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TD to Buy Headlands for Push Into Quantitative Bond Trading.

- **Headlands provides fully automated market-making services**
- **Toronto-Dominion has said it's open to deals amid downturn**

Toronto-Dominion Bank agreed to buy Headlands Tech Global Markets LLC, a quantitative fixed-income trading company, to help expand in the municipal and corporate bond markets.

Headlands, with 15 employees and offices in Chicago and San Francisco, was founded in 2013 and has proprietary software that offers fully automated market-making services, Toronto-Dominion said in a statement Tuesday. Financial details of the purchase weren't disclosed, but the bank said it will have a "minimal impact" on capital.

"This acquisition further strengthens our electronic bond-trading infrastructure and underscores our commitment to delivering data-driven innovation and growing our global platform," TD Securities Chief Executive Officer Bob Dorrance said in the statement.

Toronto-Dominion said in January it was open to acquisitions that take advantage of the economic downturn, and much of the speculation was that the bank might look to add to its U.S. retail footprint. The bank has about C\$12 billion in capital beyond what it would need to maintain the 11% common equity tier 1 ratio that banks generally target, meaning it has capacity for a large acquisition.

So far though, the bank has announced only relatively small takeovers this year. In addition to the Headlands deal, Toronto-Dominion in January said it was buying Wells Fargo & Co.'s Canadian direct equipment finance business, which has about C\$1.5 billion in assets and 120 employees across the country. Financial terms of that deal weren't disclosed either.

Toronto-Dominion was little changed at C\$82.10 at 9:50 a.m. in Toronto. The shares have risen 14% this year, matching the gain for the S&P/TSX Commercial Banks Index.

Banks have benefited from a surge in trading volume as the pandemic roiled markets, boosting results in their capital markets divisions. In the fiscal first quarter, Toronto-Dominion reported wholesale-banking revenue of C\$1.31 billion, up 25% from a year earlier, on higher trading-related revenue and loan, underwriting and advisory fees.

Toronto-Dominion gets a relatively small portion of its revenue from capital-markets activities. The lender generated only about 11% of its fiscal 2020 revenue from wholesale banking, while rival Royal Bank of Canada got 21% of revenue from its capital-markets division.

Bloomberg Markets

By Kevin Orland

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— *With assistance by Steve Dickson*

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