The Depository Trust & Clearing Corporation

Consolidated Financial Statements as of and for the Years
Ended December 31, 2013 and 2012, and Independent
Auditors' Report

THE DEPOSITORY TRUST & CLEARING CORPORATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
The Depository Trust & Clearing Corporation

We have audited the accompanying consolidated financial statements of The Depository Trust & Clearing Corporation and its subsidiaries (the "Company"), which comprise the consolidated statements of financial condition as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Depository Trust & Clearing Corporation and its subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

April 1, 2014

THE DEPOSITORY TRUST & CLEARING CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(In thousands, except for share data)

	As of December 31,	
	2013	**2012**
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 818,020	$ 624,058
Participants' segregated cash	118,232	37,445
Investments in marketable securities	-	35,984
Accounts receivable - net of allowance for doubtful accounts of $838 and $575 at December 31, 2013 and 2012, respectively	147,397	110,703
Participant and clearing fund:		
Cash deposits	14,254,239	13,048,114
Investments in marketable securities	200,000	200,000
Interoperability cash deposits	111,453	104,819
Other deposits - securities at fair value	8,553,916	8,686,035
Other participant assets	585,836	1,237,479
Other current assets	73,512	97,187
Total current assets	24,862,605	24,181,824
NON-CURRENT ASSETS		
Premises and equipment - net of accumulated depreciation of $435,722 and $383,975 at December 31, 2013 and 2012, respectively	253,491	214,509
Goodwill	65,535	7,836
Intangible assets - net of accumulated amortization of $495,669 and $407,407 at December 31, 2013 and 2012, respectively	566,856	203,861
Equity method investments	10,158	214,089
Other non-current assets	348,730	441,441
Total non-current assets	1,244,770	1,081,736
TOTAL ASSETS	$ 26,107,375	$ 25,263,560
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 138,908	$ 145,972
Participant and clearing fund:		
Cash deposits	14,415,692	13,202,933
Other deposits - securities at fair value	8,553,916	8,686,035
Payable to participants	704,068	1,274,924
Current portion of long term debt	19,927	28,675
Other current liabilities	195,186	246,279
Total current liabilities	24,027,697	23,584,818
NON-CURRENT LIABILITIES		
Long-term debt and other borrowings	466,958	193,135
Pension and post retirement benefits	222,740	403,169
Other non-current liabilities	383,744	331,301
Total non-current liabilities	1,073,442	927,605
Total liabilities	25,101,139	24,512,423
COMMITMENTS AND CONTINGENT LIABILITIES (Note 20)		
SHAREHOLDERS' EQUITY		
Preferred stock:		
Series A, $0.50 par value - 10,000 shares authorized, issued (above par), and outstanding	300	300
Series B, $0.50 par value - 10,000 shares authorized, issued (above par), and outstanding	300	300
Common stock, $100 par value - 28,500 shares authorized, 23,655 shares issued and outstanding	2,366	2,366
Paid-in capital	13,571	13,571
Retained earnings:		
Appropriated	-	423,700
Unappropriated	943,792	365,477
Treasury stock	(42)	(42)
	960,287	805,672
Accumulated other comprehensive loss, net of tax	(104,051)	(204,535)
Non-controlling interest	150,000	150,000
Total shareholders' equity	1,006,236	751,137
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 26,107,375	$ 25,263,560

See notes to consolidated financial statements.

THE DEPOSITORY TRUST & CLEARING CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

(In thousands)

	For the years ended December 31, 2013	2012
REVENUES:		
Settlement and asset services	$ 519,330	$ 449,180
Clearing services	397,875	367,623
Data and repository services	153,115	97,522
Investment product services	94,590	83,056
Other services	45,734	55,065
Income from equity method investments	26,037	33,536
Total revenues	1,236,681	1,085,982
EXPENSES:		
Employee compensation and related benefits	495,131	490,637
Information technology	127,963	130,495
Professional and other services	299,952	257,292
Occupancy	55,812	52,589
Depreciation and amortization	140,009	89,395
Other general and administrative	8,357	19,510
Total expenses	1,127,224	1,039,918
Total operating income	109,457	46,064
NON-OPERATING INCOME (EXPENSE):		
Interest income	9,189	28,792
Refunds to Participants	(7,553)	(11,192)
Interest expense	(14,285)	(26,543)
Impairment on equity method investments	(4,978)	(55,170)
Other income	120,415	-
Total non-operating income (expense)	102,788	(64,113)
Income (loss) before taxes	212,245	(18,049)
Provision for income taxes	57,630	6,789
Net income (loss)	154,615	(24,838)
Net income attributable to non-controlling interests	240	240
Net income (loss) attributable to DTCC	$ 154,375	$ (25,078)

See notes to consolidated financial statements.

THE DEPOSITORY TRUST & CLEARING CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

	For the years ended December 31,	
	2013	**2012**
Net income (loss)	$ 154,615	$ (24,838)
OTHER COMPREHENSIVE INCOME - Net of tax:		
Defined benefit pension and other plans:		
DTCC (1)	97,100	43,602
DTCC's share of Omgeo	-	469
Currency translation:		
DTCC (2)	3,038	(277)
DTCC's share of Omgeo	-	573
DTCC's share of MarkitServ	-	387
Derivative instruments:		
DTCC (3)	346	(41)
Other comprehensive income	100,484	44,713
Comprehensive income	255,099	19,875
Comprehensive income attributable to non-controlling interests	240	240
Comprehensive income attributable to DTCC	$ 254,859	$ 19,635

(1) Amounts are net of provisions for income taxes of $72,279 and $31,955 for 2013 and 2012, respectively.
(2) Amounts are net of provisions for income taxes of $1,006 and $862 for 2013 and 2012, respectively.
(3) Amounts are net of provisions for income taxes of $231 and $27 for 2013 and 2012, respectively.

See notes to consolidated financial statements.

THE DEPOSITORY TRUST & CLEARING CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS’ EQUITY
(In thousands)

								Accumulated Other Comprehensive Income (Loss), Net of Tax				
	Preferred Stock				Retained Earnings							
	Series A	Series B	Common Stock	Paid-In Capital	Appropriated	Unappropriated	Treasury Stock	Defined Benefit Pension and Other Plans	Currency Translation	Derivative Instruments	Non-controlling Interests	Total Shareholders' Equity
BALANCE - December 31, 2011	$ 300	$ 300	$ 2,366	$ 12,671	$ 372,876	$ 441,379	$ (42)	$ (240,485)	$ (8,063)	$ (700)	$ 150,000	$ 730,602
Net loss	-	-	-	-	50,824	(75,902)	-	-	-	-	240	(24,838)
Other comprehensive income (loss)	-	-	-	-	-	-	-	44,071	683	(41)	-	44,713
Capital contribution	-	-	-	900	-	-	-	-	-	-	-	900
Dividend to Non-controlling interests	-	-	-	-	-	-	-	-	-	-	(240)	(240)
BALANCE - December 31, 2012	$ 300	$ 300	$ 2,366	$ 13,571	$ 423,700	$ 365,477	$ (42)	$ (196,414)	$ (7,380)	$ (741)	$ 150,000	$ 751,137
Net income	-	-	-	-	-	154,615	-	-	-	-	240	154,855
Other comprehensive income	-	-	-	-	-	-	-	97,100	3,038	346	-	100,484
Transfer of appropriated retained earnings	-	-	-	-	(423,700)	423,700	-	-	-	-	-	-
Dividend to Non-controlling interests	-	-	-	-	-	-	-	-	-	-	(240)	(240)
BALANCE - December 31, 2013	$ 300	$ 300	$ 2,366	$ 13,571	$ -	$ 943,792	$ (42)	$ (99,314)	$ (4,342)	$ (395)	$ 150,000	$ 1,006,236

See notes to consolidated financial statements.

THE DEPOSITORY TRUST & CLEARING CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	For the years ended December 31,	
	2013	**2012**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 154,615	$ (24,838)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	140,009	89,395
Loss on disposal of equipment	2,930	6,040
Gain on Omgeo acquisition	(129,581)	-
Impairment on equity method investment	4,978	55,170
Net premium amortized on investments in marketable securities	(59)	751
Deferred income taxes	76,224	3,951
Distributions from equity method investments - net of earnings	(6,037)	25,307
Changes in operating assets and liabilities:		
Decrease (increase) in equity method investments	175,151	(7,018)
Increase in accounts receivable	(7,002)	(9,403)
Decrease in other assets	813	135,792
Decrease in other participants' assets	651,643	6,541
(Decrease) increase in accounts payable	(8,104)	54,035
Decrease in payable to participants	(570,856)	(31,427)
Increase in other liabilities	5,225	171,473
Decrease in pension and post retirement benefits	(93,914)	(87,425)
Increase in participant and clearing fund cash deposits	6,634	134,819
Net cash provided by operating activities	402,669	523,163
CASH FLOWS FROM INVESTING ACTIVITIES:		
Maturities of investments in marketable securities	436,043	504,000
Acquisition of Omgeo, net of cash aquired	(199,418)	-
Purchases of investments in marketable securities	(400,000)	(435,000)
Change in segregated cash	(87,421)	(79,933)
Purchase of equity method investments	(10,158)	-
Purchases of software	(135,960)	(98,451)
Purchases of premises and equipment	(16,851)	(133,867)
Net cash used in investing activities	(413,765)	(243,251)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital contributions	-	900
Payments to non-controlling interests	(240)	(240)
Proceeds from issuance of debt and notes payable	232,704	64,000
Principal payments on debt and capital lease obligations	(30,444)	(229,714)
Net cash provided by (used in) financing activities	202,020	(165,054)
Effect of foreign exchange rate changes on cash and cash equivalents	3,038	683
Net increase in cash and cash equivalents	193,962	115,541
Cash and cash equivalents - Beginning of year	$ 624,058	$ 508,517
Cash and cash equivalents - End of year	$ 818,020	$ 624,058
SUPPLEMENTAL DISCLOSURES:		
Non-cash financing activity - capitalized lease	$ 61,075	$ 21,690
Income taxes paid - net of refunds	$ 50,646	$ 35,656
Interest paid	$ 10,877	$ 23,028
Acquisition:		
Fair value of assets acquired	$ 366,678	
Liabilities assumed	(64,796)	
Gain on previously existing equity method investment	(129,581)	
Goodwill	57,699	
Total purchase price	230,000	
Cash aquired	(30,582)	
	199,418	

See notes to consolidated financial statements.

1. BUSINESS AND OWNERSHIP

The Depository Trust & Clearing Corporation (DTCC) is a holding company that supports various operating subsidiaries including The Depository Trust Company (DTC), National Securities Clearing Corporation (NSCC), Fixed Income Clearing Corporation (FICC), Omgeo LLC (Omgeo), DTCC Deriv/SERV LLC, DTCC Solutions LLC, European Central Counterparty Limited (EuroCCP), DTCC Solutions Worldwide Limited, Business Entity Data B.V (BED), and Avox Limited (Avox), collectively, the "Company" or "Companies."

Subsidiaries

DTC is a limited-purpose trust company under New York State banking law, a member of the Federal Reserve System, and a clearing agency registered with the U.S. Securities and Exchange Commission (SEC). DTC provides central securities depository, settlement and related services to members of the securities, banking, and other financial industries.

NSCC is a clearing agency registered with the SEC that provides various services to members of the financial community, consisting principally of securities trade capture (validation and comparison), clearance, netting, and risk management services.

FICC is a clearing agency registered with the SEC that provides various services to members of the government and mortgage-backed securities markets, consisting principally of automated real-time trade comparison, netting, settlement, trade confirmation, risk management, and electronic pool notification. FICC has two divisions, the Government Securities Division (GSD) and the Mortgage-Backed Securities Division (MBSD).

Omgeo LLC was a joint venture between DTCC and Thomson Reuters (Thomson), providing post-trade processing and other related services primarily to the securities, banking, and other institutions in the financial industry. On October 1, 2013, the Company acquired 49.9% of the outstanding common stock of Omgeo LLC it previously did not own. Refer to Note 4 Acquisitions for additional details.

DTCC Deriv/SERV LLC through its subsidiaries enhances transparency and provides operational efficiency for the derivatives market. Its trade repositories support a multitude of data submissions including real-time price reporting, transaction details, confirmation records and valuation data. Its Warehouse Trust Company subsidiary provides life cycle event processing including credit event processing and payment reconciliation/netting.

DTCC Solutions LLC provides information and technology solutions that help financial institutions manage risk, and create more efficient internal processes.

EuroCCP is a Registered Clearing House (RCH) in the United Kingdom regulated by the Bank of England (BOE). EuroCCP provides a pan-European clearing solution offering the economies of scale and risk management expertise of the U.S. market to European market Participants.

Avox validates and maintains business entity reference data, including corporate hierarchies, registered address information, industry sector codes, and company identifiers.

BED is responsible for developing and maintaining the Commodity Futures Trading Commission (CFTC) Interim Compliant Identifier (CICI) Utility.

The members of DTCC's clearing agencies and RCH are collectively referred to as Participants.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation. The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States. The consolidated financial statements include the accounts of DTCC and its wholly owned subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Management makes estimates regarding the collectability of receivables, the outcome of litigation, the realization of deferred taxes, the recognition of uncertain tax benefits, fair value measurements, and other matters that affect the reported amounts. Estimates, by their nature, are based on judgment and available information. Therefore, actual results could differ from those estimates.

Acquired Businesses. The Consolidated Statements of Financial Condition and Consolidated Statements of Income include the results of acquired businesses accounted for using the acquisition method of accounting in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 805, Business Combinations and equity investments, from the dates of acquisition. The acquisition method requires the Company to recognize the fair value of the assets acquired, liabilities assumed, and any non-controlling interests in the acquiree on the date of acquisition. The excess of the fair value of the purchase consideration over the identifiable assets and liabilities is recorded as goodwill. The Company may record adjustments to the assets acquired and liabilities assumed with an offset to goodwill during the one-year measurement period. After the measurement period, any adjustments will be recorded through the Consolidated Statement of Income.

Equity Method Investments. Equity method investments of less than a majority, but at least 20% ownership are accounted by the equity method. The investments are initially recognized at cost. Earnings are recorded through the Consolidated Statement of Income in the period earned. Dividends are recorded as a reduction in the investment account.

Non-Controlling Interests. Non-controlling interests included in permanent equity are adjusted for the income or (loss) attributable to the non-controlling interest holders and any distributions to those shareholders.

Cash and Cash Equivalents. All highly liquid investments purchased with an original maturity of three months or less at the date of acquisition are classified as cash and cash equivalents. Cash equivalents consist primarily of highly liquid investments in time deposits held in banks, overnight commercial paper instruments, and reverse repurchase agreements.

Reverse repurchase agreements provide for the Companies' delivery of cash in exchange for securities having a fair value which is at least 102% of the amount of the agreements. Securities purchased under the overnight reverse repurchase agreements are typically U.S. Treasury and agency securities. Overnight reverse repurchase agreements as of December 31, 2013 and 2012, were $0 and $242,845,000, respectively, and are recorded at the contract amounts.

Participants Segregated Cash. The Company receives cash in exchange for the exclusive benefit of the Participants' customers for the Participants' compliance with SEC rule 15c3-3 (customer protection) and interoperability with other central counterparties (CCP's).

Investments in Marketable Securities. The Company's investments consist principally of U.S. Treasury securities and investment-grade corporate notes. The maturity of marketable securities is typically 12 months or less. All of the marketable securities are classified as held to maturity and are recorded at amortized cost. The Company intends and has the ability to hold all held-to-maturity securities to maturity. The Company does not intend to reclassify any amount of held-to-maturity investments to available-for-sale or trading investments.

The Company performs a periodic review of its investment portfolio for impairment. A debt security is considered impaired if its fair value is less than its carrying value. The decline in fair value is determined to be other-than-temporary impairment if (a) the Company has the intent to sell the impaired debt security or (b) it is more likely than not the Company will be required to sell the security before the recovery of the amortized cost. Additionally, regardless of whether there is intention to sell or requirement to sell, if the Company does not expect to recover the entire amortized cost basis, the impaired debt security is considered an other-than-temporary impairment. The Company does not intend to sell those securities and it is not more likely than not the Company will have to sell.

Fair Value Measurements. The guidance related to "Fair Value Measurements" included in FASB ASC Topic 820 defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market Participants at the measurement date and establishes a framework for measuring fair value.

Valuation Hierarchy. FASB ASC Topic 820 established a three-level valuation hierarchy for disclosure of fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The three levels of the fair value hierarchy are described as follows:

Level 1 — Inputs to the valuation methodology are unadjusted quoted market prices for identical assets or liabilities in active markets as of the valuation date.

Level 2 — Inputs to the valuation methodology are other than unadjusted quoted market prices for similar assets and liabilities in active markets, which are either directly or indirectly observable as of the valuation date or can be derived principally from or corroborated by observable market data.

Level 3 — Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Financial Instruments Measured at Fair Value. The Company has established processes for determining fair values. Fair value is based upon quoted market prices in active markets, where available. Where quotes from recent exchange transactions are not available, the Company determines fair value based on discounted cash flow analyses or performing comparisons to similar instruments. Discounted cash flow analyses are dependent upon estimated future cash flows and level of interest rates.

Financial Instruments Not Measured at Fair Value. The carrying amounts of financial instruments (i.e., monetary assets and liabilities) are determined under different accounting methods. As discussed in Note 12 Fair Value Measurements, these instruments are discussed on a uniform fair value basis. However, active markets do not exist for a significant portion of these instruments. For financial instruments where quoted prices for identical assets and liabilities in active markets do not exist, the Company determines fair value based on discounted cash flow analyses and comparable pricing of similar instruments.

Financial Instruments Measured at Fair Value on a Non-Recurring Basis. The Company has established processes for determining fair values. Where quotes from recent exchange transactions are not available, the Company determines fair value based on discounted cash flow analyses, comparison to similar instruments. Discounted cash flow analyses are dependent upon estimated future cash flows and level of interest rates.

The Company uses recently executed transactions, other observable market data such as exchange data, broker/dealer quotes, third party pricing vendors and aggregation services for validating their fair values of financial instruments. The Company assesses the external sources and their valuation methodologies to determine if the external providers meet the minimum standards expected of a third-party pricing source. Pricing data provided by approved external sources are evaluated using a number of approaches to ensure that the highest-ranked market data source is used to validate fair value of financial instruments.

Accounts Receivable. Accounts receivable are stated at cost, net of an allowance. The Company establishes an allowance for doubtful accounts receivable to ensure the Company has not overstated receivable balances due to uncollectibility. The Company determines the need for an allowance based on a variety of factors, including the length of time receivables are past due, macroeconomic conditions, historical experience and the financial condition of customers, and other debtors.

Participant and Clearing Fund. Margin deposits and Participant contributions are maintained within the Participant and Clearing fund on the Consolidated Statements of Financial Condition due to the benefits and risk ownership being accrued to the Company. Deposits and contributions may be in the form of cash and cash equivalents or securities. These deposits and contributions may be applied to satisfy obligations of the depositing Participant, other Participants, or the Company as provided in the Company rules.

Cash Deposits and Investments in Marketable Securities. Deposits may be invested in overnight reverse repurchase agreements, commercial paper, money markets funds, and interest bearing deposits. DTCC invests available Clearing Fund and Participant Fund deposits principally in overnight reverse repurchase agreements. Reverse repurchase agreements provide for DTCC's delivery of cash in exchange for securities having a fair value, which is at least 102% of the amount of the agreements. Securities purchased under overnight reverse repurchase agreements are typically U.S. Treasury and agency securities. Overnight reverse repurchase agreements as of December 31, 2013 and 2012, were $6,263,720,000 and $6,353,475,000, with 12 and 9 participants, respectively, and are recorded at contract amounts. Any interest earned on these investments are accrued and is included within interest income in the Consolidated Statements of Income. Any amounts that were passed through to Participants are included as refunds to Participants in the Consolidated Statements of Income.

Other Deposits, at Fair Value. Securities may include US Treasury Securities, US agency-issued debt securities, and US agency residential mortgage-backed securities. Any interests earned on these investments are accrued and included within interest income in the Consolidated Statements of Income. Any amounts that were passed through to Participants are included as refunds to Participants on the Consolidated Statements of Income. Refer to Note 12 Fair Value Measurements, for additional details of the fair value classification and measurement of these instruments.

Securities Held in Custody. Securities held in custody by DTC for participants, which are predominantly in electronic book form, but also include physical certificates, are not reported in the Consolidated Financial Statements. Cash dividends and interest received by DTC or due on such securities and in the process of distribution or awaiting claim are included in payable to Participants. Short positions occasionally exist in securities balances and are credited to the account of the Participants; such short positions are valued and collateralized daily by 130% of the short position reflected in other Participant assets. DTC's obligation to return such cash collateral to a Participant is also reflected in payable to Participants.

Premises and Equipment. Premises and equipment are stated at cost, net of accumulated depreciation. Routine maintenance, repairs and replacement costs are expensed as incurred and improvements that appreciably extend the useful life of the assets are capitalized. When equipment is sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income. Premises and equipment are reviewed for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable.

Leasehold improvements are amortized using the straight line method over their useful lives or the remaining term of the related lease, whichever is shorter. Furniture and equipment are depreciated over estimated useful lives ranging from five to seven years, using accelerated double declining methods. Building and improvements are primarily amortized over 39 years using the straight line method. Depreciation expense for leasehold improvements, furniture and equipment, and buildings and improvements are included in depreciation and amortization in the Consolidated Statements of Income.

Goodwill and Identified Intangible Assets. Identified intangible assets with estimable lives are amortized in a pattern consistent with the assets' identifiable cash flows or using a straight-line method over their remaining estimated benefit periods if the pattern of cash flows is not estimable. Intangible assets with estimable lives are reviewed for possible impairments when events or changed circumstances may affect the underlying basis of the asset. Goodwill and intangible assets with indefinite lives are not amortized, but are assessed annually for impairment or more often if events and circumstances indicate it is more likely than not they may be impaired. Refer to Note 10 Goodwill and Intangible assets for additional disclosures.

Capitalized Software. The Company capitalizes eligible costs associated with the acquisition or development of internal-use software projects that provide new or significantly improved functionality. The Company capitalizes projects that are expected to result in longer-term operational benefits, such as replacement systems or new applications that result in significantly increased operational efficiencies or functionality. Once the software is ready for its intended use, the Company amortizes the capitalized cost on a straight line basis over an estimated useful life of two to five years. All other costs incurred in connection with an internal-use software project are expensed as incurred. Capitalized software is included in intangible assets on the Consolidated Statements of Financial Condition.

The Company considers many factors, including estimated future utility to estimate cash flows. Impairments are reviewed annually or more frequently if certain events or circumstances exist. The Company calculates the estimated fair value of finite lived intangible assets using undiscounted cash flows that are expected to result from the use of intangible assets or group of assets. For indefinite-lived intangible assets, an impairment exists when the carrying amount exceeds its fair value.

Impairment of Long-Lived Assets. The Company evaluates long lived assets for impairment when indicators of impairment are present. The Company periodically evaluates the recoverability of long lived assets when events or changes in circumstances indicate the carrying amount of an asset may not be fully recoverable. When indicators of impairment are present, the carrying values of the assets are evaluated in relation to the operating performance and future undiscounted cash flows of the underlying business. The net book value of the underlying asset is adjusted to its fair value if the sum of the future undiscounted cash flows is less than its book value. Fair values are based on estimates of market prices and assumptions concerning the amount and timing of estimated future cash flows and assumed discount rates, reflecting varying degrees of perceived risk. Impairment losses are included in general and administrative expenses on the accompanying Consolidated Statements of Income.

The Company considers the following to be important factors that could trigger an event driven impairment review:

- Significant underperformance relative to historical or projected future operating results;
- Identification of other impaired assets within a reporting unit;
- A more likely than not expectation that a reporting unit or a significant portion of a reporting unit will be sold;
- Significant adverse changes in business climate or regulations;
- Significant changes in the manner of use of the acquired assets or the strategy for the Company's overall business or significant negative industry or economic trends.

Derivatives and Hedging. The Company enters into various derivative financial instruments for non-trading purposes primarily as part of its asset/liability management process. These derivatives are designated as either fair value or cash flow hedges of certain assets and liabilities when the Company enters into the derivative contracts. Gains and losses associated with fair value hedges are recorded in income as well as any change in the value of the related hedged item associated with the designated risks being hedged. Gains and losses on cash flow hedges are recorded in Other Comprehensive Income (OCI), until reclassified into earnings to meet the risks being hedged. Foreign currency transaction gains and losses related to a hedged net investment in foreign operation, net of their tax effect, are recorded with cumulative foreign currency translation adjustments within OCI. The Company formally documents all relationships between hedging instruments and hedged items, as well as the Company's risk-management objectives and strategy for undertaking various hedging transactions. Hedge accounting is applied when a derivative is highly effective at reducing the risk associated with the hedged exposure and the risk management objective and strategy are documented. Hedge documentation identifies the derivative hedging instrument, the asset or liability and type of risk hedged, and how the effectiveness of the derivative is assessed prospectively and retrospectively. Derivatives not designated as hedges are recorded at fair value through the Consolidated Statements of Income.

Information relating to the Company's derivatives holdings and swap agreements are in Note 12 Fair Value Measurements, and Note 15 Debt.

Revenue Recognition. The Company derives its revenue from transaction fees, subscription and support services, other professional services, and other services. Revenue from transaction fees is recognized when services are provided while subscription and support revenue is recognized ratably over the contract terms.

Professional services and other revenues, when sold with subscription and support offerings, are accounted for separately when these services have value to the customer on a standalone basis. The Company considers the following factors when determining whether professional services should be accounted for separately from subscription and support services: (i) availability of similar services from other vendors, (ii) objective and reliable evidence of fair value exists for the undelivered elements, (iii) the nature of the services, (iv) the timing of when the services contract was signed in comparison to the license/subscription service start date, and (v) the contractual dependence of the license/subscription service on the customer’s satisfaction of the services.

If the services contract does not qualify for separate accounting, DTCC recognizes professional services ratably over the remaining term of the subscription. If the service contract qualifies for separate accounting, revenues are recognized as the services are rendered. The Company allocates the total amount the customer will pay to the separate units of accounting based on their relative fair values, as determined by the price of the undelivered items when sold separately.

Other Services. Other services represents fees generated from providing various support services and office facilities to related parties and recognized when services are provided based on contractual terms.

Deferred Revenue. Deferred revenue consists of billings or payments received in advance for the Company’s subscription and support services, as well as professional service fees, which are recognized as the revenue recognition criteria are not met. The deferred revenue balance represents the remaining portion of the annual contracts invoiced to customers for subscription and support services, as well as certain deferred professional service fees which are recognized as revenue ratably over the subscription contract term. The Company defers the professional service fees in situations where the professional services and subscription contracts are accounted for as a single unit of accounting and recorded in other liabilities on the Consolidated Statements of Financial Condition.

Pension. The measurement date for DTCC’s pension plan is October 1. Plan assets are determined based on fair value generally representing observable market prices. The projected benefit obligation is determined based on the present value of projected benefit distributions at an assumed discount rate. The discount rate utilized is based on the yield curves of high-quality corporate bonds available in the marketplace. The net periodic pension expense or credit includes service costs, interest costs based on an assumed discount rate, an expected return on plan assets based on an actuarially derived market-related value and amortization of prior years’ actuarial gains and losses.

Actuarial gains and losses include the impact of plan amendments, gains or losses related to changes in the amount of the projected benefit obligation or plan assets resulting from experience different from the assumed rate of return, changes in the discount rate or other assumptions. To the extent an actuarial gain or loss exceeds 10 percent of the greater of the projected benefit obligation or the market-related value of plan assets, the excess is recognized over the future service periods of active employees. The expected long-term rate of return on plan assets is based on anticipated returns for each applicable asset class. Anticipated returns are weighted for the expected allocation for each asset class and are based on forecasts for prospective returns in the equity and fixed income markets, which should track the long term historical returns for these markets. The Company also considers the growth outlook for the U.S. and global economies, as well as current and prospective interest rates.

The market-related value utilized to determine the expected return on plan assets is based on the fair value of plan assets adjusted for the difference between expected returns and actual performance of plan assets. The difference between actual experience and expected returns on plan assets is included as an adjustment in the market-related value over a 5-year period.

Income Taxes. Deferred tax assets and liabilities are reported in other current and non-current assets and liabilities, in the Consolidated Statements of Financial Condition and represent the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities. Valuation allowances are recognized if, based on the weight of available evidence, it is more likely than not that some portion of the deferred tax asset will not be realized. It is the Company’s policy to provide for uncertain tax positions and the related interest and penalties based upon management’s assessment of whether a tax benefit is more likely than not to be sustained upon examination by the tax authorities.

Foreign Currency. Assets and liabilities denominated in foreign currencies are translated at rates of exchange prevailing on the dates of the Consolidated Statements of Financial Condition. Revenues and expenses are translated at average rates of exchange during the year. Gains or losses on foreign currency transactions are included in the Consolidated Statements of Income. Gains or losses on translation of the financial statements of foreign subsidiaries, when the functional currency is other than the U.S. dollar, are reflected as a separate component of equity and included in the Consolidated Statements of the Comprehensive Income.

Recently Issued Accounting Standards.

FASB ASC Topic 740, Income Taxes. In July 2013, the FASB issued Accounting Standards Update (ASU) No. 2013-11, requiring public and private entities to present unrecognized tax benefits as a decrease in a net operating loss, similar tax loss or tax credit carry forward if certain criteria are met. The determination of whether a deferred tax asset is available is based on the unrecognized tax benefit and the deferred tax asset that exists at the reporting date and presumes disallowance of the tax position at the reporting date. For nonpublic entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2014. The amendments should be applied prospectively to unrecognized tax benefits that exist at the effective date. Early adoption is permitted. DTCC will assess the impact of this guidance on the Company's consolidated financial condition, results of operations, and cash flows upon adoption of this guidance.

FASB ASC Topic 220, Comprehensive Income. In February 2013, the FASB issued ASU No. 2013-02, adding new disclosure requirements for items reclassified out of Accumulated Other Comprehensive Income (AOCI), for all public and private organizations. The amendments would require an entity to provide additional information about reclassifications out of AOCI and changes in AOCI balance by component. DTCC will assess the impact of this guidance on the Company's consolidated financial condition, results of operations, or cash flow upon adoption of this guidance. For nonpublic entities, the ASU is effective for fiscal years beginning after December 15, 2013, and interim and annual periods thereafter. Early adoption is permitted. The amendments in the ASU should be applied prospectively.

FASB ASC Topic 405, Liabilities. In February 2013, the FASB issued ASU No. 2013-04, adding disclosure requirements for entities with joint and severally liable agreements with other co-obligors. This update requires entities to measure the obligation as the sum of the amount the entity has agreed with co-obligors to pay and any additional amount it expects to pay on behalf of one or more co-obligors. Required disclosures include a description of the nature of the arrangement, how the liability arose, the relationship with co-obligors and the terms and conditions of the arrangement (ASC 460-10, Guarantees). For nonpublic entities, the ASU is effective for fiscal years beginning after December 15, 2014, and interim and annual periods thereafter. Early adoption is permitted. The amendments in the ASU should be applied prospectively. DTCC will assess the impact of this guidance on the Company's consolidated financial condition, results of operations, and cash flows upon adoption of this guidance.

Recently Adopted Accounting Standards.

ASU No. 2010-20, Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses. In July 2010, the FASB amended the accounting guidance for receivables as it relates to disclosures about the credit quality of financing receivables and the allowance for credit losses. This amendment requires additional disclosures that provide a greater level of disaggregated information about the credit quality of financing receivables and the allowance for credit losses. It also requires disclosure of credit quality indicators, past due information, and modifications of financing receivables. For nonpublic entities, these disclosures are effective for annual reporting periods ending on or after December 15, 2011. The adoption of this guidance did not have an impact on DTCC's consolidated financial condition, results of operations or cash flows.

FASB ASC Topic 820, Fair Value Measurements and Disclosures. In May 2011, the FASB issued ASU No. 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in Generally Accepted Accounting Principles and International Financial Reporting Standards. The amendments to ASC Topic 820 include guidance on the application of the highest and best use and valuation premise concepts (including an exception to the valuation premise for certain risks managed on a portfolio basis), the valuation of equity instruments, and the use of premiums and discounts representing adjustments for the size of an entity's holding of an asset or liability (specifically, blockage factors are not permitted). The amendments also include expanded disclosures, including disclosures around fair value measurements categorized within Level 3 of the fair value hierarchy, and disclosures when the entity's use of a nonfinancial asset differs from the highest and best use of that asset. The amendments in ASU No. 2011-04 are to be applied prospectively. The adoption of this guidance did not have an impact on DTCC's consolidated financial condition, results of operations or cash flows. See Note 12 Fair Value Measurements for the disclosures.

FASB ASC Topic 860, Transfers and Servicing. In April 2011, the FASB issued amended guidance under ASC Topic 860 in ASU No. 2011-03, Reconsideration of Effective Control for Repurchase Agreements. The amendments in ASU No. 2011-03 remove from the assessment of effective control the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee, and the collateral maintenance implementation guidance related to that criterion. The new rules are effective prospectively for new transfers and exiting transactions for the period beginning on or after December 15, 2011. The adoption of this guidance did not have an impact on DTCC's consolidated financial condition, results of operations or cash flows.

3. CHANGES IN FINANCIAL STATEMENT PRESENTATION

During 2013, the Company changed its accounting policies and practices around the financial statement presentation to improve the transparency and organization of information in consolidated financial statements to better meet the needs of the readers. Accordingly, the Company made certain reclassifications of prior year amounts to conform to the current year presentation. The changes to the Consolidated Statement of Financial Condition as of December 31, 2012 were as follows (in thousands):

		2012	
	As Reported	Reclassification Adjustments	As Reclassified
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	$ 14,905,524	$ (14,281,466)	$ 624,058
Participants' segregated cash	142,264	(104,819)	37,445
Investment in marketable securities	235,984	(200,000)	35,984
Accounts receivable	158,288	(47,585)	110,703
Participant and clearing funds - Cash deposits	-	13,048,114	13,048,114
Investment in marketable securities		200,000	200,000
Interoperability cash deposits	-	104,819	104,819
Other participant assets	-	1,237,479	1,237,479
Other current assets	304,263	(207,076)	97,187
Total		(250,534)	
NON-CURRENT ASSETS:			
Premises and equipment (*)	409,673	(195,164)	214,509
Goodwill (*)	-	7,836	7,836
Intangible assets (*)	16,542	187,319	203,861
Deferred income taxes - net	135,832	(135,832)	-
Other non-current assets	-	441,441	441,441
Total		305,600	
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Accounts payable	1,166,835	(1,020,863)	145,972
Payable to participants	1,179,744	95,180	1,274,924
Other current liabilities	-	246,279	246,279
Current portion of long-term debt	-	28,675	28,675
Total		(650,729)	
NON-CURRENT LIABILITIES:			
Long-term debt and other borrowings	221,810	(28,675)	193,135
Pension and post retirement benefits	-	403,169	403,169
Other non-current liabilities	-	331,301	331,301
Total		705,795	

The Company changed its Consolidated Statement of Cash Flows to capture the effect of the presentation changes on the Consolidated Statements of Financial Condition. In addition to the reclassifications noted above, the Company recognized certain reclassifications within the Consolidated Statement of Income for the year ended December 31, 2012 to conform to the current year presentation. The reclassifications impacted revenues by type and expense. Revenues are reclassified to better represent current business and new product lines. The expense reclassifications were for the breakout of depreciation and amortization expenses into a separate financial statement line item. Additionally, the non-operating income and expenses have been separately presented. The Company re-organized and expanded its disclosures based on the changes summarized above.

(*) Prior to 2013, capitalized software was reported within premises and equipment in the amount of $195,164,000. Beginning in 2013, capitalized software is reported separately from premises and equipment in the Consolidated Statement of Financial Condition. Prior to 2013, goodwill was reported within intangible assets in the amount of $7,836,000. Beginning in 2013, goodwill is reported separately from intangible assets in the Consolidated Statement of Financial Condition. Prior to 2013, other services was reported within total expenses in the Consolidated Statement of Income in the amount of $55,065,000. We have restated 2012 to conform to the 2013 presentation. The reclassifications had no effect on net income/loss or equity previously reported.

4. ACQUISITION

On October 1, 2013, the Company completed its acquisition of 49.9% of the outstanding equity interest of Omgeo it previously did not own. Omgeo provides post-trade processing and other related services primarily to securities, banking and other institutions in the financial services industry. Omgeo had previously been a joint venture between the Company and Thomson. Refer to Note 11 Equity Method Investments for additional details regarding the joint venture and equity method investment.

Prior to the acquisition date, the Company accounted for its 50.1% interest in Omgeo as an equity-method investment. Based on the guidance in paragraph ASC 805-30-30-1, which contemplates separate measurement of the considerations transferred and the pre-existing *noncontrolling* interest, the Company re-measured its pre-existing equity interest as a noncontrolling interest independent of the acquired controlling interest. Accordingly, no control or acquisition premium was added to the value of the pre-existing interest, as any benefit the Company expects to receive from exercising control would be captured in accounting for the business combination, not in the de-recognition of the pre-existing interest.

The purchase price for the 49.9% acquired from Thomson, amounting to $230 million, was paid in cash and funded by a senior secured credit facility (Note 15 Debt). The value attributed to the original 50.1% pre-existing interest was $170 million having independently assessed the control premium at $60 million. The Company had its prior equity investment in Omgeo recorded at $40 million and therefore recognized a pre-tax gain of $130 million as a result of re-measuring the pre-existing interest in Omgeo in conjunction with the acquisition. The gain is included in other income on the Consolidated Statement of Income for year ended December 31, 2013. The total value of the entire equity interest was therefore determined to be at $400 million.

In connection with the acquisition, the Company incurred approximately $3 million of acquisition related costs which includes legal fees and other professional fees. These fees are recorded in other expenses in the Consolidated Statement of Income for the year ended December 31, 2013. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date (in thousands):

			October 1, 2013
Cash and cash equivalents		$	30,582
Accounts receivable			29,692
Other current assets			5,579
Premises and equipment			20,730
Intangible assets:			
Customer relationships	231,700		
Developed technology	58,100		
Trademarks and tradenames	20,500		
			310,300
Other assets			10,214
Total identifiable assets acquired		$	407,097
Accounts payable			(32,816)
Deferred revenue			(2,061)
Taxes payable			(1,261)
Loan payable			(1,740)
Accrued compensation			(26,918)
Total identifiable liabilities acquired			(64,796)
Goodwill		$	57,699
Net assets acquired		$	400,000

As reflected in the table above, intangible assets acquired approximated $310 million of which approximately $232 million was assigned to customer relationships and is being amortized over a useful life of 12 years, approximately $58 million was assigned to internally developed technology which is being amortized over an estimated useful life of 7.5 years and approximately $21 million was assigned to infinite life registered trademarks. Intangible assets were recognized at fair value on the acquisition date. The goodwill recognized is attributable primarily to expected synergies and the assembled workforce of Omgeo.

The results of Omgeo have been fully included in the Company's consolidated financial statements since its acquisition date. The amounts of revenue and earnings of Omgeo included in the Company's Consolidated Statement of Income from the acquisition date, October 1, 2013 to the period ended December 31, 2013 were as follows (in thousands):

		2013
Revenues		
Operating revenue	$	58,308
Expenses		
Operating expenses		47,815
Other general and administrative		7,995
Net income	$	2,498

5. SEGREGATED CASH, OTHER PARTICIPANT ASSETS AND PAYABLE TO PARTICIPANTS

Details for segregated cash, other Participant assets and payable to Participants as of December 31, 2013 and 2012 were as follows (in thousands):

	2013	2012
Assets:		
NSCC's Special Reserve Account	$ 118,232	$ 37,445
Total segregated cash	$ 118,232	$ 37,445
Other participant assets	585,836	1,237,479
Total	$ 704,068	$ 1,274,924
Liabilities:		
Payable to participants	$ 704,068	$ 1,274,924

NSCC special reserve account represents cash received from Participants for the exclusive benefit of the Participants' customers for the Participants' compliance with SEC rule 15c3-3 (customer protection).

Other Participant assets reflect the Company's receipt of cash and stock dividends, interest and reorganization and redemption proceeds on securities registered in the name of its nominee and interest and redemption proceeds on bearer securities, which it distributes to its Participants. Amounts received on registered securities withdrawn before record date but not transferred from the name of the Company's nominee cannot be distributed, unless claimed by the owners of the securities.

Payable to Participants reflects cash dividends, interest, reorganization, redemption payables, securities held in a custodial account, and settlement accounts payable. Stock dividends payable are not reported in the consolidated financial statements. At December 31, 2013 and 2012, payable to Participants also included $9,776,000 and $33,046,000 respectively, of cash collateral received from Participants representing 130% of short positions. Unclaimed balances are remitted to the appropriate authority when required by abandoned property laws.

6. INVESTMENTS IN MARKETABLE SECURITIES

The maturity distribution by carrying amount and fair value of the Company's investment securities portfolio as of December 31, 2013 and 2012 is as follows (in thousands):

	2013		2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Maturity of one year or less	$ -	$ -	$ 35,984	$ 35,939
Total	$ -	$ -	$ 35,984	$ 35,939

The Company did not recognize any other-than-temporary impairments in 2013 and 2012.

7. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following, as of December 31, 2013 and 2012 (in thousands):

	2013	2012
Due from participants for services	112,470	$ 95,049
Other receivables	34,927	15,654
Total	$ 147,397	$ 110,703

For the years ended December 31, 2013 and 2012, the allowance for doubtful accounts was $838,000 and $575,000, respectively.

8. PARTICIPANT AND CLEARING FUNDS

The rules of DTC, FICC, NSCC, and EuroCCP require their Participants to maintain deposits related to their respective activities based on calculated requirements, which were $16,641,559,000 and $17,235,017,000 at December 31, 2013 and 2012, respectively. The deposits are available to secure Participants' obligations and certain liabilities of the Companies, should they occur. All deposits of cash and securities are recorded in the Consolidated Statements of Financial Condition under Participant and Clearing Funds.

A summary of the total Participant and Clearing fund deposits held at December 31, 2013, including $6,478,049,000 in excess of the calculated requirements is as follows (in thousands):

	2013				
	DTC	**NSCC**	**FICC**	**EuroCCP**	**Total**
Cash deposits	$1,976,727	$3,101,838	$ 8,894,443	$ 281,231	$14,254,239
Investments in marketable securities	-	-	200,000	-	200,000
Interoperability cash deposits	-	-	-	111,453	111,453
Securities on deposit - at fair value	-	235,680	8,318,236	-	8,553,916
Total	$1,976,727	$3,337,518	$ 17,412,679	$ 392,684	$23,119,608

A summary of the total Participant and Clearing Fund deposits held at December 31, 2012, including $4,803,950,000 in excess of the calculated requirements is as follows (in thousands):

	2012				
	DTC	**NSCC**	**FICC**	**EuroCCP**	**Total**
Cash deposits	$1,921,389	$3,217,587	$ 7,669,887	$ 239,251	$13,048,114
Investments in marketable securities	-	-	200,000	-	200,000
Interoperability cash deposits	-	-	-	104,819	104,819
Securities on deposit - at fair value	-	274,857	8,411,178	-	8,686,035
Total	$1,921,389	$3,492,444	$ 16,281,065	$ 344,070	$22,038,968

*Cash Deposits and Investments in Marketable Securities***.** Cash deposits and investments in marketable securities of the Clearing Fund, which may be applied to satisfy obligations of the depositing Participant, as provided in respective clearing agency rules, as of December 31, 2013 and 2012, are invested as follows (in thousands):

	2013				
	DTC	**NSCC**	**FICC**	**EuroCCP**	**Total**
Overnight reverse repurchase agreements	$ -	$ 1,850,000	$ 4,250,000	$ 163,720	$ 6,263,720
Money market investments	-	491,000	3,434,000	-	3,925,000
Interest bearing deposits	1,976,727	750,000	710,441	228,964	3,666,132
Overnight investments in commercial paper	-	10,838	500,002	-	510,840
Treasury bills	-	-	200,000	-	200,000
Total	$ 1,976,727	$ 3,101,838	$ 9,094,443	$ 392,684	$ 14,565,692

	2012				
	DTC	**NSCC**	**FICC**	**EuroCCP**	**Total**
Overnight reverse repurchase agreements	$ -	$ 1,949,979	$ 4,265,000	$ 138,496	$ 6,353,475
Money market investments	-	920,000	2,080,000	-	3,000,000
Interest bearing deposits	1,921,389	200,000	749,788	205,574	3,076,751
Overnight investments in commercial paper	-	147,608	575,099	-	722,707
Treasury bills	-	-	200,000	-	200,000
Total	$ 1,921,389	$ 3,217,587	$ 7,869,887	$ 344,070	$ 13,352,933

Refunds to Participants. The total amount of interest income the Company earned from the investment of cash deposits in the clearing fund was $7,553,000 and $11,192,000 in 2013 and 2012, respectively in the Consolidated Statements of Income.

At December 31, 2013 and 2012, the counterparties to these agreements were 12 and 9 financial institutions that are participants.

9. PREMISES AND EQUIPMENT

Premises and equipment as of December 31, 2013 and 2012, consisted of the following (in thousands):

	2013				**2012**		
	Cost	**Omgeo Acquisition**	**Accumulated Depreciation**	**Net Book Value**	**Cost**	**Accumulated Depreciation**	**Net Book Value**
Furniture and equipment	$ 326,536	$ 11,800	$ 241,822	$ 96,514	$ 281,464	$ 213,199	$ 68,265
Leasehold improvements	246,485	3,933	139,142	111,276	229,509	130,770	98,739
Leased property under capital leases	64,329	-	46,798	17,531	51,526	32,554	18,972
Building and improvements	31,909	-	7,960	23,949	31,764	7,452	24,312
Land	4,221	-	-	4,221	4,221	-	4,221
Total	$ 673,480	$ 15,733	$ 435,722	$ 253,491	$ 598,484	$ 383,975	$ 214,509

Depreciation expense for premises and equipment, including lease properties under capital leases, for the years ended December 31, 2013 and 2012 was approximately $51,747,000 and $34,112,000, respectively, and is included within depreciation and amortization line item in the accompanying Consolidated Statements of Income.

During 2013, disposal of equipment resulted in a loss of $2,281,000 and the removal of $2,360,000 and $79,000 from the related cost and accumulated depreciation accounts, respectively. During 2012, disposal of equipment resulted in a loss of $6,161,000 and the removal of $18,762,000 and $12,601,000 from the related cost and accumulated depreciation accounts.

10. GOODWILL AND INTANGIBLE ASSETS

Impairment Testing: The goodwill impairment testing assesses qualitative factors to determine whether it is more likely than not (a likelihood of more than 50%) the fair value of a reporting unit is less than its carrying amount. Considerations include factors such as the greater macroeconomic conditions, deterioration in financial performance, and company specific events. If after considering the totality of events and circumstances the Company determines it is not more likely than not the fair value of a reporting unit is less than its carry amount, it will not have to perform the two-step impairment test.

The first step compares the estimated fair value of the reporting unit with its carrying amount, including goodwill. If the estimated fair value of the reporting unit exceeds its carrying amount, it is considered not impaired. However, if the carrying amount of the reporting unit were to exceed its estimated fair value, a second step would be performed that would compare the implied fair value of the reporting unit's goodwill with the carrying amount of goodwill. An impairment loss would be recorded to the extent the carrying amount of goodwill exceeds its implied fair value.

DTCC conducted its annual goodwill impairment test in the third quarter of 2013. The estimated fair value of each of the Company's reporting units exceeded the carrying value and no goodwill impairment was recognized. Intangible assets not subject to amortization are tested annually for impairment or more often if events or circumstances indicate they may be impaired.

Goodwill. The level of goodwill increased in 2013 compared with 2012 primarily as a result of the Omgeo acquisition. On October 1, 2013, the Company acquired 49.9% of the outstanding equity interest of Omgeo it previously did not own. As a result of the transaction, DTCC acquired $57,699,000 of goodwill. Refer to Note 4 Acquisitions for additional details. The table below provides a breakdown of goodwill (in thousands):

	Total
Balance at December 31, 2011	$ 7,836
Acquisitions/dispositions	-
Balance at December 31, 2012	$ 7,836
Acquisitions/dispositions	57,699
Balance at December 31, 2013	$ 65,535

Intangible Assets. The gross carrying value, accumulated amortization, net carrying value and remaining useful lives of other finite-lived intangible assets were as follows at December 31, 2013 and 2012 (in thousands):

	2013				2012		
	Amount	Omgeo Acquisition	Amortization	Value	Amount	Amortization	Value
Amortized intangible assets:							
Customer relationships and other	$ 8,074	$ 231,700	$ 3,523	$ 236,251	$ 8,074	$ 2,616	$ 5,458
Software	740,903	58,100	492,146	$ 306,857	599,946	404,791	195,155
Total amortized intangible assets	748,977	289,800	495,669	543,108	608,020	407,407	200,613
Unamortized intangible assets:							
Trademarks and tradenames	3,248	20,500	n/a	$ 23,748	3,248	n/a	3,248
Total	$ 752,225	$ 310,300	$ 495,669	$ 566,856	$ 611,268	$ 407,407	$ 203,861

Finite-lived Intangible Assets. Amortization expense relating to finite-lived intangible assets was approximately $7,671,000 and $867,000 for the years ended December 31, 2013 and 2012, respectively, and is included in depreciation and amortization line item in the accompanying Consolidated Statements of Income.

Capitalized software. Capitalized costs for software either for internal use or purchased during 2013 and 2012 total $133,011,000 and $98,451,000, respectively. Amortization expense for capitalized software for the years ended December

31, 2013 and 2012 was approximately $80,591,000 and $54,417,000, respectively, and is included within depreciation and amortization line item in the accompanying Consolidated Statements of Income.

During 2013, disposals of software resulted in a charge of $0 and the removal of $10,000 and $10,000 from related costs and accumulated amortization accounts, respectively. During 2012, there were no disposals of capitalized software.

Estimated amortization expense relating to intangible assets for each of the next five years is as follows (in thousands):

2014	$ 119,037
2015	99,934
2016	66,495
2017	27,513
2018	27,513
Thereafter	170,094
Total future estimated amortization	$ 510,586

11. EQUITY METHOD INVESTMENTS

Details for DTCC's equity method investments as of December 31, 2013 and 2012 were as follows (in thousands, other than ownership percentage):

	2013	2012
Omgeo, LLC		
Percentage ownership	100%	50%
Carrying value	-	39,089
Dividends received	20,000	34,500
MarkitSERV, LLC		
Percentage ownership	0%	50%
Impairment charge	-	39,185
Carrying value	-	175,000
Dividends received	3,000	25,352
New York Portfolio Clearing, LLC		
Percentage ownership	50%	50%
Impairment charge	4,978	15,984
Carrying value	-	-
Dividends Received	-	-
European Multilateral Clearing Facility NV		
Percentage ownership	25%	0%
Carrying value	10,158	-
Dividends Received	-	-

Omgeo was a joint venture between DTCC and Thomson, providing post trade processing and other related services. On October 1, 2013, DTCC purchased the remaining outstanding shares of Omgeo and as such, Omgeo was accounted for as equity method investment for the first nine months of the year and its results of operations were consolidated into the Company for the remaining three months of the year. Refer to Note 4 Acquisition for additional details.

MarkitSERV, LLC (MarkitSERV) was a joint venture with Markit Group Holdings Limited (MGHL), engaging in derivative transaction processing, confirmation, novation, and other related services for firms that conduct business in the over-the-counter derivatives market. The impairment charge taken during 2012 was due to a general decline in the market segment which was determined to be other than temporary in nature.

On April 2, 2013, the Company completed the sale of MarkitSERV to Markit North America, Inc. and MarkitSERV Holdings Limited for $175 million cash consideration and as such, MarkitSERV LLC was accounted for as equity method investment for the first three months of the year.

New York Portfolio Clearing LLC (NYPC) is a joint venture with NYSE Euronext, established as a derivatives clearing organization. The Company is registered with the CFTC. DTCC's investment in NYPC was fully impaired with a carrying value of $0 in 2012 and 2013 due to a general decline in the market segment which was determined to be other than temporary in nature.

On November 29, 2013, the International Exchange Group (ICE) and DTCC announced plans to transition the clearing of interest rate futures contracts listed on NYSE Liffe U.S. to ICE Clear Europe and to wind down NYPC's operations. Upon the migration of NYPC-cleared interest rate futures to ICE Clear Europe, NYPC operations will be wound down in an orderly and commercially reasonable manner. Management anticipates transitioning all open positions in June 2014 and orderly winding down the LLC subsequent to operations ceasing in June 2014.

European Multilateral Clearing Facility NV (EMCF) is a joint venture with ABN Amro, BATS, and Nasdaq provides a pan-European clearing solution offering the economies of scale and risk management expertise of the U.S. market to European market Participants. EMCF will use the risk management framework and customer service organization of EuroCCP, and it will run on the technology and operations infrastructure of EMCF. The new entity, to be called EuroCCP, is planned to be headquartered in Amsterdam, with client-facing functions located in London and Nordic coverage provided from Stockholm.

12. FAIR VALUE MEASUREMENTS

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis. During 2012, an impairment charge of $55,170,000 was recognized in the Consolidated Statement of Income on the Company's investment in MarkitSERV and NYPC to write down the investments to their fair value. The carrying value of DTCC's investment in NYPC included in equity method investments totaled $0, at December 31, 2013 and 2012. The Company recognized an impairment charge of $4,978,000 in 2013 on the Consolidated Statements of Income related to its investment in NYPC to write down the investment to its fair value.

Assets and Liabilities Measured at Fair Value on a Recurring Basis. The following is a description of the valuation basis, including valuation techniques and inputs, used in measuring the Company's financial assets and liabilities accounted for at fair value on a recurring basis:

U.S. Government and Federal Agency Securities:

U.S. Treasury Securities — U.S. Treasury securities are measured based on quoted market prices and classified in Level 1 of the fair value hierarchy.

U.S. Agency-Issued Debt Securities — U.S. agency issued debt securities are measured primarily based on quoted market prices obtained from external pricing services. Callable U.S. agency securities are classified within Level 2 of the fair value hierarchy while non-callable U.S. agency securities are classified within Level 1.

U.S. Agency Residential Mortgage-Backed Securities — U.S. agency residential mortgage-backed securities include mortgage pass-through securities (fixed and adjustable rate), interest-only and principal-only securities and are generally measured using market price quotations from external pricing services and categorized within Level 2 of the fair value hierarchy.

Other Financial Assets. Consist of the investments assets of Rabbi Trust and are measured based on quoted market prices. These assets are classified within Level 1 of the fair value hierarchy.

Fair value measurements for those items measured on a recurring basis are summarized below as of December 31, 2013 (in thousands):

	2013			
	Level 1	Level 2	Level 3	Total
Assets - Clearing Fund - U.S. government and Federal Agency securities	$ 6,902,986	$ 1,650,930	$ -	$ 8,553,916
Other financial assets	191,576	-	-	191,576
Total	$ 7,094,562	$ 1,650,930	$ -	$ 8,745,492
Liabilities:				
Clearing fund - U.S. government securities and Federal agency securities	6,902,986	1,650,930	-	8,553,916
Derivative - over-the-counter interest rate swap	-	779	-	779
Total	$ 6,902,986	$ 1,651,709	$ -	$ 8,554,695

Fair value measurements for those items measured on a recurring basis are summarized below as of December 31, 2012 (in thousands):

	2012			
	Level 1	Level 2	Level 3	Total
Assets - Clearing Fund - U.S. government and Federal Agency securities	$ 6,920,117	$ 1,765,918	$ -	$ 8,686,035
Liabilities:				
Clearing fund - U.S. government securities and Federal agency securities	6,920,117	1,765,918	-	8,686,035
Derivative - over-the-counter interest rate swap	-	1,236	-	1,236
Total	$ 6,920,117	$ 1,767,154	$ -	$ 8,687,271

There were no transfers between Level 1 and Level 2 nor were any amounts classified as Level 3 during the years ended December 31, 2013 and 2012.

Assets and Liabilities not Measured at Fair Value. A description of the valuation basis, including valuation techniques and inputs, used in measuring the Company's financial assets and liabilities not accounted for at fair value is as follows:

Cash and Cash Equivalents — Consists primarily of highly liquid investments in time deposits held in banks, commercial paper, and money market funds and are classified as Level 1 within the valuation hierarchy.

Participant and Clearing Fund Cash Deposits — Consist of highly liquid investments in time deposits held in banks and are classified as Level 1 as well as reverse repurchase agreements which are classified as Level 2 within the valuation hierarchy.

Reverse Repurchase Agreements — The estimated fair value of reverse repurchase agreements is based on inputs such as interest rates and tenors. These agreements are classified as Level 2 within the valuation hierarchy due to their overnight nature.

Marketable Securities, Held-to-Maturity — Marketable securities held-to-maturity are comprised of U.S. Treasury securities, U.S. Treasury Bills and Corporate Notes, which are classified as Level 1 within the valuation hierarchy.

Other Financial Assets and Liabilities — Other financial assets and liabilities include notes receivable and payable, and other receivables. These assets and liabilities are classified as Level 2 within the valuation hierarchy.

Long-term Debt and Other Borrowings — Borrowings primarily consist of notes payable, and capital lease obligations. The estimated fair value of long term debt is based on current rates for instruments of the same remaining maturity or quoted market prices for the same or similar issues. Long-term debt is classified as Level 2 within the valuation hierarchy.

The table below presents the carrying value, fair value and fair value hierarchy level of certain financial instruments not measured at fair value in the Consolidated Statement of Financial Condition at December 31, 2013 (in thousands):

	2013				
	Carrying Amount	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**
Assets:					
Cash and cash equivalents	$ 818,020	$ 818,020	$ 818,020	$ -	$ -
Participant and clearing fund cash deposits	14,254,239	14,254,239	7,990,519	6,263,720	-
Marketable securities, held-to-maturity	200,000	199,968	199,968	-	-
Total	$15,272,259	$15,272,227	$ 9,008,507	$ 6,263,720	$ -
Liabilities:					
Participant and clearing fund cash deposits	$14,415,692	$14,415,692	$14,415,692	$ -	$ -
Long-term debt and other borrowings	486,885	480,094	-	480,094	-
Total	$14,902,577	$14,895,786	$14,415,692	$ 480,094	$ -

The table below presents the carrying value, fair value and fair value hierarchy level of certain financial instruments not measured at fair value in the Consolidated Statement of Financial Condition at December 31, 2012 (in thousands):

	2012				
	Carrying Amount	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**
Assets:					
Cash and cash equivalents	$ 380,853	$ 380,853	$ 380,853	$ -	$ -
Participant and clearing fund cash deposits	13,048,114	13,048,114	6,694,639	6,353,475	
Reverse repurchase agreements	243,205	243,205	-	243,205	-
Other financial assets	242,162	242,162	-	242,162	-
Total	13,914,334	13,914,334	7,075,492	6,838,842	-
Liabilities:					
Participant and clearing fund cash deposits	$13,202,933	$13,202,933	$13,202,933	$ -	$ -
Long-term debt and other borrowings	221,810	206,969	-	206,969	-
Other liabilities	193,820	193,820	-	193,820	-
Total	$13,618,563	$13,603,722	$13,202,933	$ 400,789	$ -

13. OTHER ASSETS

Details for other assets as of December 31, 2013 and 2012 were as follows (in thousands):

	2013	2012
Prepaid expenses	$ 45,856	$ 31,606
Royalty receivable	1,300	22,400
Taxes receivable	17,400	21,566
Deferred tax asset, net	8,591	-
Other current assets	365	21,615
Total current assets	$ 73,512	$ 97,187
Long term incentive plans	$ 194,921	$ 174,369
Cash surrender value	50,224	46,138
Prepaid expenses	13,040	16,263
Deferred tax asset, net	51,018	190,897
Other investments held	13,788	1,882
Royalty receivable	5,400	5,400
Other non-current assets	20,339	6,492
Total non-current assets	$ 348,730	$ 441,441
Total	$ 422,242	$ 538,628

Prepaid expenses represent the interest and fees paid in advance for lines of credit maintained to support the settlement operation for DTC, NSCC, and EuroCCP and maintenance contracts for various hardware and software services.

Royalty receivable represents the consideration due to the sale of DTCC Loan/SERV messaging portal on January 5, 2011.

Long term incentive plans. DTCC's Long Term Incentive Plan is provided to certain designated employees of DTCC to establish retention incentives for certain key employees. The performance period is a three year period commencing January 1 of each calendar year, unless modified, extended or terminated by the Compensation Committee. Only those employees specifically designated by the Compensation Committee are eligible to participate in this plan.

DTCC maintains a self-directed, non-qualified deferred compensation plan structured as a "Rabbi Trust" for certain executives and other highly compensated employees. Under the plan, Participants may elect to defer receipt of a portion of their annual compensation. Amounts deferred under the plan are invested into various mutual funds and stocks. All such investments are held in the Rabbi Trust and the plan requires settlement in cash. The investment assets of the Rabbi Trust are recorded at fair value and included in other noncurrent assets as Long Term Incentive Plan Assets. The amount of compensation deferred under the plan is credited to each Participant's deferral account and a deferred compensation liability is recorded in other non-current liabilities in DTCC's Consolidated Statements of Financial Condition. This liability represents DTCC's obligation to distribute the funds to the Participants. The investment assets of the Rabbi Trust are classified as trading securities and, accordingly, changes in their fair values are recorded in DTCC's Consolidated Statements of Income.

Cash surrender value represents the amounts receivable from various insurance companies upon cancellation of life insurance policies purchased for the employees participated in DTCC Deferred Compensation plans established in 2006 – 2005 and 2007. The associated liability for these deferred compensation plans and the loans drawn down against these policies are classified in non-current liabilities as long term incentive plans.

14. OTHER LIABILITIES

Details for other liabilities as of December 31, 2013 and 2012 were as follows (in thousands):

	2013	2012
Compensation payable	$ 109,755	$ 98,455
Customer deposits	-	50,321
Deferred tax liability, net	-	55,065
Miscellaneous payables	83,221	36,812
Current portion of deferred rent	2,210	5,626
Total current liabilities	$ 195,186	$ 246,279
Long-term incentive plans	$ 290,006	$ 259,422
Unrecognized tax benefits	49,802	50,820
Deferred rent	16,455	8,889
Other payables	27,481	12,170
Total non-current liabilities	$ 383,744	$ 331,301
Total	$ 578,930	$ 577,580

Customer deposits represent Deriv/SERV clients who have entered into a 5-year agreement (Prepaid Fee Agreement) with the Company as of October 23, 2012, in order to fund, in part, the capitalization and the build-out of the repository business. Customer deposits totaled $50,321,000 at December 31, 2012 and was refunded as of December 31, 2013.

Unrecognized tax benefits. DTCC applies the provisions of FASB issued Financial Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes (codified primarily in FASB ASC Topic 740, Income Taxes) to record unrecognized tax benefits (UTBs). Refer to Note 17 Income Taxes for additional details.

15. DEBT

Details for debt as of December 31, 2013 and 2012 (in thousands):

	2013	2012
Notes payable	$ 167,540	$ 179,665
Hudson County Improvement Authority	18,416	20,713
Capital lease obligations	70,757	21,432
Line of credit	230,172	-
Total debt	$ 486,885	$ 221,810
Current portion of long term debt	(19,927)	(28,675)
Total long term debt and other borrowings	$ 466,958	$ 193,135

Interest expense was $14,285,000 and $26,543,000 for the years ended December 31, 2013 and 2012, respectively.

At December 31, 2013, principal payments due on long-term debt over the next five years from 2014 to 2018 and thereafter are as follows (in thousands):

	Line of Credit	HCIA	Capital Lease	Notes Payable
2014	$ -	$ 2,380	$ 13,318	$ 4,229
2015	-	2,380	13,392	4,229
2016	230,172	2,380	13,465	95,356
2017	-	2,380	9,632	15,229
2018	-	2,380	6,851	4,229
Thereafter	-	6,516	14,099	44,268
Total	$ 230,172	$ 18,416	$ 70,757	$ 167,540

Notes Payable. The following table summarizes the term and maturities of the notes payable as of December 31, 2013 and 2012 (in thousands):

				Outstanding Balance	
	Rate	Issue Date	Maturity	2013	2012
DTC term loan	5.03%	11/22/2004	12/15/2023	$ 11,842	$ 13,026
DTC term loan	5.59%	4/6/2009	4/15/2016	51,126	51,126
DTC term loan	5.63%	4/6/2009	4/15/2016	40,000	40,000
DTC asset financing*	4.94%	6/30/2009	6/28/2013	-	7,896
NSCC term loan	5.03%	11/22/2004	12/15/2023	3,947	4,342
DTCC term loan	2.64%	4/26/2012	4/26/2017	11,000	11,000
DTCC term loan	3.83%	4/26/2012	4/26/2032	26,825	26,650
DTCC term loan	3.93%	9/28/2012	9/28/2032	22,800	25,625
Total				$ 167,540	$ 179,665

*The note was secured by certain property, premises and equipment that were pledged at the inception of the borrowing, totaling $17,000,000.

Hudson County Improvement Authority Bond. On December 17, 2010, the Company entered into a Recovery Zone Facility Bond arrangement with the Hudson County Improvement Authority, with a principal balance of $24,905,000. The debt has a variable interest rate equal to the sum of the LIBOR index rate plus 1.65%, multiplied by a factor of 68%, and matures on December 1, 2020. The weighted average interest rate of the debt was 1.28% for both years ended December 31, 2013 and 2012. Repayment of the debt commenced on February 1, 2011. The Hudson County Improvement Authority has the ability to call the debt immediately due and payable if the Company fails to pay in accordance with the terms of the debt agreement or fails to comply with the other provisions stipulated in the agreement. Interest expense related to the bond totaled $198,000 in 2013 and $289,000 in 2012.

In connection with this Recovery Zone Facility Bond arrangement with the Hudson County Improvement Authority, NSCC made a loan to DTCC in the principal amount of $24,905,000 with the same terms and conditions.

Cash Flow Hedge for HCIA Bond. On December 17, 2010, the Company entered into an interest rate swap arrangement to hedge the Hudson County Improvement Authority floating rate debt payments in the principal amount of $24,905,000. The rate on the swap is fixed at 3.12% until December 1, 2020 when the swap terminates. The Company designated the swap as a cash flow hedge against variability in the future cash flows on the floating rate payments under the bond arrangement with the Hudson County Improvement Authority, and management has concluded that the hedge is effective.

As of December 31, 2013, the fair value of the swap resulted in a net of tax gain of $346,000 versus a loss of $41,000 as of December 31, 2012. It is reported as other comprehensive loss, net of tax in the Consolidated Statements of Comprehensive Income. There were no undesignated derivatives at December 31, 2013 and 2012.

Debt Covenants. The long-term debt agreements contain affirmative, negative, and financial covenants.

Customary affirmative covenants include access to financial statements, notice of default and certain other material events, maintenance of business and insurance, and events of default. As of December 31, 2013 and 2012, the Company was in compliance with the applicable debt covenants.

Lease Obligations. Leased property meeting certain criteria is capitalized and the present value of the related lease payments is recorded as a liability. At December 31, 2013, capital lease agreements with remaining future minimum payments including interest, which are due through February 2018, totaled $56,658,000. At December 31, 2012, remaining future minimum payments including interest totaled $14,099,000.

Lines of Credit. Certain of the Company's subsidiaries, DTC, NSCC, and EuroCCP maintain lines of credit to support settlement. Terms and outstanding lines of credit for December 31, 2013 were as follows:

2013	**Amount**	**Denomination**	**No. of Participants/ Lenders**	**Borrowing rate**
DTCC				
Committed	$300 million	USD	3	The greater of the federal funds rate rate, adjusted LIBOR, or lender's cost of funds, on the day of borrowing, plus 1.25%
Committed	$50 million	USD	1	The greater of the federal funds rate rate, adjusted LIBOR, or lender's cost of funds, on the day of borrowing, plus 0.50%
DTC				
Committed	$1.9 billion	USD	27/38	The greater of the federal funds rate rate, adjusted LIBOR, or lender's cost of funds, on the day of borrowing, plus 1.40%
Uncommitted	$150 million (1)	CAD	1	-
NSCC				
Committed	$12.72 billion	USD	27/38	The greater of the federal funds rate rate, adjusted LIBOR, or lender's cost of funds, on the day of borrowing, plus 1.40%
EuroCCP				
Committed	€140 million	EUR	7	The greater of the adjusted LIBOR or lender's cost of funds, for that day, plus 1.25%

DTCC’s $230 million of the $300 million line of credit was used for acquisition financing purposes in 2013.

Terms and outstanding lines of credits for December 31, 2012 were as follows:

2012	Amount	Denomination	No. of Participants/ Lenders	Borrowing rate
DTC				
Committed	$1.9 billion	USD	33	The greater of the federal funds rate, adjusted LIBOR, or lender's cost of funds, on the day of borrowing, plus 1.40%.
Uncommitted	$150 million (1)	CAD	1	-
Uncommitted	$50 million (2)	USD	2	-
NSCC				
Committed	$7.43 billion	USD	33	The greater of the federal funds rate, adjusted LIBOR, or lender's cost of funds, on the day of borrowing, plus 1.375%.
Uncommitted	$50 million	USD	2	-
EuroCCP				
Committed	€140 million	EUR	7	The greater of the adjusted LIBOR or lender's cost of funds, for that day, plus 1.25%

(1) Used to support Canadian settlement.

(2) Credit line maintained with DTC and NSCC to provide support potential short-term operating cash requirements.

There were no borrowings under any of these credit facilities in 2012.

16. PENSION AND POST RETIREMENT BENEFITS

Background. DTCC has a noncontributory defined benefit pension plan (the Qualified Plan) covering substantially all full-time employees of the Company. The pension plan is qualified under Section 401(a) of the Internal Revenue Code of 1986, as amended. Pension benefits under the plan are determined on the basis of an employee's length of service and earnings. The funding policy is to make contributions to the plan that meet or exceed the minimum funding standards under the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code. DTCC also provides health care and life insurance benefits to eligible retired employees and also maintains a 401(h) account to fund the retiree medical plans.

DTCC also sponsors a Supplemental Executive Retirement Plan (SERP) and a Restoration Plan which are nonqualified defined benefit plans. These plans provide additional retirement benefits to certain employees. Benefits paid to retirees are based on age at retirement, years of credited service, and average compensation. The cost of nonqualified defined benefits is determined based on substantially the same actuarial methods and economic assumptions as those used for the qualified pension plan. The Company maintains certain assets in trust for nonqualified retirement benefit obligations.

Omgeo (UK) employees are eligible to participate in a defined contribution plan in addition, a small number of employees participate in a defined benefit plan provided by a Thomson affiliate, which is no longer open for new Participants. The defined benefit plan is accounted for as a multi-employer plan whereby current charges are based on the funding requested from the plan sponsor.

Plan Amendments. In connection with a redesign of the Company's retirement plans, on February 29, 2012, the Compensation and Benefits Committee of the Board approved amendments to freeze benefits earned in the Qualified Plan and the Restoration Plan effective December 31, 2013. As a result of freezing the Qualified Plan and the Restoration Plan, a curtailment was triggered and a remeasurement of the qualified pension obligations and plan assets occurred as of February 29, 2012.

The curtailment impact reduced the projected benefit obligation by approximately $104 million with a corresponding decrease in unrecognized losses in accumulated OCI of $104 million ($62.4 million after-tax). The impact of the immediate recognition of the prior service cost of $3 million was recorded in employee compensation and related benefits expense as a curtailment loss. The freeze of the plans coincides with an enhanced savings plan for eligible employees. The Company will continue recording pension expense related to these plans, primarily representing interest costs on the accumulated benefit obligation and amortization of actuarial losses accumulated in the plan prior to the curtailment.

Details for the tax impact due to the change in the funded status of the pension plan were as follows (in thousands):

	2013	2012
Pretax benefit due to the change in funded status	$ 169,379	$ 75,557
Deferred tax liability offset	(72,279)	(31,955)
Total net gain to AOCI	$ 97,100	$ 43,602

Fair Value of Pension and Other Benefit Plan Assets. Following are the descriptions and valuation methodologies used for assets measured at fair value:

Mutual Funds — This category includes actively managed investments in U.S. large cap growth, value and small cap equity securities, and international equity securities. It also includes an equity index fund that tracks the performance of the S&P 500 Index. The fair value represents the net asset value (NAV) of the shares held by the plan at year-end. Mutual funds are classified as Level 1 within the valuation hierarchy.

Money Market Fund — Valued at the NAV of shares held by the Plan at year end. Underlying assets of this investment have readily determinable market values. The valuation of the money market fund is considered Level 2 due to the investment being held in a fund or short-term cash that has movement between funds or out of the Plan.

Common Collective Trust — Investments in the common collective trust are valued at NAV as a practical expedient based upon the redemption price of units held by the Plan, which is based on the current fair value of the common collective trust funds' underlying assets. Unit values are determined by the financial institution sponsoring such funds by dividing the fund's net asset as fair value by its units outstanding at the valuation dates. Investments in common collective trusts are categorized as Level 2.

The Company does not hold pension plan assets designated as Level 3 as of December 31, 2013 and 2012.

The estimated actuarial loss, and prior service cost that will be amortized from accumulated other comprehensive loss into net periodic benefit cost over the next fiscal year are as follows (in thousands):

	Pension Benefits		Other Benefits	
	2013	2012	2013	2012
Actuarial loss	$ 3,773	$ 7,815	$ 653	$ 2,590
Prior service cost	1,022	1,143	(7,789)	(7,789)
Total benefit obligation at end of year	$ 4,795	$ 8,958	$ (7,136)	$ (5,199)

The components of the funded status as of December 31, 2013 and 2012, including the classification of plan assets in accordance with the three-tier fair valuation hierarchy are as follows (in thousands):

	Pension Benefits		Other Benefits	
	2013	2012	2013	2012
Benefit obligation at end of year:				
Qualified plan	$ 827,797	$ 899,622	$ -	$ -
Other plans	113,503	121,691	82,129	95,772
Total benefit obligation at end of year	941,300	1,021,313	82,129	95,772
Fair value of plan assets at end of year	797,402	705,450	3,287	8,466
Funded Status	$ (143,898)	$ (315,863)	$ (78,842)	$ (87,306)

	Level 1	Level 2	Level 3	Total
Pension asset fair value levels at December 31, 2013:				
Mutual funds	$ 68,486	$ -	$ -	$ 68,486
Common collective trust	-	718,524	-	718,524
Money market fund	-	237	-	237
Pension assets at fair value	$ 68,486	$ 718,761	$ -	$ 787,247
Pension asset fair value levels at December 31, 2012:				
Mutual funds	$ 274,282	$ 173,490	$ -	$ 447,772
Short term investments	-	7,024	-	7,024
Pooled investment funds	-	242,204	-	242,204
Pension assets at fair value	$ 274,282	$ 422,718	$ -	$ 697,000

Other benefit plan assets of $3,287,000 as of December 31, 2013, and $8,466,000 as of December 31, 2012, are all mutual funds in the Level 1 category.

The guaranteed insurance contracts of $10,155,000 and $8,467,000 as of December 31, 2013 and 2012, respectively are recorded at contract value. Therefore, these contracts are not measured at fair value on a recurring basis and not included in the preceding tables.

Details of the net amount recognized in the Consolidated Statements of Financial Condition (excluding taxes) are as follows (in thousands):

	Pension Benefits		Other Benefits	
	2013	2012	2013	2012
Amount not yet reflected in net periodic benefit cost and included in accumulated other comprehensive loss:				
Prior service cost	$ (8,354)	$ (9,497)	$ 21,083	$ 28,872
Accumulated loss	(143,091)	(298,958)	(14,766)	(34,924)
Accumulated other comprehensive loss	(151,445)	(308,455)	6,317	(6,052)
Cumulative net periodic benefit cost in excess of employer contributions	7,547	(7,408)	(85,159)	(81,254)
Net amount recognized at year-end	$ (143,898)	$ (315,863)	$ (78,842)	$ (87,306)

The accumulated benefit obligation for all defined benefit plans as of December 31, 2013 and 2012 was $924,525,000 and $1,001,543,000, respectively.

Pension plan assumptions used by actuaries to determine benefit obligations for December 31, 2013 and 2012 were as follows:

	Pension Benefits		Other Benefits	
	2013	2012	2013	2012
Weighted-average assumptions used to determine benefit obligations at December 31:				
Discount rate	5.05%	4.25%	4.96%	4.12%
Rate of compensation increase	n/a	3.56%	n/a	n/a
Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31:				
Discount rate	4.25%	4.65%	4.12%	4.57%
Expected long-term rate of return on plan assets	8.00%	8.00%	8.00%	8.00%
Rate of compensation increase	3.56%	3.56%	n/a	n/a
Assumed health care cost trend rates at December 31:				
Health care cost trendrate assumed for next year			7.44%	7.66%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)			4.50%	4.50%
Year that the rate reaches the ultimate trend rate			2029	2029

DTCC's actual pension plan weighted-average asset allocations as of December 31, 2013 and 2012, by asset category are as follows:

	Pension Benefits		Other Benefits	
	2013	2012	2013	2012
Equity securities	26%	63%	60%	60%
Debt securities	74%	37%	40%	40%
Total	100%	100%	100%	100%

To develop the expected long-term rate of return on assets assumptions, DTCC considered the historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio. This resulted in the selection of the 8% long-term rate of return assumption.

Based on DTCC's target asset allocation guidelines in 2013, 20% to 30% of the plan assets are to be invested in equity securities and 70% to 80% in fixed income securities (including guaranteed investment contracts).

The actual historical rate of return achieved by these assets exceed the 8% assumption from last year. Based on DTCC's target asset allocation guidelines in 2012, 60% to 70% of the plan assets were invested in equity securities and 20% to 30% in fixed income securities (including guaranteed investment contracts).

Details of the components of net periodic benefit cost and other changes recognized in OCI (excluding taxes) are as follows (in thousands):

	Pension Benefits		Other Benefits	
	2013	2012	2013	2012
Components of net periodic benefit cost:				
Service cost	$ 30,560	$ 29,960	$ 2,725	$ 2,610
Interest cost	41,239	41,881	3,582	3,904
Expected return on plan assets	(54,136)	(50,375)	(447)	(520)
Amortizations:				
Prior service cost	1,143	1,194	(7,789)	(7,789)
Transition obligation	-	-	-	40
Actuarial loss	8,359	9,519	1,904	2,471
Curtailment loss	-	3,003	-	-
Settlement loss	2,108	3,131	-	-
Net periodic cost (benefit)	29,273	38,313	(25)	716
Other changes recognized in OCI:				
Prior service cost arising during the period	-	9,807	n/a	n/a
Net gain arising during the period	(145,401)	25,104	(18,253)	5,290
Curtailments:				
Prior service cost	-	(3,002)	-	-
Net gain due to curtailment	-	(104,189)	-	-
Amortizations:				
Transition obligation	-	-	-	(40)
Prior service cost	(1,143)	(1,194)	7,789	7,789
Actuarial and settlement loss	(10,467)	(12,651)	(1,904)	(2,471)
Net other changes in OCI	(157,011)	(86,125)	(12,368)	10,568
Net amount recognized in net periodic benefit cost and OCI	$ (127,738)	$ (47,812)	$ (12,393)	$ 11,284

The Companies contributed $30,000,000 to the benefit plan in 2013 and expect to contribute approximately $25,000,000 during 2014. Settlement losses relate to the early retirement of executives who elected lump-sum and periodic payments. There were no Participant contributions to the plans in 2013 or 2012.

Details for the benefit payments for the pension plan and other plans for 2013 and 2012 were as follows (in thousands):

	2013	2012
Pension plan	$ 68,696	$ 46,677
Other plans	2,364	2,606
Total	$ 71,060	$ 49,283

The amounts expected to be paid or (received) in the next 10 years are as follows (in thousands):

	Pension	Employer Benefit Payments	Medicare Subsidy Receipts
2014	$ 62,564	$ 3,357	$ (28)
2015	55,794	3,595	(27)
2016	48,764	3,796	(26)
2017	55,440	4,121	(24)
2018	52,396	4,482	(23)
Next five years	335,948	28,226	(87)
Total	$ 610,906	$ 47,577	$ (215)

17. INCOME TAXES

DTCC and its subsidiaries file a consolidated federal income tax return and combined or unitary income tax returns in most states, with the exception of DTC, which files separate New York State and New York City income tax returns. DTCC and its subsidiaries file other state and non-U.S. jurisdictions income tax returns on a separate company basis.

The components of the Company's income tax provision for the years ended December 31, 2013 and 2012, are as follows (in thousands):

	2013	2012
Current income tax:		
Federal	$ 37,630	$ 21,578
State and local	12,311	11,618
Foreign	4,524	1,327
Deferred income tax (benefit):		
Federal	(10,024)	(29,101)
State and local	11,846	3,397
Foreign	1,343	(2,030)
Provision for income taxes	$ 57,630	$ 6,789

The 2013 and 2012 effective tax rates differ from the 35% federal statutory rate mainly due to state and local taxes, permanent differences between financial statement income and taxable income, and adjustments to deferred tax balances. A reconciliation of the U.S. federal statutory tax rate to the Company's effective tax rate on the income before provision for income taxes is as follows:

	Year ended Dec. 31,	
	2013	2012
U.S. statutory rate	35.0%	35.0%
State and local income taxes, net of federal income tax benefit	5.6%	3.4%
Change in unrecognized tax benefits	-12.4%	-36.1%
Change in state tax rate on deferred tax assets	-	-40.2%
Other	-1.0%	0.3%
Effective tax rate	27.2%	-37.6%

The components of deferred tax assets and liabilities as of December 31, 2013 and 2012, were as follows (in thousands):

	2013	2012
Deferred tax assets:		
Accrued compensation	$ 29,934	$ 18,809
Accrued employee benefits	203,061	289,973
Software	64,616	37,872
Deferred rent	7,449	6,022
Other	38,100	13,282
Total deferred tax assets	343,160	365,958
Deferred tax liabilities:		
Accrued employee benefits	(49,285)	(46,047)
Software	(145,691)	(112,109)
Depreciation	(22,366)	(2,695)
Investment tax basis difference - MarkitSERV	-	(56,958)
Investment tax basis difference - Omgeo	(54,719)	(7,250)
Other	(8,765)	(5,067)
Total deferred tax liabilities	(280,826)	(230,126)
Net deferred tax asset/(liabilities) before valuation allowance	62,334	135,832
Valuation allowance	(2,725)	-
Net deferred tax asset/(liabilities)	$ 59,609	$ 135,832
Reported as:		
Current deferred tax assets	$ 8,591	$ 1,893
Current deferred tax liabilities	-	(56,958)
Net current deferred tax assets/(liabilities)	8,591	(55,065)
Non-current deferred tax assets	331,844	364,065
Non-current deferred tax liabilities	(280,826)	(173,168)
Net non-current deferred tax assets/(liabilities)	51,018	190,897
Net deferred tax assets/(liabilities)	$ 59,609	$ 135,832

The Company had valuation allowances of $2,725,000 and $0 at December 31, 2013 and 2012, respectively, related to foreign tax credits carry forward for which utilization is uncertain. The change in the valuation allowances for 2013 and 2012 results primarily from the Company's evaluation of the expected realization of these benefits.

Details for UTBs as of December 31, 2013 and 2012 were as follows (in thousands):

	2013	2012
Beginning balance at Jan. 1,	$ 40,949	$ 36,853
Prior period tax positions:		
Increases	13,082	1,330
Decreases	-	(1,892)
Current period tax positions	15,661	4,752
Settlements with taxing authorities	(9,089)	-
Lapse of statute of limitations	(17,758)	(94)
Ending balance at Dec. 31,	$ 42,845	$ 40,949

The Company classifies interest related to UTBs and penalties, if incurred, in tax expense in the Consolidated Statements of Income. As of December 31, 2013 and 2012, the amount of accrued interest recorded in the Company's Consolidated Statements of Financial Condition related to UTBs was $6,957,000 and $9,871,000, respectively.

The Company is subject to U.S. federal income tax as well as income tax in various state and local and non-U.S. jurisdictions. Federal income tax returns filed for the tax years 2010 through 2011 are currently under examination and the federal income tax return for 2012 remains subject to examination by the IRS. New York State income tax returns for 2007 through 2011 are currently under examination and 2012 remains open to examination. New York City income tax returns for 2009 through 2012 remain open to examination. DTC's New York State income tax returns for 2008 through 2010 are currently under examination and 2011 and 2012 remain open to examination. During 2013, DTC effectively completed the New York City income tax audit for tax years 2009 through 2011, and 2012 remains open to examination. Florida income tax returns for 2008 through 2010 are currently under examination and 2011 and 2012 remain open to examination.

For the current ongoing audits related to open tax years, the Company estimates it is possible the balance of UTBs could decrease in the next 12 months as a result of the effective settlement of these audits, which might involve the payment of additional taxes, the adjustment of certain deferred taxes and/or the recognition of tax benefits. It is also possible new issues might be raised by tax authorities which might necessitate increases to the balance of UTBs. As the Company is unable to predict the timing of conclusion of these audits, the Company is unable to estimate the amount of changes to the balance of UTBs at this time. However, the Company believes it has adequately provided for its financial exposure for all open tax years by tax jurisdiction.

18. SHAREHOLDERS' EQUITY

Common Stock. DTCC has 28,500 authorized shares of common stock with a par value of $100 per share. At December 31, 2013 and 2012, 23,655 shares of common stock were outstanding.

Preferred Stock. Under a plan adopted by the board of directors, each Participant of DTC is required to own shares of its Series A preferred stock. The preferred stock does not reduce the funds available in the event of a DTC Participant's failure to settle. The ownership of DTC preferred stock is reported as non-controlling interests in the Consolidated Statements of Financial Condition. There was $150,000,000 of DTC Series A preferred stock outstanding as of December 31, 2013 and 2012 (1,500,000 shares at a par value of $100 per share). In December 2010, DTC's authorized Series A preferred stock was increased by 1,750,000 shares bringing the total to 3,250,000 authorized shares, or $325,000,000. None of the additional authorized shares have been issued.

Series	Description	Total shares issued and outstanding *(in thousands)*	Carrying value at Dec. 31, 2013-2012 *(in thousands)*	Per annum dividend rate	Dividends paid per share in 2013-2012 *(in dollars)*
Series A	Noncumulative Perpetual	1,500	$ 150,000	240	$ 0.16

Appropriated retained earnings represent an amount available for the satisfaction of losses arising out of the clearance and settlement of transactions, should they arise (see Note 21). As of August 30, 2013, the board of directors approved a removal of policy to appropriate retained earnings of clearing and settlement subsidiaries, and as such earnings are no longer appropriated for the year ended 2013 and going forward.

At December 31, 2013 and 2012, there were 11 shares of Treasury stock.

Regulatory Capital. DTCC and its regulated subsidiaries maintain and report regulatory capital in accordance with all relevant laws, rules and guidelines. As a multinational enterprise, various DTCC subsidiaries are subject to regulatory capital regimes, as applicable. DTCC subsidiaries file regulatory capital reports with the Federal Reserve Bank of New York (FED), the New York State Department of Financial Services, and the U.S. Commodity Futures Trading Commission (DFTC) in the United States; the Bank of England in the United Kingdom; the Japan Financial Services Agency (JFSA) in Japan; and the Monetary Authority of Singapore (MAS) in Singapore.

Various DTCC subsidiaries are subject to capital guidelines issued by federal and state banking regulators. At December 31, 2013, DTCC operated banking activities under two subsidiaries: DTC and The Warehouse Trust Company (WTC). Under these guidelines, DTC and WTC measured capital adequacy based on Tier 1 capital and Total capital ratios. At December 31, 2013, DTC and WTC maintained Tier1 and total capital ratios of 57.8% and 279.2%, respectively, in excess of the well capitalized standards established by the FED, which are 4% and 8%, respectively.

19. TRANSACTIONS WITH RELATED PARTIES

DTCC has agreements with Omgeo, MarkitSERV, and NYPC to provide various support services and office facilities. Expense reimbursements under these agreements, which are included in other services and accounts receivable, are as follows (in thousands):

	Other Services		Other Receivables	
	2013	2012	2013	2012
Omgeo	$ 21,590	$ 28,720	$ -	$ 2,508
MarkitSERV	18,484	18,723	5,764	9,637
NYPC	4,769	7,012	1,206	400
Total	$ 44,843	$ 54,455	$ 6,970	$ 12,545

DTCC has an agreement with Omgeo whereby, if Omgeo reduces or terminates certain services it receives from DTCC or its affiliates, Omgeo will pay extraction costs as specified in the agreement. There were no extraction costs in 2013 or 2012.

DTCC contributed software with a carrying value of $3,010,000 to NYPC during 2013 resulting in an increase in equity method investments in the Consolidated Statements of Financial Condition for the same amount. Please refer to Note 11 for further details.

20. COMMITMENTS AND CONTINGENT LIABLITIES

Lease Commitment. The Companies lease office space and data processing and other equipment. The leases for office space provide for rent escalations subsequent to 2013. Rent expense under these leases was $29,087,000 in 2013 and $24,068,000 in 2012, included in the occupancy line of the Consolidated Statements of Income.

At December 31, 2013, future minimum rental payments under all noncancelable leases are as follows (in thousands):

2014	$ 31,212
2015	31,357
2016	32,210
2017	26,175
2018	24,410
Thereafter	180,879
Total minimum rental payments	$ 326,243

Litigation. The Company is involved in legal proceedings and litigation arising in the ordinary course of business. In the opinion of management, the outcome of such proceedings and litigation is not expected to have a material effect on the Company’s consolidated financial position, operations, or cash flows.

21. GUARANTEES

Certain DTCC subsidiaries (NSCC, FICC, and EuroCCP) provide central counterparty (CCP) services, including clearing, settlement, and risk management services. Acting as a CCP, they guarantee the settlement of trades in the event one party to a trade defaults. A Participant default is defined in each clearing subsidiary's rules. In its guarantor role, each clearing subsidiary has equal claims to and from Participants on opposite sides of netted transactions. To cover its guarantee risk, the clearing subsidiaries use risk-based margining to collect cash and securities collateral ("Clearing Fund").

NSCC is the leading provider of U.S. clearance, netting, risk management and settlement for virtually all U.S. broker-to-broker trades involving equities, corporate and municipal debt, exchange traded funds and unit investment trusts. Through its Continuous Net Settlement (CNS) System, NSCC is interposed between Participants in securities clearance and settlement. CNS transactions are generally guaranteed as of the later of midnight of T+1 or midnight of the day they are reported to the membership as compared/recorded. Because NSCC stands between the Participants delivering and receiving CNS trades, the failure of Participants to deliver securities to NSCC on settlement date, and the corresponding failure of NSCC to redeliver the securities, results in open positions. Open CNS positions are marked-to-market daily. Such marks are debited from or credited to the involved Participants through the settlement process. At the close of business on December 31, 2013, open positions due to and from NSCC totaling $147.8 billion. There were no defaults by Participants to the obligations.

FICC, through its Government Securities Division (**GSD**), is the leading provider of real-time trade matching, clearing, netting, risk management and settlement for trades in U.S. government debt, including repurchase agreements. Securities processed by GSD include Treasury bills, bonds, notes, zero-coupon securities, government agency securities, and inflation-indexed securities. The U.S. government securities market is predominantly an over-the-counter market and most transactions are settled on a T+1 basis. Trades are guaranteed upon comparison. GSD's netting system interposes FICC as settlement counterparty between GSD Participants for eligible trades that have been netted. The guarantee of net settlement positions by FICC results in a potential liability to FICC. Guaranteed positions that have not yet settled are marked to market daily and are debited from or credited to the responsible Participants through the funds-only settlement process. At December 31, 2013, the amount of guaranteed positions due from netting GSD Participants to FICC approximated $844.8 billion. There is an equal amount due to certain other GSD Participants from FICC after consideration of deliveries pending to FICC. There were no defaults by participants to these obligations.

MBSD's approval as central counterparty and pool netting system were implemented opening of business on April 2, 2012. This implementation positioned MBSD to begin to guarantee settlement. The pool netting system interposes FICC between MBSD Participants for eligible trades that have been pool netted. The guarantee of settlement for pool netting eligible trades as well as TBA trades by FICC results in potential liability to FICC. Guaranteed positions that have not yet settled are margined, marked-to-market daily and collateralized via the member's Clearing Fund. At December 31, 2013, the gross amount of guaranteed positions by MBSD which were scheduled to settle, approximated $248 billion. There were no defaults by Participants to these obligations.

EuroCCP is a CCP that clears trades in 19 markets, including equities issues, and listed depository receipts in Europe. Through the process of novation, EuroCCP substitutes itself for all counterparties, becoming the buyer to each seller, and seller to each buyer, thus assuming counterparty risk for its Participants and allowing the settlement of trades in the event of Participant failure. At December 31, 2013, the total value of all pending net obligations scheduled to settle over the next three settlement days was $10.2 billion. There were no defaults by Participants to these obligations.

If a NSCC, FICC, or EuroCCP Participant defaults, such Participant's deposits to the Clearing Fund would be liquidated to satisfy an outstanding obligation and/or loss. If those funds are insufficient to cover the liquidation of the defaulting Participant's outstanding obligations to NSCC and FICC, NSCC and FICC would then use any funds available from any applicable multilateral netting contract and limited cross-guaranty agreements, under which these clearing agencies have agreed to make payments to each other for any remaining unsatisfied obligations of a common defaulting Participant to the extent that these clearing agencies have excess resources belonging to the defaulting Participant.

In addition, FICC has entered into separate and distinct cross-margining agreements; one is with New York Portfolio Clearing, LLC (NYPC), and the other is with the Chicago Mercantile Exchange Inc. (CME). Under each of these respective agreements, FICC and NYPC, and separately, FICC and CME would apply available amounts to each other under specified circumstances.

If there is still a deficit, in the case of NSCC and FICC, they would apply up to 25% of their retained earnings respectively, or, in the case of EuroCCP, a discretionary amount out of its retained earnings approved by EuroCCP's board of directors, to cover the loss. Any remaining deficiency would be satisfied through a loss allocation to nondefaulting Participants by using the relevant clearing subsidiary's Clearing Fund based upon a loss allocation formula set out in that subsidiary's rules.

22. OFF BALANCE SHEET AND CONCENTRATION OF CREDIT RISKS

Credit risk represents the potential for loss due to the default or deterioration in credit quality of a Participant. The Company's exposure to credit risk comes primarily from clearing and settlement service operations. Credit risk also comes from financial assets, which consist principally of cash and cash equivalents, investments, accounts receivable, and Participant Fund and Clearing Fund.

Concentrations of credit risk may arise through having large connected individual exposures and significant exposures to groups of Participants whose likelihood of default is driven by common underlying factors, including economic conditions affecting the securities industry and debt issuing countries.

Given that NSCC, FICC and EuroCCP are CCPs, they are exposed to significant credit risk of third parties, including their customer base, which extends to companies within the global financial services industry. Customers are based in the United States and overseas and include participating brokers, dealers, institutional investors, banks, trust issuers, mutual fund companies, insurance carriers, hedge funds, and other financial intermediaries — either directly or through correspondent relationships.

Cash and Cash Equivalents. The Company maintains cash and cash equivalents with various financial institutions. These financial institutions are located in different geographical regions, and the Company's policy is designed to limit exposure with any one institution. As part of its risk management processes, the Company performs periodic evaluations of the relative credit standing of the financial institutions. The Company only makes deposits with banks and financial institutions having a credit rating of at least A-/A3 or better from recognized rating agencies. The Company also monitors the financial condition of the financial institutions on an ongoing basis to identify any significant change in a financial institution's financial condition.

Marketable Securities. In addition to making investments in overnight reverse repurchase agreements and money market funds, the Company also makes direct investments in U.S. Treasury securities. Credit risk related to marketable securities involves the risk of nonperformance by the counterparty, which could result in a material loss. To mitigate the risk of credit loss, the Company only makes investments in debt obligations of the U.S. government or those U.S. government agencies guaranteed by the U.S. government.

Accounts Receivable. Credit risk related to accounts receivable involves the risk of nonpayment by the counterparty. Credit risk is diversified due to the large number of Participants comprising the Company's customer base. The Company also performs ongoing credit evaluations of the financial conditions of its customers and evaluates the delinquency status of the receivables.

Participant Fund and Clearing Fund. In addition to risk management policies described above for cash and cash equivalents, when Participants provide cash deposits to the Clearing Fund, the Company may invest the cash in overnight and reverse repurchase agreements (reverse repos). The Company bears credit risk related to overnight reverse repurchase agreements only to the extent that cash advance to the counterparty exceeds the value of collateral received. Securities purchased under overnight repurchase repos are generally U.S. Treasury and agency securities and, therefore, have minimal credit risk due to low probability of U.S. government default and the highly liquid nature of these securities. Reverse repo investments are secured; collateral must have a market value greater than or equal to 102% of the cash invested. Additionally, overnight reverse repo investments are only placed with financial institutions with a credit rating of A-/A3 or better from recognized rating agencies. To avoid concentration of credit risk exposures, the Company sets credit limits for each counterparty.

The Participant cash deposits may also be invested in money market mutual funds under Rule 2a-7 of the Investment Company Act of 1940 with a credit rating of AAA from Standard & Poor's, Fitch, or Moody's, respectively. Since the Company only invests in highly rated money market mutual funds and cash is returned each morning, the Company has minimal credit risk related to overnight money market mutual funds.

The Company is exposed to credit risk on a daily basis. This risk arises at DTCC should a Participant fail to fulfill its settlement obligation.

The Company provides risk management/mitigation by identifying, measuring and responding to these risks in order to protect the safety and soundness of the clearing and settlement system. Various tools are utilized to mitigate these risks, including, but not limited to the following: setting capital adequacy standards; assessing new applicants; performing continuous monitoring of Participants' financial condition; reviewing Participants' daily trading activity and determining appropriate collateral requirements; maintaining the Participant Fund and Clearing Fund; trade and continuous trade netting; marking unsettled trades to market; and utilizing a variety of advanced quantitative analytical methodologies, such as back and stress testing.

In order to become a participating member at any of DTCC's clearing agency or RCH subsidiaries, an applicant must meet minimum eligibility criteria (which are specified in the subsidiaries' respective rules). All applicants to be a Participant of DTCC's clearing agency or RCH subsidiaries must provide the Company with certain financial and operational information. This information is reviewed to ensure the applicant has sufficient financial ability to make anticipated contributions to the relevant subsidiary's Participants Fund or Clearing Fund and to meet obligations to the subsidiary. The credit quality of the clearing Participant is evaluated at the time of application and monitored on an ongoing basis to determine if the Participant continues to be financially stable and continues to meet the financial requirements of membership. As part of its review, the Company utilizes an internal credit risk rating matrix to risk rate its bank and broker Participants. The resulting rating determines the level of financial review that will be performed on each Participant and may impact their Participants Fund and Clearing Fund requirements.

Collateralization controls and net debit caps are employed by DTC to protect Participants against the risk that one or more Participants may fail to pay for their settlement obligations. DTC's collateralization controls prevent the completion of transactions that would cause a Participant's net debit balance to exceed the value of collateral in its account. This is designed so that if a Participant fails to pay for its settlement obligation, DTC will have sufficient collateral to secure liquidity funding for settlement and liquidation of the collateral to repay any borrowings. DTC's net debit cap controls limit the net settlement debit that each Participant can incur to an amount, based upon activity level, which would be covered by DTC's sources of liquidity. The net debit cap is structured so that DTC will have sufficient liquidity to complete settlement should any single Participant or Participant family fail to settle.

NSCC, FICC and EuroCCP collect Clearing Fund deposits from their Participants using a risk-based margin methodology. The risk-based methodology enables them to identify the risks posed by a Participant's unsettled portfolio and to quickly adjust and collect additional deposits as needed to cover those risks. At multiple times during the day, Clearing Fund requirements are calculated for each Participant based on their then-current unsettled and pending transactions. Security pricing is updated on an intraday basis and additional charges may be collected to cover significant price movements from those Participants with a significant exposure in the identified security. The Company monitors Participants overall trading activities throughout the trading day to determine whether exposures are building up that would require special actions to increase their Clearing Fund deposits. The Company regularly performs back and stress testing of the quality and accuracy of its risk management systems to ensure the adequacy of Clearing Fund requirements and to respond to other risk factors the tests may reveal.

DTC, NSCC and EuroCCP also maintain lines of credit to support potential liquidity needs in the event of a Participant default. See Note 15 Debt.

The Company also limits its exposure to potential losses from default by Participants through multilateral netting contracts and limited cross-guaranty agreements with other clearing agencies. These arrangements are designed to provide a mechanism for the sharing of excess net collateral resources of a common defaulting Participant held at one clearing agency to cover losses incurred at another clearing agency. NSCC, FICC, and DTC have a multilateral netting contract and limited cross-guaranty agreement with OCC under which these clearing agencies have agreed to make payment to each other for any remaining unsatisfied obligations of a common defaulting Participant to the extent they have excess resources of the defaulting Participant. NSCC and OCC also have an agreement providing for payments to each other relating to the settlement of certain option exercises and assignments in the event of a mutual Participant's failure. Further, DTC and NSCC have a netting contract and limited cross-guaranty agreement which includes certain arrangements and financial guarantees to ensure securities delivered by DTC to NSCC to cover CNS allocations are fully collateralized.

FICC, through GSD, has a cross-margin agreement with the Chicago Mercantile Exchange designed to provide margin reduction benefits to certain "cross-margining" Participants and their affiliates. FICC, through its GSD, has also entered into a "one-pot" cross-margining arrangement with NYPC. The arrangement allows certain GSD Participants to combine their positions at the GSD with their positions (or those of certain permitted affiliates) cleared at NYPC within a single margin portfolio.

If a DTC Participant fails to pay any obligation to DTC, such Participant's deposits to the Participants Fund may be applied to payment of that obligation. DTC may also apply the Participants Fund deposits of non-defaulting Participants to satisfy any loss or liability incurred by DTC and/or DTC may charge its existing retained earnings and undivided profits to satisfy the loss or liability.

23. IMPACT FROM SUPERSTORM SANDY

During the last quarter of 2012, the Company's operations were significantly impacted by Superstorm Sandy (Sandy). The floodwaters that engulfed the lobby and underground floors of its corporate headquarters at 55 Water Street in Lower Manhattan forced a lengthy closure of that building, displacing some 2,300 employees along with the Company's operations from the site.

For the years ended December 31, 2013 and 2012, the expenses and insurance recoveries were recorded in other general and administrative, on the Consolidated Statements of Income and are as follows (in thousands):

	2013	2012
Clean up and restoration of security certificates	$ 12,313	$ 5,700
Corporate expenses	6,526	4,200
Legal fees	2,786	2,600
Replacement of technical equipment	31	3,600
Property damage and building restoration	(70)	1,600
Total expenses	21,586	17,700
Insurance recoveries and rent credit	(31,500)	(4,100)
Net impact	$ (9,914)	$ 13,600

In addition, as a result of Sandy, DTCC is at risk for a range of additional potential exposures. The most significant of these stem from the flooding of the vault and resultant damage to certificates. As a result, the Company has potential contingent liabilities from (i) the issuance of indemnifications to Issuers and their representatives, including Transfer Agents for damaged certificates to enable the processing of transactions until such time that the certificates become physically available, (ii) replacement of certificates, and (iii) issuance of surety bonds for the replaced certificates.

During 2013, DTCC issued 99,997 Letter of Indemnification (LOI) certificates and rescinded 54,809 of them as of December 31, 2013. The Company continues to assess this matter and believes, based on information available to it, the resolution of these matters will not have a material adverse effect on the financial condition and the Company's operating results or cash flows for any particular period. Accordingly, no such amounts have been recognized by the Company in the accompanying consolidated financial statements. The Company continues to assess the probability and the estimation of the exposure to determine the extent of further disclosure and/or recognition may be necessary going forward. As of March 31, 2014, the total number of certificates outstanding were 13,800 valued at $6.5 billion.

In accordance with applicable guidance, DTCC establishes accruals for replacement of the certificates and issuance of surety bonds for the replaced certificates where they represent loss contingencies that are both probable and reasonably estimable. As of December 31, 2013, the Company established $2.5 million accrual for these probable cash outflows. In such cases, there may be a possible exposure to loss in excess of any amounts accrued. DTCC will continue to monitor such matters for developments that could affect the amount of the accrual, and will adjust the accrual as appropriate. DTCC believes its accruals for these exposures are appropriate and, in the aggregate, are not material to the consolidated financial position of DTCC, although future accruals could have a material effect on net income in a given period.

DTCC maintains a property insurance policy that has sublimits that apply to various types of damage, such as business interruption (lost profits), extra expenses (expenses incurred to keep normal business operations running), debris removal, etc., and also to specific types of damage incurred from catastrophic natural disasters such as hurricanes, earthquakes, and floods. DTCC also maintains insurance coverage for losses relating to its business as custodian of property, including losses arising from damage to or destruction of securities. During 2013, DTCC received a $31.5 million payment against its claims related to property, business interruption and losses arising from damage or destruction of securities and is included within the other general and administrative line item in the accompanying Consolidated Statement of Income. Subsequently in 2014, an additional $7.8 million payment was received against these claims bringing the total insurance recovery amount to $39.3 million.

24. OTHER MATTERS

Lehman Brothers Inc. On September 19, 2008, a Trustee was appointed, under the Securities Investor Protection Act (SIPA), to administer and liquidate the business of Lehman Brothers Inc. (LBI). As part of the liquidation of LBI, certain of its assets were sold to Barclays Capital Inc. (Barclays), which assets did not, however, include the accounts that LBI maintained at NSCC, FICC, and DTC.

As a result, the trustee, Barclays, and DTCC, on behalf and for the benefit of NSCC, FICC, and DTC (collectively, the "Clearing Agency Subsidiaries") entered into an agreement that provided for the Clearing Agency Subsidiaries to wind down their respective LBI accounts, including the close out of pending transactions and the use of the proceeds in accordance with their respective rules and procedures, in the same manner in which they close out positions of Participants for whom they cease to act. On September 24, 2008, the Clearing Agency Subsidiaries formally ceased to act for LBI.

In addition, Barclays agreed to guaranty, indemnify, and hold harmless DTCC, each of NSCC, FICC, and DTC, and their officers, directors, employees, owners, agents, and representatives against any and all losses, claims, damages, expenses (including legal fees), or liabilities that any of them may incur as a result of winding down and closing out the respective accounts, which guaranty is limited to a $250,000,000 cash deposit (the "Cash Deposit") it provided for that purpose.

Any losses will first be satisfied from the Cash Deposit. If there are losses in excess of the Cash Deposit, they will be satisfied in accordance with the rules and procedures of NSCC, FICC and DTC, respectively (including through application of LBI's Clearing or Participants Fund deposits and any Clearing Agency cross guaranty agreements). If any portion of such funds remains after the close out of the LBI Accounts and satisfaction of all obligations of NSCC, FICC, and DTC, they will be remitted to the Trustee. The Cash Deposit is held at DTCC to facilitate its investment pending application against losses or its turnover to the Trustee.

With respect to LBI, DTCC and its subsidiaries held the following at December 31:

	2013	2012
Segregated cash	$ 32,556,821	$ 32,556,821
Participant and clearing funds	1,160,135	1,160,135
Matured money market investment accounts	29,616,175	29,616,175
Total	$ 63,333,131	$ 63,333,131

As of December 31, 2013, DTCC has delivered to the Trustee of the LBI estate $5,125,811,000 in cash and Clearing fund securities valued at $159,479,000, attributable to the LBI estate.

MF Global Inc. On October 31, 2011, a Trustee was appointed, under the SIPA, to administer and liquidate the business of MF Global Inc. (MFG). As part of the liquidation of MFG, any losses will first be satisfied in accordance with the rules and procedures of NSCC, FICC and DTC, respectively (including through application of MFG's Clearing or Participants Fund deposits and any clearing agency cross guaranty agreements). If any portion of such funds remains after the close out of the MFG accounts and satisfaction of all obligations of NSCC, FICC, and DTC, they will be remitted to the Trustee.

With respect to MFG, DTCC and its subsidiaries held the following at December 31:

	2013	2012
Segregated cash	$ 22,877,984	$ 21,658,797
Participant and clearing funds	6,120,422	6,210,352
Total	$ 28,998,406	$ 27,869,149

As of December 31, 2013 DTCC had delivered cash to the Trustee of the MFG estate of $227,287,000, attributable to the MFG estate.

Management does not expect there will be any losses attributable to the liquidation of the LBI or MFG accounts to be assessed against retained earnings or Participants.

Severance. For the year ended December 31, 2013, DTCC incurred severance expense totaling $5,658,000 that is included in employee compensation and related benefits on the accompanying Consolidated Statement of Income. In 2012, there was a similar expense of $18,100,000.

25. SUBSEQUENT EVENTS

On February 6, 2014, the U.S. Securities and Exchange Commission approved DTC rule filing SR-DTC-2014-01. Under the rule change, which became effective March 3, 2014, DTC will no longer count the amount paid by Participants for the purchase of DTC Series A Preferred Stock ($150 million in the aggregate) as a liquidity resource for the Participants Fund; it will account for this as capital available for general business purposes.

The Company evaluated events and transactions occurring after December 31, 2013 through April 1, 2014 for potential recognition or disclosure in these consolidated financial statements. Other than the matters noted above, no other events or transactions occurred during such period that would require recognition or disclosure in these consolidated financial statements.