

The Depository Trust & Clearing Corporation

Condensed Consolidated Financial Statements
as of March 31, 2017 and December 31, 2016 and for the
three months ended March 31, 2017 and 2016

THE DEPOSITORY TRUST & CLEARING CORPORATION

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THE DEPOSITORY TRUST & CLEARING CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (UNAUDITED)

<u>(In thousands, except share data)</u>	<u>As of March 31,</u> <u>2017</u>	<u>As of December 31,</u> <u>2016</u>
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,152,545	\$ 4,075,548
Reverse repurchase agreements	—	100,000
Participants' segregated cash	29,586	15,886
Accounts receivable - net of allowance for doubtful accounts of \$745 and \$865 as of March 31, 2017 and December 31, 2016, respectively	188,849	208,042
Participants' and Clearing Funds:		
Cash deposits	15,385,457	15,570,562
Investments in marketable securities	25,000	25,000
Securities on deposit - at fair value	11,603,744	13,890,682
Other Participants' assets	665,236	960,753
Other current assets	68,588	67,476
Total current assets	<u>32,119,005</u>	<u>34,913,949</u>
NON-CURRENT ASSETS:		
Premises and equipment - net of accumulated depreciation of \$425,581 and \$410,788 as of March 31, 2017 and December 31, 2016, respectively	249,454	250,791
Goodwill	57,699	65,535
Intangible assets - net of accumulated amortization of \$679,098 and \$919,308 as of March 31, 2017 and December 31, 2016, respectively	377,537	398,695
Equity method investments	17,011	17,176
Other non-current assets	385,718	367,882
Total non-current assets	<u>1,087,419</u>	<u>1,100,079</u>
TOTAL ASSETS (1)	<u><u>\$ 33,206,424</u></u>	<u><u>\$ 36,014,028</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY:		
CURRENT LIABILITIES:		
Commercial paper - net of unamortized discount of \$2,706 and \$1,669 as of March 31, 2017 and December 31, 2016, respectively	\$ 2,542,860	\$ 2,554,020
Current portion of long-term debt	20,490	20,468
Accounts payable	99,525	100,088
Participants' and Clearing Funds:		
Cash deposits	15,410,457	15,595,562
Securities on deposit - at fair value	11,603,744	13,890,682
Payable to Participants	694,822	976,639
Other current liabilities	142,733	270,682
Total current liabilities	<u>30,514,631</u>	<u>33,408,141</u>
NON-CURRENT LIABILITIES:		
Non-current portion of long-term debt	42,065	44,252
Non-current portion of pension and postretirement benefits	287,267	284,672
Other non-current liabilities	373,226	370,355
Total non-current liabilities	<u>702,558</u>	<u>699,279</u>
Total liabilities (2)	<u>31,217,189</u>	<u>34,107,420</u>
COMMITMENTS AND CONTINGENCIES (Note 17)		
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	390,516
Common stock, \$100 par value - 80,000 shares authorized, 50,908 shares issued and outstanding	5,091	5,091
Paid-in capital	411,065	411,065
Retained earnings	1,192,690	1,115,917
Accumulated other comprehensive loss, net of tax	(160,247)	(161,329)
Non-controlling interests	149,520	144,748
Total shareholders' equity	<u>1,989,235</u>	<u>1,906,608</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>\$ 33,206,424</u></u>	<u><u>\$ 36,014,028</u></u>

(1) The consolidated assets as of March 31, 2017 and December 31, 2016, 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, \$0 and \$10,399; Accounts receivable - net, \$0 and \$2,208; Other current assets, \$0 and \$1,149; Intangible assets, \$0 and \$6,826; Other non-current assets, \$0 and \$544; and Total assets, \$0 and \$21,126, respectively.

(2) The consolidated liabilities as of March 31, 2017 and December 31, 2016, include the following VIE liabilities for which the VIE creditors do not have recourse to DTCC (in thousands): Accounts payable, \$0 and \$2,477; Other current liabilities, \$0 and \$37,433; and Total liabilities, \$0 and \$39,910, respectively.

THE DEPOSITORY TRUST & CLEARING CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(In thousands)	For the three months ended March 31,	
	2017	2016
REVENUES:		
Settlement and asset services	\$ 108,272	\$ 106,200
Clearing services	130,988	121,006
Matching and data services	68,246	81,636
Repository services	68,175	72,876
Wealth management services	27,297	26,419
Other services	15,017	15,608
Investment income (loss)	4,381	(444)
Total revenues	<u>422,376</u>	<u>423,301</u>
EXPENSES:		
Employee compensation and related benefits	168,132	169,029
Information technology	40,443	43,591
Professional and other services	79,227	85,246
Occupancy	11,245	11,931
Depreciation and amortization	47,083	59,919
General and administrative	8,902	9,808
Total expenses	<u>355,032</u>	<u>379,524</u>
Total operating income	<u>67,344</u>	<u>43,777</u>
NON-OPERATING INCOME (EXPENSE):		
Interest income	24,043	10,212
Refunds to Participants	(15,951)	(6,859)
Interest expense	(6,732)	(3,990)
Net loss from Equity method investments	(140)	(2,689)
Other non-operating income	<u>46,029</u>	<u>6,095</u>
Total non-operating income	<u>47,249</u>	<u>2,769</u>
Income before taxes	114,593	46,546
Provision for income taxes	<u>24,478</u>	<u>16,044</u>
Net income	90,115	30,502
Net income (loss) attributable to non-controlling interests	13,342	(3,475)
Net income attributable to DTCC	<u>\$ 76,773</u>	<u>\$ 33,977</u>

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

THE DEPOSITORY TRUST & CLEARING CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(In thousands)	For the three months ended March 31,	
	2017	2016
Net income	\$ 90,115	\$ 30,502
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax:		
Foreign currency translation	1,082	(2,421)
Other comprehensive income (loss)	1,082	(2,421)
Comprehensive income	91,197	28,081
Comprehensive income (loss) attributable to non-controlling interests	13,342	(3,475)
Comprehensive income attributable to DTCC	\$ 77,855	\$ 31,556

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

THE DEPOSITORY TRUST & CLEARING CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

<u>(In thousands)</u>	Preferred Stock			Common Stock	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net of Tax			Non- controlling Interests	Total Shareholders' Equity	
	Series A	Series B	Series C				Defined Benefit Pension and Other Plans	Foreign Currency Translation				
BALANCE - January 1, 2016	\$ 300	\$ 300	\$ 390,516	\$ 5,091	\$ 411,065	\$ 1,008,522	\$ (160,931)	\$ (1,417)	\$ 145,734	\$ 1,799,180		
Net income (loss)	—	—	—	—	—	126,895	—	—	(14,206)	112,689		
Other comprehensive income (loss)	—	—	—	—	—	—	1,285	(266)	—	1,019		
Contributions from non-controlling interests	—	—	—	—	—	—	—	—	13,700	13,700		
Dividend to non-controlling interest	—	—	—	—	—	—	—	—	(480)	(480)		
Dividends on preferred stock	—	—	—	—	—	(19,500)	—	—	—	(19,500)		
BALANCE - December 31, 2016	300	300	390,516	5,091	411,065	1,115,917	(159,646)	(1,683)	144,748	1,906,608		
Net income	—	—	—	—	—	76,773	—	—	13,342	90,115		
Other comprehensive income	—	—	—	—	—	—	—	1,082	—	1,082		
Business disposition	—	—	—	—	—	—	—	—	(8,570)	(8,570)		
BALANCE - March 31, 2017	\$ 300	\$ 300	\$ 390,516	\$ 5,091	\$ 411,065	\$ 1,192,690	\$ (159,646)	\$ (601)	\$ 149,520	\$ 1,989,235		

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

THE DEPOSITORY TRUST & CLEARING CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(In thousands)	For the three months ended March 31,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 90,115	\$ 30,502
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Net discount on Investments in marketable securities	(42)	61
Depreciation and amortization	47,083	59,919
Allowance for doubtful accounts	60	—
Net loss from Equity method investments	140	2,689
Deferred income taxes	(9,017)	(1,640)
Gain on business dispositions	(47,058)	—
Net change (excluding the effects of business dispositions) in:		
Accounts receivable	14,968	(19,947)
Other Participants' assets	295,517	(416,050)
Other assets	(6,343)	26,482
Accounts payable	(230)	308
Payable to Participants	(281,817)	408,765
Pension and postretirement benefits	2,595	5,320
Other liabilities	(90,990)	(115,620)
Net cash provided by/(used in) operating activities	<u>14,981</u>	<u>(19,211)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale/(Purchase) of securities under Reverse repurchase agreements	100,000	(100,000)
Change in Participants' segregated cash	(13,700)	7,285
Purchases of Premises and equipment	(15,337)	(14,372)
Purchases of Intangible assets	(20,332)	(21,263)
Proceeds from disposition of businesses, net of Cash and cash equivalents sold	22,877	—
Net cash provided by/(used in) investing activities	<u>73,508</u>	<u>(128,350)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in Commercial paper, net	(11,160)	408,869
Repayments on long-term debt and other borrowings	(2,165)	(41,668)
Net cash provided by/(used in) financing activities	<u>(13,325)</u>	<u>367,201</u>
Effect of foreign exchange rate changes on Cash and cash equivalents	<u>1,833</u>	<u>(406)</u>
Net increase in Cash and cash equivalents	76,997	219,234
Cash and cash equivalents - Beginning of period	<u>4,075,548</u>	<u>2,521,558</u>
Cash and cash equivalents - End of period	<u>\$ 4,152,545</u>	<u>\$ 2,740,792</u>
SUPPLEMENTAL DISCLOSURES:		
Cash interest paid	<u>\$ 6,239</u>	<u>\$ 453</u>
Cash income taxes paid (refunds) - net	<u>\$ 6,026</u>	<u>\$ (14,527)</u>

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

THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2017 AND DECEMBER 31, 2016 AND FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016

1. BUSINESS AND OWNERSHIP

The Depository Trust & Clearing Corporation (DTCC) is a holding company that is the parent company of various operating subsidiaries, including, but not limited to, The Depository Trust Company (DTC), National Securities Clearing Corporation (NSCC), Fixed Income Clearing Corporation (FICC), Omgeo LLC (Omgeo), DTCC Deriv/SERV LLC (Deriv/SERV), DTCC Solutions LLC (Solutions), Business Entity Data, B. V. (GMEI); collectively, the “Company” or “Companies.”

Subsidiaries

DTC is a limited purpose trust company formed under the Banking Law of New York State and supervised by the New York State Department of Financial Services (NYSDFS); a State member bank of the Federal Reserve System (FRS), subject to examination by the Federal Reserve Bank of New York (FRBNY) under delegated authority from the Board of Governors (the FRB) of the FRS; and a clearing agency registered with, and under the supervision of, the U.S. Securities and Exchange Commission (SEC). DTC provides central securities depository, settlement and related services to members of the securities, banking and financial services industries.

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

FICC is a clearing agency registered with the SEC that provides CCP 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).

On April 18, 2012, the U.S. Financial Stability Oversight Council, designated DTC, FICC and NSCC as Systemically Important Financial Market Utilities (SIFMUs) under Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

Omgeo provides post-trade matching, processing and other related services, primarily to members of the financial community.

Deriv/SERV, 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 subsidiary, The Warehouse Trust Company (WTC), provides life cycle event processing, including credit event processing and payment reconciliation/netting.

Solutions 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 Entity Identifier (LEI) solution offered in collaboration with Society for Worldwide Interbank Financial Telecommunication (SWIFT). GMEI is designed to create and apply a single universal standard identifier to any organization or firm involved in an international financial transaction.

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

THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2017 AND DECEMBER 31, 2016 AND FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016

2. BASIS OF PRESENTATION AND USE OF ESTIMATES

Basis of presentation. The accompanying Condensed Consolidated Financial Statements are prepared in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP). The accompanying interim financial statements have not been audited. As such, these interim financial statements do not include all of the information and notes required by U.S. GAAP for complete financial statements and should be read in conjunction with DTCC's Audited Consolidated Financial Statements for the years ended December 31, 2016 and 2015, which are located on the Company's website at <http://www.dtcc.com/legal/financial-statements>. See Notes 2 and 3 in DTCC's Audited Consolidated Financial Statements for the years ended December 31, 2016 and 2015, for additional information on the Company's Summary of Significant Accounting Policies and Accounting and Reporting Developments, respectively.

The Condensed Consolidated Financial Statements reflect all adjustments of a normal recurring nature that are, in the opinion of management, necessary for the fair presentation of the results for the interim period. The results of operations for interim periods are not necessarily indicative of results for the entire year. The Condensed 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 consolidated entities in which it had a controlling financial interest. See Note 3 for additional information.

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 Condensed Consolidated Financial Statements. Management makes estimates regarding, among other things, the collectability of receivables, the outcome of litigation, the realization of deferred taxes, unrecognized tax benefits, fair value measurements and other matters that affect the reported amounts. Estimates, by their nature, are based on judgment and available information as of March 31, 2017; therefore, actual results could differ materially from those estimates.

3. BUSINESS DISPOSITIONS

On February 6, 2017, the Company, along with Clariant Global LLC's (Clariant) minority interest owners, signed a definitive agreement to sell their interests in Clariant to the Thomson Reuters Corporation (Thomson Reuters). On the same day, the Company also signed a definitive agreement to sell Avox Ltd (Avox) to Thomson Reuters. Both sales closed on March 14, 2017. As a result of these transactions, the Company disposed Clariant and Avox, effective March 14, 2017. The Company's gain on the sales, net of the gain attributable to non-controlling interests related to Clariant, totaled \$31,165,000 and was included in Other non-operating income in the Company's Condensed Consolidated Statements of Income.

Details of the gain on sales follow (in thousands):

	Clariant	Avox	Total
Gain on sale included in Other non-operating income	\$ 39,122	\$ 7,936	\$ 47,058
Less: Gain on sale attributable to non-controlling interest	(15,893)	—	(15,893)
Net gain on business dispositions	<u>\$ 23,229</u>	<u>\$ 7,936</u>	<u>\$ 31,165</u>

THE DEPOSITORY TRUST & CLEARING CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2017 AND DECEMBER 31, 2016 AND FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016

Details of the balances related to the business dispositions follow (in thousands):

	<u>Clariant</u>	<u>Avox</u>	<u>Total</u>
Consolidated assets:			
Cash and cash equivalents	\$ 708	\$ 3,097	\$ 3,805
Accounts receivable - net	531	3,392	3,923
Other current assets	848	51	899
Premises and equipment	—	1,215	1,215
Goodwill	—	7,836	7,836
Intangible assets	6,932	2,674	9,606
Other non-current assets	476	—	476
Total assets	<u>\$ 9,495</u>	<u>\$ 18,265</u>	<u>\$ 27,760</u>
Consolidated liabilities:			
Accounts payable	\$ 257	\$ 148	\$ 405
Other current liabilities	28,239	6,043	34,282
Total liabilities	<u>\$ 28,496</u>	<u>\$ 6,191</u>	<u>\$ 34,687</u>

4. VARIABLE INTEREST ENTITIES

Consolidated VIEs

A VIE is an entity in which the equity investors do not have 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 that: (i) has the control 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 when 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.

Clariant Global LLC (Clariant) was 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. Clariant was 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 Company held a variable interest in Clariant, which it consolidated based on the aforementioned VIE accounting guidance.

THE DEPOSITORY TRUST & CLEARING CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2017 AND DECEMBER 31, 2016 AND FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016

Details for the impact of the consolidation of Clariant on the Company's Condensed Consolidated Statements of Financial Condition as of December 31, 2016 follow (in thousands):

	<u>2016</u>
Consolidated assets:	
Cash and cash equivalents	\$ 10,399
Accounts receivable - net	2,208
Other current assets	1,149
Intangible assets	6,826
Other non-current assets	544
Total assets	<u>\$ 21,126</u>
Consolidated liabilities:	
Accounts payable	\$ 2,477
Other current liabilities	37,433
Total liabilities	<u>\$ 39,910</u>

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

Prior to the disposition of Clariant (see Note 3), operating losses incurred by the consolidated VIE were \$5,215,000 and \$7,898,000 for the three months ended March 31, 2017 and 2016, respectively, and were included within Income before taxes in the Company's Condensed Consolidated Statements of Income.

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

Details for Participants' segregated cash, Other Participants' assets and Payable to Participants as of March 31, 2017 and December 31, 2016 follow (in thousands):

	<u>2017</u>	<u>2016</u>
Assets:		
Participants' segregated cash	\$ 29,586	\$ 15,886
Other Participants' assets	665,236	960,753
Total	<u>\$ 694,822</u>	<u>\$ 976,639</u>
Liabilities:		
Payable to Participants	<u>\$ 694,822</u>	<u>\$ 976,639</u>

Participants' segregated cash represents cash received from Participants to facilitate their compliance with SEC customer protection rules. Unclaimed balances are remitted to the appropriate authority when required by abandoned property laws.

As of March 31, 2017 and December 31, 2016, Payable to Participants also included \$323,000 and \$153,000, respectively, of cash collateral received from Participants representing 130% of short positions. Unclaimed balances are remitted to the appropriate authority when required, pursuant to abandoned property laws.

THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2017 AND DECEMBER 31, 2016 AND FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016

6. ACCOUNTS RECEIVABLE

Details for Accounts receivable as of March 31, 2017 and December 31, 2016 follow (in thousands):

	<u>2017</u>	<u>2016</u>
Due from Participants and customers for services	\$ 167,371	\$ 189,930
Other receivables	21,478	18,112
Total	<u>\$ 188,849</u>	<u>\$ 208,042</u>

As of March 31, 2017 and December 31, 2016, the allowance for doubtful accounts was \$745,000 and \$865,000, respectively. Total write-offs in the allowance for doubtful accounts for the three months ended March 31, 2017 and 2016 were \$180,000 and \$274,000, respectively.

7. PARTICIPANTS' AND CLEARING FUNDS

All deposits of cash and securities by Participants are recorded on the accompanying Condensed Consolidated Statements of Financial Condition under Participants' and Clearing Funds.

Details for the Participants' and Clearing Funds as of March 31, 2017 and December 31, 2016 follow (in thousands):

	<u>2017</u>			
	<u>DTC</u>	<u>NSCC</u>	<u>FICC</u>	<u>Total</u>
Required deposits	\$ 1,160,000	\$ 4,142,563	\$ 14,244,232	\$ 19,546,795
Excess deposits	603,041	699,887	6,164,478	7,467,406
Total	<u>\$ 1,763,041</u>	<u>\$ 4,842,450</u>	<u>\$ 20,408,710</u>	<u>\$ 27,014,201</u>

	<u>2016</u>			
	<u>DTC</u>	<u>NSCC</u>	<u>FICC</u>	<u>Total</u>
Required deposits	\$ 1,150,000	\$ 3,580,823	\$ 18,288,528	\$ 23,019,351
Excess deposits	602,431	819,133	5,045,329	6,466,893
Total	<u>\$ 1,752,431</u>	<u>\$ 4,399,956</u>	<u>\$ 23,333,857</u>	<u>\$ 29,486,244</u>

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 March 31, 2017 and December 31, 2016 follow (in thousands):

	<u>2017</u>			
	<u>DTC</u>	<u>NSCC</u>	<u>FICC</u>	<u>Total</u>
Cash deposits	\$ 1,763,041	\$ 4,640,848	\$ 8,981,568	\$ 15,385,457
Investments in marketable securities	—	—	25,000	25,000
Securities on deposit - at fair value	—	201,602	11,402,142	11,603,744
Total	<u>\$ 1,763,041</u>	<u>\$ 4,842,450</u>	<u>\$ 20,408,710</u>	<u>\$ 27,014,201</u>

	<u>2016</u>			
	<u>DTC</u>	<u>NSCC</u>	<u>FICC</u>	<u>Total</u>
Cash deposits	\$ 1,752,431	\$ 4,157,717	\$ 9,660,414	\$ 15,570,562
Investments in marketable securities	—	—	25,000	25,000
Securities on deposit - at fair value	—	242,239	13,648,443	13,890,682
Total	<u>\$ 1,752,431</u>	<u>\$ 4,399,956</u>	<u>\$ 23,333,857</u>	<u>\$ 29,486,244</u>

THE DEPOSITORY TRUST & CLEARING CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2017 AND DECEMBER 31, 2016 AND FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016

Details for the Participants' and Clearing Funds Cash deposits and Investments in marketable securities as of March 31, 2017 and December 31, 2016 follow (in thousands):

	2017			
	DTC	NSCC	FICC	Total
Bank deposits	\$ 1,763,041	\$ 3,200,848	\$ 5,820,568	\$ 10,784,457
Money market fund investments	—	1,140,000	2,486,000	3,626,000
Reverse repurchase agreements	—	300,000	675,000	975,000
U.S. Treasury bills	—	—	25,000	25,000
Total	\$ 1,763,041	\$ 4,640,848	\$ 9,006,568	\$ 15,410,457

	2016			
	DTC	NSCC	FICC	Total
Bank deposits	\$ 1,752,431	\$ 3,170,717	\$ 6,441,414	\$ 11,364,562
Money market fund investments	—	737,000	2,669,000	3,406,000
Reverse repurchase agreements	—	250,000	550,000	800,000
U.S. Treasury bills	—	—	25,000	25,000
Total	\$ 1,752,431	\$ 4,157,717	\$ 9,685,414	\$ 15,595,562

Refunds to Participants. Interest income earned from the investment of cash deposits in the Participants' and Clearing Funds and refunded to Participants by the clearing agencies totaled \$29,546,000 and \$6,859,000 for the three months ended March 31, 2017 and 2016, respectively, in the accompanying Condensed Consolidated Statements of Income.

8. EQUITY METHOD INVESTMENTS

Details for DTCC's Equity method investments as of March 31, 2017 and December 31, 2016 follow (in thousands, except ownership percentage):

	2017	2016
European Central Counterparty N.V.		
Percentage ownership	20%	20%
Carrying value	\$ 8,378	\$ 8,291
DTCC-Euroclear GlobalCollateral, LTD		
Percentage ownership	50%	50%
Carrying value	\$ 8,633	\$ 8,885

European Central Counterparty N.V. (ECCP N.V.), a joint venture with ABN AMRO Clearing Investments B.V., NASDAQ AB, BATS Trading Limited, Euronext N.V., and the Company, provides a pan-European clearing solution offering economies of scale and risk management expertise 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 conducts its operations using the technology platform and infrastructure of EMCF.

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

On April 6, 2017, the Company contributed \$10,000,000 to DTCC-Euroclear GlobalCollateral LTD. The Company will maintain the same ownership percentage as the joint venture partner, Euroclear plc, who also contributed \$10,000,000.

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9. OTHER ASSETS

Details for Other assets as of March 31, 2017 and December 31, 2016 follow (in thousands):

	2017	2016
Prepays	\$ 56,903	\$ 54,413
Prepaid taxes	—	7,574
Other current assets	11,685	5,489
Total current assets	<u>68,588</u>	<u>67,476</u>
Long-term incentive plan assets	170,015	170,501
Deferred tax assets, net	117,857	108,840
Cash surrender value on insurance policies	58,843	58,845
Prepays	27,093	17,794
Other non-current assets	11,910	11,902
Total non-current assets	<u>385,718</u>	<u>367,882</u>
Total	<u>\$ 454,306</u>	<u>\$ 435,358</u>

See Note 11 in DTCC's Audited Consolidated Financial Statements for the years ended December 31, 2016 and 2015 for additional information.

10. OTHER LIABILITIES

Details for Other liabilities as of March 31, 2017 and December 31, 2016 follow (in thousands):

	2017	2016
Compensation payable	\$ 35,084	\$ 141,451
Pension and postretirement benefits	20,205	20,205
Taxes payable	19,058	—
Deferred rent	8,621	9,080
Other current liabilities	59,765	99,946
Total current liabilities	<u>142,733</u>	<u>270,682</u>
Long-term incentive plan liabilities	270,337	266,023
Unrecognized tax benefits	65,224	64,099
Deferred rent	33,863	33,209
Other payables	3,802	7,024
Total non-current liabilities	<u>373,226</u>	<u>370,355</u>
Total	<u>\$ 515,959</u>	<u>\$ 641,037</u>

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11. COMMERCIAL PAPER

Details for Commercial paper as of March 31, 2017 and December 31, 2016 follow (in thousands):

	<u>2017</u>	<u>2016</u>
Commercial paper - net of unamortized discount of \$2,706 and \$1,669 as of March 31, 2017 and December 31, 2016, respectively	\$ 2,542,860	\$ 2,554,020
Weighted-average interest rate	0.96%	0.75%

Interest expense on Commercial paper included in the accompanying Condensed Consolidated Statements of Income was \$5,486,000 and \$1,251,000 for the three months ended March 31, 2017 and 2016, respectively.

Details for the cash flows associated with the issuance and maturities of Commercial paper for the three months ended March 31, 2017 and 2016 follow (in thousands):

	<u>2017</u>	<u>2016</u>
Maturities less than 90 days:		
Proceeds from Commercial paper less than 90 days, net	\$ 68,999	\$ 373,008
Maturities greater than 90 days:		
Proceeds from Commercial paper	574,246	70,829
Repayments of Commercial paper	(654,405)	(34,968)
Repayments/proceeds from Commercial paper greater than 90 days, net	<u>(80,159)</u>	<u>35,861</u>
Change in Commercial paper, net	<u>\$ (11,160)</u>	<u>\$ 408,869</u>

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12. LONG-TERM DEBT

Details for Long-term debt as of March 31, 2017 and December 31, 2016 follow (in thousands):

	<u>2017</u>	<u>2016</u>
Notes payable	\$ 52,075	\$ 52,675
Capital lease obligations	10,480	12,045
Total long-term debt	<u>62,555</u>	<u>64,720</u>
Less Current portion of long-term debt	(20,490)	(20,468)
Non-current portion of long-term debt	<u>\$ 42,065</u>	<u>\$ 44,252</u>

Details for principal payments due on Long-term debt for each of the next five years and thereafter follow (in thousands):

	<u>Notes Payable</u>	<u>Capital Lease Obligations</u>	<u>Total</u>
2017	\$ 13,050	\$ 5,253	\$ 18,303
2018	2,650	5,227	7,877
2019	2,650	—	2,650
2020	2,650	—	2,650
2021	2,650	—	2,650
Thereafter	28,425	—	28,425
Total	<u>\$ 52,075</u>	<u>\$ 10,480</u>	<u>\$ 62,555</u>

Notes payable. Details for notes payable as of March 31, 2017 and December 31, 2016 follow (in thousands):

<u>Issuer</u>	<u>Rate</u>	<u>Issue Date</u>	<u>Maturity</u>	<u>Outstanding Balance</u>	
				<u>2017</u>	<u>2016</u>
DTCC	2.64%	4/26/2012	4/26/2017	\$ 11,000	\$ 11,000
DTCC	3.83%	4/26/2012	4/26/2032	22,475	22,475
DTCC	3.93%	9/28/2012	9/28/2032	18,600	19,200
Total				<u>\$ 52,075</u>	<u>\$ 52,675</u>

The weighted-average interest rate was 3.61% and 3.62% for the three months ended March 31, 2017 and the year ended December 31, 2016, respectively. Total Interest expense on notes payable included in the accompanying Condensed Consolidated Statements of Income was \$472,000 and \$1,808,000, for the three months ended March 31, 2017 and 2016, respectively.

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 on Capital lease obligations included in the accompanying Condensed Consolidated Statements of Income was \$88,000 and \$112,000 for the three months ended March 31, 2017 and 2016, respectively.

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Lines of credit. DTCC maintains a committed line of credit for general funding purposes while certain of its subsidiaries, DTC and NSCC, also maintain committed lines of credit to support settlement.

Details for the terms of the outstanding lines of credit as of March 31, 2017 and December 31, 2016 follow:

	2017	2016
<i>DTCC</i>		
Committed Amount	\$500 million	\$500 million
Denomination	USD	USD
No. of Participants/Lenders	10/10	10/10
Borrowing rate	The highest of Prime rate, federal funds rate, or adjusted LIBOR, on the day of borrowing, plus 1.375%	
<i>DTC</i>		
Committed Amount	\$1.9 billion	\$1.9 billion
Denomination	USD	USD
No. of Participants/Lenders	31/37	31/37
Borrowing rate	The greater of the federal funds offered rate, adjusted LIBOR, or lenders' cost of funds, on the day of borrowing, plus 1.40%	
Uncommitted Amount	\$150 million ⁽¹⁾	\$150 million ⁽¹⁾
Denomination	CAD	CAD
No. of Participants/Lenders	1/1	1/1
<i>NSCC</i>		
Committed Amount	\$10.9 billion	\$10.9 billion
Denomination	USD	USD
No. of Participants/Lenders	31/37	31/37
Borrowing rate	The greater of the federal funds offered rate, adjusted LIBOR, or lenders' cost of funds, on the day of borrowing, plus 1.40%	

(1) Used to support Canadian settlement.

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Details for debt covenants related to the notes payable and lines of credit as of March 31, 2017 and December 31, 2016 follow:

	2017	2016
Notes Payable		
<u><i>DTCC</i></u>		
Minimum Net Worth	\$400 million	\$400 million
Maximum Priority Debt	20% of Net Worth	20% of Net Worth
Lines of Credit		
<u><i>DTCC</i></u>		
Minimum Net Worth	\$1.1 billion	\$1.1 billion
Maximum Priority Debt	200 million	200 million
<u><i>DTC</i></u>		
Minimum Net Worth	\$150 million	\$150 million
Minimum Participants Fund deposits	750 million	750 million
<u><i>NSCC</i></u>		
Minimum Net Worth	\$125 million	\$125 million
Minimum Clearing Fund deposits	1 billion	1 billion

As of March 31, 2017 and December 31, 2016, the Company was in compliance with its debt covenants.

Credit Ratings. DTCC, DTC, FICC and NSCC are rated by Moody's Investors Service, Inc. (Moody's) and S&P Global Inc. (S&P). Details for senior debt ratings and ratings outlooks for DTCC and its three clearing agency subsidiaries as of March 31, 2017 follow:

	Moody's ⁽¹⁾			S&P		
	Long-term	Short-term	Outlook	Long-term	Short-term	Outlook
DTCC	Aa3	P-1	Stable	AA-	A-1+	Stable
DTC	Aaa	P-1	Stable	AA+	A-1+	Stable
FICC	Aaa	P-1	Stable	AA	A-1+	Stable
NSCC	Aaa	P-1	Stable	AA+	A-1+	Stable

(1) Moody's categorizes the long-term issuer ratings of DTC, FICC and NSCC as clearing counterparty ratings (CCR) under the agency's Clearing Houses Rating Methodology introduced in January 2016.

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13. FAIR VALUE MEASUREMENTS

See Note 15 in DTCC's Audited Consolidated Financial Statements for the years ended December 31, 2016 and 2015, for the Company's valuation basis, including valuation techniques and inputs, as well as the fair value hierarchy used in measuring the Company's financial assets and liabilities that are both accounted for at fair value and at other than fair value.

Financial Assets and Liabilities measured at fair value on a recurring basis. Fair value measurements of those items measured on a recurring basis are summarized below as of March 31, 2017 and December 31, 2016 (in thousands):

	2017			
	Level 1	Level 2	Level 3	Total
Assets - Participants' and Clearing Funds				
Securities on deposit	\$ 9,940,686	\$ 1,663,058	\$ —	\$ 11,603,744
Non-current assets	131,125	38,890	—	170,015
Total	<u>\$ 10,071,811</u>	<u>\$ 1,701,948</u>	<u>\$ —</u>	<u>\$ 11,773,759</u>
Liabilities - Participants' and Clearing Funds				
Securities on deposit	\$ 9,940,686	\$ 1,663,058	\$ —	\$ 11,603,744
Total	<u>\$ 9,940,686</u>	<u>\$ 1,663,058</u>	<u>\$ —</u>	<u>\$ 11,603,744</u>
	2016			
	Level 1	Level 2	Level 3	Total
Assets - Participants' and Clearing Funds				
Securities on deposit	\$ 12,241,168	\$ 1,649,514	\$ —	\$ 13,890,682
Non-current assets	132,471	38,030	—	170,501
Total	<u>\$ 12,373,639</u>	<u>\$ 1,687,544</u>	<u>\$ —</u>	<u>\$ 14,061,183</u>
Liabilities - Participants' and Clearing Funds				
Securities on deposit	\$ 12,241,168	\$ 1,649,514	\$ —	\$ 13,890,682
Total	<u>\$ 12,241,168</u>	<u>\$ 1,649,514</u>	<u>\$ —</u>	<u>\$ 13,890,682</u>

There were no transfers between levels in the fair value hierarchy, nor were any financial assets and liabilities measured at fair value on a recurring basis classified as Level 3 as of March 31, 2017 and December 31, 2016.

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The tables below present the carrying values, fair values and fair value hierarchy levels of certain financial instruments measured at other than fair value on the accompanying Condensed Consolidated Statements of Financial Condition as of March 31, 2017 and December 31, 2016 follow (in thousands):

	2017				
	Carrying Amount	Total Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	\$ 4,152,545	\$ 4,152,545	\$ 4,152,545	\$ —	\$ —
Participants' segregated cash	29,586	29,586	29,586	—	—
Accounts receivable	188,849	188,849	—	188,849	—
Participants' and Clearing Funds:					
Cash deposits	15,385,457	15,385,457	14,410,457	975,000	—
Investments in marketable securities	25,000	24,829	24,829	—	—
Other Participants' assets	665,236	665,236	658,007	7,229	—
Total	\$ 20,446,673	\$ 20,446,502	\$ 19,275,424	\$ 1,171,078	\$ —
Liabilities:					
Commercial paper	\$ 2,542,860	\$ 2,542,860	\$ —	\$ 2,542,860	\$ —
Accounts payable	99,525	99,525	—	99,525	—
Participants' and Clearing Funds:					
Cash deposits	15,410,457	15,410,457	15,410,457	—	—
Payable to Participants	694,822	694,822	694,822	—	—
Long-term debt	62,555	61,191	—	61,191	—
Total	\$ 18,810,219	\$ 18,808,855	\$ 16,105,279	\$ 2,703,576	\$ —

	2016				
	Carrying Amount	Total Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	\$ 4,075,548	\$ 4,075,548	\$ 4,075,548	\$ —	\$ —
Reverse repurchase agreements ⁽¹⁾	100,000	100,000	—	100,000	—
Participants' segregated cash	15,886	15,886	15,886	—	—
Accounts receivable	208,042	208,042	—	208,042	—
Participants' and Clearing Funds:					
Cash deposits	15,570,562	15,570,562	14,770,562	800,000	—
Investments in marketable securities	25,000	24,829	24,829	—	—
Other Participants' assets	960,753	960,753	955,566	5,187	—
Total	\$ 20,955,791	\$ 20,955,620	\$ 19,842,391	\$ 1,113,229	\$ —
Liabilities:					
Commercial paper	\$ 2,554,020	\$ 2,554,020	\$ —	\$ 2,554,020	\$ —
Accounts payable	100,088	100,088	—	100,088	—
Participants' and Clearing Funds:					
Cash deposits	15,595,562	15,595,562	15,595,562	—	—
Payable to Participants	976,639	976,639	976,639	—	—
Long-term debt	64,720	62,381	—	62,381	—
Total	\$ 19,291,029	\$ 19,288,690	\$ 16,572,201	\$ 2,716,489	\$ —

(1) The fair value of securities received as collateral under reverse repurchase agreements was \$102 million as of December 31, 2016.

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14. PENSION AND POSTRETIREMENT BENEFITS

Defined contribution retirement plans. For the three months ended March 31, 2017 and 2016, total expense for the defined contribution retirement plans was \$9,903,000 and \$10,069,000, respectively, which is included in Employee compensation and related benefits in the accompanying Condensed Consolidated Statements of Income.

Defined benefit pension and other postretirement benefit plans. Details of the components of net periodic benefit income and amortization for the Company's pension and postretirement benefit plans follow (in thousands):

	Pension Benefits		Other Benefits	
	2017	2016	2017	2016
Components of net periodic benefit income:				
Service cost	\$ 808	\$ 729	\$ 1,272	\$ 1,543
Interest cost	8,656	8,946	1,388	1,726
Expected return on plan assets	(9,390)	(9,247)	—	(31)
Amortizations:				
Prior service credit (cost)	22	28	(1,380)	(1,358)
Actuarial loss	1,369	1,141	518	312
Settlement loss	—	—	38	—
Net periodic benefit income	<u>\$ 1,465</u>	<u>\$ 1,597</u>	<u>\$ 1,836</u>	<u>\$ 2,192</u>

See Note 16 in DTCC's Audited Consolidated Financial Statements for the years ended December 31, 2016 and 2015 for additional information.

15. INCOME TAXES

The Company's effective tax rate was 21.36% and 34.47% for the three months ended March 31, 2017 and 2016, respectively. The decrease in the effective tax rate was primarily due to a higher proportion of taxable income generated in lower tax jurisdictions and the tax impact of the sale of Avox and Clarient.

The Company is under examination by the Internal Revenue Service and other tax authorities in various states, local jurisdictions and non-U.S. jurisdictions. The tax years currently under examination vary by jurisdiction and include years ranging from 2007 through 2015. The Company regularly assesses the likelihood of additional assessments in each of the taxing jurisdictions in which it files income tax returns. The Company has established uncertain tax benefits that it believes are adequate in relation to the potential for additional assessments. Once established, the Company adjusts uncertain tax benefits only when more information is available or when an event occurs that necessitates a change. At this time, it is not possible to reasonably estimate the expected change to the total amount of uncertain tax benefits and impact on the Company's effective tax rate over the next 12 months.

See Note 17 in DTCC's Audited Consolidated Financial Statements for the years ended December 31, 2016 and 2015 for additional information.

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16. SHAREHOLDERS' EQUITY

DTCC Series A Preferred stock. All 10,000 shares of DTCC Series A Preferred stock are issued and outstanding and held of record by Stock Clearing Corporation, a wholly owned subsidiary of the New York Stock Exchange LLC, the successor-in-interest to the New York Stock Exchange Inc. In the event of DTCC's voluntary or involuntary liquidation, dissolution or winding-up, the holders of Series A Non-Cumulative Perpetual Preferred stock are entitled to a liquidation preference of \$30.00 per share.

DTCC Series B Preferred stock. All 10,000 shares of DTCC Series B Preferred stock are issued and outstanding and held of record by National Clearing Corporation, a wholly owned subsidiary of the Financial Industry Regulatory Authority Inc. ("FINRA"). In the event of DTCC's voluntary or involuntary liquidation, dissolution or winding-up, the holders of Series B Preferred stock are entitled to a liquidation preference of \$30.00 per share.

DTCC Series C Fixed-to-Floating Rate Non-Cumulative Perpetual 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 April 18, 2017, in accordance with the Amended Certificate of Incorporation of DTCC, the Board of Directors approved and declared a dividend in the amount of \$6,093.75 per share on 1,600 shares outstanding of its Series C Preferred Stock. The aggregate dividend of \$9,750,000 will be payable on June 15, 2017, to the holders of the Series C Preferred Stock as of record date May 31, 2017.

DTC Series A Non-Cumulative Perpetual 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. Details for the Preferred stock as of March 31, 2017 follow (in thousands, except dividends paid per share):

	Description	Total shares issued and outstanding	Carrying value	Per annum dividend rate	Dividends paid per share
Series A	Noncumulative Perpetual	1,500	\$ 150,000	\$ 480	\$ 0.32

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. Certain DTCC subsidiaries submit regulatory capital reports to various regulators, including, but not limited to, 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; Australian Securities and Investments Commission (ASIC) in Australia; Ontario Securities Commission (OSC) in Canada; and the Monetary Authority of Singapore (MAS) in Singapore.

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Various DTCC subsidiaries are subject to capital guidelines issued by federal and state banking regulators. As of March 31, 2017, DTCC engaged in banking activities under two subsidiaries: DTC and WTC. Capital ratios for these subsidiaries as of March 31, 2017 follow:

	DTC	WTC ⁽¹⁾	Minimum Capital Ratio ⁽²⁾	Well Capitalized Ratio ⁽²⁾
Tier 1 capital ratio	79.81%	193.86%	6.00%	8.00%
Total capital ratio	79.81%	193.86%	8.00%	10.00%

- (1) On January 6, 2017, WTC sent notifications to the FED and the New York State Department of Financial Services of its plan to withdraw from the Federal Reserve System and dissolve WTC as a regulated New York State banking entity. On February 16, 2017, WTC filed a petition for closing order with the New York State Supreme Court. On February 21, 2017, the 1,800 shares of Federal Reserve Bank Stock held by WTC were canceled and WTC withdrew from the Federal Reserve System.
- (2) As defined by the regulations issued by the Federal Reserve, Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation.

17. COMMITMENTS AND CONTINGENCIES

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 accompanying Condensed Consolidated Statements of Financial Condition, Income or Cash Flows.

Lease commitments. The Company leases office space, data processing and other equipment. Rent expense under these leases for office space was \$6,514,000 and \$7,348,000 for the three months ended March 31, 2017 and 2016, respectively. These amounts are included in Occupancy in the accompanying Condensed Consolidated Statements of Income.

Details for estimated future minimum rental payments under all noncancelable leases follow (in thousands):

2017	\$ 33,897
2018	34,312
2019	28,792
2020	28,769
2021	29,168
Thereafter	289,797
Total minimum rental payments ⁽¹⁾	<u>\$ 444,735</u>

- (1) Future minimum rental payments were not reduced by minimum sublease rentals of \$50,031,000 due in the future under noncancelable subleases.

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18. GUARANTEES

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

Details for open CCP positions for which a trade guarantee applies as of March 31, 2017 and December 31, 2016 follow (in billions):

	<u>2017</u>	<u>2016</u>
NSCC	\$ 217	\$ 168
FICC		
GSD	881	890
MBSD	328	304

There were no defaults by Participants to these obligations.

See Note 21 in DTCC's Audited Consolidated Financial Statements for the years ended December 31, 2016 and 2015 for additional information.

19. SUBSEQUENT EVENTS

The Company evaluated events and transactions occurring after March 31, 2017 through May 3, 2017, for potential recognition or disclosure in these accompanying Condensed Consolidated Financial Statements. Other than previously disclosed in Notes 8 and 16, no other events or transactions occurred during such period that would require recognition or disclosure in these accompanying Condensed Consolidated Financial Statements.