“In a world of uncertainty, the one place where there has been stability and resilience is in the infrastructure.”

Larry E. Thompson
Managing Director and General Counsel

Donald E. Donahue
Chairman and Chief Executive Officer

Ellen Fine Levine
Managing Director, Chief Financial Officer and Treasurer

Lehman Bankruptcy
Closed Out – $500 Billion in Market Exposure Eliminated

Credit Default Swaps Settle Smoothly

Release of Credit Default Swap Data Calms Financial Markets

EuroCCP Brings Low-Cost Clearing and Settlement to Europe
What does a third of a penny buy?

The Depository Trust & Clearing Corporation (DTCC) charges the lowest prices in the world for equity clearing. Included in that price is the industry’s most comprehensive risk management program, which allows DTCC to monitor and mitigate risk from a central vantage point, across asset classes, to protect customers.

DTCC is Safe

DTCC provides unparalleled certainty and risk management – and protects the integrity of financial markets.
DTCC’s Financial Strength and Risk Management Expertise Bolster Market in Time of Turmoil

Business Highlights – DTCC Settles $1.88 Quadrillion in Securities Transactions

Chairman’s Letter: Managing Risk in a Challenging Environment

The Trade Information Warehouse Safely Navigates CDS Market Through Stormy Waters

Trade Information Warehouse Broadens Transparency in the CDS Market

EuroCCP Brings Safe and Low-Cost Clearing and Settlement to Europe

Benefits of Centralized Clearing Reinforced During Financial Crisis

Flight to Safety Prompts Record Volume in Fixed Income Securities Trading

Preparing a Central Counterparty for Mortgage-Backed Securities

Depository Servicing of Assets Held in Custody Marks New Milestones

Wealth Management Services Provides Support and Added Efficiency as Baby Boomers Retire

Managing Crisis in the Insurance Sector

Corporate Social Responsibility

Timeline: 35-Year Proven Track Record

DTCC Board of Directors

2008 Financial Report

Senior Management

DTCC Subsidiaries: The Depository Trust Company (DTC); National Securities Clearing Corporation (NSCC); Fixed Income Clearing Corporation (FICC); DTCC Solutions LLC; DTCC Deriv/SERV LLC; European Central Counterparty Limited (EuroCCP)

DTCC Joint Venture: Omgeo
2008 Performance Highlights

Value of transactions settled by DTCC: $1.88 quadrillion

Value of securities on deposit: $27.6 trillion

Value of NSCC equity, bond and ETF transactions processed: $315.1 trillion

Value of electronic book-entry deliveries: $181.9 trillion
$2.9 trillion
Value of mutual fund transactions processed

$111.3 trillion
Value of MBS trades compared (par value)

$29.2 trillion
Notional value of credit derivatives contracts in the Warehouse

$1.04 quadrillion
Value of U.S. government transactions processed
Managing Risk in a Challenging Environment – A Letter to Stakeholders

Amid the unprecedented turmoil that engulfed our customers and the financial services sector in 2008, DTCC continued to deliver the rock-solid risk management and reliability our customers have counted upon for more than three decades. Our years of proven experience in identifying and managing a broad set of industry risks, coupled with our ability to see these exposures from a central vantage point, were instrumental in helping the industry mitigate the year’s volatile markets and system-shaking events. The year was one of the most challenging, but also one of the most successful, in DTCC’s history.

In the year’s “headline” event, we successfully protected our members and the nation’s securities clearance and settlement system throughout the days following the Lehman Brothers’ bankruptcy – including resolving $500 billion in exposure, the largest liquidation in U.S. financial history, without having to draw upon our members’ clearing fund. Our Trade Information Warehouse also successfully managed 11 credit events in the over-the-counter derivatives markets in 2008, including Lehman Brothers Holding Inc., Fannie Mae, Freddie Mac and Washington Mutual. Approximately $285 billion (in aggregate gross notional value) of credit default swap (CDS) contracts were netted down to $12 billion in actual payments, completed through the Warehouse link with CLS Bank.

We helped steady the industry during the March bailout of Bear Stearns. Our support for the transfer of Bear Stearns’ deal book of about 150,000 open CDS contracts to multiple JPMorgan Chase subsidiaries, most of which were handled in just 48 hours over a weekend, worked to eliminate uncertainty in the market and operational risk for our members.

In another example of DTCC’s battle-tested capabilities, our equity clearing subsidiary took responsibility for all trades members had open with Bernard Madoff Investment Securities through December 12, 2008 – the firm’s last trading day – and subsequently closed out all of those trades with no loss to member firms.

And throughout all these extraordinary events, we continued to process seamlessly in excess of $1.88 quadrillion in securities transactions in 2008. We continued to deliver excellent results across all areas of our business, with flawless systems reliability amid record volumes; tight expense management, including the largest fee cuts in our history; service enhancements completed on schedule and within budget; and further initiatives to strengthen our internal processes, capped by our certification as a CMMI Level 3 organization.

During 2008, we also made plans for further growth, with the successful launch of our EuroCCP clearing subsidiary in Europe; we reached agreement on a combination of our confirmation services for OTC derivatives and those of Markit; and we completed the first stage of discussions toward a merger with LCH.Clearnet Group, Ltd. The case for the merger with LCH.Clearnet also is truly compelling – a seamless transatlantic infrastructure would provide enormous benefits to the industry in both Europe and the U.S., leveraging IT capabilities and platforms to reduce the costs, enhance operating efficiency, create new services for users and help manage the risk of any single firm more effectively from a central vantage point. The transatlantic governance contemplated in the merger proposal would ensure that European and U.S. market participants could continue to control those services most crucial to their operations, while benefiting from the global perspective and scale the combined organizations can bring.
More recent developments in the European scene suggest that our plans may need to be tailored for the current market environment, given the heightened sensitivities of customers and sharpened concerns about the appropriate process for regulatory oversight. Nonetheless, we remain confident that solutions can be found that address these concerns without losing sight of the extensive benefits the merger can bring. A more unified infrastructure can play a unique role in addressing regulatory concerns and helping manage operational, market and systemic risk, and DTCC remains committed to playing our part in helping that unified infrastructure come into being.

Managing Risk

We saw firsthand in 2008 how our ability to manage risk associated with a single member from a central point across multiple asset classes gave us a huge advantage in mitigating systemic risk.

DTCC continues to act in numerous ways to strengthen our risk infrastructure, to make it more robust and to improve liquidity resources in the depository and clearing corporations. But we also take a broader view of the industry’s risks and how DTCC must act to help control and mitigate them. For example, in uncertain times DTCC can also leverage our central role to help counteract misinformation and calm market unease. At the time of the Lehman bankruptcy, DTCC’s rapid public correction of rumors that Lehman’s exposure in the credit default swap market could reach $400 billion – our Trade Information Warehouse records suggested Lehman’s net exposure was closer to $6 billion – helped to calm the financial markets.

To address the underlying uncertainty, in November, at the request of the Federal Reserve and in consultation with customers, DTCC began disclosing data on the outstanding notional values (gross and net) of the top 1,000 underlying CDS single-name reference entities and CDS indices registered in our Trade Information Warehouse. This information, disclosed every Tuesday, is extensively reported in the press, contributing to greater transparency and a more accurate public picture of the credit derivatives market.

We also act to support other initiatives mitigating risks. For credit default swaps, we announced our intentions to support, on a non-discriminatory basis, all potential service providers in the industry that are developing central counterparty (CCP) capabilities to guarantee the completion of these contracts. As a utility, DTCC’s Trade Information Warehouse will continue to be market-neutral so our customers can leverage this central database of CDS contract details and expeditiously meet the expectations of regulators around the world.

As we look ahead at efforts to enact regulatory reforms of financial markets, DTCC believes there will be more meaningful contributions our central infrastructure can make to alleviate industry risks, both in monitoring the markets and in providing greater transparency.

Delivering Resilience and Reliability

But DTCC’s commitment to safety and soundness in the industry’s infrastructure is not limited to managing credit and market
risks — our customers know they can count on steady reliability in all areas of our performance. In systems performance, uptime for mainframe processing in 2008 was 100% and for distributed processing, 99.96% — even as we seamlessly handled the biggest sustained volume increase in our history, breaking our daily processing record four times in one week. (On October 10, we saw an all-time high when our equity transaction processing volume jumped to 209.4 million transactions (or 19.3 billion shares), more than double the peak volume experienced in 2007.)

Our success in keeping processing capacity ahead of market needs is critical to sustaining market confidence. In 2008, we increased our equities processing capacity to 500 million daily transactions, up 79% from 280 million in 2007.

And we're just as committed to reliable performance in meeting and exceeding our development commitments to customers with new technology solutions. In September, DTCC became the only U.S.-based financial services organization to achieve an enterprise-wide Level 3 certification under Carnegie Mellon University’s Capability Maturity Model Integration (CMMI) standard for excellence in software development and delivery. Certification at this coveted level means that we leverage continuous improvement processes to reduce cost and risk, improve product quality and assure timeliness in the delivery of technical solutions for the industry.

Serving a Global Market

DTCC’s customer base is increasingly made up of global financial institutions that are headquartered in Europe as well as in the U.S. and handle instruments that are traded globally. This past year we’ve continued to expand capabilities to meet the growing needs of our customers to extend our processing prowess and low costs to new market segments. Our EuroCCP subsidiary successfully launched its pan-European equity clearing platform last fall and volume continues to grow, with a peak daily record to-date at more than 500,000 transactions. With fees among the lowest in Europe, EuroCCP clears trades executed on the Turquoise trading platform and for SmartPool, a new exchange-led dark pool. We also have been selected to clear and settle trades on the new high-frequency trading platform, NYSE Arca Europe. To date, EuroCCP serves markets in 15 European countries and supports 24 approved clearing participants, and we continue to look at expanding the markets and securities we clear and settle.

Last July, DTCC and Markit announced the formation of a new company that will combine Markit’s front- and middle-office trade processing services with Deriv/SERV’s back-office leadership in post-trade confirmation and matching services. The new company will provide a single gateway for confirming OTC derivative transactions globally and be quicker to market, provide better client solutions and further streamline the infrastructure that serves these globally integrated markets.

We also introduced Loan/SERV, a family of services we are growing to help bring greater efficiency and automation to the global syndicated loan market. This past year DTCC started with the introduction of the Loan/SERV Reconciliation Service, which enables agents and lenders to view and reconcile loan commitments and transactions on a daily basis and Loan/SERV Messaging Service, which provides a safe, secure and automated network for the transmission, receipt and online storage of industry-standard loan messages. Further expansion of the Loan/SERV suite of services is planned in 2009.

DTCC has also moved forward to broaden participation in its subsidiaries beyond our traditional U.S. customer base. DTCC received regulatory authorization so that non-U.S. financial institutions can directly join DTC and NSCC, and is awaiting this approval for FICC’s Government Securities Division. The broader we can extend the risk management and netting umbrella of DTCC subsidiaries, the safer and cheaper trades will be for all our members, domestic and international.

Omgeo, DTCC’s joint venture with Thomson Reuters, continued to grow volumes while providing certainty and efficiency in post-trade processing for an expanding customer base of institutional investors across the globe. It currently manages matching and exception handling of trade allocations, confirmations and settlement instructions for some 6,000 investment managers, broker/dealers, custodian banks and hedge funds in 46 countries.

Reducing Costs and Fees

Even as we meet these challenges, we recognize that we must also continue to lower fees through stringent fiscal controls, reduced operating costs and economies of scale achieved from rising volumes. DTCC made its deepest fee cuts ever in 2008, yielding customers a total savings of more than $260 million. For 2009, we expect fee cuts to generate approximately $108 million in customer savings.

Our equity clearance fees are the lowest in the world, the result of ongoing efforts by DTCC to identify cost inefficiencies in the clearance and settlement system and act to eliminate them. While we recognize this task is never completely done, DTCC has been relentless and very successful in its focus on driving core clearing costs down.
DTCC’s ability to manage risk from a single firm across multiple asset classes helps mitigate systemic risk.

In 2008, the total operating cost to clear the entire U.S. equities markets was less than $70 million. The average cost per firm for clearing was approximately $250,000, with more than three-quarters of our members paying an average of less than $14,000 each to clear their trades.

DTCC firmly believes that fragmenting the clearing system cannot lead to further reductions in clearing costs, when all aspects of the system are taken into account. Fragmentation requires industry members to interact with multiple clearing venues, to post collateral at multiple locations, and eliminates the ability to mitigate risk from a central vantage point, as we did during the Lehman bankruptcy. When assessed “all in,” this cannot be viewed as a wise choice.

Given current market conditions, DTCC will put even further emphasis in 2009 on achieving strong financial performance and continuing to help customers drive down their costs. Key to this will be DTCC’s enterprise-wide focus on cost controls and productivity driven by Six Sigma/quality process management tools and other metrics-based initiatives.

The Year Ahead

This Annual Report reviews in detail the statistics for the year and illustrates why 2008 represents a truly remarkable year in DTCC’s history. But, as always, our focus continues to be on what is yet to come, and how DTCC can deliver even greater value to the industry in the coming years, including accelerating the trade guaranty for NSCC-cleared transactions, implementing a central counterparty for mortgage-backed securities transactions, and expanding EuroCCP’s services to its members, among other initiatives. In addition, DTCC is working to support global standards for securities settlement systems and central counterparties published by the Committee on Payment and Settlement Systems and the International Organization of Securities Commissions.

DTCC also recognizes many ways in which we can help the industry respond to the likely intensification of regulations in the future. The global dialogue will focus on improving “systemic” oversight, and DTCC’s central role in the system clearly offers capabilities for a more efficient oversight process and one that would be far less costly than oversight based on individual regulatory supervision of the thousands of individual financial institutions that make up the market. DTCC has already formulated initial thoughts on these subjects that have been discussed with industry members and regulators, and will be continuing to think through these possibilities with the industry as the restructuring of the global regulatory architecture moves forward.

Thanks to Our Board of Directors and Our Employees

DTCC’s Board of Directors has always been an enormous resource for our organization, but their special contributions and strong support were even more valued as DTCC navigated through unprecedented industry upheavals this past year. Considering market conditions and the pressures all of our member firms were experiencing, the commitment of time and expertise of Board members during the year was particularly noteworthy. They played a hands-on role during the financial crisis – and their guidance was invaluable. As always, we are extremely grateful for their insights, guidance and support. I must express special thanks to Charlie Cardona, Steve Casper, Randy Cowen, Ian Lowitt, Norm Malo and Ron Purpora, all of whom are leaving DTCC’s Board, for all of their many contributions during the years.

Lastly, we want to praise the talented and dedicated team of professionals at DTCC, who never quit no matter the challenge and who approach every issue with a sense of personal ownership. Against the backdrop of crisis in 2008, DTCC’s overall customer satisfaction scores once again reached 91%. This score demonstrates that even as DTCC supported customers under extraordinary market stresses, we remained focused on advancing business initiatives to meet the ongoing needs and requirements of all customers. This customer-centric approach is in the DNA at our firm and we thank our employees for their skill and dedication.

This period of extraordinary volatility and shaken confidence has underscored how well DTCC protects our members, how much value our robust infrastructure brings to the markets and how our core strengths can buttress the expansion of markets globally. In fact, in a world of instability and acute financial pressure, the infrastructure has proven both resilient and flexible in supporting the industry.

All indications are that 2009 will be another extremely challenging year for DTCC, our customers and financial services globally. However, as the industry continues to change and globalize, DTCC’s job will remain the same – to reduce risk, lower costs, facilitate growth and ensure the integrity of the financial system.

Donald F. Donahue
Chairman & Chief Executive Officer
Overall customer satisfaction rating in 2008 from a customer satisfaction survey, conducted by an independent research firm.
Our principal mission is to protect our members and promote stability in the markets.
firms into bankruptcy simultaneously? We have to be prepared for the unthinkable – and the ‘unknowable’ – with adequate access to capital to ensure the integrity of the financial system.”

During the days of the Lehman crisis, according to Levine, DTCC worked to manage the high volumes of cash flowing in, and to ensure it had plenty of cash on hand. “Fortunately, we didn’t have to draw on the company’s lines of credit,” she said. “But having a top credit rating always makes it easier to get access to cash if it’s needed.”

DTCC’s risk management team plans to continue its tabletop close-out simulations using actual positions, actual members and actual values across a member’s family of companies – a leap beyond the old standard that clearing houses should protect against the failure of the single largest member.

At the same time, Finance remains focused on careful financial planning to make certain that DTCC has adequate cash and financial resources to safeguard its member-customers. “We need to stay ahead of the curve,” Levine said. “That’s what risk and financial management are all about.”
DTCC to Publish Weekly Data on CDS Mkt Size

DTCC will narrow industry’s risk with a real-time trade guarantee

DTCC has announced two measures that will further mitigate risk for the industry and ensure greater certainty for market participants: 1) the plan to implement a real-time trade date guarantee for all Continuous Net Settlement (CNS)-eligible trades, including equity, corporate bond and municipal bond markets; and 2) an increase in capacity to respond to a major financial firm failing. Even though it seemed step toward bringing certainty to the over-the-counter (OTC) credit derivatives market, the public greater access to CDS information through this central industry registry, our goal is to

OTC Derivatives: Novation Consent Goes Full Throttle

Activity on DTCC Deriv/SERV’s Novation Consent platform has accelerated significantly as market participants in the over-the-counter (OTC) credit default swaps (CDS) market move to bring novation processing into an automated environment by part of ongoing consolidation. “We have seen a tremendous pick-up in customers using Novation Consent,” said Peter Axtirol, DTCC managing director, Business Development. “We believe the rapid pace at which customers are starting to use our service underscores the importance market participants place on meeting deadlines they’ve helped to regulators

DTCC Offers Lowest Equity Clearing Fees in World

In the fourth quarter of 2008, DTCC experienced a 25% jump in volume, handling a record of nearly 170 million transactions compared to an average daily volume of 28 million in 2008. On October 6, DTCC processed a peak of 174.1 million total transactions, driven by the number of NSC transactions (right) can be for over 500 shares of stock — even 500 shares or

DTCC successfully closes out lehman brothers bankruptcy

DTCC, the leading post-trade clearance and settlement infrastructure for the U.S. capital markets, announced October 30 that it had successfully closed out over $500 billion in market participants’ exposure from the Lehman Brothers, Inc. (Lehman) bankruptcy, which occurred the week of September 22.

This was the largest close out in DTCC’s history and to be any impact to its retained ed fund deposits as a result of closing Lehman.

Lehman was a leading participant and over-the-counter (OTC) deriv- of DTCC’s Mortgage Backed Securities, largest users of the Government Securities market and among the top-10 participants (NSCC) and The Depository Trust and Clearing Corporation (Europe) was a part

DTCC Rolls Out New Risk Management Model for Mortgage-Backed Securities

DTCC announced that, in its ongoing efforts to enhance transparency in the market for over-the-counter (OTC) credit derivatives, it is expanding the data its DTCC Deriv/SERV unit publishes on credit default swaps (CDS) registered in its Trade Information Warehouse (Warehouse) to show additional detail on weekly transaction activity.

The Warehouse is the market’s only central trade registry and industry-recognized infrastructure for credit derivatives trades.

Effective Tuesday, January 20, the contract data posted on DTCC’s website includes a new Section III covering weekly trading activity registered in
Protecting Our Members – The Lehman Bankruptcy

Thomas Quaranta, senior relationship manager, Relationship Management, and Elena Staloff, vice president, Clearance and Settlement/Equities

Lehman Bankruptcy Timeline

Sunday, September 7
Federal government puts Fannie Mae and Freddie Mac into conservatorship. Rumors begin about other firms that may be in trouble, including Lehman Brothers Holding, Inc. (LBHI), the holding company that had a brokerage subsidiary, Lehman Brothers, Inc., which was a major member of various DTCC subsidiaries. It ranked as a top-three user of DTCC’s mortgage-backed securities division. It was a top-five user in DTCC’s U.S. government securities division and at Deriv/SERV for OTC derivatives. And it was in the top 10 of users at the National Securities Clearing Corporation (NSCC), and at The Depository Trust Company (DTC).

Tuesday, September 9
Lehman Brothers, Inc. placed on highest level of surveillance by DTCC. Additional Lehman clearing funds are demanded by NSCC and FICC.

Thursday, September 11
DTCC Board credit and risk management committee begins meeting regularly on Lehman, often more than once a day. Meetings continue until September 24.

Friday, September 12
DTC lowers net debit cap for Lehman Brothers, Inc. to zero to minimize risk to the depository. The move effectively prevented any payment obligations to DTC to occur in the account in case LBHI declared bankruptcy that weekend.

Saturday, September 13
The Federal Reserve Bank of New York convenes emergency meetings with industry representatives to discuss the possible sale of Lehman Brothers. Lehman’s fate topped the agenda during those sessions. The Bank of America and Barclays were considered potential suitors initially. Their interest in LBHI, however, was contingent on loans or other guarantees against Lehman losses to be provided by the Fed or the Treasury. And in the end, the chance of a sale evaporated when no Fed or government support materialized. Bank of America, however, did end up engaged in discussions to take over Merrill Lynch that weekend.

John Petrofsky, associate counsel, General Counsel’s Office
he first time DTCC dealt with the possible bankruptcy of a major firm like Lehman Brothers, it was a game – a “war game.”

It was, in fact, a risk-management exercise DTCC went through in June 2008. The idea was to give executives and staff a real-time scenario of what they might face if one of Wall Street’s largest investment banks – and one of DTCC’s largest customers – suddenly went belly up.

The next time DTCC dealt with the bankruptcy of Lehman Brothers, three months later, it was profoundly real – and the beginning of a quick-moving crisis.

Lehman was one of the nation’s most powerful financial institutions and among the world’s five largest participants in the trillion-dollar markets for government and mortgage-backed securities. Yet Lehman Brothers Holdings, Inc. slid into bankruptcy abruptly on Monday, Sept. 15, 2008, followed about a week later by the bankruptcy of its U.S. brokerage subsidiary.

Its collapse, the largest in U.S. history, left DTCC with a staggering challenge: how to wind down the more than $500 billion in securities trades that remained on the books of Lehman. One newspaper called it “The Nightmare on Wall Street.”

‘Nightmare’ Scenario

For DTCC and its subsidiaries, a nightmare was all too possible. After all, as central counterparties, they had guaranteed completion of billions of dollars worth of Lehman’s trades. If they incurred substantial losses when winding trades down, they would need to start drawing on clearing funds their customer-members maintain with them in case of defaults. Never in its 35-year history had DTCC been forced to do this.

So What Happened?

DTCC had begun stepping up its daily risk monitoring of Lehman’s trading activity some weeks earlier. Executives from DTCC’s risk

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Sunday, September 14

Talks for takeover of Lehman break down on Sunday. DTCC is advised Sunday evening that LBHI will file for bankruptcy, but Lehman Brothers, Inc., Neuberger Berman and Lehman Bank will not be impacted and will continue to operate.

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Monday, September 15

DTC, NSCC and FICC issue important notices stating they would continue to act for Lehman Brothers, Inc., Neuberger Berman and Lehman Bank.

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Julie Krill, director, Clearance and Settlement/Equities, and Michael C. Bodson, executive managing director, Business Management and Strategy
management and legal teams were also meeting with regulators during this period. To prevent any exposure DTCC’s depository, The Depository Trust Company (DTC), might have to a Lehman bankruptcy, DTC sharply restricted any debit Lehman Brothers, Inc. could incur at the depository.

The Pre-Dawn Wait
DTCC executives had already gathered in their offices before dawn on Monday, September 15. They knew an announcement was imminent. Lehman Brothers Holdings, Inc. was about to shock the world by declaring bankruptcy, although the Lehman subsidiaries that were members of DTCC were not covered by that declaration. When the news hit, the markets went into a near free fall. Trading volume on U.S. markets climbed to a record that day, and then proceeded to set more records as the week wore on.

The next day, the bankruptcy court appointed the Securities Investor Protection Corporation (SIPC) trustee for Lehman Brothers, Inc. DTCC’s clearing subsidiaries had been accepting as many Lehman trades as possible to allow member-customers the opportunity to see the trades through to completion. Over the weekend, Lehman agreed with DTCC’s subsidiaries to conduct an orderly wind-down of any outstanding positions, and on September 22, DTCC’s subsidiaries advised their customers that they would no longer accept any new Lehman trades.

The Barclays Interlude
Over the long, hectic weekend of September 19-21, Barclays’ teams met with DTCC executives to review the Lehman assets DTCC was holding in its depository and as collateral for trading positions. Finally, sometime around 2 a.m. Monday, September 22, the bankruptcy judge overseeing the Lehman case signed off on Barclays’ asset purchase plan. And later Monday morning, DTCC sent out formal notices to customers that said Lehman would begin an orderly wind-down of outstanding trades still on the books at the clearing corporations. By September 24, that changed to a formal “cease to act” order, and DTCC’s subsidiaries took over responsibility for liquidating the positions.

But there would be more late-night meetings in the coming weeks, especially for DTCC’s Deriv/SERV unit. It would have to help guide the industry through several major credit events in the global credit default swap (CDS) market while simultaneously coping with media reports and market anxiety about the size of credit default swap payouts due on Lehman contracts.

Heng Sun, director, Quantitative Risk, Risk Management, and Elke Jakubowski, vice president, Clearance and Settlement/Fixed Income
Catching a Break

That Monday, however, DTCC caught a break. Its Fixed Income Clearing Corporation (FICC) already had plans to launch a new central counterparty (CCP) that could net and guarantee trades in the mortgage-backed securities market. Now executives at a major securities industry trade group, the Securities Industry and Financial Markets Association, were on the phone exploring whether it would be possible to kickstart the CCP right away in order to wind down Lehman’s forward mortgage-backed securities trades. “We were looking at $329 billion in mortgage trades that had to be dealt with,” said Murray Pozmanter, DTCC managing director, Clearance and Settlement Group. “Frankly, we were ready to look at anything that could work.”

An hour later, Pozmanter and others listened to some 300 broker/dealers on a conference call. Rather than follow its standard trade-by-trade wind-down procedure, the brokers asked if FICC could try to net out as many of the trades as possible through a central counterparty approach.

The lights burned through the night in an all-hands-on-deck exercise as more and more numbers were entered into spreadsheets. And by the next day, some $300 billion in Lehman forward mortgage-backed securities trades – or about 90% of the value outstanding – were netted out. The securities industry heaved a collective sigh of relief.

Yet Lehman’s book held close to $200 billion in other trades as well – all of them guaranteed by DTCC companies. The trades included $190 billion in government securities and repos, and another $5.85 billion involving equities, municipal bonds and corporate debt.

National Securities Clearing Corporation (NSCC), which clears and settles virtually all broker-to-broker trades in the U.S. in equities, corporate bonds and municipal bonds, faced total exposure of approximately $5.85 billion from Lehman Brothers at the time its accounts were closed. This sum included $3.8 billion in options exercises and assignments from the Options Clearing Corporation, which expired on Friday, September 19, and NSCC processed and subsequently guaranteed. A portion of Lehman’s obligations at NSCC was also successfully resolved when DTCC’s DTC subsidiary took the lead in working with Lehman’s pledgee bank to arrange for the release of $1.9 billion in securities, which were used to satisfy open trades at NSCC. As a result, NSCC did not need to go to the marketplace to purchase securities for these trades.

DTCC completed the largest close-out in history – $500 billion – without any loss to our customers’ clearing fund.
Liquidating Lehman’s Portfolio
At this point, DTCC hired an investment manager to help in liquidating positions held by DTCC’s equity and fixed income clearing corporations. Neither the investment manager’s identity nor DTCC’s was disclosed so they could operate in the markets with anonymity. The investment manager provided advice and helped determine the best strategy to hedge the portfolios, minimize risk and conduct an orderly liquidation without disrupting the markets.

By Thursday, September 24, the team was already beginning to hedge the outstanding trades. The next day, DTCC locked down Lehman’s fixed-income portfolio and on Saturday was able to lock down the portfolio with equities and corporate bonds. The rest of the wind-down now began in earnest.

Mitigating Risk Overseas
EuroCCP, a U.K.-based subsidiary of DTCC that provides pan-European clearing and settlement services for multilateral trading facilities, was in midstream of its initial business launch when it was called on to close out trading positions for Lehman Brothers International (Europe) (LBIE). LBIE was placed into administration on September 15, but EuroCCP continued to settle as many of the open positions as possible with LBIE’s agent banks so it could deliver the securities to other participants the same day. LBIE had open trades in 12 markets and six currencies, totaling almost €21 million. The next day, EuroCCP ceased to act for LBIE once it became clear that LBIE’s agent banks would no longer be settling the remaining positions. EuroCCP engaged a broker to close out €16 million in remaining positions. EuroCCP successfully completed its close-out of LBIE’s open positions without the need to use EuroCCP’s Guarantee Fund.

Rumor Mill on CDS Trades Continues to Spook Financial Markets
Meanwhile, as uncertainty and turmoil continued to swirl through the markets, DTCC acted to minimize risk for its OTC derivatives customers. It acted as early as September 15 to stop the automated central settlement of CDS payment obligations maintained in DTCC’s Trade Information Warehouse involving two Lehman subsidiaries, LBIE and Lehman Brothers Special Financing, Inc. DTCC also assisted counterparties in listing and removing from the Warehouse more than 300,000 CDS contracts that market participants held with Lehman. However, market anxiety continued to grow, driven in part by speculation that the CDS market had exposure of as much as $400 billion for payments on a Lehman default.

Calming Public Fears
Later that week, after discussions with customers and the Federal Reserve Bank of New York, which was looking for ways to help calm the markets, DTCC disclosed publicly for the first time figures from its Trade Information Warehouse. DTCC’s press release communicated that the real size of obligations in the CDS market was closer to $6 billion, far less than many had speculated. Less than two weeks later, DTCC was able to provide instructions for the transfer – without incident – of about $5.2 billion in net funds among the various counterparties involved in the Lehman “credit event.”

At the same time, DTCC’s Operations team was scrambling to keep up with Federal Reserve initiatives to unfreeze the commercial paper market and obtain timely payments from key paying agents. By October 13, DTCC was able to liquidate the last of Lehman’s mortgage-backed securities trades. It took another week to complete liquidating the huge book of U.S. government securities trades Lehman’s collapse had left behind. And finally, at the end of October, six weeks after the bankruptcy, the investment manager closed out the last of the equity and corporate bond trades.

Outside of people in the finance world and at the Federal Reserve, few knew that DTCC had completed the largest close-out in the history of U.S. financial markets. And it did so without touching any lines of credit held by its subsidiaries – or any of the clearing funds all customer-members are required to put up.

The nightmare had been vanquished.
Thursday, September 25
DTCC locks the FICC portfolios for Lehman and turns them over to an investment manager for liquidation. The portfolios amounted to $190 billion in U.S. government securities trades and $329 billion in MBS trades.

Friday, September 26
DTCC locks the NSCC portfolio for Lehman and turns it over to an investment manager for liquidation. Appropriate hedges were put in place. Portfolio totaled $5.9 billion. Because DTC had lowered its net debit cap, there were no DTC-owned assets that had to be liquidated.

Thursday, October 30
DTCC announces in a press release it has successfully liquidated Lehman Brothers, Inc. open positions, worth more than $500 billion, with no losses to DTCC or to any member’s clearing funds.

(Above, Left to right) Jeanne Potter, director, Finance; Marie Rey, managing director, Credit and Market Risk Management; Alan Bendel, application developer, DerivSERV and Albert Gambale, managing director, ADM Clearing and Risk

(Lef) Maryana Smaga, control unit lead, DerivSERV Operations
Customer rating in 2008 from a customer satisfaction survey, conducted by an independent research firm.
Managing one major bankruptcy and its impact on the credit default swap (CDS) market would not necessarily cause alarm in the global financial system. However, the reality of tackling eight credit events nearly simultaneously this past fall worried market observers,” said Peter Axilrod, managing director, business development, DTCC. Against this backdrop, market participants relied on DTCC’s Trade Information Warehouse (Warehouse) to help them navigate the stormy waters churned by a growing list of troubled financial institutions including Fannie Mae, Freddie Mac, Lehman Brothers, Washington Mutual, Tembec Industries Inc., a Canadian forest products company, and three Icelandic banks.

The Warehouse’s robust infrastructure minimized the risk associated with the turmoil in the financial markets. “Had the Warehouse’s central settlement capability and automated credit event processing service not already been in place when these credit events took place, the burden of calculating and managing the payouts on affected contracts would have severely stressed participants in the OTC credit derivatives market,” said Axilrod.

DTCC’s Warehouse eased the finance industry’s concerns, providing the only comprehensive global registry and automated processing infrastructure for CDS transactions. “Because the Warehouse’s central settlement function nets payment obligations among counterparties of a CDS contract, the total exposure of $285 billion in gross notional value the market experienced from the eight credit events was significantly reduced to a fraction of that amount, to approximately $12 billion in funds transfers from net sellers to net buyers of protection for the CDS contracts written on the eight companies,” said Frank De Maria, managing director and chief operating officer, DTCC Deriv/SERV.

As word spread on the actual size of the settlements, fears that the ongoing string of credit events might destabilize the finances of those firms trading in CDS instruments began to ebb.

Maintaining OTC Derivatives Contracts Throughout Their Life Cycle

DTCC Deriv/SERV LLC, a wholly-owned subsidiary of DTCC, launched the Warehouse in late 2006 in collaboration with market participants. The aim was to address the industry's need to centralize the maintenance and automated processing of OTC derivatives contracts throughout their multi-year life cycle. At the end of 2008, the Warehouse's global registry held a total of approximately 2.2 million CDS contracts – which represents the vast majority of outstanding contracts – with an aggregate gross notional value of approximately $29.2 trillion.

DTCC enhanced the Warehouse’s functionality in November 2007 by adding a central settlement solution for calculating, netting and issuing payments between counterparties to bilateral CDS contracts. Central settlement reduces the operating risks associated with the manual steps that were traditionally used to process these payments. In 2008, the Warehouse reduced 3.82 million gross quarterly coupon payments valued at US$169 billion gross to 2,200 net payments valued at US$9.8 billion. DTCC’s central settlement service is provided in collaboration with CLS Bank International.

Ensuring an Orderly Transfer

In addition to its ability to process multiple credit events, the Warehouse proved the value of its central registry when it took charge of moving Bear Stearns’ CDS deal book of open CDS contracts, encompassing hundreds of thousands of trades, to JPMorgan Chase last summer. Without the Warehouse’s automated processing capability, the transfer may have taken months. Instead, working with teams at many of the affected counterparty firms, a staff of Deriv/SERV professionals completed the majority of the swing over a 48-hour period during a weekend in mid-July.
DTCC accomplished this by leveraging records already maintained in the Warehouse to streamline an otherwise lengthy confirmation process required with the numerous counterparties affected by the transfer. Because market participants were able to manage these novations, or contract assignments, in synchronous bulk fashion, the process was controlled and ownership of the transactions involved remained certain. This exercise has since proved to be a preview of similar initiatives as the financial services industry goes through further consolidation.

Largest Community of Users
In addition to the CDS contracts, Deriv/SERV also provides automated matching and confirmation for a wide range of OTC credit, equity and interest rate derivatives. Deriv/SERV’s customer base is the largest of any post-trade processing service provider in the industry and includes all major dealers and more than 1,200 buy-side firms in 35 countries.

In 2008, DTCC Deriv/SERV processed nearly 10.1 million OTC derivatives transactions through its matching and confirmation service, up 71% from the 5.9 million transactions processed in 2007. Average daily transaction volume in 2008 was approximately 39,000, up about 71% from 23,000 in 2007. Market participants indicated in their October 31 report to regulators on their progress to strengthen the infrastructure for the OTC derivatives market that more than 95% of CDS contracts are electronically processed through Deriv/SERV’s automated processing platform.

Creating an OTC Derivatives Processing Powerhouse
In July, DTCC and Markit announced plans to form a new company that would combine DTCC Deriv/SERV’s trade matching and confirmation service with Markit’s confirmation and up-front work-flow processing services for OTC derivatives, including Markitwire and Markit Trade Manager. The new OTC derivatives processing powerhouse will deliver increased operational efficiency and certainty to the market by providing a unified gateway for confirming OTC derivative transactions globally across all asset classes. The strategic partnership also responds to customer demand for a more secure, reliable and streamlined operational environment. While Deriv/SERV’s matching and confirmation engine will become a part of the new company, the Warehouse will remain part of DTCC.

Gearing Up for 2009
“As the market turbulence of 2008 spills into 2009, the Warehouse continues its critical role in bringing greater transparency, efficiency and certainty to the OTC derivatives market. DTCC is already gearing up to manage processing the 12 credit events and bankruptcies that have been declared since the beginning of the year,” said Axilrod.

In addition, as global regulators and OTC derivatives market participants worldwide focus on establishing a central counterparty (CCP) for CDS transactions, DTCC is already collaborating with all proposed CCP solutions to facilitate links to the data managed in the Warehouse’s global registry as they move towards providing the trade guarantee services now being called for in the market. □

The Trade Information Warehouse, a global registry for CDS transactions, minimized risk associated with eight major credit events.
Trade Information Warehouse Broadens Transparency in the CDS Market

At the height of the financial crisis, rampant speculation valued the exposure of the credit default swap (CDS) market to the Lehman Brothers Holding, Inc., bankruptcy at $400 billion. The rapid growth of the CDS market, coupled with misconceptions about how it functions and how traders hedge their positions, led many observers to suggest that astronomical sums were at risk.

During this time of uncertainty, DTCC calmed an anxious public about the financial system’s ability to meet these challenges. “DTCC’s disclosure in mid-October of the Trade Information Warehouse’s (Warehouse) calculations on the Lehman Bankruptcy and on the true size and scope of CDS contracts outstanding brought some much needed perspective,” said Peter Axilrod, managing director, Business Development, DTCC. DTCC reported that, as of October 9, the total gross notional value of the CDS contracts maintained in its Warehouse was approximately $34 trillion. Warehouse records also indicated that the expected payout between net sellers to net buyers of protection on Lehman Brothers as a CDS reference entity would be around $6 billion, dramatically lower than the hundreds of billions of dollars previously estimated. Ultimately, the Warehouse instructed the transfer of approximately US$5.2 billion in net funds among the affected counterparties without incident when settlement occurred on October 21.

A Drive to Enhance Transparency

“Because the vast majority of CDS contracts are maintained in DTCC’s global registry, the Warehouse has been central to the industry’s and regulators’ drive to enhance transparency in the OTC derivatives market,” said Marisol Collazo, vice president, Business Development, DTCC Deriv/SERV.

A major step forward in this effort came on November 4 when DTCC began releasing figures on the outstanding gross and net notional values on the top 1,000 underlying CDS single-name reference entities and all indices, as well as cumulative data on the gross notional values of these instruments. The information is updated every Tuesday after 5:00 p.m. and is posted on DTCC’s website. The data release ensures that key information on the CDS market is publicly accessible, painting a more accurate picture of the marketplace.

DTCC has since received widespread recognition for its data publication efforts. Regulators have acknowledged that DTCC’s data releases signify a broadened focus on enhancements in market design and risk and have welcomed the effort as part of the industry’s progress in strengthening the operational infrastructure for OTC derivatives.

(Left to right) Peter Axilrod, managing director, New Business Development; Brandon Brown, client account manager, Deriv/SERV and Patricia Nist, director, Business Development, Deriv/SERV
DTCC Is Expanding Global Services

Deriv/SERV Customers
(number at year end)

Deriv/SERV Transactions Processed
(in thousands)

Total Volume
As markets expand, customers want a broader range of investment servicing solutions that can reach beyond geographical borders, yet are still reflective of local markets – operated at-cost and owned, guided, developed and governed by the firms that are its primary users. At DTCC, 2008 saw the launch of new services to meet their needs.

**Automating the Syndicated Loan Market**

The global syndicated loan market exceeded US$2.1 trillion through the third quarter of 2008, even as deal volumes slowed after years of double-digit growth. To continue to grow this market and boost efficiencies for customers, DTCC created two new services to help automate and streamline syndicated commercial loan processing.

“Today, loan processes are essentially manual, with information faxed between market participants,” said Chris Childs, DTCC vice president, Global Loans Product Management. “In the same manner as we did with Deriv/SERV in the OTC derivatives market, we want the new Loan/SERV products to deliver a broad range of automated and value-added services that will work in Europe, North and Latin America, Asia and other markets.”

Syndicated loans are complicated structures involving multiple lenders for each borrower, with an agent bank acting as the liaison, transmitting information back and forth among parties. The Loan/SERV Reconciliation Service, launched in 2008, enables agent banks and lenders to view and reconcile their loan positions daily. The complementary Loan/SERV Messaging Service, piloted in late 2008, provides a safe, secure, automated network for the transmission, receipt and online storage of industry standard loan messages.

**Strategic OTC Derivatives Partnership**

With the success of the DTCC Deriv/SERV platform providing a secure, reliable and streamlined operational environment for matching and confirmation for a wide range of OTC derivatives products, DTCC looked in 2008 to collaborate with another industry leader to expand the reach of this market. Expected to launch in 2009, this new combined company will link the front- and middle-office trade processing services of Markit, a U.K.-based financial information services company, with Deriv/SERV’s back-office post-trade confirmation and matching services. This collaboration will allow buy-side and sell-side
OTC derivative market participants to confirm trades, while at the same
time, gain access through a common portal to additional services
provided by the parent companies.

New Service Will Automate
Alternative Investment Products
In May 2008, DTCC received approval from the U.S. Securities and
Exchange Commission (SEC) to launch the new Alternative
Investment Product (AIP) suite of services. AIP links global market
participants, including broker/dealers, custodians, alternative fund
managers and hedge fund administrators. The service provides end-to-
end processing of investor-level transactions for alternative investments,
such as hedge funds, funds of funds, private equity, real estate
investment trusts and limited partnerships.

Processing alternative investments is currently handled manually,
using hard-copy documents, fax, email, phone calls and spreadsheets.
AIP introduces a standardized communications format and an
automated central infrastructure into the alternatives market.

“AIP effectively addresses many of the costly and risk-prone aspects
of processing these securities,” said Ann Bergin, managing director,
DTCC Wealth Management Services. “In much the same way that
Fund/SERV® system revolutionized how mutual fund orders were
processed and settled more than 20 years ago, we believe AIP will
similarly transform the global alternative and direct investment
industry.” By year-end, the first two charter clients, BNY Mellon
Shareowner Services and Pershing LLC, a subsidiary of The Bank of
New York Mellon Corporation, went live.

Expanding Membership in DTCC’s Subsidiaries
DTCC also received permission from the SEC in 2008 to admit non-
U.S. financial companies as full members to NSCC and DTC. In
December, the company filed to bring non-U.S. firms into both the
mortgage-backed and government securities divisions of FICC as full
members, and has since filed to expand membership opportunities for
buyside firms, including mutual funds and hedge funds. Although
many non-U.S. financial firms are major participants in the various
U.S. securities markets, previously only firms with U.S. branches or
agencies were eligible for direct membership in DTCC’s subsidiaries.

Permitting non-U.S. financial companies to clear and settle their
trades directly in U.S. markets leaves those firms better positioned to
take advantage of the risk management, balance-sheet netting and cost
savings that direct membership provides.

“Since the bankruptcy of Lehman Brothers, hedge funds and other
buyside firms have been looking more closely at how they can mitigate risk
through DTCC’s various central counterparties” said Michael Bodson,
DTCC executive managing director, Business Management and Strategy.

GCA Validation Service Earns
High Marks from Customers
DTCC is one of the few organizations in the world that offers broad,
global coverage of corporate actions. With operations in New York,
London and Shanghai, the Global Corporate Action (GCA) Validation
Service “follows the sun,” providing “round-the-clock coverage.

The GCA Validation Service – one of DTCC’s most highly rated
products and services, with 92% overall satisfaction among customers –
currently tracks more than 2 million securities in 160 countries, in 16
languages, providing information on corporate actions announcements.
In 2008, the service provided more than 1 million corporate action
announcements and more than 3 million announcements of scheduled
payments on fixed income instruments. This year, enhancements to the
service included establishing new intraday feeds about corporate actions
from DTC, as well as supplementing the existing secondary sources of
data with information from some 18 newswires from around the world.

Global Outreach
DTCC continued to work this year with formal standards bodies and
industry associations to promote industry standards. DTCC collaborated
with SWIFT on global message standards and the new AIP service suite
will soon accept ISO 20022-compliant, XML formats. DTCC has
also adopted FpML® (Financial products Markup Language) in the new
Loan/SERV Messaging Service.

During 2008, DTCC worked closely with Japanese and Brazilian
colleagues on organizing a “CCP12” summit in Tokyo, where 30 central
counterparties from around the world compared notes on global issues.
DTCC also strengthened relations with global counterparts who are
members of the Americas’ Central Securities Depository Association
(ACSDA) and where Mary Ann Callahan, managing director, DTCC
Global Relations and Development, was re-elected president of ACSDA
early in 2009. Lastly, DTCC hosted its first Global Relations Exchange
and Training (GREAT) workshop, fostering cross-border collaboration
on key trends shaping operations practices in today’s capital markets.
There is no one even remotely better than DTCC, not even commercial institutions that are trying to take business away from DTCC.

Senior executive comment in 2008 customer satisfaction survey
The launch of European Central Counterparty Limited (EuroCCP) in 2008 was one that challenged the traditional vertical silos of trading and clearing in Europe. Similar to its parent, DTCC, EuroCCP serves multiple, non-affiliated trading venues. It introduced a new low-cost structure for clearing and settlement and its arrival has already driven competitors to lower fees across Europe.

EuroCCP’s value proposition is unique in Europe: an at-cost (rather than “for-profit”) central counterparty that manages risks as befits a critical post-trade market infrastructure. EuroCCP is also user-governed by a board of directors made up of European participants, regulated by the Financial Services Authority (FSA) in the U.K., and managed by a highly skilled group of Europeans.

EuroCCP’s fees, starting from 6 euro cents and decreasing to 2.5 euro cents per transaction according to total volumes processed by EuroCCP, are among the lowest in Europe. By leveraging DTCC’s technology and processing capacity, EuroCCP is best placed to offer Europe the economies of scale already achieved in the U.S. market.

EuroCCP’s unique, simple and transparent fee structure offers volume discounts to all users regardless of the venue on which they trade. It gives trading firms the flexibility to choose the best trading venue for execution, because regardless of where they trade, it will cost the same low fees to clear via EuroCCP.

The year 2008 was certainly an eventful one for EuroCCP. It gained approval to operate as a recognized clearing house from the Financial Services Authority in the U.K. in March, signed the voluntary Code of Conduct in April to interoperate with other CCPs, and then began to clear for Turquoise on August 15, initially with several securities in each of 13 markets implemented over five business days. EuroCCP rapidly ramped up to more than 1,300 equity issues in all markets by the end of September.

By early 2009, EuroCCP had 24 approved general clearing or individual clearing participants representing over 40 trading firms. Volume hit a peak of almost 560,000 transactions in early October 2008, and daily transaction volume through EuroCCP in the first two months of 2009 averaged close to 400,000, the first threshold beyond which a volume discount would be offered to all clearing participants. Volume traded on Turquoise continued to climb in February 2009, reaching a market share of about 8% for the most actively traded equities.

“Our objective was to create an entirely new model for European clearing and settlement that took advantage of our parent company’s technology, scale and expertise to offer extraordinarily low prices on an at-cost basis. We aimed to provide superior risk management as a central counterparty that was responsive to the market’s needs through effective user governance,” said Diana Chan, EuroCCP Chief Executive Officer. “Those objectives have all been met.”

Risk management is the core competence of a central counterparty. In this domain, EuroCCP clearly benefits from DTCC’s 35 years of experience in managing market, credit and operational risks. Its superior and successful handling of the Lehman Brothers International (Europe) default clearly illustrates not only institutional know-how in risk management, but also its diverse European team that is intimately familiar with the needs of customers and practices across multiple markets throughout Europe.

EuroCCP’s strategy for growth is focused on three areas: increase the number of trading platforms serviced by EuroCCP, increase the markets in which EuroCCP can settle trades, and diversify into new and different clearing services. In 2008 and early 2009, the DTCC subsidiary made major progress in all three areas.

In the first quarter of 2009, EuroCCP began clearing trades for both SmartPool and the NYSE Arca Europe high-frequency trading platform. SmartPool is a “dark pool” institutional block trading platform established by NYSE Euronext, HSBC, BNP Paribas and JPMorgan.

EuroCCP is also working to achieve interoperability with incumbent CCPs to ensure that users have the choice of a safe and cost-effective clearing solution. Trades in the same security by the same clearing participant on the same day on any platform cleared by EuroCCP are netted into one margin requirement and settlement obligation, further reducing costs for market participants.

Finally, EuroCCP entered a new arena in January 2009 with its appointment to provide central counterparty services to the securities lending and borrowing market in the U.K. by SecFinex, a company.
“OUR AIM IS TO PROVIDE SUPERIOR RISK MANAGEMENT AND LOW COST – THROUGH AN AT-COST USER-GOVERNED MODEL.”

jointly owned by NYSE Euronext, Fortis Bank and Société Générale that provides automated securities lending services in Europe. The U.K. market for securities lending is one of the largest in Europe. The CCP service for securities lending is expected to go live in the third quarter of 2009, pending regulatory approval.

On September 15, 2008, exactly one month after it had gone into operation, EuroCCP had a real-world test of its risk management systems when Lehman Brothers International (Europe), a EuroCCP participant, went into administration. Chan, Chief Operating Officer Trevor Spanner and James Cressy, Head of Operations, led a team that moved swiftly to close out and settle Lehman’s €21 million in pending trades with no loss to EuroCCP or any of its participants. The superior approach taken by the team ensured that securities were delivered to participants expecting to receive them with a minimum of delay, and that EuroCCP had the least exposure to potential financial loss.

The year 2009 is shaping up as one in which EuroCCP will continue to work closely with its European customers to achieve increased efficiency, reduced risk and lower costs.

Countries Served by EuroCCP
Austria, Belgium, Finland, France, Denmark, Germany, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom
DTCC adds value and reduces risk. They don’t rest on their laurels.

Senior executive comment in 2008 customer satisfaction survey
DTCC Processes Waves of Surging Equity Volume but Costs Remain Flat

This past year was characterized by extreme market stresses, bankruptcies and unpredictable spikes in equity trading volume.

NSCC provides clearing, settlement, risk management and a central counterparty guarantee of trade completion for virtually all broker-to-broker equity, listed corporate and municipal bond and UIT trading in the U.S. market, taking feeds from more than 50 exchanges and trading platforms, including the New York Stock Exchange, Nasdaq OMX and regional exchanges. And this year, NSCC completed the successful on-boarding and conversions of three additional marketplaces – BATS Exchange, Inc., Nasdaq OMX BX and the integration of the American Stock Exchange into the NYSE platform.

Financial Crisis Sparks Market Volatility
The most turbulent year in Wall Street’s history pushed trading volumes to record levels, with total processing volumes up 62% to 21.9 billion transactions, from 13.5 billion in 2007. The total value of these transactions climbed to $315 trillion, up 11% from $283 trillion in 2007. NSCC also saw the average number of daily transactions jump 60% to 86.5 million from 53.9 million in 2007, with the average value of these transactions rising to $1.26 trillion.

On the year’s peak volume day of October 10, 2008, NSCC seamlessly processed a record 209.4 million total transactions, a 142% jump over the 2008 average daily volume of 86.5 million — and 113% higher than the 98.5 million transactions on the peak day of 2007.

“During this year of unparalleled challenges and unpredictable volatility, DTCC worked quietly but effectively behind the scenes to seamlessly process record levels of equities transactions,” said Tom Costa, managing director and general manager, Clearance and Settlement Group. “We understand that our unique role as the industry’s utility requires us to efficiently process these transactions to maintain the stability of our financial markets during times of great upheaval.”

Costs Remain Flat for Third Consecutive Year
As transaction volumes have grown more than 262% over the past three years, NSCC has kept operating expenses flat at less than $70 million annually for clearing operations for the entire U.S. equities market.
“THE TOTAL ANNUAL COST OF EQUITY CLEARING IS LESS THAN $70 MILLION – AVERAGE COST PER FIRM IS $250,000.”

William Kapogiannis (left), director, Clearance and Settlement/Equities, and Thomas Costa, managing director and general manager, Clearance and Settlement Group
Based on DTCC’s at-cost model, fees represent the initial billing for services, while the actual cost borne by customers is the net amount paid after rebates and discounts. Fees are a means of tracking usage and allocating costs to customers. In 2008, the total cost of equity clearing represented just 7% of DTCC’s net revenues.

NSCC also revised its fee policies in 2008 to return money to customers more promptly and help them accurately capture these returns in their P&Ls for the period in which they were incurred. NSCC now immediately returns any net revenue in excess of its target gross margin rate in the month in which that revenue was generated. With expenses relatively fixed, NSCC immediately discounts prices for any month when actual volume exceeds budgeted volume. In addition, any margin remaining at the end of the year is returned to customers as a rebate.

Increasing Processing Capacity

During 2008, NSCC boosted its processing capacity from 280 million transactions per day to an unprecedented 500 million transactions. NSCC now boasts processing capacity more than three times the average daily volume of 2008. Since 2004, NSCC has increased processing capacity more than 1,000% – at no additional cost to the industry or financial firms.

As the impact of the financial crisis spread to the credit markets this year, NSCC’s Continuous Net Settlement (CNS) system, which nets down or reduces the total number of trade obligations requiring financial settlement, played an even more pivotal role helping to reduce risk for financial firms and optimizing their use of capital. In 2008, NSCC reduced the total number of trade obligations requiring financial settlement from $315 trillion to $2.9 trillion, representing a netting factor of 99%, which unleashed trillions of dollars in liquidity for other investment purposes at a time when capital was scarce.

New Initiatives Close the Gap on Risk

DTCC’s successful management of firm failures like Lehman Brothers and Madoff Securities in 2008 underscored the enormous value of its central counterparty guarantee, which acts like an insurance policy by assuming the buyer’s credit risk and the seller’s delivery risk in the event either side defaults. In addition, DTCC’s sophisticated risk management programs proved their value this year by empowering the organization to monitor and take preventative action to safeguard counterparties. By maintaining rigorous standards for membership, requiring financial disclosure of member firms, and conducting financial surveillance of participants, DTCC ensures the soundness and solvency of market participants – and the stability of the capital markets.

In 2008, NSCC continued to build on its achievements in mitigating risk by moving forward with plans to implement a real-time trade date guarantee for all CNS eligible trades, such as equity, corporate bond and municipal bond transactions. NSCC currently applies its guarantee at midnight the day after the trade is executed.

“By accelerating NSCC’s trade guarantee to real time, we will reduce credit exposure for trading firms and systemic risk across the industry,” Costa said. “The real-time guarantee enhances our already robust risk management process and strengthens our ability to protect firms from potentially unstable trading partners.”

NSCC achieved another risk-mitigation milestone in 2008 when it increased the percentage of trades being received in real time to roughly 90%. Real-time submission moves the U.S. equity markets closer to a fully integrated real-time trading and clearing environment and further strengthens the safety and soundness of the U.S. post-trade infrastructure. Real-time submission supports straight-through processing, reduces risk by increasing NSCC’s visibility into trade data, and promotes intra-day trade reconciliation. It also supports business continuity through the real-time safe storage of data at the clearing agency level.

NSCC also took an important step this year in enhancing liquidity for financial firms by amending its agreement with the Options Clearing Corporation (OCC) regarding margining requirements for options exercises and assignments (E&A). The changes, which were approved by the Securities and Exchange Commission (SEC), allow billions of dollars of duplicative risk margin to be returned to financial firms three business days sooner. It is estimated that customers will save between $2 to $3 billion in an average month.

“These initiatives reinforce the vital role played by NSCC in helping to mitigate systemic risk and protect the safety and soundness of the global capital markets,” Costa said.

DTC Also Handles Record Volumes

While NSCC provides final CNS settlement instructions to customers each day, the payment and book-entry movement of securities ownership occurs at The Depository Trust Company (DTC). In addition, DTC also settles institutional trades, money market instruments and other financial obligations. Activity at the depository mirrored the volatility in the markets, with book-entry deliveries dropping to 317 million from 325 million in 2007, a decline of 3%. The value of these deliveries, which include both netted broker-to-broker and institutional transactions, also fell from $210 trillion in 2007 to $182 trillion, a reduction of 13%.

OMGEO

Even in the face of 2008’s market turmoil, Omgeo, DTCC’s joint venture with Thomson Reuters, was able to increase its processing volume and expand its global customer base. The company, which focuses on automating post-trade processing for institutional investors across the globe, now has some 200 hedge funds in a client base that extends to more than 6,000 customers in 46 countries.

Transaction volume through Omgeo’s U.S. domestic trade confirmation service, Omgeo Trade Suite, increased to 360 million confirmations in 2008. For Omgeo Central Trade Manager (Omgeo CTM), the company’s core matching platform for domestic and cross-border trades, volumes per month rose to 3.5 million, an increase of 105% year over year. Over 380 clients are currently using the service. Volumes on U.S. fixed income allocations in Omgeo OASYS climbed 32% to a record 3.3 million.
The value of centralized clearing came into sharp focus in 2008 as National Securities Clearing Corporation (NSCC), a subsidiary of DTCC, once again delivered significant operational risk and cost benefits for the industry.

Unlike the highly fragmented and more expensive clearing systems in Europe and Asia, the U.S. capital markets are served by a single post-trade infrastructure, which has eliminated the complexities, expenses and risks associated with multiple clearance and settlement houses.

Lowest Clearing Cost in World
In 2008, NSCC continued to leverage economies of scale to drive down the unit cost of clearing to historic lows. For an average of about one-third of a penny per transaction, NSCC offers the lowest cost in the world for trade clearance – about 100 times cheaper than fees in Europe. Operating expenses for equities clearing for the entire U.S. equities markets in 2008 was less than $70 million. The average cost of clearing per customer last year was approximately $250,000, with more than three-quarters of firms paying an average of less than $14,000.

DTCC continually works to reduce the price of clearing by controlling fixed costs. “The Equities Clearance and Settlement Group is anchored by a team of just over 200 employees, which represents less than 10% of DTCC’s entire workforce. Yet even as trading volumes increased significantly over the last three years, we aggressively held the line on costs,” said Susan Cosgrove, managing director, Clearance and Settlement/Equities.

Managing Risk from a Central Vantage Point
The financial crisis of 2008 proved that clearing is not just processing trades at low cost – it’s about managing risk from a central vantage point with the ability to see across asset classes. And NSCC’s highly architected computer systems have never experienced a system outage or service interruption that prevented the completion of clearance and settlement.

“DTCC’s mission is singularly focused on safeguarding the integrity and stability of the financial system. Our extensive experience in managing risk is what separates us from every other CCP in the world. In a very difficult year for the industry, we demonstrated that there is no substitute for DTCC’s experience,” Cosgrove said.

Firms also save with NSCC by only having to post collateral at just one location, operating and maintaining a single back-office infrastructure and a single connection to NSCC, which also serves as a gateway to access a wide range of NSCC and other DTCC subsidiary services.

“NSCC continues to maintain the highest credit of AAA/A-1+ and, as a result, we have access to significant lines of credit to ensure we have the necessary liquidity resources to protect the system and promote orderly settlement in the event of a firm failure,” Cosgrove noted.

At a time when the industry faced the worst financial crisis in history, the one bright spot of certainty and stability was the unified clearance and settlement system – and the seamlessness in NSCC’s post-trade clearing and settlement processes in mitigating the risk of a volatile market.
transaction processing efficiency & capabilities

Customer rating in 2008 from a customer satisfaction survey, conducted by an independent research firm. 93%

“The ‘flight to safety’ may have helped calm many investors,” noted Tom Costa, managing director and general manager, DTCC Clearance and Settlement Group, “but in fixed income markets, it sent trading volumes up sharply.”

Trades in government securities processed by DTCC’s Fixed Income Clearing Corporation (FICC) in 2008, for example, rose to a record 34.4 million, a 13% increase over the 30.4 million recorded in 2007. The value of the trades in this vast market, the world’s largest, surged past $1.042 quadrillion, up 3.5% over the $1.006 quadrillion in the prior period.

To help sustain liquidity in the market, FICC’s Government Securities Division was able to free up nearly $3.1 trillion in capital each day for investors in 2008 by netting down or reducing the total volume of trades requiring financial settlement from $4.1 trillion to $1.0 trillion.

More Liquidity = More Trading
More liquidity was also the reason trading in FICC’s GCF (General Collateral Finance) repurchase agreement soared in 2008 – shooting upward by more than 78%. For more than five years, trading in this instrument had remained relatively flat because both parties to the trade were required to clear the transaction at the same clearing bank. After consultation with Bank of New York and JPMorgan Chase, the country’s two clearing banks for government securities, FICC asked the Securities and Exchange Commission (SEC) to end the restriction. When regulators agreed to do so, transactions rose to $173.4 trillion from $93.6 trillion the prior year as the market took advantage of the greater liquidity now available.

Hoarding Securities
The record trading volumes of 2008 also saw a rise in delivery failures. While this trend has ebbed since the height of the financial crisis, FICC is working together with customers, regulators and industry organizations to create an industry-wide “best practice” that may include disincentives for failing to deliver.

Mortgage-Backed Securities – the Safer Kind
Mortgage-backed securities get much of the blame these days for dragging down financial institutions and economies worldwide. But not all mortgage-backed securities are created equal. FICC has always limited the mortgage securities trades it clears to “agency paper” – securities issued in the secondary market by government-chartered agencies and companies such as Fannie Mae and Ginnie Mae. In 2008, as the agencies expanded their issuance of paper, and investors flocked to the implicit guarantee of quality these securities offer, the trading of mortgage-backed securities volume rose to nearly 2.65 million sides, up 28% from just over 2 million the previous year. The value of the securities traded climbed as well, to $111.3 trillion from $94.9 trillion in 2007.

Netting in the Pool
The value of the underlying pools of mortgages that make up mortgage-backed securities also increased, growing to $14.3 trillion from $10.8 trillion in 2007. The pools, which FICC manages through its Electronic Pool Notification (EPN) Service, will play a critical role in the operation of the new central counterparty for mortgage-backed securities that FICC plans to launch in the third quarter of 2009.

U.S. Government Securities
($ in trillions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Daily Value of Transactions Processed</th>
</tr>
</thead>
<tbody>
<tr>
<td>04</td>
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<tr>
<td>05</td>
<td>874.3</td>
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<tr>
<td>06</td>
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<td>1,006.1</td>
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<tr>
<td>08</td>
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</tr>
</tbody>
</table>

% Netting Factor
- 2004: 72%
- 2005: 75%
- 2006: 76%
- 2007: 75%
- 2008: 75%
Preparing a Central Counterparty for Mortgage-Backed Securities

DTCC’s Fixed Income Clearing Corporation plans to put its new central counterparty (CCP) for mortgage-backed securities trades into operation in fall 2009. The CCP will make it easier, cheaper and less risky for firms to clear and settle trades in the mortgage-backed securities market, where trading in the U.S. now surpasses $111 trillion annually.

In preparation for its new CCP, FICC first set up a mechanism to match specified pool trades. Then, early in 2008, FICC put in place an easy way for trading parties to substitute the pools associated with a particular trade. As a final step toward implementing the long-planned CCP, FICC plans to begin testing its new Pool Netting service in mid-year with an eye to launching the full CCP in August.

Pool Netting further reduces the number of financial obligations requiring settlement by matching and offsetting the buys and sells in each mortgage pool designated for settlement as part of the traded securities. Once the netting is complete, FICC’s new CCP will ensure delivery versus payment of any net pool settlement obligations that still remain.

Sometimes, though, good ideas get tested in the market ahead of schedule. When Lehman Brothers slid abruptly into bankruptcy in September 2008, FICC and its customer-members agreed that using a CCP-like mechanism – even temporarily and done manually – would help liquidate exposure from Lehman’s forward trades. Within 24 hours, almost 90% of the outstanding trades were eliminated. The result? The CCP for a day was instrumental in reducing risk and has now heightened interest in seeing the official launch of the automated system in 2009.

Murray Pozmanter, managing director, Clearance and Settlement/Fixed Income
The value of securities held at The Depository Trust Company (DTC), at year-end 2008, stood at $27.6 trillion, down from the $40.1 trillion held in 2007, but the number of securities remained the same at 3.5 million, including equities, corporate and municipal debt, asset-backed securities and exchange-traded funds from more than 110 countries and territories.

Today, DTC offers a broad range of asset services for custody and corporate actions, including underwriting services for municipal and corporate bonds, dividend, proxy and reorganization services, and the electronic registration and transfer of securities.

The depository collected and allocated to customers more than $3.5 trillion in dividend and interest payments and redemption and reorganization activities in 2008, down 7% from $3.8 trillion in 2007. DTC also handled the initial processing and distribution of new issues, including more than 99% of all municipal issues in the United States. Although the value of new issues fell nearly 44% from $4.3 trillion in 2007 to $2.4 trillion in 2008, the number of new issues dropped by just 2% from 54,266 issues in 2007 to 53,402 in 2008.

Automating Syndicated Loans
In 2008, DTCC launched Loan/SERV, a suite of automated, global services for the processing of syndicated commercial loans. Syndicated loans are complicated structures involving multiple lenders for each borrower with an agent bank acting as the liaison, transmitting information back and forth between parties. Until now, this activity was largely processed manually. Loan/SERV launched a global Reconciliation Service and a Messaging Service in both the United States and Europe in 2008. The Reconciliation Service enables banks and lenders to view and reconcile loan positions on a daily basis. The Messaging Service provides a secure network for the transmission of standard loan messages between agent banks and lenders.

Underwriting and Corporate Actions
The depository's new underwriting system, which underwent a major redesign during the past three years and streamlines the way underwriters submit new-issue eligibility requests to the depository, was completed for municipal issues and launched in 2008.

The redesign of DTC's corporate action system continued throughout 2008 and will focus on several key initiatives during 2009. In light of the current economic downturn, the adoption of system enhancements by customers will be optional in 2009.

Key enhancements for 2009 include automation of the survivor option instruction process. The expansion of Canadian asset-serving capabilities, upgrades in instruction processing for the Elective Dividend Services and the Stock Loan Payment Order functions, and the introduction of class-action announcements.

A Cost-Basis Solution
AccuBasis, DTCC's cost-basis product launched in 2007, will help customers meet requirements outlined in new cost-basis legislation that was signed into law in October as part of The Emergency Economic Stabilization Act of 2008. Broker/dealers, transfer agents, mutual funds and issuers, are required to report accurate, adjusted cost-basis information to investors and the Internal Revenue Service.

Going ‘Paperless’
DTCC continues to push towards the elimination of paper certificates in the industry. In March 2008, the last of more than 7,300 issues listed on major and regional exchanges became eligible for DTC's Direct Registration System (DRS). DRS eliminates the issuance of physical certificates and gives registered equity owners the option of holding their assets on the records of the transfer agent or issuer in book-entry form. The NYSE, Nasdaq and regional exchanges adopted the requirements in 2006 that all listed securities be eligible to participate in a direct registration system like the one administered by DTC.

DTCC also won approval from the Securities and Exchange Commission (SEC) to eliminate issuing physical certificates for withdrawals-by-transfer (WTs) from the depository beginning in January 2009.

Structured Securities
In 2008, DTC began implementing a new set of initiatives to help solve processing problems and cost inequities in the structured securities markets. The initiatives, first proposed in a 2007 white paper, were approved by the SEC in March 2008 and will boost the accuracy, efficiency and timeliness of structured securities payments.
“WE’RE FOCUSED ON GROWING OUR BUSINESSES GLOBALLY AND MODERNIZING OUR CORE DEPOSITORY SYSTEMS WITH AN EMPHASIS ON STANDARDIZATION.”

(Left to right) Daniel Thieke, vice president, Asset Services, and Patrick Kirby, managing director, Asset Services

<table>
<thead>
<tr>
<th>Year</th>
<th>DTC Cash Dividend and Interest Payments ($ in trillions)</th>
<th>DTC Underwriting Value ($ in trillions)</th>
<th>Value of DTC Reorganization and Redemption Payments ($ in billions)</th>
</tr>
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<tr>
<td>08</td>
<td>4.9</td>
<td>2.4</td>
<td>1,500</td>
</tr>
</tbody>
</table>

▲ Number of Payments (in millions)
▲ Value of Payments ($ in trillions)
DTCC has your interest at heart
When it comes to protecting your risk, DTCC is on your side
Between 1946 and 1964, 76 million babies were born in the United States. Now they are marching toward retirement, with four million already on the cusp and trillions of dollars invested in mutual fund and other asset-generating products to see them through their later years.

The economic crisis of 2008, however, has had a chilling effect on them, as net asset values of mutual funds plunged to $9.6 trillion from $11.7 trillion in 2007, according to the Investment Company Institute.

Rising Transaction Volumes
DTCC’s National Securities Clearing Corporation (NSCC) handled record-high volume increases in its Mutual Fund Services; and while market volatility was a factor, the real driver was the continuation of an upward trend in service usage by the industry. In 2008, Fund/SERV, which supports 1,055 funds and broker/dealers, saw transactional processing volume grow by 14%, to 193 million transactions, including new purchases, exchanges and redemptions, versus 170 million in 2007. The total value of the transactions climbed even more, to $2.9 trillion from $2.5 trillion in 2007. Average daily volume likewise increased, rising 13% to 764,000 transactions, valued at $11.4 billion, compared to 676,000 transactions with a value of $9.9 billion in 2007.

Record transfers of money between funds in 2008 also reflected investor wariness. The Automated Customer Account Transfer Service, provided in conjunction with Fund/SERV to move accounts between firms, increased 46% in its monthly volume to 565,000 from 387,000. And the Commission Settlement service NSCC created for streamlining payments among funds and firms had its payment volume pass the one-billion mark, a 10% increase over 2007. NSCC’s Networking service, which centralizes the reconciliation of account-level information between funds and their distributors, was relatively flat with 93.9 million subaccounts, up 1%.

In the midst of these rising transaction volumes, the organization was able to deliver a one-third reduction in fees for customers using Fund/SERV, which became effective in January 2008. The resulting savings for users amounted to $13.5 million for the year.

In 2009, DTCC again cut its fee per transaction for Fund/SERV from 7.5 cents to 5 cents, by far the lowest mutual fund processing fee in the world.

Prepared for a New Environment
“Clearly, we are in a history-making period, which makes it that much more critical for us to keep in close touch with our clients and developments in the market,” said Ann Bergin, managing director and general manager, Wealth Management Services.

The ready availability of information continues to be a high priority of fund distribution. NSCC’s Mutual Fund Profile Service is a central database of information specific to individual funds. It offers easy access to data on more than 18,000 individual funds – information normally found in dense prospectuses and other legal documents. The service, which maintains an accuracy rate of 99.5%, has some 130 funds and more than 120 participating firms.

The Global Business
Over the past several years, European fund firms and distributors have wanted to cut the cost and complexity of distributing funds in the cross-border markets. To accommodate this new international customer base, DTCC sought and has now received approval from the SEC to allow regulated non-U.S. entities to become direct members of NSCC’s Mutual Fund Services.

Strengthening Operations for Managed Accounts and Alternative Investment Products
Both the market for managed accounts and alternative investment products face significant challenges. Operational complexities and the lack of an automated infrastructure lead to errors and high costs. To address these problems, DTCC has leveraged its successful suite of Mutual Fund Services and developed customized solutions that automate messaging and procedures for managed accounts and alternative investment products.
Managed Accounts: Growth and Expansion

DTCC’s Managed Account Service (MAS) is already achieving strong traction in the marketplace with Citi’s Smith Barney and Global Transactions Services businesses going live with the service in 2008, UBS Financial Services committing to begin using the service in 2009, and investment managers gaining access to MAS via a new messaging portal.

Alternative Investment Product (AIP) Service: Off and Running

Now in production, the AIP service is automating subscription and redemption order processing, settlement, account-documentation exchange, position and activity reporting for such products as non-traded real estate investment trusts, managed future funds, private equity funds, hedge funds and funds of hedge funds.

“These are newer businesses for us, and our focus will continue to be on building market adoption and expanding our capabilities in these markets,” Bergin explained. “When the investment climate for these vehicles returns,” she said, “we’ll have a rich product offering and better ways for our customers to service their investors.”

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(Left to right) Romesh Gunaratnam, director, Wealth Management Services; Ann Bergin, managing director and general manager, Wealth Management Services, and Mark Lancaster, vice president, Wealth Management Services
“DTCC makes the industry infrastructure more scalable and helps improve controls. They are good thought leaders and solution-focused.”

Senior executive comment in 2008 customer satisfaction survey
Managing Crisis in the Insurance Sector

The DTCC Insurance & Retirement Services (I&RS) story for 2008 was about moving forward in the midst of crisis with the timely development of new solutions and services that can help customers achieve longer-term business goals.

Automation Meets Increased Processing Demands

Driven by the downward spiral of the markets, investors scrambled to protect retirement income and many turned to annuities. Others who already owned retirement contracts sought reassurance from their agents and carriers. This frantic activity presented an enormous processing challenge to the carriers and distributors of these products.

Fortunately, over the past decade, DTCC has planned and worked closely with the industry to automate many of the transactions for an insurance product, which have traditionally been processed manually (e.g., the initial Application/Premium (APP) and Subsequent Premium (SUB) payments for an annuity, payment of Commission (COM) to agents, Licensing & Appointments (LNA) of agents to meet state regulatory requirements or Financial Activity Reporting (FAR) on account transactions during the life of a contract). Nearly every year has brought the automation of another piece of the product life cycle.

This automation serves to reassure the client in a difficult market environment, providing relevant and real-time information that allows the customers, along with the financial advisors and the back office, to make timely decisions.

The numbers tell the story of systems seamlessly handling huge transaction volumes and bringing greater processing efficiency. I&RS saw peak volumes in core services in 2008. For example, the annual APP volume jumped 78% to 809,000 from 455,000 transactions in 2007. The value settled for APP (initial premium) and Subsequent Premium (SUB) increased to $24.2 billion, up 54%, from the $15.7 billion settled in 2007.

It’s All About Delivering on Commitments

In 2008, DTCC Insurance & Retirement Services made three basic commitments to its customers – lower costs, expand usage and introduce new automation solutions – and delivered on all three.

Volume growth not only reflected market conditions; it also resulted from new users and expanded usage by current member firms. Leveraging the DTCC at-cost business model and economies of scale, in 2008, I&RS eliminated file fees, saving customers approximately $6.1 million. With record volumes during the year, DTCC then removed all membership and testing fees for an initial $1.9 million reduction, while also introducing tiered pricing on some core services for another potential $4.2 million in savings in 2009.

Early in 2008, DTCC introduced a new online tool that enhances usage of Licensing & Appointments (LNA). LNA Access makes accurate agent licensing and appointment information more easily available at lower cost to insurance carriers and distributors who market insurance products.

According to Adam Bryan, general manager, Insurance & Retirement Services, “LNA Access is a ‘proof-of-concept’, which demonstrates our innovative approach to creating easy, low-cost access for core services. More Access capabilities are in the pipeline for 2009.”

Fund Transfers (FTR), which automates and standardizes the fund reallocation process within a variable insurance product, represented the inaugural offering on a web services platform, using XML (Extensible Markup Language) messaging standards format developed by the Association for Cooperative Operations Research and Development (ACORD).

The lessons learned in the extensive pilot process for FTR speeded the development of the next web service using XML data formats. Attachments (ATT), which went into pilot phase late in the year, will
provide a standalone process for electronic communication of imaged documentation or forms, a new capability that adds momentum to the move toward straight-through processing for annuities.

**Listening to the Customer and Looking Ahead**

During 2008, customer satisfaction scores reached 90% for the “sense of urgency” category, which underscores the business unit’s effort to listen to their customers and successfully handle problems, big and small.

The foundation of the year’s accomplishments is the ongoing dialogue with individual customers, industry organizations and, finally, with DTCC’s Senior Advisory Board (composed of executives from major carrier, distributor and clearing firm members who provide guidance and governance). Whatever the market conditions, this dialogue allows I&RS to adapt quickly to “facts on the ground,” without losing sight of the long-term goals to automate, standardize and centralize processing and information exchange for insurance and retirement products.

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**Insurance Financial Activity Reporting Volume (in millions)**

- 2004: $15.4 million
- 2005: $23.0 million
- 2006: $29.9 million
- 2007: $38.2 million
- 2008: $49.7 million

**Adam Bryan,** managing director and general manager, Insurance & Retirement Services, and **Jeannann Smith,** relationship manager, Insurance & Retirement Services
Corporate Social Responsibility

“SERVING CUSTOMERS AND GOOD CITIZENSHIP IS IN OUR DNA.”

(Standing) Edwin Ramos, senior graphics designer, Corporate Communications; Laura Schneider, director, Environmental Health and Safety; Orlando Jackson, manager, Building Services, and John Kim, relationship manager, Relationship Management.

(Seated) Thomas Amendola, relationship manager, Relationship Management; Parthiv Shah, director, Corporate Information Security; Zhanna Shoichet, systems director, ADM Asset Servicing; Robin Harris, AML team lead, Operations Regulatory Compliance; Candice Fordin, associate counsel, General Counsel’s Office; Alan Wacyra, director, Network Communications; Steve Daley, team lead, Enterprise Service Center, Operations and Tara Cannon, director, Relationship Management.
At DTCC, our values provide the moral compass by which we operate. They include integrity and trust, quality and excellence, customer focus, employee focus and respect and innovation and teamwork. By living our values – both as a company and as individuals – we demonstrate to our customers and the communities where we operate that DTCC is committed to Corporate Social Responsibility.

Outlined below are just a few examples of our efforts to conserve energy, protect the environment and give back to communities through personal contributions and volunteerism.

Green Initiatives Make Tangible Contributions
DTCC has multiple green initiatives aimed at shrinking its carbon footprint by embedding conservation, energy efficiency and environmentally friendly practices into the corporation’s business. These programs also reduce overall costs and create efficiencies that benefit the industry. Examples include:

- **Data Centers.** Virtualization technology is helping DTCC reduce energy consumption and cooling costs in data centers.
- **PC Usage.** DTCC is implementing at all its locations “PC Wake-on-LAN” technology, which allows PCs to be powered down when they are not being used and awakened when needed. The technology is expected to generate more than $200,000 in annual energy savings.
- **Building Services.** Green initiatives at all DTCC locations include paper and battery recycling programs, environmentally friendly paint and carpeting, and light-sensor installations. In New York, the light-sensor program is generating over $264,000 in energy savings. The company requires its building vendors to use products, such as paper supplies and cleaning agents, that promote a green workplace.

Volunteerism and Community Service
DTCC’s community initiatives do not rely on corporate funding. Rather, the company and its employees at all locations contribute personal time and money to approximately 20 major charitable organizations/events annually.

On a corporate basis, DTCC has participated in United Way annual campaigns for more than a decade. In 2008, employees raised $675,000 for United Way, including the corporate gifts and leadership matching.

New York-based activities:
- **Essence School – Adopt-a-School Program**

  Three years ago, DTCC adopted the Essence School (I.S. 311) comprising sixth, seventh, and eighth graders in Brooklyn’s East New York neighborhood. Our main goal was to partner with a school where our employee volunteers can make an ongoing difference in the lives of the students and where DTCC can invest in the future of New York City. Since that time, DTCC people have participated in multiple programs that help prepare and expose the students to the business world. These include an after-school program called The Stock Market Game, a successful initiative by the financial services industry to educate youngsters on the stock market and economic and financial concepts. DTCC Chairman and CEO Donald Donahue and Essence School Principal Gail Gaines were recently awarded the PENCIL Partnership Award for their work together to help transform a New York public school. PENCIL builds and supports customized relationships between business leaders and principals.

  - **Habitat for Humanity**

    DTCC employees are regularly involved in Habitat for Humanity construction projects in all five New York City boroughs.

  - **Blood Donations**

    DTCC has also been active with the NY Blood Center. Since 2000, DTCC has donated 2,018 units of blood, which has a large impact on the community as blood is always in short supply.

  - **Other**

    DTCC volunteerism extends to participation in charitable drives, walks and runs throughout the New York area, including the “Making Strides Against Breast Cancer Walk,” organized by the American Cancer Society, and “Heart Walk” benefiting the American Heart Association.

**Tampa-based activities:**

DTCC had been recognized with the Florida Governor's Business Diversification Award for employing one of the state's most diverse work forces, and the mayor of Tampa has cited DTCC for its civic involvement and positive impact on the community. Corporate social responsibility activities in Tampa focus on three areas:

- **Education.** Efforts include contributions for Back-to-School supplies, holiday drives for children’s clothing and toys, Great American Teach-In, tutoring and literacy through Big Brothers and Big Sisters, the School Advisory Council Business Partner, and community resource fairs.

- **Community Service.** Activities include United Way of Tampa Bay, Big Brothers Big Sisters, hurricane relief efforts, blood drives, Habitat for Humanity, and Hands on Tampa Bay volunteer projects to help the environment, children, seniors, homeless families, and people with disabilities.

- **Business Relations.** DTCC has forged relationships with the Greater Tampa Chamber of Commerce, the University of South Florida Career Center, the University of Tampa and 10 area colleges.
The Depository Trust Company (DTC) is created in response to Wall Street's "paperwork crisis," brought on by a sharp increase in securities trading and the growing number of trades that fail to settle.

DTC begins streamlining Wall Street's clerical workload by immobilizing and holding securities certificates in custody, and introduces its Institutional Delivery, or ID, system to automate communications among the three principal parties for institutional trades: broker/dealers, investment managers and custodian banks.

American Depositary Receipts (ADRs), which represent non-U.S. securities, become DTC-eligible.

NSCC begins work to take over clearance and settlement operations of NYSE, AMEX and NASD.

In NSCC's first year of operation, the cost of clearing a trade was 82 cents per side.

On a pilot basis, NSCC provides one-time comparison and clearing for a New York State municipal bond issue, with net settlement benefits for existing participants.

Participant Terminal System (PTS) is introduced, enabling customers to communicate directly with DTC's computer system.

The Continuous Net Settlement system is launched to clear and settle trades and reduce the number of trade obligations requiring financial settlement.

Mortgage-Backed Securities Clearing Corporation (MBSCC) is formed and begins clearing trades in the growing market for Ginnie Mae securities.

DTC implements its computer-to-computer facility, further automating services by linking the depository's computers directly to those of its customers, thus enabling them to transmit and receive daily processing information electronically.

American Depositary Receipts (ADRs), which represent non-U.S. securities, become DTC-eligible.

National Securities Clearing Corporation (NSCC) is incorporated to consolidate, in tandem with DTC, the clearance and settlement of listed and OTC securities transactions.

Participant Terminal System (PTS) is introduced, enabling customers to communicate directly with DTC's computer system.

The Continuous Net Settlement system is launched to clear and settle trades and reduce the number of trade obligations requiring financial settlement.
DTC distributes first paperless Book-Entry-Only (BEO) municipal bond issues and certificates of deposit — another step toward eliminating paperwork in securities processing.

DTC and NSCC complete absorption of Boston Stock Exchange’s clearance, settlement and depository operations.

DTC launches municipal bond program to make outstanding muni issues and new issuances eligible for book-entry services.

NSCC achieves record low cost of 35 cents per side to clear a trade.

NSCC and DTC’s National System for Municipal Bond Processing, providing automated comparison, clearing, settlement and asset servicing for municipal bond trades, goes live. By year-end, more than 1,000 executing and clearing brokers are using the new automated services for state and local bonds.

Link established with the Canadian Depository for Securities to create the first cross-border clearance and settlement mechanism.

An NSCC affiliate, Government Securities Clearing Corporation (GSCC), is formed to bring automated trade comparison and netting to settlement of U.S. Government securities.

NSCC launches Fund/SERV, its groundbreaking mutual fund order processing system linking broker/dealers to mutual fund families. Fund/SERV begins with 23 broker/dealers and 13 funds as participants.

1,500 accounts are transferred daily as Automated Customer Account Transfer Service (ACATS) begins operation; 100 firms participating at year-end.

DTC inaugurates Same-Day Funds Settlement system, making securities that settle in Federal funds depository-eligible.

DTC and NSCC absorb Pacific Stock Exchange clearing and depository operations.

NSCC clears record volumes during October market crash.

Proven Track Record
NSCC unveils Networking, a service to permit the exchange and updating of mutual fund customer account information between funds and brokers.

GSCC initiates International Institutional Delivery system pilot program for confirming and matching cross-border institutional trades.

GSCC records its first $1 trillion netting day, demonstrating the capacity and reliability of its systems.

NSCC introduces Fixed Income Transaction System to automate the clearance and settlement of transactions in municipal and corporate bonds and UITs.

ID and CNS systems link for prime broker activity; $18 billion worth of trades handled the first year.

GSCC extends its service to the comparison and netting of repurchase (repo) transactions, giving its customers better risk management, balance sheet control, and reduced costs.

DTC begins settling transactions in the fast-growing market for commercial paper.

NSCC offers multi-batch processing for equity trade submission, the first move toward interactive systems.

DTC takes on custody of privately placed non-U.S. securities eligible for resale to large U.S. institutional buyers (SEC Rule 144A).

NSCC introduces Collateral Management System (CMS) to give firms a clearer picture of their collateral deposits across all clearing agencies and depositories.

MBS Clearing Corporation (MBSCC) is acquired by its participants from the Chicago Stock Exchange and operations are moved to NSCC offices in New York.

DTC begins providing custody-related services for certificates of the Participants Trust Company’s (PTC) Government National Mortgage Association.

NSCC moves its trade guarantee from T+4 to midnight on T+1.

Commission Settlement is introduced by NSCC to automate commission payments between mutual funds and their distributors.

DTC and NSCC absorb the Chicago Stock Exchange clearing and depository operations (Midwest Securities Trust Company and Midwest Clearing Corporation).

NSCC and DTC lead successful partnership with the industry to shorten the settlement cycle from T+5 to T+3.

With the sudden insolvency of Adler Coleman Clearing Corporation, NSCC takes quick action to guarantee $1.6 billion in gross buy/sell contracts received after Adler’s demise, and works closely with the Securities Investor Protection Corporation to minimize the impact of insolvency on members.

DTC opens its first international office, located in London.

GSCC begins processing about 85% of all new U.S. Treasury debt issues by including members’ proprietary auction purchases within its netting system.

DTC begins providing custody-related services for certificates of the Participants Trust Company’s (PTC) Government National Mortgage Association.
NSCC and DTC convert systems and expand settling bank network to help industry move to Same-Day Funds Settlement.

GSCC inter-dealer broker netting members become eligible to participate in the repo netting process, allowing the market to grow rapidly because trades can now be blind-brokered.

MBSCC rolls out its real-time Electronic Pool Notification (EPN) system for mortgage-backed trades.

DTC and NSCC form a joint venture called International Depository & Clearing Corporation, a precursor to the merger of the two companies, to provide focus on cross-border settlement issues.

DTC launches Custody Service to provide safekeeping and processing of certain physical securities that cannot be held through the regular services of the depository.

DTC launches TradeSuite, a family of post-trade processing services for institutional trades.

Emerging Markets Clearing Corporation (EMCC) is created by NSCC to facilitate trading in sovereign debt instruments.

GSCC introduces General Collateral Finance (GCF) Repo service, allowing dealers to trade these repos without requiring intraday trade-for-trade settlement on a delivery-versus-payment basis.

NSCC introduces use of digital certificates through PCWeb Direct, its new Web-based application that allows secure, low-volume transaction submission to NSCC via the Internet.

Years of DTC’s Y2K preparations pay off as customers smoothly transition post-trade processing operations to 2000.

GSCC introduces real-time trade matching (RTTM), significantly reducing intraday market and operational risk in government securities markets, aimed at ultimately providing STP.

GSCC inaugurates the first cross-margining arrangement for cash markets, linking them to futures markets for U.S. Treasury securities through an agreement with the New York Clearing Corporation.

DTC and NSCC absorb the clearing and depository operations of the Philadelphia Stock Exchange, the last regional exchange with clearing and depository operations.

NSCC launches Defined Contribution Clearance and Settlement Service linking mutual funds with sponsors of 401(k), 403(b) and other defined contribution plan transactions.

NSCC’s Insurance Services business begins automating the processing of annuities via new electronic links between insurance carriers, broker/dealers, banks and their affiliated insurance agencies.

DTC and NSCC are integrated under a new holding company, The Depository Trust & Clearing Corporation (DTCC), to create a unified strategy that meets future industry needs for efficiency, lower cost and enhanced risk management.

NSCC revs up the insurance industry by automating annuity application processing, premium payment and financial reporting.

On 9/11, DTC depository and clearing corporation systems help to maintain vital liquidity and restore confidence in financial markets by remaining up and functional 100% of the time. They complete settlement of $280 billion in trades that day, and $1.8 trillion by the end of the week and pave the way for the reopening of the markets on September 17.

DTCC combines its TradeSuite business with Thomson Financial to create Omgeo, a global joint venture with 6,000 customers worldwide and the technology to handle institutional trades on an STP basis.

DTCC implements new strategies to safeguard nation’s post-trade processing system with broad business continuity and disaster recovery plans, including expanding the number of decentralized and remote data facilities and enhanced telecommunications systems.

NSCC launches real-time trade interface with the New York Stock Exchange.

MBSCC launches real-time trade matching to reduce industry cost and risk.

GSCC and MBSCC are consolidated under the DTCC holding company umbrella.

NSCC achieves a record low cost of 4.7 cents per side to clear a trade.

Omgeo launches the financial services industry’s first cross-border central matching service, bringing straight-through processing to institutional securities transactions.

DTC and NSCC are again awarded S&P’s top credit/debt rating (AAA/A-1+).


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DTCC combines its TradeSuite business with Thomson Financial to create Omgeo, a global joint venture with 6,000 customers worldwide and the technology to handle institutional trades on an STP basis.

DTC and NSCC are again awarded S&P’s top credit/debt rating (AAA/A-1+).

DTC Asset Servicing, fed by record underwriting volume, logs its busiest year ever, handling $4 trillion worth of business.

DTCC completes final testing and assists the securities industry in its historic switchover to decimal pricing in April.

DTCC launches European Pre-Issuance Messaging Service (EPIM) in conjunction with Euroclear and Clearstream.
DTCC achieves a historic milestone by settling more than $1 quadrillion in securities transactions—an amount considered unimaginable just three years prior.

DTCC scores overall customer satisfaction rating of 90% in its annual industry-wide survey.

Deriv/SERV experiences a break-out first year in providing an automated post-trade processing solution for the OTC derivatives market by quadrupling its customer base and breaking even financially.

DTCC’s tight management controls and enhanced efficiency produce the largest-ever fee reduction of $198 million for 2008.

EuroCCP wins bid to provide clearance and settlement for the new pan-European trading platform, Turquoise.

Deriv/SERV continues remarkable growth and becomes electronic matching and confirmation platform serving the OTC derivatives market.

DTCC expands its global reach as it begins to sign a series of information-sharing and collaboration agreements with clearing and depository organizations in Brazil, China, India and Pakistan.

DTC, NSCC and FICC receive S&P’s top credit/debt rating (AAA/A-1+).

DTCC signs five Memorandums of Understanding (MOU) to enhance new opportunities with clearing and depository organizations in China, India and Pakistan.

DTC, NSCC and FICC receive S&P’s top credit/debt rating (AAA/A-1+).
DTCC closes out more than $500 billion in market participants' exposure from the Lehman bankruptcy – the largest and most complex in its history – with no impact on the clearing fund deposits of customers or DTCC’s funds.

Trade Information Warehouse manages the centralized and automated processing of 11 credit events, including Lehman Brothers Holdings Inc., Fannie Mae, Freddie Mac and Washington Mutual, completing settlement of $12 billion in net funds transfers from net sellers to net buyers of protection on approximately $285 billion (aggregate gross notional value) of CDS contracts written on these entities.

To enhance transparency in the CDS market, DTCC works with regulators and market participants to disclose summary data on the outstanding notional values (gross and net) on the top 1,000 underlying CDS single-name reference entities and CDS indices registered in the Trade Information Warehouse.

DTCC and OCC implement changes to the Accord governing the sharing of resources in the event of a participant default that eliminates duplicative margining requirements for dual members on expiration Fridays.

EuroCCP successfully launches and achieves a peak daily record of more than 500,000 transactions in just its second month of operations.

DTCC and OCC implement changes to the Accord governing the sharing of resources in the event of a participant default that eliminates duplicative margining requirements for dual members on expiration Fridays.

EuroCCP successfully launches and achieves a peak daily record of more than 500,000 transactions in just its second month of operations.

DTCC boosts its equity clearing processing capacity to an unprecedented 500 million transactions per day.

DTCC and Markit announce plans to form a new company that will provide a single gateway for confirming OTC derivative transactions globally.

DTCC enacts its deepest fee cuts ever, totaling more than $260 million.

DTCC successfully receives permission from the SEC to admit non-U.S. members to DTC and NSCC.

DTCC seeks SEC approval to expand central counterparty clearing and risk management services for tri-party repurchase agreements (repos).

DTCC becomes the only U.S.-based financial services organization to obtain an enterprise-wide CMMI Level 3 certification for Applications Development and Maintenance processes.

DTCC, NSCC and FICC are again awarded S&P’s top credit/debt rating (AAA/A-1+).

DTCC launches Loan/SERV to help automate and streamline the processing of syndicated commercial loans.

DTCC receives SEC approval to launch the Alternative Investment Product (AIP) suite of services to provide end-to-end processing of investor-level transactions for hedge funds, funds of funds, private equity and other investments.

DTCC receives overall customer satisfaction rating of 91% for third consecutive year in survey conducted by independent research firm.

<table>
<thead>
<tr>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>DTCC announces it will support all CCP solutions for credit default swaps to bring greater certainty and safety to the market.</td>
<td>EuroCCP begins clearing for the NYSE Arca Europe multilateral trading platform, NYSE Euronext’s SmartPool platform and for trades in Spain.</td>
</tr>
<tr>
<td>DTCC announces plan to implement a real-time trade date guarantee for all Continuous Net Settlement (CNS) eligible trades, including equity, corporate bond and municipal bond transactions, pending regulatory approval.</td>
<td>FICC’s Government Securities Division receives approval to extend membership and risk management services to include direct participation by non-U.S. broker/dealers and banks.</td>
</tr>
<tr>
<td>FICC announces plans to have its new central counterparty for mortgaged-backed securities operational in third quarter of 2009.</td>
<td>DTCC seeks SEC approval to expand central counterparty clearing and risk management services for tri-party repurchase agreements (repos).</td>
</tr>
</tbody>
</table>
DTCC Board of Directors

BACK ROW:
- Art Certosimo
  Senior Executive Vice President
  Bank of New York Mellon
- Stephen P. Casper
  Partner
  Vastardis Capital Services
- Louis G. Pastina
  Executive Vice President
  NYSE Operations
  NYSE Euronext
- William B. Aimetti
  President and Chief Operating Officer
  The Depository Trust & Clearing Corporation

FRONT ROW:
- Norman Malo
  President and CEO
  National Financial Services LLC
  Fidelity Investments
- Gerald A. Beeson
  Senior Managing Director &
  Chief Operating Officer
  Citadel Investment Group, LLC
- Donald F. Donahue
  Chairman and Chief Executive Officer
  The Depository Trust & Clearing Corporation
- J. Charles Cardona
  CEO, BNY Mellon
  Cash Investment Strategies
  President, The Dreyfus Corporation
DTCC's Board is made up of 20 directors, representing participants who include international broker/dealers, correspondent and clearing banks, mutual fund companies and investment banks. Two directors are designated by DTCC's preferred shareholders: the New York Stock Exchange and FINRA; the chairman and chief executive officer, and the president and chief operating officer of DTCC also serve as directors. Individuals are nominated for election as directors based on their ability to represent DTCC’s diverse base of participants, and Board committees are specifically structured to help achieve this objective. In addition, to ensure broad industry representation and expertise on key industry subjects, non-Board members serve on a number of DTCC Board committees as full voting members.
## Consolidated Balance Sheets

### December 31, 2008 2007

<table>
<thead>
<tr>
<th>Assets</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$19,661,270</td>
<td>$11,394,147</td>
</tr>
<tr>
<td>Investments in marketable securities</td>
<td>234,173</td>
<td>211,372</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>163,018</td>
<td>288,748</td>
</tr>
<tr>
<td>Participants’ fund</td>
<td>29,946,200</td>
<td>17,495,930</td>
</tr>
<tr>
<td>Fixed assets, less accumulated depreciation and amortization of $483,346 and $407,830 at December 31, 2008 and 2007</td>
<td>256,993</td>
<td>251,726</td>
</tr>
<tr>
<td>Deferred income taxes, net</td>
<td>222,364</td>
<td>129,111</td>
</tr>
<tr>
<td>Other assets</td>
<td>459,551</td>
<td>451,706</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$50,943,569</td>
<td>$30,222,740</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and Shareholders’ Equity</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and other liabilities</td>
<td>$ 1,134,740</td>
<td>$ 652,493</td>
</tr>
<tr>
<td>Payable to participants</td>
<td>1,932,736</td>
<td>2,479,865</td>
</tr>
<tr>
<td>Long-term debt and other borrowings</td>
<td>262,143</td>
<td>300,800</td>
</tr>
<tr>
<td>Clearing fund:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash deposits</td>
<td>17,319,625</td>
<td>8,925,732</td>
</tr>
<tr>
<td>Other deposits</td>
<td>29,946,200</td>
<td>17,495,930</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>50,595,444</td>
<td>29,854,820</td>
</tr>
<tr>
<td>Commitments and contingent liabilities (Note 10)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minority interests (Note 1)</td>
<td>125,000</td>
<td>125,000</td>
</tr>
<tr>
<td>Shareholders’ equity:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preferred stock</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series A, $.50 par value – 10,000 shares authorized, issued and outstanding</td>
<td>300</td>
<td>300</td>
</tr>
<tr>
<td>Series B, $.50 par value – 10,000 shares authorized, issued and outstanding</td>
<td>300</td>
<td>300</td>
</tr>
<tr>
<td>Common stock, $100 par value – 23,655 shares authorized, issued and outstanding</td>
<td>2,366</td>
<td>2,366</td>
</tr>
<tr>
<td>Paid in capital</td>
<td>12,671</td>
<td>12,671</td>
</tr>
<tr>
<td>Retained earnings:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appropriated</td>
<td>94,067</td>
<td>112,782</td>
</tr>
<tr>
<td>Unappropriated</td>
<td>315,031</td>
<td>168,715</td>
</tr>
<tr>
<td>Treasury stock</td>
<td>(42)</td>
<td>(42)</td>
</tr>
<tr>
<td><strong>Accumulated other comprehensive (loss) income, net of tax:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defined benefit pension and other plans (Note 9)</td>
<td>(196,006)</td>
<td>(55,186)</td>
</tr>
<tr>
<td>Net unrealized gain on derivative instruments (Note 9)</td>
<td>(143)</td>
<td>191</td>
</tr>
<tr>
<td>Foreign currency translation adjustment (Note 9)</td>
<td>(5,419)</td>
<td>823</td>
</tr>
<tr>
<td><strong>Accumulated other comprehensive net loss</strong></td>
<td>(201,568)</td>
<td>(54,172)</td>
</tr>
<tr>
<td><strong>Total shareholders’ equity</strong></td>
<td>223,125</td>
<td>242,920</td>
</tr>
<tr>
<td><strong>Total liabilities and shareholders’ equity</strong></td>
<td>$50,943,569</td>
<td>$30,222,740</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these consolidated financial statements.
## Consolidated Statements of Income and Comprehensive Income

For the Year Ended December 31, 2008 2007

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trading services</td>
<td>$ 739,105</td>
<td>$ 805,626</td>
</tr>
<tr>
<td>Custody services</td>
<td>241,244</td>
<td>235,768</td>
</tr>
<tr>
<td>Network services</td>
<td>14,203</td>
<td>48,793</td>
</tr>
<tr>
<td>Other services</td>
<td>44,715</td>
<td>43,401</td>
</tr>
<tr>
<td>Interest income</td>
<td>300,255</td>
<td>484,810</td>
</tr>
<tr>
<td>Equity in net income of Omgeo LLC</td>
<td>67,384</td>
<td>72,319</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td><strong>1,406,906</strong></td>
<td><strong>1,690,717</strong></td>
</tr>
<tr>
<td>Discounts and other refunds to participants</td>
<td>(379,631)</td>
<td>(984,475)</td>
</tr>
<tr>
<td><strong>Net revenues</strong></td>
<td><strong>1,027,275</strong></td>
<td><strong>706,242</strong></td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee compensation and related benefits</td>
<td>487,201</td>
<td>429,429</td>
</tr>
<tr>
<td>Information technology</td>
<td>97,271</td>
<td>92,092</td>
</tr>
<tr>
<td>Professional, clearance and other services</td>
<td>144,068</td>
<td>106,238</td>
</tr>
<tr>
<td>Occupancy</td>
<td>53,347</td>
<td>56,608</td>
</tr>
<tr>
<td>Interest expense</td>
<td>20,499</td>
<td>21,996</td>
</tr>
<tr>
<td>Other general and administrative</td>
<td>25,019</td>
<td>20,754</td>
</tr>
<tr>
<td>Reimbursement from affiliates</td>
<td>(33,423)</td>
<td>(34,692)</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>793,982</strong></td>
<td><strong>692,425</strong></td>
</tr>
<tr>
<td>Income before income taxes and minority interests</td>
<td>233,293</td>
<td>13,817</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>104,290</td>
<td>5,255</td>
</tr>
<tr>
<td>Income before minority interests</td>
<td>129,003</td>
<td>8,562</td>
</tr>
<tr>
<td>Minority interests – preferred stock dividend</td>
<td>(1,402)</td>
<td>(4,187)</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td><strong>127,601</strong></td>
<td><strong>4,375</strong></td>
</tr>
</tbody>
</table>

**Other comprehensive (loss) income, net of tax:**

- DTCC’s defined benefit pension and other plans | (140,820) | 27,066 |
- Foreign currency translation adjustments
  - DTCC | (5,197)  | 47 |
  - DTCC’s share of Omgeo LLC | (1,045)  | 163 |
- DTCC’s share of Omgeo LLC’s net unrealized gain on derivative instruments | (334)  | 191 |

**Other comprehensive (loss) income** | (147,396) | 27,467 |

**Comprehensive (loss) income** | ($ 19,795) | $ 31,842 |

*The accompanying notes are an integral part of these consolidated financial statements.*
## Consolidated Statements of Cash Flows

For the Year Ended December 31,

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>$127,601</td>
<td>$4,375</td>
</tr>
<tr>
<td>Adjustments to reconcile net income to net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DTCC’s share of Omgeo LLC’s distributions, net of earnings</td>
<td>$(8,884)</td>
<td>$5,181</td>
</tr>
<tr>
<td>Depreciation and amortization of fixed assets</td>
<td>$81,830</td>
<td>$62,865</td>
</tr>
<tr>
<td>Impairment of internally developed software</td>
<td>$11,744</td>
<td>—</td>
</tr>
<tr>
<td>Loss on fixed asset disposals</td>
<td>$737</td>
<td>$1,610</td>
</tr>
<tr>
<td>Net premium amortized (discount accreted) on securities owned</td>
<td>$4,529</td>
<td>$(743)</td>
</tr>
<tr>
<td>Deferred income (benefit) taxes</td>
<td>$(589)</td>
<td>$752</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease (increase) in accounts receivable</td>
<td>$125,730</td>
<td>$(65,110)</td>
</tr>
<tr>
<td>Decrease (increase) in other assets</td>
<td>$705</td>
<td>$(26,279)</td>
</tr>
<tr>
<td>Increase in accounts payable and other liabilities</td>
<td>$248,763</td>
<td>$81,096</td>
</tr>
<tr>
<td>Decrease in payable to participants</td>
<td>$(547,129)</td>
<td>$(134,894)</td>
</tr>
<tr>
<td>Increase in participants’ fund cash deposits</td>
<td>$8,393,893</td>
<td>$4,883,022</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>$8,438,930</td>
<td>$4,811,875</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maturities of investments in marketable securities</td>
<td>$231,000</td>
<td>$153,000</td>
</tr>
<tr>
<td>Purchases of investments in marketable securities</td>
<td>$(258,330)</td>
<td>$(231,145)</td>
</tr>
<tr>
<td>Purchases of fixed assets</td>
<td>$(99,578)</td>
<td>$(101,672)</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td>$(126,908)</td>
<td>$(179,817)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal payments on debt and capital lease obligations</td>
<td>$(38,657)</td>
<td>$(24,489)</td>
</tr>
<tr>
<td>Capitalized leases</td>
<td>—</td>
<td>$8,222</td>
</tr>
<tr>
<td><strong>Net cash used in financing activities</strong></td>
<td>$(38,657)</td>
<td>$(16,267)</td>
</tr>
<tr>
<td>Effect of foreign exchange rate changes on cash</td>
<td>$(6,242)</td>
<td>$210</td>
</tr>
<tr>
<td><strong>Net increase in cash and cash equivalents</strong></td>
<td>$8,267,123</td>
<td>$4,616,001</td>
</tr>
<tr>
<td>Cash and cash equivalents, beginning of year</td>
<td>$11,394,147</td>
<td>$6,778,146</td>
</tr>
<tr>
<td>Cash and cash equivalents, end of year</td>
<td>$19,661,270</td>
<td>$11,394,147</td>
</tr>
</tbody>
</table>

**Supplemental disclosures:**

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income taxes paid, net of refunds</td>
<td>$22,817</td>
<td>$36,878</td>
</tr>
<tr>
<td>Interest paid</td>
<td>$20,592</td>
<td>$20,629</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these consolidated financial statements.
Notes to Consolidated Financial Statements

December 31, 2008 and 2007

1  Business and Ownership:
The Depository Trust & Clearing Corporation (DTCC) is a holding company that supports six principal operating subsidiaries, The Depository Trust Company (DTC), National Securities Clearing Corporation (NSCC), Fixed Income Clearing Corporation (FICC), DTCC Deriv/SERV LLC, DTCC Solutions LLC, and European Central Counterparty Limited (EuroCCP), collectively the “Companies.”

The persons elected to serve on the Board of Directors of DTCC also serve as directors on the boards of each of its subsidiaries, with the exception of EuroCCP, which elects its own board members.

DTC provides central securities depository and related services to members of the securities, banking and other financial industries. NSCC provides various services to members of the financial community, consisting principally of securities trade comparison, netting, clearance, settlement and risk management services. FICC, which consists of the Government Securities (GSD) and Mortgage-Backed Securities divisions (MBSD), 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. DTCC Deriv/SERV LLC provides matching, confirmation and payment processing services and a global contracts repository to perform netting and money settlement services for the over-the-counter derivatives market. DTCC Solutions LLC provides sophisticated technology services that help financial institutions manage the rapid growth, high risk and mounting costs of corporate action transactions. EuroCCP is a central counterparty organized to support pan-European securities trading. By offering reduced costs, simplified operations, and cost-effective risk management, EuroCCP seeks to provide efficient and secure trade clearing and settlement. DTC, NSCC, and FICC are registered clearing agencies with the U.S. Securities and Exchange Commission (SEC). DTC is also a member of the Federal Reserve System and a limited-purpose trust company under New York State banking law. EuroCCP is a Recognized Clearing House (RCH) in the U.K., headquartered in London. The members of DTCC’s subsidiaries are collectively referred to as participants.

Omgeo LLC (Omgeo), a joint venture with Thomson Reuters Corporation (“Thomson”), uses the institutional trade-processing infrastructures of DTCC and Thomson to provide for seamless global trade management and a securities industry solution for straight-through processing.

On October 20, 2000, DTC issued 750,000 shares of Series A preferred stock at the par value of $100 per share, increasing its capital by $75 million under a plan adopted by the Board of Directors. On December 29, 2006, DTC issued an additional 500,000 shares of Series A preferred stock at the par value of $100 per share, thereby increasing the amount of its preferred stock to $125 million. Pursuant to this plan, which does not reduce the funds available in the event of a participant’s failure to settle, each participant was required to purchase shares of the preferred stock. Dividends are paid quarterly based on the earnings of those funds. The participants’ ownership in DTC is reflected as minority interests on the consolidated balance sheets.

2  Summary of Significant Accounting Policies:

Basis of Presentation: The consolidated financial statements include the accounts of DTCC and its subsidiaries (the Companies). Intercompany accounts are eliminated in consolidation.

The carrying value of DTCC’s investment in Omgeo included in other assets totaling $43,556,000 and $36,052,000 at December 31, 2008 and 2007, respectively, represents 50% of Omgeo’s net book value.

Omgeo’s total revenue and net income in 2008 are $343,461,000 and $134,710,000, respectively. The comparable amounts in 2007 were $339,487,000 and $144,637,000, respectively. Omgeo has elected to be treated in a manner similar to a partnership for federal and state income tax purposes. As a result of this election, Omgeo’s federal and state taxable income is allocated proportionately to DTCC and Thomson.

Cash and Cash Equivalents: The Companies invest funds in overnight reverse repurchase agreements, commercial paper and money market accounts, which are considered cash equivalents. Reverse repurchase agreements provide for the Companies’ delivery of cash in exchange for securities having a market value which is at least 102% of the amount of the agreements. Custodians designated by the Companies that are participants take possession of the securities. Overnight reverse repurchase agreements are recorded at the contract amounts and totaled $14,252,545,000 and $9,476,682,000 at December 31, 2008 and 2007, respectively. At December 31, 2008, the counterparties to these agreements were 14 major financial institutions that are also participants.

Overnight investments made in commercial paper totaling $3,619,360,000 and $169,806,000 are included in cash and cash equivalents at December 31, 2008 and 2007, respectively. At December 31, 2008, the issuer of the commercial paper was a major U.S. bank holding company that is also a participant. Money market accounts with participants are used to sweep any remaining funds available. At December 31, 2008, the money market balance was with the same participant. Overnight investments made in money market accounts totaling $1,789,365,000 and $1,747,659,000, including $34,196,000 and $181,715,000 representing deposits received from participants to facilitate their compliance with customer protection rules of the SEC, are also included in cash equivalents at December 31, 2008 and 2007, respectively.
INVESTMENTS IN MARKETABLE SECURITIES: These investments, which include U.S. Treasury securities and investment grade corporate notes, are recorded at amortized cost and are considered to be held-to-maturity securities. The contractual maturities, carrying value and market value of these securities at December 31, 2008 and 2007, are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Due in one year or less</th>
<th>Due in more than one year</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Treasury Securities</td>
<td>$233,159</td>
<td>—</td>
<td>$233,159</td>
</tr>
<tr>
<td>Corporate Notes</td>
<td>—</td>
<td>1,014</td>
<td>1,014</td>
</tr>
<tr>
<td>Total</td>
<td>$233,159</td>
<td>$1,014</td>
<td>$234,173</td>
</tr>
</tbody>
</table>

2007

Due in one year or less $210,378 $994 $211,372

Carrying Value

<table>
<thead>
<tr>
<th></th>
<th>U.S. Treasury Securities</th>
<th>Corporate Notes</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due in one year or less</td>
<td>$233,159</td>
<td>—</td>
<td>$233,159</td>
</tr>
<tr>
<td>Due in more than one year</td>
<td>—</td>
<td>1,014</td>
<td>1,014</td>
</tr>
<tr>
<td>Total</td>
<td>$233,159</td>
<td>$1,014</td>
<td>$234,173</td>
</tr>
</tbody>
</table>

Due in more than one year 1,014

In 2008, the fixed rates assigned to these loans would be current borrowing rates available to companies with similar credit ratings. The comparable amounts in 2007 were $1,610,000, $4,399,000 and $2,789,000, respectively.

In 2008, DTCC recognized a $11,744,000 pre-tax impairment charge on internally developed software.

INCOME TAXES: Deferred tax assets and liabilities represent the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities. The net deferred tax asset is expected to be fully realized and, accordingly, no valuation allowance was established.

DISCOUNTS AND OTHER REFUNDS TO PARTICIPANTS: The Companies provide discounts on their billing to participants based on the amount of earnings to be retained in a given year with due regard to current and anticipated needs, as approved by their Boards of Directors. Such discounts amounted to $117,772,000 in 2008 and $582,559,000 in 2007. DTCC also has a policy to provide participants a monthly refund of interest earned from the overnight investment of unallocated cash dividends, interest and reorganization funds payable to participants. Such monthly refunds totaled $203,344,000 in 2008 and $42,382,000 in 2007.

The Companies invest available participants’ fund cash deposits principally in overnight reverse repurchase agreements. The earnings on these investments are passed through to the applicable participants and are included in interest income and discounts and other refunds to participants. Such earnings totaled $241,525,000 and $42,382,000 in 2007. Such monthly refunds totaled $203,344,000 in 2008 and $42,382,000 in 2007.

SEcurities ON DEposit: Securities held in custody by DTCC for participants are not reported in the consolidated financial statements. Cash dividends and interest received by DTCC 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 participants’ securities balances. Such short positions are valued and collateralized daily by participants’ cash, aggregating 130% of the short position. DTCC’s obligation to return such amounts to participants is reflected in payable to participants. At December 31, 2008 and 2007, short positions amounted to $34,715,000 and $37,660,000, respectively.

FINANCIAL INSTRUMENTS: Management believes that the carrying value of all financial instruments which are short-term in nature approximates current market value. Due to the fixed term nature of long-term debt, if the company was to seek the same financing at December 31, 2008, the fixed rates assigned to these loans would be current borrowing rates available to companies with similar credit ratings.
**Revenue Recognition:** Revenue is recognized as services are rendered. Activities are captured daily and billed on a monthly basis.

**Estimates:** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Foreign Currency Translation:** Assets and liabilities denominated in foreign currencies are translated at rates of exchange prevailing on the date of the consolidated balance sheet, and revenues and expenses are translated at average rates of exchange for the year. Gains or losses on foreign currency transactions are included in the consolidated statement of income.

Gains or losses on translation of the financial statements of subsidiaries, when the functional currency is other than the U.S. Dollar, are reflected as a separate component of equity and included in comprehensive income.

**FAS 157:** SFAS No. 157, “Fair Value Measurements,” establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). DTCC primarily holds positions at level 1. Level 1 are unadjusted quoted prices in active markets that are accessible at the measurement date for identical and unrestricted assets or liabilities. DTCC holds treasuries, securities, and long-term debt that are all traded in active markets.

**3 Participants’ Funds:**

The Companies’ rules require participants to maintain deposits related to their respective activities based on calculated requirements, which were $36,440,192,000 and $19,631,218,000 at December 31, 2008 and 2007, 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 on the consolidated balance sheet. A summary of the total deposits held at December 31, 2008 and 2007, including $10,825,633,000 and $6,989,444,000 respectively, in excess of the calculated requirements follows:

<table>
<thead>
<tr>
<th>(Dollars in thousands)</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$17,319,625</td>
<td>$ 8,925,732</td>
</tr>
<tr>
<td>U.S. Treasury and Agency securities, at market</td>
<td>29,946,200</td>
<td>17,495,930</td>
</tr>
<tr>
<td>Letters of credit issued by authorized banks</td>
<td>—</td>
<td>199,000</td>
</tr>
<tr>
<td>Total</td>
<td>$47,265,825</td>
<td>$26,620,662</td>
</tr>
</tbody>
</table>

**4 Transactions with Related Parties:**

**Omgeo:** DTCC has an agreement with Omgeo to provide various support services and office facilities. Charges under these agreements totaled $32,818,000 in 2008 and $34,139,000 in 2007 and are included in reimbursement from affiliates. Amounts receivable from Omgeo at December 31, 2008 and 2007 were $8,439,000 and $2,797,000, respectively. In addition, DTCC has an agreement with Omgeo whereby, if Omgeo reduces or terminates certain services it receives from DTCC or its affiliates. Omgeo will pay certain extraction costs as specified in the agreement.

**5 Payable to Participants:**

DTCC receives 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 the record date but not transferred from the name of DTC’s nominee cannot be distributed unless claimed by the owners of the securities. Cash dividends, interest, reorganization and redemption payables of $1,814,735,000 at December 31, 2008 and $1,718,012,000 at December 31, 2007 are included in payable to participants. Unclaimed balances are remitted to the appropriate authority when required by abandoned property laws. Stock dividends payable and unclaimed are not reported in the consolidated financial statements.

Payable to participants also includes settlement accounts payable of $34,196,000 at December 31, 2008 and $316,468,000 at December 31, 2007, which primarily represents deposits received from NSCC participants to facilitate their compliance with customer protection rules of the SEC.

The remainder of the balance included in payable to participants primarily represents unpaid discounts.

**6 Pension and Other Postretirement Benefits:**

DTCC has a non-contributory defined benefit pension plan covering substantially all full-time employees of the Companies. The pension plan is qualified under section 401(a) of the Internal Revenue Code. 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 of 1986, as amended. DTCC also maintains a 401(h) account to fund the retiree medical plans.

Retirement benefits are also provided under supplemental non-qualified pension plans for eligible officers of the Companies. The cost of non-qualified defined benefits is determined based on substantially the same actuarial methods and economic assumptions as those for the qualified pension plan. The Companies maintain certain assets in trust for non-qualified retirement benefit obligations. DTCC also provides health care and life insurance benefits to eligible retired employees.

In accordance with Financial Accounting Standards Board Statement No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans,” DTCC recorded a charge of $233,484,000 on a pre-tax basis offset by a deferred tax benefit of $92,664,000 resulting in a net charge of $140,820,000 to the accumulated other comprehensive loss account to report the funded
status of the defined benefit pension and other postretirement benefit plans, thereby decreasing shareholders’ equity in 2008. The increase in the obligation was primarily the result of a decrease in the value of the plan’s assets and a decrease in the interest rate used to discount the projected benefit obligation to its present settlement amount. The net charge in shareholders’ equity represents an amount not yet recognized as pension expense.

Following are the components of the funded status as of December 31, 2008 and 2007:

<table>
<thead>
<tr>
<th>(Dollars in thousands)</th>
<th>Pension Benefits</th>
<th>Other Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>The estimated transition obligation, 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:</td>
<td>$ —</td>
<td>$ —</td>
</tr>
<tr>
<td>Transition obligation</td>
<td>7,731</td>
<td>2,219</td>
</tr>
<tr>
<td>Actuarial loss</td>
<td>1,637</td>
<td>1,718</td>
</tr>
<tr>
<td>Benefit obligation at end of year:</td>
<td>$604,963</td>
<td>$512,562</td>
</tr>
<tr>
<td>Qualified plan</td>
<td>123,509</td>
<td>115,632</td>
</tr>
<tr>
<td>Other plans</td>
<td>728,472</td>
<td>628,194</td>
</tr>
<tr>
<td>Fair value of plan assets at end of year</td>
<td>357,209</td>
<td>482,071</td>
</tr>
<tr>
<td>Funded status ($371,263)</td>
<td>($146,123)</td>
<td>($98,200)</td>
</tr>
<tr>
<td>Amount not yet reflected in net periodic benefit cost and included in accumulated other comprehensive loss:</td>
<td>$ 8,797</td>
<td>$ 10,515</td>
</tr>
<tr>
<td>Prior service cost</td>
<td>(291,352)</td>
<td>(63,329)</td>
</tr>
<tr>
<td>Accumulated other comprehensive loss</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Transition obligation</td>
<td>(300,149)</td>
<td>(73,844)</td>
</tr>
<tr>
<td>Cumulative net periodic benefit cost in excess of employer contributions</td>
<td>(71,114)</td>
<td>(72,279)</td>
</tr>
<tr>
<td>Net amount recognized at year-end</td>
<td>($371,263)</td>
<td>($146,123)</td>
</tr>
</tbody>
</table>

The accumulated benefit obligation for all defined benefit plans was $615,218,000 at December 31, 2008.

Weighted-average assumptions used to determine benefit obligations at December 31:

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>6.19%</td>
<td>6.54%</td>
</tr>
<tr>
<td>Rate of compensation increase</td>
<td>4.25%</td>
<td>4.25%</td>
</tr>
</tbody>
</table>

Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31:

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>6.54%</td>
<td>5.93%</td>
</tr>
<tr>
<td>Expected long-term rate of return on plan assets</td>
<td>8.00%</td>
<td>8.00%</td>
</tr>
<tr>
<td>Rate of compensation increase</td>
<td>4.25%</td>
<td>4.25%</td>
</tr>
</tbody>
</table>

Assumed health care cost trend rates at December 31:

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health care cost trend rate assumed for next year</td>
<td>8.75%</td>
<td>9.50%</td>
</tr>
<tr>
<td>Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)</td>
<td>5.00%</td>
<td>5.00%</td>
</tr>
<tr>
<td>Year that the rate reaches the ultimate trend rate</td>
<td>2015</td>
<td>2015</td>
</tr>
</tbody>
</table>

DTCC’s actual pension plan weighted-average asset allocations at December 31, 2008 and 2007, by asset category are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity securities</td>
<td>59%</td>
<td>62%</td>
</tr>
<tr>
<td>Debt securities</td>
<td>39%</td>
<td>33%</td>
</tr>
<tr>
<td>Alternative investments</td>
<td>2%</td>
<td>5%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

To develop the expected long-term rate of return on assets assumption, 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 8.0% long-term rate of return on assets assumption. The actual historical rate of return achieved by these assets exceeded the 8.0% assumption. Based on DTCC’s target asset allocation guidelines, 57% to 63% of the plan assets are to be invested in equity securities, 32% to 38% in fixed income securities (including guaranteed investment contracts) and up to 10% in alternative investments.
Details of the components of net periodic benefit cost and other changes recognized in other comprehensive income (loss) are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Pension Benefits</th>
<th>Other Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Components of net periodic benefit cost</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service cost</td>
<td>$27,519</td>
<td>$29,279</td>
</tr>
<tr>
<td>Interest cost</td>
<td>40,694</td>
<td>37,008</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>(37,651)</td>
<td>(34,133)</td>
</tr>
<tr>
<td>Amortizations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prior service cost</td>
<td>1,718</td>
<td>1,822</td>
</tr>
<tr>
<td>Transition obligation</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Actuarial loss</td>
<td>2,471</td>
<td>6,557</td>
</tr>
<tr>
<td>Settlement loss</td>
<td>4,631</td>
<td>1,879</td>
</tr>
<tr>
<td>Net periodic benefit cost</td>
<td>39,382</td>
<td>42,412</td>
</tr>
<tr>
<td>Other changes recognized in other comprehensive income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net gain arising during the period</td>
<td>235,124</td>
<td>(20,042)</td>
</tr>
<tr>
<td>Amortizations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transition obligation</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Prior service cost</td>
<td>(1,718)</td>
<td>(1,822)</td>
</tr>
<tr>
<td>Actuarial and settlement loss</td>
<td>(7,102)</td>
<td>(8,436)</td>
</tr>
<tr>
<td>Total recognized in other comprehensive income</td>
<td>226,304</td>
<td>(30,300)</td>
</tr>
<tr>
<td>Total recognized in other comprehensive income (loss)</td>
<td>$265,686</td>
<td>$12,112</td>
</tr>
</tbody>
</table>

Settlements relate to the early retirement of executives who elected lump sum and periodic payments.

DTCC expects to contribute $25 million to its pension plan and $3 million to its retiree medical plan during 2009.

The following estimated future payments are expected to be paid/(received) in the years indicated:

<table>
<thead>
<tr>
<th>Years</th>
<th>Pension Payments</th>
<th>Medicare Subsidy Receipts</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Employer Benefit Payments</td>
<td>Medicare Subsidy Receipts</td>
</tr>
<tr>
<td>2009</td>
<td>$41,158</td>
<td>$3,213</td>
</tr>
<tr>
<td>2010</td>
<td>29,082</td>
<td>3,536</td>
</tr>
<tr>
<td>2011</td>
<td>30,662</td>
<td>3,991</td>
</tr>
<tr>
<td>2012</td>
<td>57,031</td>
<td>4,353</td>
</tr>
<tr>
<td>2013</td>
<td>35,574</td>
<td>4,785</td>
</tr>
<tr>
<td>2014-2018</td>
<td>217,818</td>
<td>31,686</td>
</tr>
</tbody>
</table>

7 **Income Taxes:**

DTCC and its subsidiaries file a consolidated federal income tax return. New York State, New York City and other state and local income tax returns are filed either on a combined, consolidated or stand alone basis. The provision for income taxes for the years ended December 31, 2008 and 2007 consists of the following:

<table>
<thead>
<tr>
<th>Years</th>
<th>Federal</th>
<th>State and local</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$72,436</td>
<td>34,610</td>
<td>$107,046</td>
</tr>
<tr>
<td>2007</td>
<td>$3,159</td>
<td>1,346</td>
<td>$4,505</td>
</tr>
</tbody>
</table>

Deferred income tax (benefit):

Federal: $486, $1,061
State and local: $(3,242), $(311)

Provision (benefit) for income taxes: $104,290, $5,255

The 2008 provision for income taxes is mostly due to pension and other employee related benefits. The effective tax rate is greater than the 35% federal statutory rate primarily due to the rate differential applied to the increase in deferred taxes primarily related to pension and other employee benefits.

The major temporary differences that give rise to the deferred tax assets (liabilities) at December 31, 2008 and 2007 are as follows:

<table>
<thead>
<tr>
<th>Years</th>
<th>Pension Benefit related</th>
<th>Rent</th>
<th>Depreciation and amortization</th>
<th>Lease abandonment costs</th>
<th>Capitalization of software developed for internal use</th>
<th>Sale and leaseback costs</th>
<th>Other</th>
<th>Net deferred income tax asset</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$262,651</td>
<td>6,787</td>
<td>13,651</td>
<td>3,056</td>
<td>(44,507)</td>
<td>(15,969)</td>
<td>(249)</td>
<td>$222,364</td>
</tr>
<tr>
<td>2007</td>
<td>$150,513</td>
<td>7,681</td>
<td>15,950</td>
<td></td>
<td>(39,802)</td>
<td>(11,073)</td>
<td></td>
<td>$129,111</td>
</tr>
</tbody>
</table>

On December 30, 2008, the Financial Accounting Standards Board issued a Staff position permitting all non-public companies to defer implementing Interpretation No. 48, "Accounting for Uncertainty in Income Taxes,” until the fiscal years beginning after December 15, 2008. FIN 48 establishes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The impact of applying this interpretation beginning in 2009 is not expected to have a material effect on the financial condition, results of operations and cash flows of the company.
8 Long-term Debt and Lines of Credit:

Long-term debt at December 31, 2008 and 2007 consists of the following:

(Dollars in thousands) 2008 2007
Industrial Development Agency Bonds $205,302 $205,302
Sale-leaseback obligation 19,440 47,070
Notes payable 30,484 33,763
Capital lease obligations 6,917 14,665
Total $262,143 $300,800

As of December 31, 2008 and 2007, DTC had a payable to the New York City Industrial Development Agency (IDA) and a matching investment in IDA bonds included in other assets. Interest expense related to the IDA payable was $15,398,000 in both 2008 and 2007. These bonds mature in 2012.

In March 2003, DTC and NSCC entered into a sale-leaseback transaction covering certain assets aggregating $63,400,000. During 2008, DTC and NSCC exercised an early payment option on $24,031,000 and $1,262,000 of its obligation, bringing total principal payments to $42,160,000 and $1,800,000, respectively. At December 31, 2008, DTC's sale-leaseback obligation was $19,440,000. DTC has an early payment option on the remainder of its obligation in 2009.

Notes payable include secured borrowings totaling $6,800,000 from two insurance companies at a fixed rate of 4.62%. The notes are secured by property, plant and equipment. Principal and interest payments are due semi-annually on March 15 and September 15 of each year through 2012. Interest expense related to these notes totaled $350,000 in 2008 and $429,000 in 2007. In addition, notes payable include unsecured borrowings totaling $23,684,000 from an insurance company to finance the acquisition of real estate, at a fixed rate of 5.03%. Principal payments are due annually on December 15 of each year through 2023. Interest payments are due semi-annually on June 15 and December 15 of each year through the same period. Interest expense related to these notes totaled $1,268,000 in 2008 and $1,348,000 in 2007.

Leased property meeting certain criteria is capitalized and the present value of the related lease payments is recorded as a liability. At December 31, 2008, future minimum payments including interest, which are due through 2010, totaled $7,517,000. Payments over the next two years are $6,918,000 and $599,000, respectively.

At December 31, 2008, DTC maintained a committed line of credit of $1,900,000,000 with 22 major banks that are primarily participants to support settlement. In addition, to support processing of principal and income payments, DTC maintains a $50,000,000 committed line of credit with a participant. DTC also maintains credit lines totaling CAD250,000,000 to support Canadian settlement.

At December 31, 2008, NSCC maintained a committed line of credit of $4,150,000,000 with 22 major banks that are primarily participants to provide for potential liquidity needs. Further, a $50,000,000 shared credit line between DTCC, DTC and NSCC is maintained with a participant to support potential short-term operating cash requirements. During 2008 and 2007, there was no borrowing under any of the credit facilities.

9 Shareholders’ Equity:

(Dollars in thousands)

<table>
<thead>
<tr>
<th></th>
<th>Preferred Stock</th>
<th>Common Stock</th>
<th>Paid in Capital</th>
<th>Retained Earnings</th>
<th>Treasury Stock</th>
<th>Foreign Currency Translation Adjustment</th>
<th>Net Unrealized Gain on Derivative Instruments</th>
<th>Total Shareholders’ Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at December 31, 2006</td>
<td>$300</td>
<td>$300</td>
<td>$2,366</td>
<td>$12,671</td>
<td>$112,782</td>
<td>$164,340</td>
<td>(42)</td>
<td>$82,252</td>
</tr>
<tr>
<td>Net Income 2007</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defined benefit pension and other plans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DTCC’s share of Omgeo LLC net unrealized gain on derivative instruments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign currency translation adjustment DTCC</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DTCC’s share of Omgeo LLC</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at December 31, 2007</td>
<td>$300</td>
<td>$300</td>
<td>$2,366</td>
<td>$12,671</td>
<td>$112,782</td>
<td>$168,715</td>
<td>(42)</td>
<td>(55,186)</td>
</tr>
<tr>
<td>Net Income 2008</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defined benefit pension and other plans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DTCC’s share of Omgeo LLC net unrealized loss on derivative instruments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign currency translation adjustment DTCC</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DTCC’s share of Omgeo LLC</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at December 31, 2008</td>
<td>$300</td>
<td>$300</td>
<td>$2,366</td>
<td>$12,671</td>
<td>$94,067</td>
<td>$315,031</td>
<td>(42)</td>
<td>($196,006)</td>
</tr>
</tbody>
</table>
Foreign currency translation adjustment

Net unrealized (loss) gain on Foreign currency translation adjustment securities to NSCC. In addition, the settlement of trades is generally the SBP does not relieve a participant's obligation to deliver ($5,761,192,000 at December 31, 2007). NSCC's borrowing from leaving $886,049,000 in open delivery obligations due to participants securities through the SBP ($1,693,456,000 at December 31, 2007), December 31, 2008, NSCC completed delivery of $171,050,000 in made available for loan to the system shares of that issue. As of complete its delivery obligations to the extent that participants have guaranteed as of the later of midnight of T+1 or midnight of the day failure of NSCC to redeliver the securities, results in open positions. trades submitted to NSCC are matched, the failure of participants to settle on or before January 2, 2009, approximated $332,509,078,000 and the amount scheduled to settle after January 2, 2009 approximated $184,583,878,000. There is an equal amount due from FICC to certain other GSD participants after consideration of deliveries pending to FICC. The equivalent amounts at December 31, 2007 were $520,766,232,000 and $255,034,843,000, respectively. At December 31, 2008, future minimum rental payments under all non-cancelable leases are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$18,320</td>
</tr>
<tr>
<td>2010</td>
<td>19,943</td>
</tr>
<tr>
<td>2011</td>
<td>20,157</td>
</tr>
<tr>
<td>2012</td>
<td>20,558</td>
</tr>
<tr>
<td>2013</td>
<td>2,741</td>
</tr>
<tr>
<td>Thereafter</td>
<td>6,928</td>
</tr>
<tr>
<td>Total minimum rental payments</td>
<td>$88,647</td>
</tr>
</tbody>
</table>

The Companies lease office space and data processing and other equipment. The leases for office space provide for rent escalations subsequent to 2008. Rent expense under these leases was $35,207,000 in 2008 and $37,640,000 in 2007. At December 31, 2008, rentals payable for the next three settlement days.

The GSD’s netting system interposes FICC between netting GSD participants for eligible trades that have been netted. The guarantee of net settlement positions by FICC results in potential liability to FICC. Guaranteed positions that have not yet settled are margined and marked-to-market daily. Margin deposits are held by FICC and marks are debited from and credited to the responsible participants through the fund's-only settlement process. At December 31, 2008, the gross amount of guaranteed positions due from netting GSD participants to FICC, which are scheduled to settle on or before January 2, 2009, approximated $332,509,078,000 and the amount scheduled to settle after January 2, 2009 approximated $184,583,878,000. There is an equal amount due from FICC to certain other GSD participants after consideration of deliveries pending to FICC. The equivalent amounts at December 31, 2007 were $520,766,232,000 and $255,034,843,000, respectively.

In the normal course of business, because NSCC and FICC guarantee certain obligations of their participants under specified circumstances (see Note 10), these subsidiaries are exposed to credit risk. All trading activities handled by DTC are settled through its end-of-day net settlement process. If a participant fails to fulfill its settlement obligation, DTC is also exposed to credit risk. Exposure to credit risk is mitigated by requiring participants to meet established financial standards for membership, verifying their compliance with other financial standards, monitoring their financial status and trading activity, requiring participants to meet daily mark-to-market obligations and requiring participants to provide participant fund deposits in the form of cash, marketable securities and eligible letters of credit securities (see Note 3).

Collateralization controls and net debit caps are employed by DTC to protect participants against the inability of one or more participants to pay for their settlement obligations.
DTC’s collateralization controls prevent the completion of transactions that would cause a participant’s net debit to exceed the total available collateral in its account. This assures that a participant that fails to pay for its settlement obligation will have sufficient collateral in its account to liquidate in the event it is insolvent.

DTC’s net debit cap controls limit the net settlement debit that each participant can incur to an amount, based upon activity level, which is less than DTC’s total liquidity. This helps ensure that DTC will have sufficient liquidity to complete settlement should any single participant fail to settle.

If a participant fails to fulfill its settlement obligations to NSCC and/or FICC and these subsidiaries cease to act on behalf of the participant, that participant’s guaranteed security receive and deliver obligations would be liquidated and that defaulting participant’s margin and mark-to-market deposits, including participant fund deposits, would be applied to satisfy any outstanding obligation and/or loss. 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 that 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 that securities delivered by DTC to NSCC to cover CNS allocations are fully collateralized. Finally, if a deficiency still remains, the companies would then assess the balance of the deficiency in accordance with their Rules.

As discussed in Note 1, NSCC, FICC and DTC provide various services to members of the financial community. As such, these subsidiaries have a significant group concentration of credit risk since their participants may be impacted by economic conditions affecting the securities industry and the debt-issuing countries. As described above, such risk is mitigated in a number of ways.

12 Other Matters:

DTCC incurred relocation and severance expenses totaling $6,150,000 in 2008 that are included in employee compensation and related benefits. In 2007, there was a similar provision of $4,336,000. In 2007, the Company entered into an agreement to surrender leased office space at one of its facilities prior to the expiration of the remaining lease term and recorded a provision of $1,993,000 to reflect the net cost of surrendering the space, including the impairment in the carrying value of leasehold improvements. In 2008, there was no similar provision.

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 National Securities Clearing Corporation (“NSCC”), Fixed Income Clearing Corporation (“FICC”) and The Depository Trust Company (“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 guarantee, 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 may result from the wind down of 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 and Participant Fund deposits and any Clearing Agency cross guaranty agreements). If any portion of such funds remain after the closeout 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.

At year-end, DTCC and its subsidiaries held aggregate funds of $1,707,230,000 and securities of $149,093,000 including the Cash Deposit, Clearing and Participant Fund balances, and proceeds from winding down and closing out the respective accounts. Payments of $1,749,825,000 have already been remitted to the Trustee.

At present, management is not expecting to need to assess losses against retained earnings or to the participants of the Clearing Agency Subsidiaries as a result of the liquidation of the LBI accounts.
To the Board of Directors and Shareholders of
The Depository Trust & Clearing Corporation:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income and comprehensive income, and of cash flows present fairly, in all material respects, the financial position of The Depository Trust & Clearing Corporation and their subsidiaries (the "Company") at December 31, 2008 and 2007, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

February 27, 2009
Senior Management

**Executive Leadership Team**

Donald F. Donahue  
Chairman and Chief Executive Officer

William B. Aimetti  
President and Chief Operating Officer

Michael C. Bodson  
Executive Managing Director,  
Business Management and Strategy  
Chairman, EuroCCP

John J. Colangelo  
Managing Director,  
Operations/Business  
Reengineering and Quality

Jacob Feuchtwanger  
Managing Director and  
Chief Development Officer

Douglas J. George  
Managing Director and Chief Risk Officer

Ellen Fine Levine  
Managing Director,  
Chief Financial Officer and Treasurer

Anthony J. Portannese  
Managing Director,  
Human Resources

Larry E. Thompson  
Managing Director and General Counsel

**Management Committees**

Anthony J. Alizzi  
Managing Director,  
Safety and Corporate Services

Paula S. Arthus  
Managing Director,  
Relationship Management

Peter J. Axilrod  
Managing Director,  
New Business Development

Charles K. Barry  
Managing Director,  
IT Administration

Ann Bergin  
Managing Director/General Manager,  
Wealth Management Services

Adam J. Bryan  
Managing Director/General Manager,  
Insurance & Retirement Services

Diana Chan  
Chief Executive Officer,  
EuroCCP

Susan Tysk Cosgrove  
Managing Director,  
Clearance and Settlement/Equities

Thomas Costa  
Managing Director/General Manager,  
Clearance and Settlement Group

Diana M. Downward  
Managing Director,  
Operational Risk

Stuart Z. Goldstein  
Managing Director,  
Corporate Communications

Neil T. Henderson  
Managing Director,  
Clearance and Settlement

William M. Hodash  
Managing Director,  
Product Office

Patrick C. Kirby  
Managing Director,  
Asset Services

Cheryl T. Lambert  
Managing Director,  
Asset Services

James P. Leonard  
Managing Director,  
Strategy and Marketing

Isaac Montal  
Managing Director and  
Deputy General Counsel

Mihal Nahari  
Managing Director and  
Chief Compliance Officer

Vivek K. Pabby  
Managing Director,  
Applications  
Development and Maintenance

Robert Palatnick  
Managing Director,  
Chief Architect

Robert W. Peiffer  
Managing Director and General Auditor

Murray C. Pozmanter  
Managing Director,  
Clearance and Settlement/Fixed Income

Oscar A. Raposo  
Managing Director,  
Financial Planning and Analysis

*These executives serve on one or both of DTCC’s Business Planning or Service Delivery Policy and Planning Committees.

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Fax: 1 212 855 4095  
E-mail inquiries: info@dtcc.com

National Securities Clearing Corporation (NSCC)  
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Fax: 1 212 855 4095  
E-mail inquiries: info@dtcc.com

Fixed Income Clearing Corporation (FICC)  
Tel: 1 212 855 7500  
Fax: 1 212 269 0162  
E-mail inquiries: rmsupport@dtcc.com

European Central Counterparty Limited (EuroCCP)  
Tel: 44 (0) 20 7650 1401  
Fax: 44 (0) 20 7650 1499  
www.euroccp.co.uk

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London Tel: 44 (0) 20 7650 1453  
E-mail inquiries: derivserv_rms@dtcc.com

DTCC Solutions LLC  
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Fax: 1 212 855 5320

London Tel: 44 (0) 20 7650 1500  
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What does a third of a penny buy?
The Depository Trust & Clearing Corporation (DTCC) charges the lowest prices in the world for equity clearing. Included in that price is the industry's most comprehensive risk management program, which allows DTCC to monitor and mitigate risk from a central vantage point, across asset classes, to protect customers.

DTCC is Safe
DTCC provides unparalleled certainty and risk management—and protects the integrity of financial markets.
“In a world of uncertainty, the one place where there has been stability and resilience is in the infrastructure.”

Lehman Bankruptcy
Closed Out – $500 Billion in Market Exposure Eliminated

Credit Default Swaps Settle Smoothly

Release of Credit Default Swap Data Calms Financial Markets

EuroCCP Brings Low-Cost Clearing and Settlement to Europe

Larry E. Thompson
Managing Director and General Counsel

Donald F. Donahue
Chairman and Chief Executive Officer

Ellen Fine Levine
Managing Director, Chief Financial Officer and Treasurer