The Depository Trust & Clearing Corporation

Consolidated Financial Statements as of and for the Years Ended December 31, 2015 and 2014, and Independent Auditors' Report

THE DEPOSITORY TRUST & CLEARING CORPORATION

TABLE OF CONTENTS

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of The Depository Trust & Clearing Corporation and its subsidiaries (the "Company"), which comprise the consolidated statements of financial condition as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Depository Trust & Clearing Corporation and its subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

March 31, 2016

THE DEPOSITORY TRUST & CLEARING CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(In thousands, except share data)

	As of December 31, 2015	2014
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,521,558	$ 780,734
Investment in marketable securities	7,400	-
Reverse repurchase agreements	-	100,000
Participants' segregated cash	26,581	42,009
Accounts receivable - net of allowance for doubtful accounts of $2,010 and $4,102 at December 31, 2015 and 2014, respectively	187,253	187,751
Participants and Clearing Fund:		
Cash deposits	13,464,610	14,188,857
Investments in marketable securities	100,000	200,000
Securities on deposit - at fair value	7,827,458	7,714,359
Other Participants' assets	439,838	537,577
Other current assets	92,330	78,000
Total current assets	24,667,028	23,829,287
NON-CURRENT ASSETS:		
Premises and equipment - net of accumulated depreciation of $397,142 and $491,033 at December 31, 2015 and 2014, respectively	275,499	268,413
Goodwill	65,535	65,535
Intangible assets - net of accumulated amortization of $769,330 and $648,287 at December 31, 2015 and 2014, respectively	471,370	556,488
Equity method investments	18,398	27,669
Other non-current assets	362,403	387,560
Total non-current assets	1,193,205	1,305,665
TOTAL ASSETS (1)	$ 25,860,233	$ 25,134,952
LIABILITIES AND SHAREHOLDERS' EQUITY:		
CURRENT LIABILITIES:		
Commerical paper	$ 1,007,124	$ -
Current portion of long term debt	66,395	15,524
Accounts payable	142,202	147,647
Participants and Clearing Fund:		
Cash deposits	13,564,610	14,388,857
Securities on deposit - at fair value	7,827,458	7,714,359
Payable to Participants	466,419	579,586
Other current liabilities	225,866	205,621
Total current liabilities	23,300,074	23,051,594
NON-CURRENT LIABILITIES:		
Long-term debt and other borrowings	92,440	388,509
Pension and post retirement benefits	307,402	336,494
Other non-current liabilities	361,137	377,688
Total non-current liabilities	760,979	1,102,691
Total liabilities (2)	24,061,053	24,154,285
COMMITMENTS AND CONTINGENCIES (Note 19)		
SHAREHOLDERS' EQUITY:		
Preferred stock:		
Series A, $0.50 par value - 10,000 shares authorized, issued (above par), and outstanding	300	300
Series B, $0.50 par value - 10,000 shares authorized, issued (above par), and outstanding	300	300
Series C, $0.50 par value - 1,600 shares authorized, issued (above par), and outstanding	390,516	-
Common stock, $100 par value - 80,000 shares authorized, 50,908 shares issued and outstanding	5,091	2,366
Paid-in capital	411,065	13,571
Retained earnings	1,008,522	976,319
Treasury stock	-	(42)
Accumulated other comprehensive loss, net of tax	(162,348)	(172,997)
Non-controlling interest	145,734	160,850
Total shareholders' equity	1,799,180	980,667
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 25,860,233	$ 25,134,952

(1) Our consolidated assets at December 31, 2015 and 2014, include the following assets of certain variable interest entities (VIEs) that can only be used to settle the liabilities of those VIEs (in thousands): Cash and cash equivalents, $17,321 and $23,008; Accounts receivable – net, $94 and $0; Other current assets, $973 and $0; Intangible assets, $4,168 and $18,822; Other non-current assets, $815 and $2,252; and Total assets, $23,371 and $44,082, respectively.

(2) Our consolidated liabilities at December 31, 2015 and December 31, 2014, include the following VIE liabilities for which the VIE creditors do not have recourse to DTCC (in thousands): Accounts payable, $10,438 and $8,043; Other current liabilities, $22,628 and $0; Other non-current liabilities, $0 and $3,464; and Total liabilities, $33,066 and $11,507, respectively.

The Notes to the Consolidated Financial Statements are an integral part of these statements.

THE DEPOSITORY TRUST & CLEARING CORPORATION

CONSOLIDATED STATEMENTS OF INCOME
(In thousands)

	For the years ended December 31, 2015	2014
REVENUES:		
Settlement and asset services	$ 432,123	$ 422,143
Clearing services	438,062	410,659
Data services	314,883	309,567
Repository services	257,673	208,885
Investment product services	103,096	99,109
Other services	52,433	33,793
Investment (loss) income	(1,911)	9,554
Total revenues	1,596,359	1,493,710
EXPENSES:		
Employee compensation and related benefits	628,687	594,731
Information technology	166,105	137,782
Professional and other services	373,982	389,757
Occupancy	39,639	42,229
Depreciation and amortization	223,535	199,398
General and administrative	47,410	64,836
Impairment on intangible assets	30,794	8,644
Total expenses	1,510,152	1,437,377
Total operating income	86,207	56,333
NON-OPERATING INCOME (EXPENSE):		
Interest income	13,162	8,445
Refunds to Participants	(9,713)	(6,381)
Interest expense	(10,042)	(19,513)
(Loss) income on equity method investments	(9,971)	418
Other (loss) income	(266)	1,657
Total non-operating expense	(16,830)	(15,374)
Income before taxes	69,377	40,959
Provision for income taxes	51,626	22,242
Net income	17,751	18,717
Net loss attributable to non-controlling interests	(25,177)	(13,810)
Net income attributable to DTCC	$ 42,928	$ 32,527

The Notes to the Consolidated Financial Statements are an integral part of these statements.

THE DEPOSITORY TRUST & CLEARING CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	For the years ended December 31, 2015	2014
Net income	$ 17,751	$ 18,717
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax:		
Defined benefit pension and other plans (1)	13,587	(75,204)
Currency translation	(2,938)	(199)
Amounts reclassified from other comprehensive income (2)	-	6,457
Other comprehensive income (loss)	10,649	(68,946)
Comprehensive income (loss)	28,400	(50,229)
Comprehensive loss attributable to non-controlling interests	(25,177)	(13,810)
Net income (loss) attributable to DTCC	$ 53,577	$ (36,419)

(1) Amounts are net of provision (benefit) for income taxes of $7,504 and $(51,298) for 2015 and 2014, respectively.
(2) Amounts are net of provisions for income taxes of $0 and $3,260 for 2015 and 2014, respectively.

The Notes to the Consolidated Financial Statements are an integral part of these statements.

THE DEPOSITORY TRUST & CLEARING CORPORATION

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

	Preferred Stock							Accumulated Other Comprehensive Income (Loss), Net of Tax				
	Series A	Series B	Series C	Common Stock	Paid-In Capital	Retained Earnings	Treasury Stock	Defined Benefit Pension and Other Plans	Currency Translation	Derivative Instruments	Non-controlling Interests	Total Shareholders' Equity
BALANCE - December 31, 2013	$ 300	$ 300	$ -	$ 2,366	$ 13,571	$ 943,792	$ (42)	$ (99,314)	$ (4,342)	$ (395)	$ 150,000	$ 1,006,236
Net income (loss)	-	-	-	-	-	32,527	-	-	-	-	(13,810)	18,717
Other comprehensive loss	-	-	-	-	-	-	-	(75,204)	(199)	-	-	(75,403)
Amounts reclassified from comprehensive income, net of tax	-	-	-	-	-	-	-	-	6,062	395	-	6,457
Contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	24,900	24,900
Dividend to Non-controlling interests	-	-	-	-	-	-	-	-	-	-	(240)	(240)
BALANCE - December 31, 2014	$ 300	$ 300	$ -	$ 2,366	$ 13,571	$ 976,319	$ (42)	$ (174,518)	$ 1,521	$ -	$ 160,850	$ 980,667
Net income (loss)	-	-	-	-	-	42,928	-	-	-	-	(25,177)	17,751
Other comprehensive income	-	-	-	-	-	-	-	13,587	(2,938)	-	-	10,649
Contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	10,301	10,301
Issuance of preferred series C shares	-	-	400,000	-	-	-	-	-	-	-	-	400,000
Issuance cost for preferred series C shares	-	-	(9,484)	-	-	-	-	-	-	-	-	(9,484)
Issuance of common stock	-	-	-	2,725	397,494	-	42	-	-	-	-	400,261
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(240)	(240)
Dividend on preferred stock	-	-	-	-	-	(10,725)	-	-	-	-	-	(10,725)
BALANCE - December 31, 2015	$ 300	$ 300	$ 390,516	$ 5,091	$ 411,065	$ 1,008,522	$ -	$ (160,931)	$ (1,417)	$ -	$ 145,734	$ 1,799,180

The Notes to the Consolidated Financial Statements are an integral part of these statements.

THE DEPOSITORY TRUST & CLEARING CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	For the years ended December 31, 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 17,751	$ 18,717
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	223,535	199,398
Loss on impairment of intangible assets	30,794	8,644
Loss on disposal of premises and equipment	8,264	-
Allowance for doubtful accounts	1,092	3,264
Gain on termination of capital lease	-	(2,830)
Amount reclassified from other comprehensive income	-	6,062
Net premium amortized on investments in marketable securities	33	(130)
Loss on equity method investments	9,971	849
Deferred income taxes	17,178	3,487
Changes in operating assets and liabilities:		
Increase in accounts receivable	(627)	(43,488)
Decrease in other Participants' assets	97,739	48,259
Increase in Participants and Clearing Fund Cash deposits	(100,000)	-
Increase in other assets	(6,352)	(48,456)
(Increase) decrease in accounts payable	(5,445)	8,738
Decrease in payable to Participants	(113,167)	(124,482)
(Decrease) increase in pension and post retirement benefits	(15,505)	39,189
Decrease in Participants and Clearing Fund Cash deposits	-	150,000
Decrease in other liabilities	596	4,139
Net cash provided by operating activities	165,857	271,360
CASH FLOWS FROM INVESTING ACTIVITIES:		
Maturities of investments in marketable securities	200,000	500,000
Purchases of investments in marketable securities	(107,400)	(500,000)
Decrease in Participants' segregated cash	15,428	76,223
Purchase of equity method investments	(700)	(17,500)
Sale of reverse repurchase agreements	100,000	-
Purchase of reverse repurchase agreements	-	(100,000)
Purchases of software	(111,915)	(147,606)
Purchases of premises and equipment	(72,646)	(53,954)
Net cash provided by (used in) investing activities	22,767	(242,837)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments to non-controlling interests	(240)	(240)
Proceeds from non-controlling interests	10,301	24,900
Proceeds from issuance of common stock	400,261	-
Proceeds from issuance of preferred stock, net of issuance fees	390,516	-
Issuance of commercial paper	1,007,124	-
Preferred stock dividend payment	(10,725)	-
Proceeds from issuance of debt and notes payable	-	20,157
Principal payments on debt and capital lease obligations	(245,198)	(110,427)
Net cash provided by (used in) financing activities	1,552,039	(65,610)
Effect of foreign exchange rate changes on cash and cash equivalents	161	(199)
Net increase (decrease) in cash and cash equivalents	1,740,824	(37,286)
Cash and cash equivalents - Beginning of year	780,734	818,020
Cash and cash equivalents - End of year	$ 2,521,558	$ 780,734
SUPPLEMENTAL DISCLOSURES:		
Non-cash financing activity - capitalized lease	$ -	$ 8,206
Cash interest paid	$ 5,912	$ 9,422
Cash income taxes paid - net of refunds	$ 47,764	$ 9,410

The Notes to the Consolidated Financial Statements are an integral part of these statements.

THE DEPOSITORY TRUST AND CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS AND OWNERSHIP

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

Subsidiaries

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

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

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

Omgeo provides post-trade processing and other related services primarily to financial institutions.

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

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

GMEI, formerly known as the U.S. Commodity Futures Trading Commission (CFTC) Interim Compliant Identifier (CICI) utility is DTCC's legal identifier (LEI) solution offered in collaboration with SWIFT. GMEI is designed to create and apply a single universal standard identifier to any organization or firm involved in a financial transaction internationally.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation. The accompanying Consolidated Financial Statements are prepared in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP). The Consolidated Financial Statements include the accounts of the Company, its wholly owned subsidiaries, and consolidated Variable Interest Entities (VIEs). Intercompany accounts and transactions have been eliminated in consolidation.

The Company applies the "VIE subsections" of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 810, *Consolidation*, which provide guidance on how to identify a VIE and how to determine when assets, liabilities, non-controlling interests and results of operations of a VIE need to be included in the Company's Consolidated Financial Statements. Accounting guidance on the consolidation of variable interest entities is included in ASC 810, *Consolidation*, ASU 2009-17 "Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities". Where the Company holds current or potential rights that give DTCC the power to direct the activities of a VIE that most significantly impact the VIE's economic performance, combined with a variable interest that gives DTCC the right to receive potentially significant benefits or the obligation to absorb potentially significant losses, the Company is deemed to have a controlling financial interest in that VIE. Rights held by others to remove the party with power over the VIE are not considered unless one party can exercise those rights unilaterally. When changes occur to the design of the entity, the Company reconsiders whether it is subject to the VIE model. For additional information, refer to Note 3.

Use of estimates. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements. Management makes estimates regarding the collectability of receivables, the outcome of litigation, the realization of deferred taxes, unrecognized tax benefits (UTBs), fair value measurements, and other matters that affect the reported amounts. Estimates, by their nature, are based on judgment and available information; therefore, actual results could differ materially from those estimates.

Acquired Businesses. The Consolidated Statements of Financial Condition and Consolidated Statements of Income include the results of acquired businesses accounted for using the acquisition method of accounting in accordance with FASB ASC Topic 805, *Business Combinations*, including equity investments from the dates of acquisition. The acquisition method requires the Company to recognize the fair value of the assets acquired, liabilities assumed, and any non-controlling interests in the acquiree on the date of acquisition. The excess of the fair value of the purchase consideration over the identifiable assets and liabilities is recorded as goodwill.

Equity method investments of less than a majority, but at least 20% ownership where the Company can exert significant influence over the operations of the investment, are accounted for using the equity method. The investments are initially recognized at cost. Earnings are recorded in the Consolidated Statement of Income in the period earned. Dividends are recorded as a reduction to the investment account.

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

Cash and cash equivalents. All highly liquid investments purchased with an original maturity of three months or less at the date of acquisition are classified as Cash and cash equivalents. Cash equivalents consist primarily of highly liquid investments in deposits held in banks and money market mutual funds.

Reverse repurchase agreements provide for delivery of cash in exchange for securities having a fair value of at least 102% of the amount of the agreements. Securities purchased under reverse repurchase agreements are typically U.S. Treasury and agency securities.

Participants' segregated cash. The Company receives cash in exchange for the exclusive benefit of the Participants' customers for the Participants' compliance with SEC rule 15c3-3, (customer protection).

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

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

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

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

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

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

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

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

Financial instruments not measured at fair value. The carrying amounts of financial instruments (i.e., monetary assets and liabilities) are determined under different accounting methods. As discussed in Note 10, these instruments are discussed on a uniform fair value basis. However, active markets do not exist for a significant portion of these instruments. For financial instruments where quoted prices for identical assets and liabilities in active markets do not exist, the Company determines fair value using discounted cash flow analyses and comparable pricing of similar instruments.

Financial instruments measured at fair value on a non-recurring basis. The Company has established processes for determining fair values. Where quotes from recent exchange transactions are not available, the Company determines fair value using discounted cash flow analyses or comparing similar instruments. Discounted cash flow analyses are dependent upon estimated future cash flows and the level of interest rates.

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

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

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

Cash deposits and Investments in marketable securities. Deposits may be invested in reverse repurchase agreements, money markets funds, direct obligations of the U.S. Government and bank deposits. Reverse repurchase agreements provide for DTCC's delivery of cash in exchange for securities having a fair value, which is at least 102% of the amount of the agreements. Securities purchased under reverse repurchase agreements are typically U.S. Treasury and agency securities. Any interest earned on these investments is accrued and is included within Interest income in the accompanying Consolidated Statements of Income. Any amounts passed through to Participants are included as Refunds to Participants in the Consolidated Statements of Income.

Securities on deposits, at fair value. Securities may include U.S. Treasury Securities, U.S. agency-issued debt securities, and U.S. agency residential mortgage-backed securities. Any interest earned on these investments is accrued and included within Interest income in the accompanying Consolidated Statements of Income. Any amounts passed through to Participants are included as Refunds to Participants in the accompanying Consolidated Statements of Income.

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

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

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

Goodwill has an indefinite life and is not amortized, but is assessed annually for impairment, or more often if events and circumstances indicate it is more likely than not that it may be impaired. The Company considers many factors when determining if an impairment exists, including estimated future utility, to estimate cash flows. An impairment exists when the carrying amount exceeds fair value.

Intangible assets. Identified intangible assets with finite lives are amortized in a manner consistent with the assets' identifiable cash flows or using the straight-line method over their remaining estimated benefit periods if the pattern of cash flows is not estimable. Intangible assets with finite lives are reviewed for possible impairment when events or changed circumstances may affect the underlying basis of the asset. For indefinite-lived intangible assets, an impairment exists when the carrying amount exceeds fair value.

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

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

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

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

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

Commercial paper. During the third quarter of 2015, the Company’s subsidiary, NSCC, commenced issuance under a newly established $5 billion commercial paper program approved by the Company’s Board of Directors. The proceeds from the issuance of the commercial paper, which are included in Cash and cash equivalents on the Consolidated Statements of Financial Condition, constitute liquid resources of NSCC that, together with other liquid resources of the Company, will enable NSCC to effect the settlement of its payment obligations in the event of the default of any of its Participants in accordance with NSCC’s rules and procedures. Pending use by NSCC of the proceeds of the commercial paper issuance for this purpose, the funds raised are invested in highly liquid short-term instruments in accordance with NSCC’s investment policy.

Derivatives and hedging. The Company enters into various derivative financial instruments for non-trading purposes, primarily as part of its asset/liability management process. These derivatives are designated as either fair value or cash flow hedges of certain assets and liabilities when the Company enters into the derivative contracts. Gains and losses associated with fair value hedges are recorded in income, as well as any change in the value of the related hedged item associated with the designated risks being hedged. Gains and losses on cash flow hedges are recorded in other comprehensive income (OCI) until reclassified into earnings to meet the risks being hedged. Foreign currency transaction gains and losses related to a hedged net investment in a foreign operation, net of tax effect, are recorded as cumulative foreign currency translation adjustments within OCI. The Company formally documents all relationships between hedging instruments and hedged items, as well as the Company's risk-management objectives and strategy for undertaking various hedging transactions. Hedge accounting is applied when a derivative is highly effective at reducing the risk associated with the hedged exposure and the risk management objective and strategy are documented. Hedge documentation identifies the derivative hedging instrument, the asset or liability and type of risk hedged, and how the effectiveness of the derivative is assessed prospectively and retrospectively. Derivatives not designated as hedges are recorded at fair value on the Consolidated Statement of Financial Condition with relative changes in fair value recorded through the Consolidated Statements of Income. There were no hedging relationships as of and for the year ended December 31, 2015.

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

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

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

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

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

Pension. The annual measurement date for DTCC's pension plan is the 31st of December. Plan assets are determined based on fair value generally representing observable market prices. The projected benefit obligation is determined based on the present value of projected benefit distributions at an assumed discount rate. The discount rate utilized is based on the yield curves of high-quality corporate bonds available in the marketplace. The net periodic pension expense or credit includes service costs, interest costs based on an assumed discount rate, an expected return on plan assets based on an actuarially derived market-related value and amortization of prior years' actuarial gains and losses.

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

The market-related value utilized to determine the expected return on plan assets is based on the fair value of plan assets adjusted for the difference between expected returns and actual performance of plan assets. The difference between actual experience and expected returns on plan assets is included as an adjustment in the market-related value over a 4-year period.

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

For certain of its non-U.S. subsidiaries, the Company has deemed the undistributed earnings relating to these subsidiaries to be indefinitely reinvested within its foreign operations. Accordingly, the Company has not provided for the amount of unrecognized deferred tax liability related to these earnings. It is not practicable to determine the amount of deferred taxes that might be required to be provided if such earnings were distributed in the future.

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

Recently Issued Accounting Standards.

FASB ASC Topic 842, Leases. In February 2016, the FASB issued ASU No. 2016-02 – Leases. This ASU includes a lessee accounting model that recognizes two types of leases, financing and operating leases. The update requires that a lessee recognize leases with terms of longer than 12 months within the balance sheet assets and liabilities. The recognition measurement and presentation of expenses and cash flows arising from a lease will now depend on its classification as a financing or operating lease as determined by the lessee. Additionally, there are new disclosure requirements to help investors understand the amount, timing and uncertainty of the cash flows, which include both qualitative and specific quantitative requirements. Lessor accounting will remain largely unchanged from current GAAP. Leases of fewer than 12 months are exempt from the updated standard. The new standard is effective for the Company on January 1, 2019, including interim periods. Early adoption is not permitted. The standard permits the use of the modified retrospective approach as the transition method. The Company is evaluating the impact this ASU will have on its Consolidated Financial Statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

FASB ASC Topic 825, Recognition and Measurement of Financial Assets and Financial Liabilities. In January 2016, the FASB issued Accounting Standard Update (ASU) No. 2016-01 – Recognition and Measurement of Financial Assets and Financial Liabilities. This ASU requires equity investments (aside from those measured under the equity method investment or consolidation) to be measured at fair value, with changes to fair value recognized in net income. Additionally, the impairment assessment of equity method investments that do not possess readily determinable fair values will be simplified by requiring a qualitative assessment to identify impairments. If the qualitative assessment results suggest an impairment, the entity will measure the investment at fair value and the disclosure of fair value of financial instruments at amortized cost is no longer required. An entity will be required to present separately the financial assets and financial liabilities by measurement category and form of financial asset and financial liability on the balance sheet or notes to the financial statements. The ASU seeks to make targeted improvements to U.S. GAAP in order to enhance and simplify the reporting model of financial instruments. The new standard will be effective for the Company (non public businesses) on January 1, 2018. Early adoption is not permitted. The standard permits the use of the cumulative effect transition method. The

Company is evaluating the impact this ASU will have on its Consolidated Financial Statements and related disclosures. The Company has not yet selected a transition method, nor has it determined the effect of the standard on its ongoing financial reporting.

FASB ASC Topic 810, Consolidation. In February 2015, the FASB issued an update that changes the analysis that the Company must perform to determine whether it should consolidate certain types of legal entities. The Company is required to reevaluate its interests in legal entities in scope of the new guidance under the revised consolidation model. The guidance is effective for the Company beginning January 1, 2016. Early adoption is permitted. The Company does not expect the adoption of this guidance will have a material impact on the Company's Consolidated Statements of Financial Condition, results of operations or cash flows.

FASB ASC Topic 820, Fair Value Measurement. In May 2015, the FASB issued ASU No. 2015-07 – Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). Under the amendments in the ASU, investments in which fair value is measured at net asset value per share using the practical expedient would be removed from the fair value hierarchy. The requirement of certain disclosures for investments that are eligible to be measured at fair value using the net asset value per share practical expedient is also removed. The change will ensure that all investments categorized in the fair value hierarchy are valued using a consistent approach. The new standard is effective for the Company on January 1, 2017. Early application is permitted. The reporting entity should apply the amendment retrospectively to all periods presented. The Company is evaluating the impact this ASU will have on its consolidated financial statements and related disclosures.

FASB ASC Topic 606, Revenue from Contracts with Customers. In August 2015, the FASB issued ASU No. 2015-14 - Revenue from Contracts with Customers ‑ Deferral of Effective Date. This ASU defers the effective date of ASU No. 2014-09 which requires an entity to recognize the amount of revenue when (or as) it satisfies a performance obligation by transferring a promised good or service to a customer. The amount of revenue recognized is the amount allocated to the satisfied performance obligation. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard is effective for the Company on January 1, 2019. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the impact this ASU will have on its Consolidated Financial Statements and its related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

Recently Adopted Accounting Standards.

FASB ASC Topic 740, Income Taxes. In November 2015, the FASB issued ASU No. 2015-17, as part of the initiative to reduce complexity in accounting standards, in which cost and complexity can be reduced while maintaining the information presented in the financial statements. In order to simplify the presentation of deferred income taxes, the update requires deferred tax assets and liabilities to be presented as noncurrent deferred tax assets or noncurrent deferred tax liabilities in a classified statement of financial position. This update aligns the presentation of deferred tax assets and liabilities with International Financial Reporting Standards. The Company early adopted this standard prospectively and reclassified all of its deferred tax assets to noncurrent deferred tax assets on its Statement of Financial Condition as of December 31, 2015. The adoption did not have any impact to the Company's Consolidated Results of Operations or cash flows. This standard was not retrospectively applied and prior periods were not adjusted.

FASB ASC Topic 205, Presentation of Financial Statements and FASB ASC Topic 360 Property, Plant, and Equipment. In April 10, 2014, the FASB issued ASU No. 2014-08 – Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. This ASU changes the criteria for determining which future disposals can be presented as discontinued operations and modifies related disclosure requirements. This ASU is effective for periods beginning on or after December 15, 2014. Early adoption is permitted. The adoption of this guidance did not have an impact on the Company's Consolidated Statements of Financial Condition, results of operations or cash flows.

FASB ASC Topic 740, Income Taxes. In July 2013, the FASB issued ASU No. 2013-11, requiring public and private entities to present unrecognized tax benefits as a decrease in a net operating loss, similar tax loss or tax credit carry forward if certain criteria are met. The determination of whether a deferred tax asset is available is based on the unrecognized tax benefit and the deferred tax asset that exists at the reporting date and presumes disallowance of the tax position at the reporting date. For nonpublic entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2014. The amendment was adopted effective January 1, 2015. The adoption of this guidance did not have an impact on the Company's Consolidated Statements of Financial Condition, results of operations, or cash flows.

FASB ASC Topic 405, Liabilities. In February 2013, the FASB issued ASU No. 2013-04, adding disclosure requirements for entities with joint and severally liable agreements with other co-obligors. This update requires entities to measure the obligation as the sum of the amount the entity has agreed with co-obligors to pay and any additional amount it expects to pay on behalf of one or more co-obligors. Required disclosures include a description of the nature of the arrangement, how the liability arose, the relationship with co-obligors and the terms and conditions of the arrangement (ASC 460-10, Guarantees). For nonpublic entities, the ASU is effective for fiscal years beginning after December 15, 2014, and interim and annual periods thereafter. Early adoption is permitted. The amendments in the ASU should be applied prospectively. The adoption of this guidance did not have an impact on the Company's Consolidated Statements of Financial Condition, results of operations or cash flows.

3. VARIABLE INTEREST ENTITIES

Consolidated VIEs

A VIE is an entity in which the equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The entity that consolidates a VIE is known as the primary beneficiary, and is the entity with (i) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (ii) has an obligation to absorb losses or the right to receive benefits that in either case could potentially be significant to the VIE. The Company consolidates VIEs of which it is the primary beneficiary. The Company performs ongoing qualitative, and in certain cases, quantitative analyses to determine whether the Company is the primary beneficiary of a VIE based on the facts and circumstances and the Company's interest(s) in the VIE.

Clarient Global LLC (Clarient) is a joint venture with Credit Suisse Finance (GUERNSEY) Ltd, The Goldman Sachs Group, Inc., LabMorgan Investment Corporation, SSB Investments, Inc., Barclays Bank PLC and BNY Capital Corporation that was incorporated on July 25, 2014. Clarient is a comprehensive reference data solution providing control, standardization, and transparency of client reference data during the client onboarding process and through ongoing client lifecycle events.

The impact of the consolidation of Clarient on the Company’s Consolidated Statements of Financial Condition at December 31, 2015 and 2014 were as follows (in thousands):

	2015	2014
Consolidated assets:		
Cash and cash equivalents	$ 17,321	$ 23,008
Accounts receivable	94	-
Other current assets	973	-
Intangible assets	4,168	18,822
Other assets	815	2,252
Total assets	$ 23,371	$ 44,082
Consolidated liabilities:		
Accounts payable	$ 10,438	$ 8,043
Other current liabilities	22,628	-
Other non-current liabilities	-	3,464
Total liabilities	$ 33,066	$ 11,507

The creditors or other beneficial interest holders of Clarient have no recourse to the general credit of DTCC, the primary beneficiary. Furthermore, liabilities of Clarient have no recourse to DTCC.

For the years ended December 31, 2015 and 2014, the net losses of consolidated VIEs included within the Income before taxes line in the Company’s Consolidated Statements of Income were $58,262,000 and $23,744,000, respectively.

4. PARTICIPANTS’ SEGREGATED CASH, OTHER PARTICIPANTS’ ASSETS AND PAYABLE TO PARTICIPANTS

Details for Participants’ segregated cash, Other Participants’ assets and Payable to Participants as of December 31, 2015 and 2014 were as follows (in thousands):

	2015	2014
Assets:		
NSCC's Special Reserve Account	$ 26,581	$ 42,009
Total segregated cash	$ 26,581	$ 42,009
Other participants' assets	439,838	537,577
Total	$ 466,419	$ 579,586
Liabilities:		
Payable to participants	$ 466,419	$ 579,586

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

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

Payable to Participants reflects cash dividends, interest, reorganization, redemption payables, securities held in custodial accounts and settlement accounts payable. Stock dividends payable are not reported in the Consolidated Financial Statements. At December 31, 2015 and 2014, Payable to Participants also included $838,000 and $908,000 respectively, of cash collateral received from Participants representing 130% of short positions. Unclaimed balances are remitted to the appropriate authority when required by abandoned property laws.

5. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of December 31, 2015 and 2014 (in thousands):

	2015	2014
Due from participants for services	$ 165,519	$ 138,687
Other receivables[1]	21,734	49,064
Total	$ 187,253	$ 187,751

As of December 31, 2015 and 2014, the allowance for doubtful accounts was $2,010,000 and $4,102,000, respectively. During the years ended December 31, 2015 and 2014, there were write-offs in the allowance for doubtful accounts totaling $1,000,000 and $0, respectively.

(1) For additional information, refer to Note 18.

6. PARTICIPANTS AND CLEARING FUNDS

The rules of DTC, FICC and NSCC require their Participants to maintain deposits related to their respective activities based on calculated requirements. The deposits are available to secure Participants' obligations and certain liabilities of the Companies. All deposits of cash and securities are recorded on the Consolidated Statements of Financial Condition under Participants and clearing funds.

A summary of the deposits held at December 31, 2015 and 2014 were as follows (in thousands):

	2015			
	DTC	**NSCC**	**FICC**	**Total**
Required deposits	$ 1,150,000	$ 3,164,627	$ 11,970,161	$ 16,284,788
Excess deposits	588,971	972,843	3,545,466	5,107,280
Total	$ 1,738,971	$ 4,137,470	$ 15,515,627	$ 21,392,068

	2014			
	DTC	**NSCC**	**FICC**	**Total**
Required deposits	$ 1,150,000	$ 3,144,669	$ 11,619,470	$ 15,914,139
Excess deposits	601,147	654,095	4,933,835	6,189,077
Total	$ 1,751,147	$ 3,798,764	$ 16,553,305	$ 22,103,216

*Cash deposits, Investments in marketable securities, and Securities on deposit***.** Cash deposits, Investments in marketable securities, and Securities on deposit of the Participants and Clearing Funds, which may be applied to satisfy obligations of the depositing Participants as provided in the respective clearing agency rules, as of December 31, 2015 and 2014, were as follows (in thousands):

	2015			
	DTC	**NSCC**	**FICC**	**Total**
Cash deposits	$ 1,738,971	$ 3,847,082	$ 7,878,557	$ 13,464,610
Investments in marketable securities	-	-	100,000	100,000
Securities on deposit - at fair value	-	290,388	7,537,070	7,827,458
Total	$ 1,738,971	$ 4,137,470	$ 15,515,627	$ 21,392,068
	2014			
	DTC	**NSCC**	**FICC**	**Total**
Cash deposits	$ 1,751,147	$ 3,798,764	$ 8,638,946	$ 14,188,857
Investments in marketable securities	-	-	200,000	200,000
Securities on deposit - at fair value	-	340,285	7,374,074	7,714,359
Total	$ 1,751,147	$ 4,139,049	$ 16,213,020	$ 22,103,216

A summary of the investment of the Participants and Clearing Fund cash deposits held as of December 31, 2015 and 2014, consisted of the following (in thousands):

	2015			
	DTC	**NSCC**	**FICC**	**Total**
Reverse repurchase agreements	$ -	$ 615,000	$ 1,465,000	$ 2,080,000
Money market fund investments	-	2,382,000	4,793,000	7,175,000
Bank deposits	1,738,971	850,082	1,620,557	4,209,610
U.S. Treasury bills	-	-	100,000	100,000
Total	$ 1,738,971	$ 3,847,082	$ 7,978,557	$ 13,564,610

	2014			
	DTC	**NSCC**	**FICC**	**Total**
Reverse repurchase agreements	$ -	$ 1,390,000	$ 2,700,000	$ 4,090,000
Money market fund investments	-	1,883,000	4,288,000	6,171,000
Bank deposits	1,751,147	525,764	1,650,946	3,927,857
U.S. Treasury bills	-	-	200,000	200,000
Total	$ 1,751,147	$ 3,798,764	$ 8,838,946	$ 14,388,857

Refunds to Participants. The total amount of Interest income the Company earned from the investment of cash deposits in the Participants and Clearing Funds was $9,713,000 and $6,381,000 for the years ended December 31, 2015 and 2014, respectively, in the Consolidated Statements of Income.

7. PREMISES AND EQUIPMENT

Premises and equipment for the years ended December 31, 2015 and 2014, consisted of the following (in thousands):

	Furniture and Equipment	Leashold Improvements	Capital Leases	Buildings and Improvements	Land	Total
Cost:						
As of January 1, 2014	$ 362,239	$ 254,984	$ 64,329	$ 31,909	$ 4,221	$ 717,682
Additions	51,868	1,789	19,336	489	-	73,482
Disposals	(12,797)	(400)	(18,521)	-	-	(31,718)
As of December 31, 2014	$ 401,310	$ 256,373	$ 65,144	$ 32,398	$ 4,221	$ 759,446
Additions	42,028	30,603	-	15	-	72,646
Disposals	(73,783)	(85,668)	-	-	-	(159,451)
As of December 31, 2015	$ 369,555	$ 201,308	$ 65,144	$ 32,413	$ 4,221	$ 672,641
Accumulated Depreciation:						
As of January 1, 2014:	$ 265,725	$ 143,708	$ 46,798	$ 7,960	$ -	$ 464,191
Depreciation charge for the year	35,975	5,725	6,952	1,417	-	50,069
Disposals	(12,360)	(291)	(10,576)	-	-	(23,227)
As of December 31, 2014:	$ 289,340	$ 149,142	$ 43,174	$ 9,377	$ -	$ 491,033
Depreciation charge for the year	30,290	19,952	6,560	494	-	57,296
Disposals	(73,408)	(77,779)	-	-	-	(151,187)
As of December 31, 2015:	$ 246,222	$ 91,315	$ 49,734	$ 9,871	$ -	$ 397,142
Net Book Value:						
As of January 1, 2014	$ 96,514	$ 111,276	$ 17,531	$ 23,949	$ 4,221	$ 253,491
As of December 31, 2014	$ 111,970	$ 107,231	$ 21,970	$ 23,021	$ 4,221	$ 268,413
As of December 31, 2015	$ 123,333	$ 109,993	$ 15,410	$ 22,542	$ 4,221	$ 275,499

During 2015 and 2014, disposals of premises and equipment resulted in losses of $8,264,000 and $8,488,000, respectively, and are included within General and administrative expenses in the accompanying Consolidated Statements of Income.

8. GOODWILL AND INTANGIBLE ASSETS

Impairment Testing: Goodwill impairment testing assesses qualitative factors to determine whether it is more likely than not (i.e., a likelihood of more than 50%) that the fair value of a reporting unit is less than its carrying value. Considerations include factors such as macroeconomic conditions, deterioration in financial performance and company specific events.

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

DTCC completed its annual goodwill impairment test in the fourth quarter of 2015. The estimated fair value of each of the Company's reporting units exceeded their carrying value and no goodwill impairment was recognized. Intangible assets not subject to amortization are tested annually for impairment, or more often, if events or circumstances indicate they may be impaired.

Goodwill. The table below provides a breakdown of goodwill (in thousands):

	Total
Balance at January 1, 2014	$ 65,535
Acquisitions/dispositions	-
Balance at December 31, 2014	$ 65,535
Acquisitions/dispositions	-
Balance at December 31, 2015	$ 65,535

Intangible assets. The gross carrying value, accumulated amortization and net carrying value of other intangible assets were as follows for the years ended December 31, 2015 and 2014 (in thousands):

	Customer Relationships	Software	Trademarks and Tradenames	Total
Gross carrying value:				
As of January 1, 2014	$ 239,774	$ 817,317	$ 23,748	$ 1,080,839
Additions	-	147,604	-	147,604
Impairment	-	(23,668)	-	(23,668)
As of December 31, 2014	$ 239,774	$ 941,253	$ 23,748	$ 1,204,775
Additions	-	111,915	-	111,915
Impairment	-	(67,766)	(8,224)	(75,990)
As of December 31, 2015	$ 239,774	$ 985,402	$ 15,524	$ 1,240,700
Accumulated amortization:				
As of January 1, 2014:	$ 3,523	$ 510,460	$ -	$ 513,983
Amortization charge for the year	24,843	124,485	-	149,328
Write-offs	-	(15,024)	-	(15,024)
As of December 31, 2014:	$ 28,366	$ 619,921	$ -	$ 648,287
Amortization charge for the year	19,943	146,296	-	166,239
Write-offs	-	(45,196)	-	(45,196)
As of December 31, 2015:	$ 48,309	$ 721,021	$ -	$ 769,330
Net carrying value:				
As of January 1, 2014	$ 236,251	$ 306,857	$ 23,748	$ 566,856
As of December 31, 2014	$ 211,408	$ 321,332	$ 23,748	$ 556,488
As of December 31, 2015	$ 191,465	$ 264,381	$ 15,524	$ 471,370

The Company recognized impairment charges of $22,570,000 and $8,644,000 related to capitalized software for the years ended December 31, 2015 and 2014, respectively, that was determined to have no realizable value. The impairment charges were included within Impairment on intangible assets in the accompanying Consolidated Statements of Income.

During the third quarter of 2015, the Company folded two of its subsidiary tradenames related to its Omgeo and Avox businesses, each an acquired business, under the DTCC brand. This decision, an element of the Company's brand migration strategy, resulted in a triggering event pursuant to ASC 350, *Intangibles-Goodwill and Other,* which required the Company to complete an evaluation of the Omgeo and Avox tradenames to assess whether they were impaired. The evaluation resulted in a reduction in fair value to $15,524,000 for the aforementioned acquired tradenames and, as a result, the

Company recognized an impairment of $8,224,000 as of December 31, 2015, which is included within Impairment on intangible assets in the accompanying Consolidated Statements of Income.

At December 31, 2015 estimated future amortization expense relating to intangible assets for each of the next five years and thereafter is as follows (in thousands):

2016	$ 142,441
2017	90,608
2018	60,170
2019	39,289
2020	28,352
Thereafter	94,986
Total future estimated amortization	$ 455,846

9. EQUITY METHOD INVESTMENTS

Details for DTCC's equity method investments as of December 31, 2015 and 2014 were as follows (in thousands, other than ownership percentage):

	2015	2014
European Central Counterparty N.V.		
Percentage ownership	25%	25%
Carrying value	11,852	10,802
Soltra Solutions, LLC		
Percentage ownership	50%	50%
Carrying value	700	-
DTCC-Euroclear Global Collateral, LTD		
Percentage ownership	50%	50%
Carrying value	5,846	16,867

European Central Counterparty N.V. (ECCP N.V.), a joint venture with BATS Chi-x Europe, NASDAQ OMX and ABN AMRO Clearing Bank, provides a pan-European clearing solution offering the economies of scale and risk management expertise of the U.S. market to European market participants. ECCP N.V. uses the risk management framework and customer service organization of European Multilateral Clearing Facility N.V. (EMCF), and it conducts its operations using the technology platform and infrastructure of EMCF. The new entity, called EuroCCP N.V., is headquartered in Amsterdam.

Soltra Solutions, LLC (Soltra), a joint venture with Financial Services Information Sharing and Analysis Center (FS-ISAC), will be responsible for the development of solutions to facilitate sharing of information related to cyber threats among critical infrastructure companies in real time.

DTCC-Euroclear Global Collateral LTD, a joint venture with Euroclear, provides support to financial institutions in addressing significant regulatory, operational and industry challenges related to the management of margin calls and collateral that will impact the over-the-counter (OTC) derivatives market.

10. FAIR VALUE MEASUREMENTS

Assets and Liabilities measured at fair value on a nonrecurring basis. The Company recognized impairment charges of $22,570,000 and $8,644,000 related to capitalized software for the years ended December 31, 2015 and 2014, respectively, that was determined to have no realizable value. The impairment charges were included within Impairment on intangible assets in the accompanying Consolidated Statements of Income.

During the third quarter of 2015, the Company folded two of its subsidiary tradenames related to its Omgeo and Avox businesses, each an acquired business, under the DTCC brand. This decision, an element of the Company's brand migration strategy, resulted in a triggering event pursuant to ASC 350, *Intangibles-Goodwill and Other,* which required the Company to complete an evaluation of the Omgeo and Avox tradenames to assess whether they were impaired. The evaluation resulted in a reduction in fair value to $15,524,000 for the aforementioned acquired tradenames and, as a result, the Company recognized an impairment of $8,224,000 as of December 31, 2015, which is included within Impairment on intangible assets in the accompanying Consolidated Statements of Income. For further information, refer to Note 8.

Fair values on the aforementioned capitalized software and acquired tradenames were based on expected future cash flows using Level 3 inputs under ASC 820. The cash flows are those expected to be generated by the market participants, discounted at the risk-free rate of interest.

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

U.S. Government and Federal Agency Securities:

U.S. Treasury Securities — Measured based on quoted market prices and classified within Level 1 of the fair value hierarchy.

U.S. Agency Issued Debt Securities — Measured primarily based on quoted market prices obtained from external pricing services. Non-callable U.S. agency securities are classified within Level 1 of the fair value hierarchy.

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

Other Financial Assets. Consist of the investment assets of a Rabbi Trust and shares in Markit, Ltd. as discussed in Note 11, and are measured based on quoted market prices. These assets are classified within Level 1 and Level 2 of the fair value hierarchy.

Fair value measurements for those items measured on a recurring basis are summarized below as of December 31, 2015 (in thousands):

	2015			
	Level 1	Level 2	Level 3	Total
Assets:				
Clearing Fund - U.S. government and Federal Agency securities	$ 7,186,627	$ 640,831	$ -	$ 7,827,458
Other financial assets	151,058	32,242	-	183,300
Total	$ 7,337,685	$ 673,073	$ -	$ 8,010,758
Liabilities:				
Clearing Fund - U.S. government and Federal Agency securities	$ 7,186,627	$ 640,831	$ -	$ 7,827,458
Total	$ 7,186,627	$ 640,831	$ -	$ 7,827,458

Fair value measurements for those items measured on a recurring basis are summarized below as of December 31, 2014 (in thousands):

	2014			
	Level 1	Level 2	Level 3	Total
Assets:				
Clearing Fund - U.S. government and Federal Agency securities	$ 7,217,742	$ 496,617	$ -	$ 7,714,359
Other financial assets	186,529	29,220	-	215,749
Total	$ 7,404,271	$ 525,837	$ -	$ 7,930,108
Liabilities:				
Clearing Fund - U.S. government and Federal Agency securities	$ 7,217,742	$ 496,617	$ -	$ 7,714,359
Total	$ 7,217,742	$ 496,617	$ -	$ 7,714,359

There were no transfers between Level 1 and Level 2, nor were any amounts classified as Level 3 during the years ended December 31, 2015 and 2014.

Assets and Liabilities not measured at fair value. A description of the valuation basis, including valuation techniques and inputs used in measuring the Company's financial Assets and Liabilities not accounted for at fair value follows:

Cash and cash equivalents — Consist primarily of highly liquid investments in deposits held in banks and money market funds, which are classified as Level 1 within the valuation hierarchy.

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

Reverse repurchase agreements — The estimated fair value of Reverse repurchase agreements is based on inputs, such as interest rates and tenors. These agreements are classified as Level 2 within the valuation hierarchy due to the relatively short period of time between their origination and term maturity.

Investments in marketable securities — Comprised of U.S. Treasury securities and U.S. Treasury Bills consist of highly liquid investments, which are classified as Level 1 within the valuation hierarchy. All marketable securities are classified as held-to-maturity.

Commercial paper — Constitutes short-term unsecured obligations, which are classified as Level 2 within the valuation hierarchy. The carrying amounts reported on the Consolidated Statements of Financial Condition for Commercial paper approximate fair value because of its relatively short-term nature.

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

The table below presents the carrying value, fair value and fair value hierarchy level of certain financial instruments not measured at fair value on the Consolidated Statement of Financial Condition at December 31, 2015 (in thousands):

	2015				
	Carrying Amount	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**
Assets:					
Cash and cash equivalents	$ 2,521,558	$ 2,521,558	$ 2,521,558	$ -	$ -
Investments in marketable securities	7,400	7,400	7,400	-	-
Participant and Clearing Fund:					
Cash deposits	13,464,610	13,464,610	11,384,610	2,080,000	-
Investments in marketable securities	100,000	99,757	99,757	-	-
Total	$ 16,093,568	$ 16,093,325	$ 14,013,325	$ 2,080,000	$ -
Liabilities:					
Participant and clearing fund cash deposits	$ 13,564,610	$ 13,564,610	$ 13,564,610	$ -	$ -
Commercial paper	1,007,124	1,007,124	-	1,007,124	-
Long-term debt and other borrowings	158,835	156,431	-	156,431	-
Total	$ 14,730,569	$ 14,728,165	$ 13,564,610	$ 1,163,555	$ -

The table below presents the carrying value, fair value and fair value hierarchy level of certain financial instruments not measured at fair value on the Consolidated Statement of Financial Condition at December 31, 2014 (in thousands):

	2014				
	Carrying Amount	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**
Assets:					
Cash and cash equivalents	$ 780,734	$ 780,734	$ 780,734	$ -	$ -
Reverse repurchase agreements	100,000	100,002	-	100,002	-
Participant and Clearing Fund:					
Cash deposits	14,188,857	14,188,857	10,098,857	4,090,000	-
Investments in marketable securities	200,000	199,846	199,846	-	-
Total	$ 15,269,591	$ 15,269,439	$ 11,079,437	$ 4,190,002	$ -
Liabilities:					
Participant and clearing fund cash deposits	$ 14,388,857	$ 14,388,857	$ 14,388,857	$ -	$ -
Long-term debt and other borrowings	404,033	399,442	-	399,442	-
Total	$ 14,792,890	$ 14,788,299	$ 14,388,857	$ 399,442	$ -

11. OTHER ASSETS

Details for other assets as of December 31, 2015 and 2014 were as follows (in thousands):

	2015	2014
Prepaid expenses	$ 60,452	$ 42,348
Prepaid taxes	27,744	14,147
Deferred tax assets, net	-	8,276
Royalty receivable	3,663	-
Other current assets	471	13,229
Total current assets	$ 92,330	$ 78,000
Long term incentive plan assets	$ 185,631	$ 205,210
Cash surrender value	55,965	53,290
Prepaid expenses	22,453	16,525
Deferred tax asset, net	87,452	99,019
Royalty receivable	-	5,263
Other non-current assets	10,902	8,253
Total non-current assets	$ 362,403	$ 387,560
Total	$ 454,733	$ 465,560

Prepaid expenses represent the interest and up-front fees paid for lines of credit maintained to support the settlement operation for DTC and NSCC and maintenance contracts for various hardware and software services.

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

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

DTCC maintains a self-directed, non-qualified deferred compensation plan structured as a "Rabbi Trust" for certain executives and other highly compensated employees. Under the plan, Participants may elect to defer receipt of a portion of their annual compensation. Amounts deferred under the plan are invested in various mutual funds and stocks. All such investments are held in the Rabbi Trust and the plan requires settlement in cash. The investment assets of the Rabbit Trust are recorded at fair value and included on the Company's Consolidated Statements of Financial Condition in Other non-current assets as Long-term incentive plan assets. The amount of compensation deferred under the plan is credited to each Participant's deferral account and a deferred compensation liability is recorded within Other non-current liabilities in the accompanying Consolidated Statements of Financial Condition. This liability represents DTCC's obligation to distribute the funds to the Participants. In 2015 and 2014, the investment assets of the Rabbi Trust were classified as trading securities, and accordingly, changes in their fair values are recorded within Investment (loss) income in the accompanying Consolidated Statements of Income. In addition, changes in the fair value of the plan's investments were recorded within Employee compensation and benefits in the accompanying Consolidated Statements of Income. The loss and gain in the fair value of these investments was $1,911,000 and $9,554,000 for the years ended December 31, 2015 and 2014, respectively.

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

12. OTHER LIABILITIES

Details for other liabilities as of December 31, 2015 and 2014 were as follows (in thousands):

	2015	2014
Compensation payable	$ 140,397	$ 129,578
Miscellaneous payables	82,261	73,846
Current portion of deferred rent	3,208	2,197
Total current liabilities	$ 225,866	$ 205,621
Long-term incentive plans	$ 278,210	$ 303,628
Unrecognized tax benefits	57,992	53,236
Deferred rent	19,873	18,019
Other payables	5,062	2,805
Total non-current liabilities	$ 361,137	$ 377,688
Total	$ 587,003	$ 583,309

UTB's. DTCC applies the provisions of FASB ASC 740-10, Income taxes, with respect to UTBs. For additional information, refer to Note 16.

13. COMMERCIAL PAPER

Details for commercial paper as of December 31, 2015 and 2014 were as follows (in thousands):

	2015	2014
Commercial paper	$ 1,007,124	$ -

During the third quarter of 2015, DTCC's subsidiary, NSCC, commenced issuance under a newly established $5 billion commercial paper funding program approved by the Company's Board of Directors. At December 31, 2015, $1,007 million was outstanding under the commercial paper program and the average interest rate on these borrowings was 0.40%. Total Interest expense included in the accompanying Consolidated Statements of Income for the years ended December 31, 2015 and 2014 was $232,000 and $0, respectively.

14. LONG-TERM DEBT AND OTHER BORROWINGS

Details for long-term debt and other borrowings as of December 31, 2015 and 2014 were as follows (in thousands):

	2015	2014
Notes payable	$ 106,451	$ 109,101
Capital lease obligations	52,384	64,932
Line of credit	-	230,000
Total long-term debt	$ 158,835	$ 404,033
Current portion of long term debt	(66,395)	(15,524)
Total long-term debt and other borrowings	$ 92,440	$ 388,509

At December 31, 2015, principal payments due on long-term debt and other borrowings from 2016 to 2020 and thereafter were as follows (in thousands):

	Notes Payable	Capital Leases
2016	$ 53,776	$ 12,619
2017	12,650	12,693
2018	3,650	12,767
2019	2,650	8,517
2020	2,650	5,788
Thereafter	31,075	-
Total	$ 106,451	$ 52,384

Notes payable. The following table summarizes notes payable (in thousands) at December 31, 2015 and 2014:

				Outstanding Balance	
	Rate	Issue Date	Maturity	2015	2014
DTC	5.59%	4/6/2009	4/15/2016	$ 51,126	$ 51,126
DTCC	2.64%	4/26/2012	4/26/2017	11,000	11,000
DTCC	3.83%	4/26/2012	4/26/2032	23,925	25,375
DTCC	3.93%	9/28/2012	9/28/2032	20,400	21,600
Total				$ 106,451	$ 109,101

Outstanding notes payable for the Company at December 31, 2015 and 2014 totaled $106,451,000 and $109,101,000, respectively, at a weighted average interest rate of 4.57% and 4.56%, respectively. Total Interest expense for the Company was $5,053,000 and $6,834,000, respectively.

During 2014, Interest expense in the Consolidated Statements of Income included $6,180,000, representing a one-time make-whole payment related to the early extinguishment of long-term debt.

Capital lease obligations. Leased property meeting certain criteria is capitalized and the present value of the related lease payments is recorded as a liability. Interest expense included in the accompanying Consolidated Statements of Income was $968,000 and $1,319,000 for the years ended December 31, 2015 and 2014, respectively.

During 2014, the Company extinguished certain hardware capitalized as a capital lease, resulting in a decrease of lease liability of $11,936,000. For additional information, refer to Note 7.

Other borrowings. Interest expense was of $3,788,000 and $5,180,000 for the years ended December 31, 2015 and 2014, respectively.

Lines of Credit. DTCC maintains lines of credit for general funding purposes while certain of its subsidiaries, DTC and NSCC, also maintain lines of credit to support settlement. Outstanding lines of credit and related terms as of December 31, 2015 and 2014 were as follows:

2015	**Amount**	**Denomination**	**No. of Participants/ Lenders**	**Borrowing rate**
DTCC				
Committed	$150 million (1)	USD	3	The greater of the federal funds rate, adjusted LIBOR, or lender's cost of funds, on the day of borrowing, plus 1.25%
DTC				
Committed	$1.9 billion	USD	31/38	The greater of the federal funds rate, adjusted LIBOR, or lender's cost of funds, on the day of borrowing, plus 1.40%
Uncommitted	$150 million (2)	CAD	1	N/A
NSCC				
Committed	$12.1 billion	USD	31/38	The greater of the federal funds rate, adjusted LIBOR, or lender's cost of funds, on the day of borrowing, plus 1.40%
2014				
DTCC				
Committed	$375 million (1)	USD	3	The greater of the federal funds rate, adjusted LIBOR, or lender's cost of funds, on the day of borrowing, plus 1.25%
Committed	$100 million	USD	1	The greater of the federal funds rate, adjusted LIBOR, or lender's cost of funds, on the day of borrowing, plus 0.50%
DTC				
Committed	$1.9 billion	USD	29/37	The greater of the federal funds rate, adjusted LIBOR, or lender's cost of funds, on the day of borrowing, plus 1.40%
Uncommitted	$150 million (2)	CAD	1	N/A
NSCC				
Committed	$13.47 billion	USD	29/37	The greater of the federal funds rate, adjusted LIBOR, or lender's cost of funds, on the day of borrowing, plus 1.40%

(1) Prior to December 31, 2015, the DTCC $150 million line of credit totaled $375 million. DTCC had previously borrowed $230 million under this line of credit to finance its purchase of Omgeo in 2013. The Company subsequently repaid this borrowing on June 1, 2015. Additionally, DTCC reduced the amount of the credit line from $375 million to $150 million.

(2) Used to support Canadian settlement.

Debt Covenants.

DTCC maintains private placement financing as well as a line of credit. The negative covenants related to both private placement financing and line of credit require a minimum net worth of $400 million and priority debt of less than 20% of consolidated net worth.

DTC maintains a private placement financing due April 15, 2016, as well as a line of credit. The negative covenants relating to the private placement financing require a minimum net worth of $15 million and a Participants Fund greater than or equal to $575 million, in addition to priority debt of less than $125 million. The negative covenants relating to the line of credit include a minimum net worth requirement of $125 million and a Participants Fund balance greater than or equal to $750 million.

NSCC's negative covenants relating to the line of credit include a minimum net worth requirement of $100 million and a Clearing Fund balance greater than or equal to $1 billion.

Affirmative covenants include timely access to consolidated financial statements, notices of material events, maintenance of business and insurance, and compliance with laws and also define events of default.

As of December 31, 2015 and 2014, the Company and its subsidiaries were in compliance with the applicable debt covenants.

15. PENSION AND POST RETIREMENT BENEFITS

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

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

Details for the tax impact due to the change in the funded status of the pension plan for the years ended December 31, 2015 and 2014 were as follows (in thousands):

	2015	2014
Pretax benefit (expense) due to the change in funded status	$ 21,091	$ (126,502)
Deferred tax asset (liability) offset	(7,504)	51,298
Total net gain (loss) to accumulated other comprehensive income (loss)	$ 13,587	$ (75,204)

Fair value of pension and other benefit plan assets. Following are the descriptions and valuation methodologies used for assets measured at fair value:

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

Money market funds — Investments in money market funds are valued at the NAV of shares held by the Plan at year end. Underlying assets of this investment have readily determinable market values. The valuation of money market funds is considered Level 2 since the investment is in a fund or short-term cash.

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

The Company did not hold pension plan assets designated as Level 3 as of December 31, 2015 and 2014.

The estimated actuarial loss and prior service cost that will be amortized from accumulated other comprehensive loss into the Consolidated Statement of Income through net periodic benefit costs or expenses over the next fiscal year are as follows (in thousands):

	Pension Benefits		Other Benefits	
	2015	2014	2015	2014
Actuarial loss (gain)	$ (53,193)	$ 7,854	$ (12,043)	$ 2,291
Prior service credit (cost)	(6,326)	1,006	6,280	(7,014)
Total benefit obligation at end of year	$ (59,519)	$ 8,860	$ (5,763)	$ (4,723)

The funded status of the plans as of December 31, 2015 and 2014, including the classification of plan assets in accordance with the three-tier fair valuation hierarchy, are as follows (in thousands):

	Pension Benefits		Other Benefits	
	2015	2014	2015	2014
Benefit obligation at end of year:				
Qualified plan	$ 908,895	$ 967,933	$ -	$ -
Other plans	110,185	113,406	94,149	103,139
Total benefit obligation at end of year	1,019,080	1,081,339	94,149	103,139
Fair value of plan assets at end of year	802,192	851,091	3,635	3,616
Funded Status	$ (216,888)	$ (230,248)	$ (90,514)	$ (99,523)

	Level 1	Level 2	Level 3	Total
Pension asset fair value levels at December 31, 2015:				
Mutual funds	$ 63,395	$ -	$ -	$ 63,395
Common collective trust	-	714,840	-	714,840
Money market funds	-	304	-	304
Pension assets at fair value	$ 63,395	$ 715,144	$ -	$ 778,539
Pension asset fair value levels at December 31, 2014:				
Mutual funds	$ 68,203	$ -	$ -	$ 68,203
Common collective trust	-	760,851	-	760,851
Money market funds	-	257	-	257
Pension assets at fair value	$ 68,203	$ 761,108	$ -	$ 829,311

Other benefit plan assets of $3,635,000 and $3,616,000 as of December 31, 2015 and 2014, respectively, are all mutual funds in the Level 1 category.

Guarantee insurance contracts of $23,653,000 and $21,780,000 as of December 31, 2015 and 2014, respectively, are recorded at contract value. These contracts are not measured at fair value on a recurring basis and as such, are not included in the preceding tables.

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

	Pension Benefits		Other Benefits	
	2015	2014	2015	2014
Amount not yet reflected in net periodic benefit cost and included in accumulated other comprehensive loss:				
Prior service credit (cost)	$ (6,326)	$ (7,333)	$ 6,280	$ 13,294
Accumulated loss	(233,449)	(246,718)	(17,042)	(30,872)
Accumulated other comprehensive loss	(239,775)	(254,051)	(10,762)	(17,578)
Cumulative net periodic benefit cost in excess of employer contributions	22,887	23,803	(79,752)	(81,945)
Net amount recognized at year-end	$ (216,888)	$ (230,248)	$ (90,514)	$ (99,523)

The accumulated benefit obligation for all defined benefit plans as of December 31, 2015 and 2014 were $1,011,082,000 and $1,073,094,000, respectively.

Pension plan assumptions used by actuaries to determine benefit obligations at December 31, 2015 and 2014 were as follows:

	Pension Benefits		Other Benefits	
	2015	2014	2015	2014
Weighted-average assumptions used to determine benefit obligations at December 31:				
Discount rate	4.62%	4.19%	4.58%	4.13%
Rate of compensation increase	n/a	n/a	n/a	n/a
Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31:				
Discount rate	4.19%	5.05%	4.13%	4.96%
Expected long-term rate of return on plan assets	5.50%	6.00%	5.50%	6.00%
Rate of compensation increase	n/a	n/a	n/a	n/a
Assumed health care cost trend rates at December 31:				
Health care cost trend rate assumed for next year			7.22% / 7.33%	7.22%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)			4.50%	4.50%
Year that the rate reaches the ultimate trend rate			2029	2029

To develop the expected long-term rate of return on assets assumptions, DTCC considered the historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio. This resulted in the selection of the 5.50% and 6.00% long-term rate of return assumptions at December 31, 2015 and 2014, respectively.

DTCC's pension plan asset allocations as of December 31, 2015 and 2014, by asset category, were as follows:

	Pension Benefits		Other Benefits	
	2015	2014	2015	2014
Equity securities	25%	25%	60%	60%
Debt securities	75%	75%	40%	40%
Total	100%	100%	100%	100%

DTCC's target investment allocation guidelines for 2015 and 2014 were as follows:

	2015	2014
Equity securities	20-30%	20-30%
Debt securities	70-80%	70-80%

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

	Pension Benefits		Other Benefits	
	2015	2014	2015	2014
Components of net periodic benefit cost:				
Service cost	$ 6,581	$ 4,792	$ 2,088	$ 2,008
Interest cost	43,607	45,354	4,007	4,176
Expected return on plan assets	(41,777)	(42,810)	(141)	(157)
Amortizations:				
Prior service credit (cost)	1,006	1,022	(7,014)	(7,789)
Actuarial loss	8,019	4,337	1,886	1,122
Settlement loss	1,297	1,109	-	-
Net periodic cost (benefit)	18,733	13,804	826	(640)
Other changes recognized in OCI:				
Prior service cost arising during the period	-	-	n/a	n/a
Net (gain) loss arising during the period	(3,953)	109,074	(11,944)	17,229
Amortizations:				
Prior service credit (cost)	(1,006)	(1,022)	7,014	7,789
Actuarial and settlement loss	(9,316)	(5,446)	(1,886)	(1,122)
Net other changes in OCI	(14,275)	102,606	(6,816)	23,896
Net amount recognized in net periodic benefit cost and OCI	$ 4,458	$ 116,410	$ (5,990)	$ 23,256

The Company contributed $10,000,000 to the benefit plan in 2015 and expects to contribute approximately $10,000,000 during 2016. Settlement losses relate to early retirement of executives who elected lump-sum and periodic payments. There were no settlement losses in 2015 and 2014. There were no participant contributions to the plans in 2015 and 2014.

Details for the benefit payments for the pension plan and other plans for 2015 and 2014 were as follows (in thousands):

	2015	2014
Pension plan	$ 60,450	$ 59,264
Other plans	3,043	2,565
Total	$ 63,493	$ 61,829

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

	Pension	Employer Benefit Payments	Medicare Subsidy Receipts
2016	$ 53,583	$ 4,167	$ (27)
2017	52,372	4,398	(26)
2018	57,585	4,638	(25)
2019	70,925	4,909	(24)
2020	64,815	5,160	(22)
Next five years	326,024	29,246	(87)
Total	$ 625,304	$ 52,518	$ (211)

16. INCOME TAXES

DTCC and its subsidiaries file a consolidated federal income tax return and combined or unitary income tax returns in most states. DTCC and its subsidiaries file other state and non-U.S. jurisdiction income tax returns on a separate company basis.

The components of the Company's income tax provision for the years ended December 31, 2015 and 2014 are as follows (in thousands):

	2015	2014
Current income tax:		
Federal	$ 14,559	$ 4,121
State and local	8,868	8,268
Foreign	11,021	6,366
Deferred income tax (benefit):		
Federal	7,744	7,595
State and local	7,668	(318)
Foreign	1,766	(3,790)
Provision for income taxes	$ 51,626	$ 22,242

The 2015 and 2014 effective tax rates differ from the 35% federal statutory rate mainly due to state and local taxes, permanent differences between financial statement income and taxable income, adjustments to deferred tax balances, non-controlling interest, and valuation allowance. A reconciliation of the U.S. federal statutory tax rate to the Company's effective tax rate on Income before taxes is as follows:

	2015	2014
U.S. statutory rate	35.0%	35.0%
State and local income taxes, net of federal income tax benefit	11.4%	9.4%
Change in unrecognized tax benefits	4.7%	5.7%
Non-controlling interest	7.4%	7.8%
Valuation allowance	14.3%	0.0%
Other	1.6%	-3.6%
Effective tax rate	74.4%	54.3%

The components of deferred tax assets and liabilities as of December 31, 2015 and 2014, were as follows (in thousands):

	2015	2014
Deferred tax assets:		
Accrued compensation	$ 35,949	$ 32,657
Accrued employee benefits	242,569	255,739
Software	145,665	101,879
Deferred rent	8,982	8,117
Other	74,684	54,785
Total deferred tax assets	507,849	453,177
Deferred tax liabilities:		
Accrued compensation	(7,909)	(2,582)
Accrued employee benefits	(46,211)	(45,776)
Software	(219,450)	(180,138)
Depreciation	(43,912)	(38,038)
Investment tax basis difference	(66,925)	(56,174)
Other	(26,078)	(20,449)
Total deferred tax liabilities	(410,485)	(343,157)
Net deferred tax asset before valuation allowance	97,364	110,020
Valuation allowance	(9,912)	(2,725)
Net deferred tax asset	$ 87,452	$ 107,295
Reported as:		
Current deferred tax assets	$ -	$ 8,276
Net current deferred tax assets	-	8,276
Non-current deferred tax assets	497,937	442,176
Non-current deferred tax liabilities	(410,485)	(343,157)
Net non-current deferred tax assets	87,452	99,019
Net deferred tax assets	$ 87,452	$ 107,295

Valuation allowances of $9,912,000 and $2,725,000 were recorded against the deferred tax asset balances as of December 31, 2015 and 2014, respectively. For the year ended December 31, 2015, the Company recorded a net valuation allowance of $7,187,000 (comprised of a valuation allowance of $9,912,000 related to Clarient, partially offset by a valuation release of $2,725,000 related to foreign tax credits carryforward). The valuation release was made on the basis of management's reassessment of the amount of its deferred tax assets that are more likely than not to be realized.

The Company has not provided U.S. income taxes and foreign withholding taxes on the undistributed earnings of foreign subsidiaries as of December 31, 2015 because the Company intends to permanently reinvest such earnings outside the U.S. As of December 31, 2015, the cumulative amount of earnings upon which U.S. income taxes have not been provided is approximately $71,000,000. It is not practicable to determine the amount of deferred taxes that might be required to be provided if such earnings were distributed in the future.

Details for UTBs as of December 31, 2015 and 2014 were as follows (in thousands):

	2015	2014
Beginning balance at January 1,	$ 43,014	$ 42,845
Prior period tax positions:		
Increases	651	402
Decreases	(218)	-
Current period tax positions	560	867
Lapse of statute of limitations	-	(1,100)
Ending balance at December 31,	$ 44,007	$ 43,014

The Company classifies interest related to UTBs and penalties, if incurred, in tax expense in the Consolidated Statements of Income. As of December 31, 2015 and 2014, the amount of accrued interest recorded in the Company's Consolidated Statements of Financial Condition related to UTBs was $13,985,000 and $10,222,000, respectively.

The Company is subject to U.S. federal income tax, as well as income tax in various state and local and non-U.S. jurisdictions. During the year, the U.S. Internal Revenue Service (IRS) concluded its review of the federal income tax returns for 2009 through 2012; however, closing agreements with the IRS are pending. The federal income tax returns for 2013 and 2014 remain subject to examination by the IRS. New York State income tax returns for 2008 through 2010 are currently under examination and 2011 through 2014 remain open to examination. New York City income tax returns for 2012 through 2013 are currently under examination and 2014 remains subject to examination. Florida income tax returns for 2008 through 2013 are currently under examination and 2014 remains open to examination. Illinois income tax returns for 2012 through 2013 are currently under examination and 2014 remains open to examination.

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

17. SHAREHOLDERS' EQUITY

DTC Series A Preferred Stock. Under a plan adopted by the Board of Directors, each Participant of DTC is required to own shares of its Series A preferred stock. The ownership of DTC preferred stock is reported as Non-controlling interests on the accompanying Consolidated Statements of Financial Condition. There was $150,000,000 of DTC Series A preferred stock outstanding as of December 31, 2015 and 2014 (1,500,000 shares at a par value of $100 per share). In December 2010, DTC's authorized Series A preferred stock was increased by 1,750,000 shares, bringing the total to 3,250,000 authorized shares, or $325,000,000. None of the additional authorized shares have been issued.

Series	Description	Total shares issued and outstanding *(in thousands)*	Carrying value at Dec. 31, 2015 *(in thousands)*	Per annum dividend rate	Dividends paid per share in 2015 *(in dollars)*
Series A	Noncumulative Perpetual	1,500	$ 150,240	$ 240	$ 0.16

On February 6, 2014, the U.S. SEC approved DTC rule filing SR-DTC-2014-01. Under the rule change, which became effective March 3, 2014, DTC no longer included the amount paid by Participants for the purchase of DTC Series A

Preferred Stock ($150 million in the aggregate) as a liquidity resource for the Participants Fund. Subsequent to March 3, 2014, the $150 million has been accounted for as available for general business purposes.

DTCC Series C Preferred Stock. On May 27, 2015 DTCC issued 1,600 shares of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series C, $0.50 par value per share, with a liquidation preference of $250,000 per share. When declared by DTCC's Board of Directors, dividends on the Series C Preferred Stock are payable in arrears on June 15 and December 15 of each year, beginning December 15, 2015 through June 15, 2020, at a fixed rate of 4.875% per annum. From June 15, 2020 onward, dividends will accrue at a floating rate equal to three-month LIBOR plus 3.167% per annum.

On October 21, 2015, in accordance with the Amended Certificate of Incorporation of DTCC, the Company's Board of Directors approved the payment of a semi-annual dividend on the DTCC Series C Preferred Stock from the date of issuance through December 15, 2015 at a fixed rate of 4.875% per annum. The December 15, 2015 dividend was in the amount of $6,703.125 per share on the 1,600 shares outstanding of its Series C Preferred Stock. The $10,725,000 dividend was paid to holders of Series C Preferred Stock as of record date November 30, 2015.

Common Stock. At a special meeting held on January 27, 2015, DTCC's shareholders approved the amendment and restatement of the DTCC Shareholders Agreement to include, among other changes, a mechanism for DTCC to sell, and require those common shareholders who are already required to own DTCC common shares to purchase, additional newly-issued common shares. At this special meeting, DTCC shareholders approved a $400 million common equity capital raise using this new mechanism. The settlement date for the $400 million common equity capital raise occurred on April 30, 2015.

DTCC has 80,000 authorized shares of common stock with a par value of $100 per share. At December 31, 2015 and 2014, there were 50,908 and 23,655 shares of common stock outstanding, respectively.

At December 31, 2015 and 2014, there were 0 and 11 shares of Treasury stock, respectively.

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

Various DTCC subsidiaries are subject to capital guidelines issued by federal and state banking regulators. At December 31, 2015, DTCC operated banking activities under two subsidiaries: DTC and The Warehouse Trust Company (WTC). Details for capital ratios of these subsidiaries as of December 31, 2015 were as follows:

	DTC	WTC	Minimum Capital Ratios (1)	Well Capitalized Ratios (1)
Tier 1 capital ratio	72.98%	211.22%	6.00%	8.00%
Total capital ratio	72.98%	211.22%	8.00%	8.00%

(1) As defined by the regulations issued by the Federal Reserve, Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation.

18. TRANSACTIONS WITH RELATED PARTIES

DTCC has agreements with Soltra, Margin Transit and New York Portfolio Clearing, LLC (NYPC) to provide various support services and office facilities. Expense reimbursements under these agreements, which are included in other services and accounts receivable, were as follows (in thousands):

	Other Services (1)		Other Receivables (2)	
	2015	2014	2015	2014
Soltra	$ 4,741	$ 888	$ 1,129	$ -
Margin Transit	14,785	1,065	5,472	-
NYPC	-	2,054	-	-
Total	$ 19,526	$ 4,007	$ 6,601	$ -

(1) Included within Other services revenues in the Consolidated Statements of Income.

(2) Included within Accounts receivable on the Consolidated Statement of Financial Condition. For additional information, refer to Note 5.

19. COMMITMENTS AND CONTINGENCIES

Lease commitments. The Company leases office space and data processing and other equipment. The leases for office space provide for rent escalations subsequent to 2015. Rent expense under these leases was $28,821,000 and $24,981,000 for the years ended December 31, 2015 and 2014, respectively, and was included within Occupancy in the accompanying Consolidated Statements of Income.

At December 31, 2015, future minimum rental payments under all noncancelable leases were as follows (in thousands):

2016	$ 35,231
2017	36,657
2018	38,885
2019	34,832
2020	32,041
Thereafter	306,269
Total minimum rental payments	$ 483,915

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

20. GUARANTEES

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

NSCC is the leading provider of clearance, netting, risk management and settlement for virtually all U.S. broker-to-broker trades involving equities, corporate and municipal debt, exchange traded funds and unit investment trusts. Through its

Continuous Net Settlement (CNS) system, NSCC is interposed between Participants in securities clearance and settlement. CNS transactions are generally guaranteed as of the later of midnight of trade date plus 1 day (T +1) or midnight of the day the transactions are reported to the NSCC as compared/recorded. Since NSCC stands between the Participants delivering and receiving CNS trades, the failure of Participants to deliver securities to NSCC on settlement date, and the corresponding failure of NSCC to redeliver the securities, results in open positions. Open CNS positions are marked-to-market daily. Such marks are debited from or credited to the involved Participants through the settlement process. At the close of business on December 31, 2015 and 2014, open positions due to and from NSCC totaled $156.8 billion and $172.2 billion, respectively. There were no defaults by Participants to these obligations.

FICC, through GSD, is the leading provider of real-time trade matching, clearing, netting, risk management and settlement for trades in U.S. government debt, including repurchase agreements, as well as U.S. government agency debt. Securities processed by GSD include Treasury bills, bonds, notes, zero-coupon securities, government agency securities and inflation-indexed securities. The U.S. Government securities market is predominantly an over-the-counter market and most transactions are settled on a T+1 basis. Trades are guaranteed upon comparison. GSD's netting system interposes FICC as settlement counterparty between GSD Participants for eligible trades that have been netted. The guarantee of net settlement positions by FICC results in a potential liability to FICC. Guaranteed positions that have not yet settled are margined and collateralized twice-daily via the member's Clearing Fund, and marked-to-market twice-daily with cash debited from or credited to the responsible Participants through the funds-only settlement process. At December 31, 2015 and 2014, the amount of guaranteed positions due from netting GSD Participants to FICC approximated $829.0 billion and $846.9 billion, respectively. There is an equal amount due to certain other GSD Participants from FICC after consideration of deliveries pending to FICC. There were no defaults by Participants to these obligations.

MBSD's netting system interposes FICC between MBSD Participants for eligible trades that have been pool netted. The guarantee by FICC of settlement for pool netting eligible trades, as well as TBA trades, results in potential liability to FICC. Guaranteed positions that have not yet settled are margined, marked-to-market daily and collateralized via the Participants Clearing Fund. On December 31, 2015 and 2014, the gross amount of guaranteed positions by MBSD which were scheduled to settle approximated $244.7 billion and $286.3 billion, respectively. There were no defaults by Participants to these obligations.

In the event of a default of a Participant of either NSCC or FICC, the amounts on deposit to the clearing fund of that CCP from that defaulting Participant (along with any other resources of, or resources attributable to, the defaulting Participant that may be accessible by the CCP under its rules, including amounts under applicable clearing agency cross guaranty arrangements) would be the first source of funds that the CCP would use to cover any losses that may result from the closeout of the defaulting Participant's guaranteed positions. To address potential tail losses, NSCC and FICC each separately maintain additional prefunded resources. These consist of (i) the CCP's clearing fund which, in the aggregate, currently serves as the CCP's default fund, and (ii) a portion of the CCP's retained earnings.

If, after closing out and liquidating a defaulting Participant's positions, the CCP were to suffer a loss, such loss would be satisfied as follows: (i) first, applying the defaulter's resources, including any amounts available under cross-guaranty agreements to which the CCPs are a party, described below; (ii) next, the CCPs may apply up to 25% of their respective retained earnings (or such higher amount as approved by their Board of Directors); and (iii) by accessing and replenishing the clearing fund (i.e., Participant loss allocation).

Amounts that may be available under cross-guaranty agreements include, for NSCC, amounts available under either the netting contract and limited cross-guaranty between DTC and NSCC relating to collateralization across the DTC-NSCC interface, or the agreement between Options Clearing Corporation (OCC) and NSCC, 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; or, for FICC, amounts available under the cross-margining agreements between GSD and the Chicago Mercantile Exchange Inc. (CME), which may provide for additional funds if the defaulting member was a cross margining Participant.

NSCC, DTC, FICC and OCC have also entered into a multilateral netting contract and limited cross-guaranty agreement, under which these clearing agencies have agreed to make payments to each other for any remaining unsatisfied obligations of a common defaulting Participant to the extent that these clearing agencies have excess resources belonging to the defaulting Participant. Under this agreement, no party ever needs to pay "out of pocket" and no party can receive more than its loss.

For example, if DTC suffers a loss or liability due to a Participant default, DTC would first apply any remaining resources of the defaulting Participant (additional collateral, Participants Fund deposit), and any amounts available to it under cross-guaranty agreements to which it is a party (listed above). If any losses remain, DTC may apply the Participants fund deposit of non-defaulting Participants (i.e., Participants loss allocation) and DTC may charge its existing retained earnings and undivided profits to satisfy the loss or liability if and as approved by its Board of Directors.

On December 2, 2014, FICC filed a proposed rule change (SR-FICC-2014-11) with the SEC to move the timing of novation to the time the trade is guaranteed. The rule change was approved by the SEC on January 30, 2015, this change is currently effective in the GSD Rules and the MBSD Rules.

21. OFF BALANCE SHEET AND CONCENTRATION OF CREDIT RISKS

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

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

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

Cash and cash equivalents. The Company maintains cash and cash equivalents with various financial institutions. These financial institutions are located in various geographical regions, and the Company's investment policy is designed to limit exposure to any one institution. As part of its risk management processes, the Company performs periodic evaluations of the relative credit standing of the financial institutions with whom it places funds. The Company generally makes deposits with financial institutions having a credit rating of at least BBB+/Baa1 or better from recognized rating agencies and that are approved via its internal credit review process. The Company also monitors the condition of the financial institutions with whom it places funds on an ongoing basis to identify any significant change in an institution's financial condition. If such a change takes place, the amounts deposited with such financial institutions may be adjusted.

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

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

Participants Fund and Clearing Funds. In addition to risk management policies described above for cash and cash equivalents, when Participants provide cash deposits to the Participants and Clearing Funds, the Company may invest the cash in reverse repurchase agreements (reverse repos). The Company bears credit risk related to reverse repurchase agreements only to the extent that cash advanced to the counterparty exceeds the value of collateral received. Securities purchased under reverse repos are generally U.S. Treasury and agency securities having minimal credit risk due to low probability of U.S. government default, coupled with the highly liquid nature of these securities. Reverse repo investments are secured; collateral must have a market value greater than or equal to 102% of the cash invested. Additionally, reverse repo investments are typically placed with financial institutions having a credit rating of BBB+/Baa1 or better from recognized rating agencies and that are approved via the Company's credit review process. To avoid concentration of credit risk exposures, the Company sets credit limits for each counterparty.

Under rule 2a-7 of the Investment Company Act of 1940, Participant cash deposits may also be invested in money market mutual funds having a credit rating of AAA/Aaa from recognized rating agencies. Since the Company only invests in highly rated money market mutual funds and cash is returned daily, the Company has minimal credit risk related to these investments.

The Company is also exposed to credit risk on a daily basis as a result of its responsibilities for clearing and settlement services. This risk arises at DTCC should a Participant fail to fulfill its settlement obligation.

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

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

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

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

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

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

DTC and NSCC also maintain lines of credit to support potential liquidity needs in the event of a Participant default and NSCC maintains a commercial paper program for this purpose. For additional information, refer to Note 14 and Note 13, respectively.

22. PARENT COMPANY CONDENSED FINANCIAL STATEMENTS

Condensed financial statements for DTCC (the Parent Company Condensed Financial Statements) that follow should be read in conjunction with the Consolidated Financial Statements of the Company and its subsidiaries and the notes thereto. The Parent Company Condensed Financial Statements as of December 31, 2015 and 2014 require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management believes that the estimates utilized in the preparation of the condensed financial statements are reasonable. Actual results could differ materially from these estimates.

The Parent Company Condensed Financial Statements include investments in subsidiaries, accounted for under the equity method.

The DTCC Parent Company Condensed Statements of Financial Condition are as follows (in thousands):

	As of December 31, 2015	2014
ASSETS:		
Cash and cash equivalents	$ 405,716	$ 68,145
Investment in subsidiaries	1,216,281	870,913
Due from subsidiaries	384,395	460,834
Premises, equipment, and intangible assets	249,417	236,156
Other assets	397,687	451,808
TOTAL ASSETS	$ 2,653,496	$ 2,087,856
LIABILITIES AND SHAREHOLDERS' EQUITY:		
LIABILITIES:		
Long-term debt and other borrowings	$ 107,984	$ 352,907
Pension and post retirement benefits	307,402	329,770
Other liabilities	586,865	585,362
Total liabilities	1,002,251	1,268,039
SHAREHOLDERS' EQUITY:		
Preferred stock	391,116	600
Common stock	5,091	2,366
Paid-in capital	411,065	13,571
Retained earnings	1,008,522	976,319
Treasury stock	-	(42)
Accumulated other comprehensive loss, net of tax	(164,549)	(172,997)
Total shareholders' equity	1,651,245	819,817
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 2,653,496	$ 2,087,856

DTCC Parent Company has an agreement with its subsidiaries whereby the DTCC Parent Company pays for substantially all of the expenses for the operations of its subsidiaries. The related expenses are allocated to subsidiaries based upon their use of such goods or services as determined by applicable allocation factors. Further, the agreement provides that the DTCC Parent Company performs credit and quantitative risk services, and certain other services for its subsidiaries, including administrative, internal audit, finance and legal services. The billing for these services as a percentage of total allocated expenses was determined as either 104% or 108% in 2015, and 104% in 2014, excluding pass through charges and the impact of capitalized software. The fee, representing the amount over actual cost, is included in interest and other income on the Condensed Statements of Income below.

The DTCC Parent Company Condensed Statements of Income are as follows (in thousands):

	For the years ended December 31, 2015	2014
REVENUES:		
Equity in earnings of subsidiaries	$ 12,681	$ 14,216
Dividends from subsidiaries	-	13,000
Interest and other income	144,249	92,308
Total revenues	156,930	119,524
OPERATING EXPENSES:		
Professional services	32,896	19,711
Other	55,690	66,860
Impairment on intangible assets	1,857	-
Total operating expenses	90,443	86,571
Income before taxes	66,487	32,953
Provision for income taxes	23,559	426
Net income attributable to DTCC	$ 42,928	$ 32,527

The DTCC Parent Company Condensed Statements of Cash Flows are as follows (in thousands):

	For the years ended December 31, 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 42,928	$ 32,527
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Equity in earnings of subsidiaries	(12,681)	(14,216)
Depreciation and amortization	64,132	48,250
Impairment of intangible assets	1,857	522
Amount reclassified from other comprehensive income	-	6,062
Deferred income taxes	69,121	(39,163)
Changes in operating assets and liabilities:		
Due from subsidiaries	76,439	(67,010)
Changes in other operating assets and liabilities	(165,146)	83,185
Net cash provided by (used in) operating activities	76,650	50,157
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equity method investments	(195,000)	-
Purchases of software and equipment	(79,250)	(67,523)
Net cash used in investing activities	(274,250)	(67,523)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of debt and notes payable	-	20,157
Proceeds from issuance of common stock	400,261	-
Proceeds from issuance of preferred stock, net of issuance fees	390,516	-
Preferred stock dividend distribution	(10,725)	-
Principal payments on debt and capital lease obligations	(244,923)	(13,044)
Net cash provided by financing activities	535,129	7,113
Effect of foreign exchange rate changes on cash and cash equivalents	42	(199)
Net increase (decrease) in cash and cash equivalents	337,571	(10,452)
Cash and cash equivalents - Beginning of year	68,145	78,597
Cash and cash equivalents - End of year	$ 405,716	$ 68,145
SUPPLEMENTAL DISCLOSURES:		
Non-cash financing activity - capitalized lease	$ -	$ 8,206
Non-cash change in investment in subsidiary	$ 125,684	$ -

23. IMPACT FROM SUPERSTORM SANDY

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

For the year ended December 31, 2014, the expenses and insurance recoveries related to Sandy were recorded in General and administrative, net, and were as follows (in thousands):

		2014
Clean up and restoration of security certificates	$	1,444
Corporate expenses		610
Legal fees		116
Replacement of technical equipment		188
Property damage and building restoration		42
Total expenses		2,400
Insurance recoveries and rent credit		(14,531)
Net benefit	$	(12,131)

Compared to 2014, there were no material Sandy-related expenses in 2015. There were no recoveries related to Sandy during the year ended December 31, 2015.

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

Since the fourth quarter of 2012, DTCC issued 99,997 Letter of Indemnification (LOI) certificates and rescinded 99,628 as of December 31, 2015. As of December 31, 2015, the total number of certificates outstanding was 369, valued at $84.6 million. The Company continues to assess this matter and believes, based on information available to it, the resolution of these matters will not have a material adverse effect on the Company's Consolidated Statements of Financial Condition, operating results or cash flows for any particular period. Accordingly, no such amounts have been recognized by the Company in the accompanying Consolidated Financial Statements. The Company continues to assess the probability and the estimation of the exposure to determine the extent of further disclosure and/or whether recognition may be necessary going forward.

In accordance with applicable guidance, DTCC establishes accruals for replacement of the certificates and issuance of surety bonds for the replaced certificates where they represent loss contingencies that are both probable and reasonably estimable. As of December 31, 2015, the Company had established a $1.8 million accrual for these probable cash outflows. In such cases, there may be a possible exposure to loss in excess of any amounts accrued. DTCC will continue to monitor such matters for developments that could affect the amount of the accrual, and will adjust the accrual as appropriate. DTCC believes its accruals for these exposures are appropriate and, in the aggregate, are not material to the Consolidated Statements of Financial Position of DTCC, although future accruals could have material effect on net income in a given period.

DTCC maintains a property insurance policy that has sublimits that apply to various types of damage, such as business interruption (lost profits), extra expenses (expenses incurred to maintain normal business operations), debris removal, etc., and also to specific types of damage incurred from catastrophic natural disasters such as hurricanes, earthquakes, and floods. DTCC also maintains insurance coverage for losses relating to its business as a custodian of property, including losses arising from damage or destruction of securities.

24. OTHER MATTERS

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

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

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

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

With respect to LBI, DTCC and its subsidiaries held the following deposits/balances as of December 31:

	2015	2014
Segregated cash	$ 3,301,827	$ 4,101,862
Participant and clearing funds	1,160,135	1,160,135
Matured money market investment accounts	31,133,201	30,644,008
Total	$ 35,595,163	$ 35,906,005

As of December 31, 2015, DTCC had delivered to the Trustee of the LBI estate $5,154,013,000 in cash as well as Clearing Fund securities valued at $159,479,000.

MF Global Inc. On October 31, 2011, a Trustee was appointed under the SIPA to administer and liquidate the business of MF Global Inc. (MFG). As part of the liquidation of MFG, any losses will first be satisfied in accordance with the rules and procedures of NSCC, FICC and DTC, respectively (including through application of MFG's Clearing or Participants Fund deposits and any Clearing Agency cross guaranty agreements). If any portion of such funds remains after the close out of the MFG accounts and satisfaction of all obligations of NSCC, FICC and DTC, funds will be remitted to the Trustee. In January 2016, the Company signed an agreement to remit the remaining funds to the Trustee to complete the liquidation of the business of MFG.

With respect to MFG, DTCC and its subsidiaries held the following deposits/balances as of December 31:

	2015	2014
Total Participant and Clearing Funds	$ 1,987,406	$ 1,987,406

As of December 31, 2015 DTCC had delivered cash to the Trustee of the MFG estate totaling $254,298,000.
Management does not expect there will be any losses attributable to the liquidation of the LBI or MFG accounts to be assessed against retained earnings or Participants.

Severance. For the years ended December 31, 2015 and 2014, DTCC incurred severance expense totaling $5,407,000 and $16,841,000, respectively, that is included within Employee compensation and related benefits in the accompanying Consolidated Statements of Income.

25. SUBSEQUENT EVENTS

On January 27, 2016, the Company entered into a $500 million three-year unsecured credit agreement maturing January 25, 2019 with a syndicate of banks. The credit facility has a drawn borrowing rate equal to the sum of the applicable LIBOR rate plus 1.25%. The credit facility is for general corporate purposes; there are no borrowings outstanding under the facility through March 31, 2016. Additionally, the Company simultaneously terminated its $150 million credit agreement maturing July 15, 2016.

On January 29, 2016, the company repaid approximately $40 million of its long-term debt related to capital lease obligations.

The Company evaluated events and transactions occurring after December 31, 2015 through March 31, 2016 for potential recognition or disclosure in these consolidated financial statements. Other than as disclosed above and in Note 24, no other events or transactions occurred during such period that would require recognition or disclosure in these consolidated financial statements.