,723
	CIC Termination	\$ 4,800,000 (3)	\$ 2,408,249	\$ 34,929	\$ 7,243,178
	Death	\$ 2,400,000 (4)	\$ 2,408,249		\$ 4,808,249
Nicholas Utton	Involuntary Termination	\$ 2,000,000 (3)	\$ 1,558,686	\$ 17,465	\$ 3,576,150
	CIC Termination	\$ 4,000,000 (3)	\$ 2,130,666	\$ 34,929	\$ 6,165,595
	Death	\$ 2,000,000 (4)	\$ 2,130,666		\$ 4,130,666

- (1) The value of any equity awards that would vest on each event is based on the fair market value of our stock on December 31, 2010, \$15.925, less the applicable exercise price in the case of stock options.

- (2) Consists of continued medical coverage, assuming a cost of \$1,667 per month for Mr. Freiberg, \$944 per month for Mr. Curcio and \$1,455 per month for Messrs. Framke and Utton.

- (3) Represents one times (or two times for the CIC Termination) the sum of salary and target bonus, plus prorated bonus for the year of termination. Because payment of prorated bonus in this circumstance requires us to meet our target performance for the year (which we met for 2010) and termination on December 31, 2010, assumes payment of 100% of target.
- (4) Because this scenario presumes the triggering event occurred on December 31, 2010, the pro-rata value is 100 percent of the target bonus for 2010.

**Equity Compensation Plan Information**

The following table summarizes information, as of December 31, 2010, regarding our equity compensation plans.

	Number of Securities To Be Issued upon Exercise of Outstanding Options, Warrants and Rights (1)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (2)  (in thousands, except price data)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
Equity compensation plans approved by stockholders	4,381	\$ 75.62	14,024
Equity compensation plans not approved by stockholders		\$	
<b>Total</b>	<b>4,381</b>	<b>\$ 75.62</b>	<b>14,024</b>

(1) Includes stock options and RSUs, but not restricted shares.

(2) Excludes RSUs, which have no exercise price.



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## COMPENSATION COMMITTEE REPORT

*The information contained in this report shall not be deemed to be soliciting material or filed or incorporated by reference in future filings with the SEC, or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates it by reference into a document filed under the Securities Act of 1933 or the Exchange Act.*

The Compensation Committee reviewed and discussed the Compensation Discussion and Analysis set forth in this proxy with management. Based on the above-mentioned review and discussions with management, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis set forth in this proxy be included in this proxy statement.

Submitted by the Compensation Committee of the Board of Directors:

Ronald Fisher, Chair

Frederick Kanner, Member

Cathleen Raffaeli, Member

Lewis Randall, Member

Joseph Velli, Member

### Compensation Committee Interlocks and Insider Participation

As discussed above, at various times during 2010, Ronald Fisher, George Hayter, Frederick Kanner, Cathleen Raffaeli, Lewis Randall and Joseph Velli served on the Compensation Committee. None of these individuals was at any time during 2010, or at any other time, an officer or employee of the Company. No executive officer of the Company serves as a member of the board of directors or compensation committee of any other entity that has one or more executive officers serving as a member of the Company's Board or Compensation Committee.

### Policies and Procedures for Approval of Related Person Transactions

In April 2007, the Board formally adopted a Policy with respect to Related Person Transactions to document procedures pursuant to which such transactions are reviewed, approved or ratified. The policy applies to any transaction in which (1) the Company is a participant, (2) any related person has a direct or indirect material interest and (3) the amount involved exceeds \$120,000, but excludes any transaction that does not require disclosure under Item 404(a) of Regulation S-K. The Nominating and Corporate Governance Committee is responsible for reviewing, approving and ratifying any related party transaction. The Nominating and Corporate Governance Committee intends to approve only those related person transactions that are in, or are not inconsistent with, the best interests of the Company and its stockholders. The policy is available, without charge, from our Corporate Secretary and made available on our website at [investor.etrade.com](http://investor.etrade.com) in the Corporate Governance section.

### Certain Relationships and Related Transactions

In 2007, Citadel became a principal stockholder and debt holder of the Company, signed a registration rights agreement with the Company and received the right to appoint a director to the Company's Board, which right was exercised in 2009 when Kenneth C. Griffin, Founder and Chief Executive Officer of Citadel Investments LLC, became a director of the Company. Also in 2007, the Company and Citadel entered into an agreement pursuant to which the Company committed to route substantially all of its customer orders in exchange-listed options and 40% of its customer orders in Regulation NMS Securities to Citadel for order handling and execution through December 31, 2010. In 2009, Citadel acquired newly-issued convertible debentures of the Company in exchange for corporate debt of the Company. In 2010 and 2011, Citadel sold

shares of the Company's common stock in registered underwritten transactions that the Company facilitated under the registration rights agreement. The Company believes, based on publicly available information and additional information supplied by Citadel, that Citadel owns approximately 9.9% of the Company's outstanding common stock or approximately 19.7% of the Company's common stock assuming conversion of the approximately \$314 million principal amount of convertible debentures held by Citadel (but not assuming conversion of convertible debentures held by other parties). In connection with the 2011 transaction, the Company and the trustee amended the indenture for the convertible debentures to permit temporary ownership by Citadel in excess of a conversion blocker in order to facilitate Citadel's sale of shares to the underwriter in such transaction.

#### **LEGAL PROCEEDINGS**

We are not involved in any legal proceedings in which any director or executive officer is adverse to the Company. Certain lawsuits we are involved in are discussed under Note 22 of Item 8. Financial Statements and Supplementary Data in our Annual Report on Form 10-K for the year ended December 31, 2010, filed on February 22, 2011 with the SEC.

#### **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers, and persons who own more than 10% of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership of Common Stock and other equity securities of the Company with the Securities and Exchange Commission (the "SEC"). Officers, directors and beneficial owners of more than 10% of any class of the Company's equity securities are required by SEC regulation to furnish the Company with copies of all Section 16(a) reports they file.

Based solely upon review of the copies of such reports furnished to the Company and written representations, the Company believes that during the fiscal year ended December 31, 2010, that no other reports were required.

#### **STOCKHOLDER PROPOSALS**

Stockholders may submit proposals intended to be included in the Company's Proxy Statement for next year's Annual Meeting of Stockholders no later than December 1, 2011. The proposal must be mailed to the Company's principal offices, 1271 Avenue of the Americas, 14th Floor, New York, New York 10020-1302, Attention: Corporate Secretary. Such proposals may be included in next year's Proxy Statement if they comply with certain rules and regulations promulgated by the SEC. Under the terms of the Company's Bylaws, stockholders who intend to present an item of business at next year's Annual Meeting of Stockholders other than those they wish to include in the Company's proxy materials must provide notice of such business to the Corporate Secretary no earlier than November 1, 2011 and no later than December 1, 2011, as set forth more fully in the Company's Bylaws.

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**AUDIT COMMITTEE REPORT**

*The information contained in this report shall not be deemed to be soliciting material or filed or incorporated by reference in future filings with the SEC, or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates it by reference into a document filed under the Securities Act of 1933, or the Exchange Act.*

In accordance with its written charter as adopted by the Board, the Audit Committee of the Board assists the Board in fulfilling its responsibility for oversight of the quality and integrity of the accounting, auditing and financial reporting practices of the Company. During the year ended December 31, 2010, the Audit Committee met 18 times, and the Audit Committee discussed the interim financial information contained in each quarterly earnings announcement with the Company's Chief Financial Officer and independent auditors prior to public release. The Audit Committee is entirely made up of independent directors as defined in applicable SEC and NASDAQ rules as well as the Company's Corporate Governance Guidelines. These independent directors meet in executive session with the Company's independent and internal auditors without management on at least a quarterly basis.

In discharging its oversight responsibility as to the audit process, the Audit Committee obtained from the independent auditors a formal written statement describing all relationships between the auditors and the Company that might bear on the auditors' independence consistent with applicable requirements of the Public Company Accounting Oversight Board (the PCAOB), discussed with the auditors any relationships that may impact their objectivity and independence, including whether the independent auditors' provision of non-audit services to the Company is compatible with the auditors' independence, and satisfied itself as to the auditors' independence. The Audit Committee also discussed with management, the internal auditors and the independent auditors the quality and adequacy of the Company's internal controls and the internal audit function's organization, responsibilities, budget and staffing. The Audit Committee reviewed with both the independent and the internal auditors their audit plans, audit scope and identification of audit risks.

The Audit Committee discussed and reviewed with the independent auditors all communications required by generally accepted accounting standards, and standards of the PCAOB, including those described in PCAOB AU Section 380, Communication with Audit Committees, and, with and without management present, discussed and reviewed the results of the independent auditors' examination of the financial statements. The Audit Committee also discussed the results of internal audit examinations.

The Audit Committee reviewed and discussed the audited financial statements of the Company as of and for the year ended December 31, 2010, with management and the independent auditors. Management has the responsibility for the preparation of the Company's financial statements and the independent auditors have the responsibility for the examination of those statements.

Based on the above-mentioned review and discussions with management, the internal auditors and the independent auditors, the Audit Committee recommended to the Board that the Company's audited financial statements be included in its Annual Report on Form 10-K for the year ended December 31, 2010, for filing with the Securities and Exchange Commission. The Audit Committee also recommended the reappointment, subject to stockholder ratification, of the independent auditors, and the Board concurred in such recommendation.

Submitted by the Audit Committee of the Company's Board of Directors:

Joseph L. Sclafani (Chair)  
Frederick Kanner  
Michael K. Parks  
Donna L. Weaver  
Stephen H. Willard

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE  
STOCKHOLDER MEETING TO BE HELD ON MAY 12, 2011.**

This Proxy Statement and the Company's Annual Report on Form 10-K are available at [www.proxyvote.com](http://www.proxyvote.com).

**FORM 10-K**

On February 22, 2011, the Company filed an Annual Report on Form 10-K for the year ended December 31, 2010 with the Securities and Exchange Commission. Stockholders may obtain a copy of the Annual Report, as well as copies of this Proxy Statement and a proxy card, without charge on the Company's website, by writing to the Corporate Secretary, at the Company's principal offices located 1271 Avenue of the Americas, 14th Floor, New York, New York 10020-1302, or [ir@etrade.com](mailto:ir@etrade.com), or by calling us at (646) 521-4340.

**OTHER MATTERS**

Management does not know of any matters to be presented at this Annual Meeting of Stockholders other than those set forth herein and in the Notice accompanying this Proxy Statement.

*E\*TRADE FINANCIAL CORPORATION*

*1271 AVENUE OF THE AMERICAS*

*14TH FLOOR*

*NEW YORK, NY 10020*

  

Investor Address Line 1

Investor Address Line 2

Investor Address Line 3

Investor Address Line 4

Investor Address Line 5

John Sample

1234 ANYWHERE STREET

ANY CITY, ON A1A 1A1

**VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS**

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

NAME	CONTROL #
THE COMPANY NAME INC. - COMMON	123,456,789,012.12345
THE COMPANY NAME INC. - CLASS A	123,456,789,012.12345
THE COMPANY NAME INC. - CLASS B	123,456,789,012.12345
THE COMPANY NAME INC. - CLASS C	123,456,789,012.12345

THE COMPANY NAME INC. - CLASS D		123,456,789,012.12345
THE COMPANY NAME INC. - CLASS E		
THE COMPANY NAME INC. - CLASS F		
THE COMPANY NAME INC. - 401 K		123,456,789,012.12345
PAGE 1 OF 2		

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS: X

KEEP THIS PORTION FOR YOUR RECORDS  
DETACH AND RETURN THIS PORTION ONLY

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

**The Board of Directors recommends you vote FOR the following:**

<b>1.</b> Election of Directors	<b>For</b>	<b>Against</b>	<b>Abstain</b>
1a. Robert A. Druskin	..	..	..

1b. Frederick W. Kanner	..	..	..	<b>The Board of Directors recommends you vote FOR the following proposal:</b>	<b>For</b>	<b>Against</b>	<b>Abstain</b>
-------------------------	----	----	----	---	------------	----------------	----------------

1c. Joseph M. Velli	..	..	..	<b>4</b> To ratify the selection of Deloitte & Touche LLP as independent registered public accounting firm for the Company for 2011	..	..	..
---------------------	----	----	----	---	----	----	----

**The Board of Directors recommends you vote FOR the following advisory proposal:**

<b>2</b> The compensation of the named executive officers, as disclosed in the company's Proxy Statement for the 2011 Annual Meeting of Stockholders	<b>For</b>	<b>Against</b>	<b>Abstain</b>
	..	..	..

**NOTE:** In their discretion, the proxies are authorized to vote on such other business as may properly come before the meeting or any adjournment thereof.

**The Board of Directors recommends you vote 1 YEAR on the following advisory proposal:**

<b>3</b> The frequency for advisory votes on executive compensation	<b>1 year</b>	<b>2 years</b>	<b>3 years</b>	<b>Abstain</b>
	..	..	..	..



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For address change/comments, mark here.

(see reverse for instructions)

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name, by authorized officer.

Investor Address Line 1		
Investor Address Line 2		
Investor Address Line 3		
Investor Address Line 4		
Investor Address Line 5		
John Sample		
1234 ANYWHERE STREET		
ANY CITY, ON A1A 1A1		
Signature [PLEASE SIGN WITHIN BOX]	<b>JOB #</b>	<b>SHARES</b>
Signature (Joint Owners)	Date	<b>CUSIP #</b>
		<b>SEQUENCE #</b>

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:** The Annual Report, Notice & Proxy Statement is/are available at [www.proxyvote.com](http://www.proxyvote.com).

**E\*TRADE FINANCIAL CORPORATION**

**Annual Meeting of Stockholders**

**May 12, 2011 10:00 AM**

**This proxy is solicited by the Board of Directors**

The undersigned hereby appoints Steven J. Freiberg and Karl A. Roessner, and each or any of them as Proxies of the undersigned, with full power of substitution, and hereby authorizes them to represent and to vote, as directed on the reverse side of this card, all of the shares of Common Stock of E\*TRADE Financial Corporation, held of record by the undersigned on March 14, 2011 at the Annual Meeting of Stockholders of E\*TRADE Financial Corporation to be held May 12, 2011, or at any postponement or adjournment thereof.

**If no such directions are made, this proxy will be voted as recommended by our Board of Directors.**

**Address change/comments:**

(If you noted any Address Changes and/or Comments above, please mark corresponding box on the reverse side.)

**Continued and to be signed on reverse side**