

FOR IMMEDIATE RELEASE

E*TRADE FINANCIAL Media Contact

Pam Erickson
E*TRADE FINANCIAL Corporation
617-296-6080
pam.erickson@etrade.com

E*TRADE FINANCIAL Investor Relations Contact

Adam Townsend
E*TRADE FINANCIAL Corporation
703-236-8719
adam.townsend@etrade.com

E*TRADE FINANCIAL RECEIVES APPROVAL FROM THE FEDERAL RESERVE BOARD TO OPERATE E*TRADE CLEARING AS A SUBSIDIARY OF E*TRADE BANK

New York, October 27, 2006 – E*TRADE FINANCIAL Corporation (NYSE: ET) today announced it has received approval from the Federal Reserve Board to make E*TRADE Clearing an operating subsidiary of E*TRADE Bank.

“The decision by the Federal Reserve Board paves the way for us to move forward with the final phases of our structural balance sheet integration,” said R. Jarrett Lilien, President and COO, E*TRADE FINANCIAL Corporation. “The new structure will provide the company with more efficient capital allocation and lower cost of funding as we leverage brokerage cash to fund balance sheet growth and lower hedging costs to optimize the duration characteristics of brokerage assets and liabilities.”

The Company will provide specific future benefits to the business model during its 2007 guidance discussion in December.

About E*TRADE FINANCIAL

The E*TRADE FINANCIAL family of companies provides financial services including trading, investing, banking and lending for Retail and Institutional customers. Securities products and services are offered by E*TRADE Securities LLC (Member NASD/SIPC). Bank and lending products and services are offered by E*TRADE Bank, a Federal savings bank, Member FDIC, or its subsidiaries.

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previously filed by E*TRADE FINANCIAL Corporation with the SEC on Form 10-K (including information under the caption "Risk Factors") and quarterly reports on Form 10-Q.

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