The Depository Trust & Clearing Corporation

Condensed Consolidated Financial Statements
as of March 31, 2018 and December 31, 2017 and for the
three months ended March 31, 2018 and 2017

THE DEPOSITORY TRUST & CLEARING CORPORATION

TABLE OF CONTENTS

	Page
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2018 AND DECEMBER 31, 2017 AND FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017:	
Statements of Financial Condition	1
Statements of Income	2
Statements of Comprehensive Income	3
Statements of Changes in Shareholders' Equity	4
Statements of Cash Flows	5
Notes to Condensed Consolidated Financial Statements	6 - 25

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

(In thousands, except share data)	As of March 31, 2018	As of December 31, 2017
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	$ 5,076,638	$ 5,075,318
Participants' segregated cash	32,267	20,120
Accounts receivable - net of allowance for doubtful accounts of $205 and $205 as of March 31, 2018 and December 31, 2017, respectively	175,963	174,456
Participants' and Clearing Funds	32,122,618	27,015,465
Other Participants' assets	898,437	868,036
Other current assets	89,127	101,654
Total current assets	38,395,050	33,255,049
NON-CURRENT ASSETS:		
Premises and equipment - net of accumulated depreciation of $388,200 and $394,039 as of March 31, 2018 and December 31, 2017, respectively	228,868	233,835
Goodwill	57,699	57,699
Intangible assets - net of accumulated amortization of $767,712 and $740,942 as of March 31, 2018 and December 31, 2017, respectively	332,725	338,359
Equity method investments	10,781	10,394
Other non-current assets	366,566	353,836
Total non-current assets	996,639	994,123
TOTAL ASSETS	$ 39,391,689	$ 34,249,172
LIABILITIES AND SHAREHOLDERS' EQUITY:		
CURRENT LIABILITIES:		
Commercial paper - net of unamortized discount of $5,644 and $3,371 as of March 31, 2018 and December 31, 2017, respectively	$ 3,242,850	$ 3,222,571
Current portion of long-term debt	2,650	7,877
Current portion of pension and postretirement benefits	21,337	21,337
Accounts payable and accrued expenses	122,512	118,345
Participants' and Clearing Funds	32,122,618	27,015,465
Payable to Participants	930,704	888,156
Other current liabilities	149,980	249,929
Total current liabilities	36,592,651	31,523,680
NON-CURRENT LIABILITIES:		
Non-current portion of long-term debt	35,775	36,375
Non-current portion of pension and postretirement benefits	292,637	291,208
Other non-current liabilities	371,400	370,242
Total non-current liabilities	699,812	697,825
Total liabilities	37,292,463	32,221,505
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	1,331,962	1,261,309
Accumulated other comprehensive loss, net of tax	(188,448)	(189,354)
Non-controlling interests	148,440	148,440
Total shareholders' equity	2,099,226	2,027,667
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 39,391,689	$ 34,249,172

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

THE DEPOSITORY TRUST & CLEARING CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNADITED)

(In thousands)	For the three months ended March 31, 2018	2017
REVENUES:		
Settlement and asset services	$ 113,870	$ 108,272
Clearing services	155,457	130,988
Matching and data services	70,691	68,246
Repository services	71,794	68,175
Wealth management services	28,512	27,297
Other services	11,118	15,017
Investment (loss) income	(9)	4,381
Total revenues	451,433	422,376
EXPENSES:		
Employee compensation and related benefits	165,959	166,911
Information technology	39,997	40,443
Professional and other services	89,431	79,227
Occupancy	12,181	11,245
Depreciation and amortization	41,952	47,083
General and administrative	11,529	8,902
Total expenses	361,049	353,811
Total operating income	90,384	68,565
NON-OPERATING INCOME (EXPENSE):		
Interest income	86,048	37,638
Refunds to Participants	(65,345)	(29,546)
Interest expense	(23,384)	(16,775)
Net income (loss) from Equity method investments	104	(140)
Other non-operating income	8,516	54,851
Total non-operating income	5,939	46,028
Income before taxes	96,323	114,593
Provision for income taxes	25,670	24,478
Net income	70,653	90,115
Net income attributable to non-controlling interests	—	13,342
Net income attributable to DTCC	$ 70,653	$ 76,773

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, 2018	2017
Net income	$ 70,653	$ 90,115
OTHER COMPREHENSIVE INCOME - Net of tax:		
Foreign currency translation	906	1,082
Other comprehensive income	906	1,082
Comprehensive income	71,559	91,197
Comprehensive income attributable to non-controlling interests	—	13,342
Comprehensive income attributable to DTCC	$ 71,559	$ 77,855

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)

	Preferred Stock						Accumulated Other Comprehensive Income (Loss), Net of Tax			
(In thousands)	**Series A**	**Series B**	**Series C**	**Common Stock**	**Paid-In Capital**	**Retained Earnings**	**Defined Benefit Pension and Other Plans**	**Foreign Currency Translation**	**Non-controlling Interests**	**Total Shareholders' Equity**
BALANCE - January 1, 2017	$ 300	$ 300	$ 390,516	$ 5,091	$ 411,065	$ 1,115,917	$ (159,646)	$ (1,683)	$ 144,748	$ 1,906,608
Net income	—	—	—	—	—	164,892	—	—	13,342	178,234
Other comprehensive (loss) income	—	—	—	—	—	—	(29,279)	1,254	—	(28,025)
Business disposition	—	—	—	—	—	—	—	—	(8,570)	(8,570)
Dividend to non-controlling interest	—	—	—	—	—	—	—	—	(1,080)	(1,080)
Dividends on preferred stock	—	—	—	—	—	(19,500)	—	—	—	(19,500)
BALANCE - December 31, 2017	300	300	390,516	5,091	411,065	1,261,309	(188,925)	(429)	148,440	2,027,667
Net income	—	—	—	—	—	70,653	—	—	—	70,653
Other comprehensive income	—	—	—	—	—	—		906	—	906
BALANCE - March 31, 2018	$ 300	$ 300	$ 390,516	$ 5,091	$ 411,065	$ 1,331,962	$ (188,925)	$ 477	$ 148,440	$ 2,099,226

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, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 70,653	$ 90,115
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Discount on investments in marketable securities	(13)	(42)
Depreciation and amortization	41,952	47,083
Loss on disposal of Premises and equipment and Intangible assets	1,591	—
Allowance for doubtful accounts	75	60
Net (gain)/loss from Equity method investments	(104)	140
Deferred income taxes	1,242	(9,017)
Gain on business dispositions	—	(47,058)
Net change (excluding the effects of business dispositions) in:		
Accounts receivable	(1,844)	14,968
Other Participants' assets	(30,401)	295,517
Other assets	(1,547)	(6,343)
Accounts payable and accrued expenses	4,124	(230)
Payable to Participants	42,548	(281,817)
Pension and postretirement benefits	1,429	2,595
Other liabilities	(98,937)	(90,990)
Net cash provided by/(used in) operating activities	30,768	14,981
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale/(Purchase) of securities under Reverse repurchase agreements	—	100,000
Change in Participants' segregated cash	(12,147)	(13,700)
Maturities of Investments in marketable securities	25,000	—
Purchases of Investments in marketable securities	(25,000)	—
Purchases of Premises and equipment	(14,929)	(15,337)
Purchases of Intangible assets	(21,653)	(20,332)
Proceeds from disposition of businesses, net of Cash and cash equivalents sold	—	22,877
Net cash provided by/(used in) investing activities	(48,729)	73,508
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in Commercial paper, net	20,279	(11,160)
Repayments on long-term debt and other borrowings	(2,187)	(2,165)
Net cash provided by/(used in) financing activities	18,092	(13,325)
Effect of foreign exchange rate changes on Cash and cash equivalents	1,189	1,833
Net increase/(decrease) in Cash and cash equivalents	1,320	76,997
Cash and cash equivalents - Beginning of period	5,075,318	4,075,548
Cash and cash equivalents - End of period	$ 5,076,638	$ 4,152,545
SUPPLEMENTAL DISCLOSURES:		
Cash interest paid	$ 12,413	$ 6,239
Cash income taxes paid - net of refunds	$ 9,673	$ 6,026
Non-cash financing activity - capital lease obligation	$ 3,640	$ —

The Notes to Condensed Consolidated Financial Statements are an integral part of these 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, but not limited to, The Depository Trust Company (DTC), National Securities Clearing Corporation (NSCC), Fixed Income Clearing Corporation (FICC), DTCC ITP LLC (ITP), 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 organized as a business corporation under New York law, and is a clearing agency registered with the SEC. NSCC provides clearing, settlement, risk management, and central counterparty (CCP) services to its members for broker-to broker trades involving equities, corporate and municipal debt, exchange-traded funds, and unit investment trusts.

FICC is a clearing agency registered with the SEC that provides CCP services to members that participate in the U.S. government and mortgage-backed securities markets, consisting principally of automated real-time trade comparison, netting, clearance, 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).

DTC, NSCC and FICC are designated as Systemically Important Financial Market Utilities (SIFMUs) by the U.S. Financial Stability Oversight Council pursuant to Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, which subjects the Company to the SEC's standards for covered clearing agencies.

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

DTCC ITP LLC, formerly known as Omgeo LLC, 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 repository system supports a multitude of data submissions, including real-time price reporting, transaction details, confirmation records and valuation data.

Solutions provides information-based and business processing solutions to financial intermediaries globally.

GMEI utility is DTCC's Legal Entity Identifier (LEI) solution offered in collaboration with Society for Worldwide Interbank Financial Telecommunication (SWIFT) and a consortium of 14 global financial services organizations, led by the Global Financial Markets Association (GFMA), to meet the requirements across all asset classes. GMEI is designed to create and apply a single, universal standard identifier to any organization or firm involved in a financial transaction globally.

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. These accompanying 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, 2017 and 2016, which are located on the Company's website at *http://www.dtcc.com/legal/financial-statements*. See Note 2 in DTCC's Audited Consolidated Financial Statements for the years ended December 31, 2017 and 2016, for additional information on the Company's Summary of Significant Accounting Policies.

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 and its wholly-owned subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation.

The Company reclassified prior period amounts related to Refunds to Participants and certain components of net periodic benefit expense (income) to conform to the current year presentation. See below Revenue recognition and 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, impairment of intangible assets, fair value measurements and other matters that affect the reported amounts. Estimates are based on judgment and available information; therefore, actual results could differ materially from those estimates.

Revenue recognition. The core principle of the new revenue recognition standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that principle, the entity applies the following steps: identify the contract(s) with the customer, identify the performance obligations in the contract(s), determine the transaction price, allocate the transaction price to the performance obligations in the contract and recognize revenue when (or as) the entity satisfies a performance obligation. See Note 3 for additional information.

The Company enters into contracts that can include various services, in which each service, an explicit promise, is generally distinct and accounted for as separate performance obligations. Certain promised services are substantially the same and have the same pattern of transfer to the customer and therefore are considered as a series of services.

In accordance with the new revenue recognition standard, the Company recognizes revenue from contracts with customers as performance obligations are satisfied when promised services are transferred to the customer. The majority of the promised services and related performance obligations are recognized at the point in time when the control of the promised service is transferred to the customer. The amount of revenue recognized reflects the consideration the Company expects to be entitled to for transferring the promised services to the customer. For certain contracts with customers, the consideration in which the Company expects to be entitled to in exchange for transferring promised service to a customer consists of variable consideration. The variable consideration primarily relates to volume based discounts or rebates for certain services however, the volume targets or thresholds typically reset on a monthly basis therefore, the variable consideration does not have an impact on the Company's Condensed Consolidated Financial Statements.

The Company derives its revenue from transaction fees, subscription and support services, professional services, and other services. Revenue from transaction fees is recognized at a point in time on the transaction date, as the customer obtains the control and benefit of the service at that point. Subscription and support revenues are recognized ratably over the performance period of the relevant contract using a time elapsed measure of progress as the customer receives the benefits of the services throughout the term of the contract. 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 and are recognized as the performance obligation is satisfied and control of the service is transferred to the customer, otherwise they are recognized ratably over the contract term. 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. The Company typically bills its customers 30 days in arrears.

Revenue streams

Details for each revenue stream presented in the Company's Condensed Consolidated Statements of Income follow:

S*ettlement and asset services.* DTC provides settlement services for equity, corporate and municipal debt trades and Money Market Instruments in the U.S. The payment and transfer of securities ownership occurs at DTC, which provides custody and asset servicing for securities. Asset services include underwriting, corporate actions processing, securities processing, global tax services and issuer services.

Clearing services. The Company's subsidiaries, NSCC and FICC, deliver clearing services across the U.S. equities and fixed income markets. Clearing services include continuous net settlement, mortgage backed securities clearing, and government securities clearing.

Matching and data services. DTCC's Institutional Trade Processing (ITP) service provides trade processing solutions combined with DTCC's global solution for LEIs and its settlement capabilities with pre-trade and matching services. ITP offers buy-side, sell-side, and custodian firms an end-to-end straight-through-processing solution for their trading activity. Matching and data services include trade enrichment, trade agreement, and data analytics.

Repository services. The Global Trade Repository service supports data submissions including real-time price reporting, transaction details, confirmation records and valuation data. The Trade Information Warehouse's Trade Reporting Repository enables regulators and market participants to view the market's overall risk exposure to over-the-counter (OTC) credit derivatives instruments by operating and maintaining the centralized, electronic database for credit default swap contracts outstanding in the global marketplace. Repository services include OTC derivatives reporting and trade reporting.

Wealth management services. Drives centralized, automated processing and information services. Provides seamless, end-to-end communications with broker/dealers and other distribution partners are enabled for funds, asset managers and insurance companies and their service providers. Wealth management services include mutual fund, alternative investment, and insurance and retirement services.

Other services. DTCC DataPro^{TM} offers referential and activity-based data, delivered in fixed or configurable formats, sourced from DTCC's transaction, reference, position and asset servicing data covering major asset classes. Other services include data on market and benchmark analytics, announcement, liquidity, and security reference.

Accounts receivable and contract balances

The period in which the Company recognizes revenue may differ from the timing of payments received from customers. The Company records a receivable when revenue is recognized prior to payment and there is an unconditional right to payment. See Note 6, Due from Participants and customers for services, net, for the Company's receivables related to revenues from contracts with customers. Alternatively, when payment precedes the provision of the related services, the Company records deferred revenue until the performance obligations are satisfied. Deferred revenue represents the Company's contract liabilities related to billings or payments received in advance for subscription and support services, as well as professional service fees, where the performance obligation has not yet been satisfied. Deferred revenue was \$19,576,000 and \$16,612,000 at March 31, 2018 and December 31, 2017, respectively, and is included in Other current liabilities on the accompanying Condensed Consolidated Statements of Financial Condition.

Impacts to previously reported results

On January 1, 2018, the Company adopted the new revenue recognition standard under the full retrospective method of adoption. See Note 3 for additional information.

Details of the revenue recognition impact to the Company's previously reported results for the three months ended March 31, 2017 follow (in thousands):

	As Previously Reported	New Revenue Standard Adjustment	As Restated
Interest income	$ 24,043	$ 13,595	$ 37,638
Refunds to Participants	(15,951)	(13,595)	(29,546)

3. ACCOUNTING AND REPORTING DEVELOPMENTS

See Note 3 in DTCC's Audited Consolidated Financial Statements for the years ended December 31, 2017 and 2016, for additional information on the Company's Accounting and Reporting Developments.

Standard	Description	Impact on the financial statements or other significant matters
Recently Adopted Accounting Standards		
Revenue Recognition - Revenue from Contracts with Customers *Issued May 2014*	• Requires revenue from contracts with customers to be recognized upon transfer of control of a good or service in the amount of consideration expected to be received. • Changes the accounting for certain contract costs, including whether they may be offset against revenue in the accompanying Condensed Consolidated Statements of Income, and requires additional disclosures about revenue and contract costs. • May be adopted using a full retrospective approach or a modified, cumulative effect approach wherein the guidance is applied only to existing contracts as of the day of initial application, and to new contracts transacted after that date.	• Adopted January 1, 2018. • The Company adopted the revenue recognition standard under the full retrospective transition method of adoption. • The Company's implementation efforts included the identification of revenue within the scope of the standard and the evaluation of revenue contracts using the practical expedient portfolio approach. • The adoption of the standard did not have a material impact to the recognition and timing of its revenues, but required the Company to change the presentation of Interest Income and Refunds to Participants from a net basis to a gross basis in the accompanying Condensed Consolidated Statements of Income.

Standard	Description	Impact on the financial statements or other significant matters
Recently Adopted Accounting Standards (continued)		
Recognition and Measurement of Financial Assets and Financial Liabilities *Issued January 2016*	• Requires the fair value measurement of unconsolidated equity investments, except those accounted for under the equity method. • Requires measurement of these investments at the end of each reporting period and recognition of the changes in fair value in net income. • Will no longer be able to recognize unrealized gains and losses on equity securities classified as available-for-sale in other comprehensive income. • Requires a modified retrospective approach but specifies prospective transition for equity investments without a readily determinable fair value.	• Adopted January 1, 2018. • The adoption of the standard did not have a material impact on the accompanying Condensed Consolidated Financial Statements.
Compensation - Retirement Benefits *Issued March 2017*	• Requires the service cost component of net periodic pension and postretirement benefit cost to be reported separately in the Company's Condensed Consolidated Statements of Income • Requires retrospective application and presentation in the Condensed Consolidated Statements of Income. • Requires the service cost component in the same line item as other employee compensation costs and presentation of the other components in a different line item from the service cost component.	• Adopted January 1, 2018. • The adoption of the standard did not have a change to the Company's Condensed Consolidated Net Income, but required the Company to reclassify other components of net periodic pension cost from Total operating income to Total non-operating income (expense). The service cost component is presented in Employee compensation and related benefits, the interest cost component is presented in Interest expense, and all other components of net periodic pension cost are presented in Other non-operating income (expense) in the accompanying Condensed Consolidated Statements of Income. • The adoption resulted in non-compensation related net periodic pension cost of $10 million in Interest expense and $8 million in Other non-operating income for the three months ended March 31, 2018. Interest cost of $10 million and other components of net periodic pension cost of $9 million in aggregate were reclassified from Employee compensation and related benefits to Interest expense and Other non-operating income, respectively, for the three months ended March 31, 2017.

Standard	Description	Impact on the financial statements or other significant matters
Financial Accounting Standards Board Standard Issued, but not yet Adopted		
Statement of Cash Flows: Restricted Cash *Issued November 2016*	• Requires inclusion of restricted cash in the cash and cash equivalents balances in the Condensed Consolidated Statements of Cash Flows. • Requires additional disclosures to supplement the Condensed Consolidated Statements of Cash Flows. • Requires retrospective application to all periods presented.	• Effective January 1, 2019. • The adoption of the standard will result in the reclassification of restricted cash to Cash, cash equivalents, and restricted cash on the Condensed Consolidated Statements of Cash Flows, resulting in Participants' segregated cash no longer being reflected in investing activities.

4. BUSINESS DISPOSITIONS

On February 6, 2017, the Company, along with Clarient Global LLC’s (Clarient) minority interest owners, signed a definitive agreement to sell their interests in Clarient 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 of Clarient and Avox, effective March 14, 2017. The Company’s gain on the sales, net of the gain attributable to non-controlling interests related to Clarient, totaled $31,136,000 and was included in Other non-operating income in the Company’s accompanying Consolidated Statements of Income. The agreements are subject to indemnity clauses for which there is an indemnification escrow that will be released in September 2018, if no adjustments are required.

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

	Clarient	Avox	Total
Gain on sale included in Other non-operating income	$ 39,082	$ 7,919	$ 47,001
Less: Gain on sale attributable to non-controlling interest	(15,865)	—	(15,865)
Net gain on business dispositions	$ 23,217	$ 7,919	$ 31,136

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

	Clarient	Avox	Total
Consolidated assets:			
Cash and cash equivalents	$ 708	$ 3,122	$ 3,830
Accounts receivable - net	531	3,488	4,019
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	$ 9,495	$ 18,386	$ 27,881
Consolidated liabilities:			
Accounts payable	$ 257	$ 252	$ 509
Other current liabilities	28,239	6,043	34,282
Total liabilities	$ 28,496	$ 6,295	$ 34,791

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, 2018 and December 31, 2017 follow (in thousands):

	2018	2017
Assets:		
Participants' segregated cash	$ 32,267	$ 20,120
Other Participants' assets	898,437	868,036
Total	$ 930,704	$ 888,156
Liabilities:		
Payable to Participants	$ 930,704	$ 888,156

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.

Payable to Participants included $293,000 and $435,000 of cash collateral received from Participants, representing 130% of short positions as of March 31, 2018 and December 31, 2017, respectively. Unclaimed balances are remitted to the appropriate authority when required, pursuant to abandoned property laws.

6. ACCOUNTS RECEIVABLE

Details for Accounts receivable as of March 31, 2018 and December 31, 2017 follow (in thousands):

	2018	2017
Due from Participants and customers for services	$ 164,839	$ 161,935
Allowance for doubtful accounts	(205)	(205)
Due from Participants and customers for services, net	164,634	161,730
Other receivables	11,329	12,726
Total	$ 175,963	$ 174,456

Total write-offs in the allowance for doubtful accounts were $75,000 and $180,000 for the three months ended March 31, 2018 and 2017, 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, 2018 and December 31, 2017 follow (in thousands):

	2018			
	DTC	**NSCC**	**FICC**	**Total**
Required deposits	$ 1,132,000	$ 8,119,996	$ 14,886,107	$ 24,138,103
Excess deposits	615,832	595,959	6,772,724	7,984,515
Total	$ 1,747,832	$ 8,715,955	$ 21,658,831	$ 32,122,618

	2017			
	DTC	**NSCC**	**FICC**	**Total**
Required deposits	$ 1,150,000	$ 3,360,160	$ 14,970,573	$ 19,480,733
Excess deposits	621,078	631,610	6,282,044	7,534,732
Total	$ 1,771,078	$ 3,991,770	$ 21,252,617	$ 27,015,465

Cash deposits, Investments in marketable securities and Securities on deposit. Details for 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, 2018 and December 31, 2017 follow (in thousands):

	2018			
	DTC	**NSCC**	**FICC**	**Total**
Cash deposits	$ 1,747,832	$ 8,321,580	$ 10,653,279	$ 20,722,691
Investments in marketable securities	—	—	25,000	25,000
Securities on deposit - at fair value	—	394,375	10,980,552	11,374,927
Total	$ 1,747,832	$ 8,715,955	$ 21,658,831	$ 32,122,618

	2017			
	DTC	**NSCC**	**FICC**	**Total**
Cash deposits	$ 1,771,078	$ 3,725,574	$ 8,815,868	$ 14,312,520
Investments in marketable securities	—	—	25,000	25,000
Securities on deposit - at fair value	—	266,196	12,411,749	12,677,945
Total	$ 1,771,078	$ 3,991,770	$ 21,252,617	$ 27,015,465

Details for the Participants' and Clearing Funds Cash deposits and Investments in marketable securities as of March 31, 2018 and December 31, 2017 follow (in thousands):

	2018			
	DTC	**NSCC**	**FICC**	**Total**
Bank deposits	$ 1,747,832	$ 6,745,580	$ 8,166,279	$ 16,659,691
Money market fund investments	—	1,341,000	1,777,000	3,118,000
Reverse repurchase agreements	—	235,000	710,000	945,000
U.S. Treasury bills	—	—	25,000	25,000
Total	$ 1,747,832	$ 8,321,580	$ 10,678,279	$ 20,747,691

	2017			
	DTC	**NSCC**	**FICC**	**Total**
Bank deposits	$ 1,771,078	$ 2,820,574	$ 6,116,868	$ 10,708,520
Money market fund investments	—	595,000	2,139,000	2,734,000
Reverse repurchase agreements	—	310,000	560,000	870,000
U.S. Treasury bills	—	—	25,000	25,000
Total	$ 1,771,078	$ 3,725,574	$ 8,840,868	$ 14,337,520

Refunds to Participants. Refunds to Participants by the clearing agencies totaled $65,345,000 and $29,546,000 for the three months ended March 31, 2018 and 2017, respectively. These amounts refunded are included in Refunds to Participants in the accompanying Condensed Consolidated Statements of Income. See Revenue recognition section of Note 2, and Note 3 for additional information.

8. EQUITY METHOD INVESTMENTS

Details for DTCC's Equity method investments as of March 31, 2018 and December 31, 2017 follow (in thousands, except ownership percentage):

	2018	**2017**
European Central Counterparty N.V.		
Percentage ownership	20%	20%
Carrying value	$ 10,781	$ 10,394
DTCC-Euroclear GlobalCollateral, LTD		
Percentage ownership	50%	50%
Carrying value	$ —	$ —

European Central Counterparty N.V. (ECCP N.V.), a joint venture with ABN AMRO Clearing Investments B.V., NASDAQ AB, BATS Trading Limited and Euronext N.V., 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 (DEGCL), 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 and November 10, 2017, the Company contributed $10,000,000 and $5,000,000 to DEGCL, respectively. The Company maintained the same ownership percentage as the joint venture partner, Euroclear plc, who also contributed a total of $15,000,000.

Based on the delayed revenue generation and losses sustained by DEGCL services, a triggering event resulted during 2017 that required DTCC to assess its investment in DEGCL for other-than-temporary impairment. DTCC utilized a discounted cash flow methodology based on the forecasted cash flows for DEGCL to determine fair value for both its investment and internally developed software related to DEGCL. DTCC applied a discount rate of 25%, which reflected the weighted average cost of capital adjusted for the risks inherent in the future cash flows. As a result, DTCC determined the fair value of its investment in DEGCL was less than its carrying value and concluded that this loss was other-than temporary. DTCC recognized an impairment charge of $9,881,000, which is included in Impairment of Equity method investments in DTCC's Audited Consolidated Statements of Income for the years ended December 31, 2017 and 2016. DTCC continues to maintain its relationship with the DEGCL joint venture.

9. OTHER ASSETS

Details for Other assets as of March 31, 2018 and December 31, 2017 follow (in thousands):

	2018	2017
Prepaids	$ 65,829	$ 63,203
Prepaid taxes	10,016	22,130
Other current assets	13,282	16,321
Total current assets	89,127	101,654
Long-term incentive plan assets	166,297	171,995
Deferred tax assets, net	85,000	86,242
Cash surrender value on insurance policies	60,163	59,618
Prepaids	43,069	24,036
Other non-current assets	12,037	11,945
Total non-current assets	366,566	353,836
Total	$ 455,693	$ 455,490

See Note 12 in DTCC's Audited Consolidated Financial Statements for the years ended December 31, 2017 and 2016, for additional information.

10. OTHER LIABILITIES

Details for Other liabilities as of March 31, 2018 and December 31, 2017 follow (in thousands):

	2018	2017
Compensation payable	$ 34,392	$ 137,446
Long-term incentive plan liabilities	47,876	44,072
Deferred rent	5,704	5,053
Other current liabilities	62,008	63,358
Total current liabilities	149,980	249,929
Long-term incentive plan liabilities	225,143	224,791
Unrecognized tax benefits [(1)]	83,934	81,601
Deferred rent	35,641	36,117
Other payables	26,682	27,733
Total non-current liabilities	371,400	370,242
Total	$ 521,380	$ 620,171

(1) See Note 15 for additional information.

See Note 13 in DTCC's Audited Consolidated Financial Statements for the years ended December 31, 2017 and 2016, for additional information.

11. COMMERCIAL PAPER

Details for Commercial paper as of March 31, 2018 and December 31, 2017 follow (in thousands):

	2018	2017
Commercial paper - net of unamortized discount of $5,644 and $3,371 as of March 31, 2018 and December 31, 2017, respectively	$ 3,242,850	$ 3,222,571
Weighted-average interest rate	1.88%	1.43%

Interest expense on Commercial paper included in the accompanying Condensed Consolidated Statements of Income was $12,483,000 and $5,486,000 for the three months ended March 31, 2018 and 2017, respectively.

Details for the cash flows associated with the issuance and maturities of Commercial paper for the three months ended March 31, 2018 and 2017 follow (in thousands):

	2018	2017
Maturities less than 90 days:		
Proceeds from/(Repayments of) Commercial paper less than 90 days, net	$ (71,034)	$ 68,999
Maturities greater than 90 days:		
Proceeds from Commercial paper	551,005	574,246
Repayments of Commercial paper	(459,692)	(654,405)
Proceeds from/(Repayments of) Commercial paper greater than 90 days, net	91,313	(80,159)
Change in Commercial paper, net	$ 20,279	$ (11,160)

12. LONG-TERM DEBT

Details for Long-term debt as of March 31, 2018 and December 31, 2017 follow (in thousands):

	2018	2017
Notes payable	$ 38,425	$ 39,025
Capital lease obligations	—	5,227
Total long-term debt	38,425	44,252
Less: Current portion of long-term debt	(2,650)	(7,877)
Non-current portion of long-term debt	$ 35,775	$ 36,375

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

	Notes Payable
2018	$ 2,050
2019	2,650
2020	2,650
2021	2,650
2022	2,650
Thereafter	25,775
Total	$ 38,425

Notes payable. Details for notes payable as of March 31, 2018 and December 31, 2017 follow (in thousands):

			Outstanding Balance	
Issue Date	Maturity	Rate	2018	2017
April 26, 2012	April 26, 2032	3.83%	$ 21,025	$ 21,025
September 28, 2012	September 28, 2032	3.93%	17,400	18,000
Total			$ 38,425	$ 39,025

The weighted-average interest rate was 3.88% as of March 31, 2018 and December 31, 2017, respectively. Total Interest expense on notes payable included in the accompanying Condensed Consolidated Statements of Income was $378,000 and $472,000 for the three months ended March 31, 2018 and 2017, 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. During the first quarter of 2018, the Company extinguished its remaining capital lease obligations.

The weighted-average interest rate was 0.00% and 1.80% as of March 31, 2018 and December 31, 2017, respectively. Total Interest expense on capital lease obligations included in the accompanying Condensed Consolidated Statements of Income was $68,000 and $88,000 for the three months ended March 31, 2018 and 2017, respectively.

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, 2018 and December 31, 2017 follow:

	2018	2017
DTCC		
Committed Amount	$500 million	$500 million
Denomination	USD	USD
No. of Participants/Lenders	10/10	10/10
DTC		
Committed Amount	$1.9 billion	$1.9 billion
Denomination	USD	USD
No. of Participants/Lenders	32/41	32/41
Uncommitted Amount	C$150 million (1)	C$150 million (1)
Denomination	CAD	CAD
No. of Participants/Lenders	1/1	1/1
NSCC		
Committed Amount	$12.2 billion	$12.2 billion
Denomination	USD	USD
No. of Participants/Lenders	32/41	32/41

(1) Used to support Canadian settlement.

Details for debt covenants related to the notes payable and lines of credit as of March 31, 2018 and December 31, 2017 follow:

	2018	2017
Notes Payable		
DTCC		
Minimum Net Worth	$400 million	$400 million
Maximum Priority Debt	20% of Net Worth	20% of Net Worth
Lines of Credit		
DTCC		
Minimum Net Worth	$1.1 billion	$1.1 billion
Maximum Priority Debt	$200 million	$200 million
DTC		
Minimum Net Worth	$150 million	$150 million
Minimum Participants' Fund deposits	$750 million	$750 million
NSCC		
Minimum Net Worth	$125 million	$125 million
Minimum Clearing Fund deposits	$1 billion	$1 billion

As of March 31, 2018 and December 31, 2017, 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, 2018 follow:

	Moody's (1)			S&P		
	Long-term	**Short-term**	**Outlook**	**Long-term**	**Short-term**	**Outlook**
DTCC	Aa3	N/A	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.

13. FAIR VALUE MEASUREMENTS

See Note 16 in DTCC's Audited Consolidated Financial Statements for the years ended December 31, 2017 and 2016, 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, 2018 and December 31, 2017 (in thousands):

	2018			
	Level 1	Level 2	Level 3	Total
Assets - Participants' and Clearing Funds				
Securities on deposit	$ 9,798,545	$ 1,576,382	$ —	$ 11,374,927
Non-current assets	131,841	34,456	—	166,297
Total	$ 9,930,386	$ —	$ —	$ 11,541,224
Liabilities - Participants' and Clearing Funds				
Securities on deposit	$ 9,798,545	$ 1,576,382	$ —	$ 11,374,927
Total	$ 9,798,545	$ 1,576,382	$ —	$ 11,374,927

	2017			
	Level 1	Level 2	Level 3	Total
Assets - Participants' and Clearing Funds				
Securities on deposit	$ 10,900,451	$ 1,777,494	$ —	$ 12,677,945
Non-current assets	135,087	36,908	—	171,995
Total	$ 11,035,538	$ 1,814,402	$ —	$ 12,849,940
Liabilities - Participants' and Clearing Funds				
Securities on deposit	$ 10,900,451	$ 1,777,494	$ —	$ 12,677,945
Total	$ 10,900,451	$ 1,777,494	$ —	$ 12,677,945

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, 2018 and December 31, 2017.

Financial Assets and Liabilities measured at other than fair value. The carrying values, fair values and fair value hierarchy levels of all financial instruments measured at other than fair value on the accompanying Condensed Consolidated Statements of Financial Condition as of March 31, 2018 and December 31, 2017 follow (in thousands):

	2018				
	Carrying Amount	Total Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	$ 5,076,638	$ 5,076,638	$ 5,076,638	$ —	$ —
Participants' segregated cash	32,267	32,267	32,267	—	—
Accounts receivable	175,963	175,963	—	175,963	—
Participants' and Clearing Funds:					
Cash deposits	20,722,691	20,722,691	19,777,691	945,000	—
Investments in marketable securities	25,000	24,898	24,898	—	—
Other Participants' assets	898,437	898,437	894,378	4,059	—
Total	$ 26,930,996	$ 26,930,894	$ 25,805,872	$ 1,125,022	$ —
Liabilities:					
Commercial paper	$ 3,242,850	$ 3,242,850	$ —	$ 3,242,850	$ —
Accounts payable and accrued expenses	122,512	122,512	—	122,512	—
Participants' and Clearing Funds:					
Cash deposits	20,747,691	20,747,691	20,747,691	—	—
Payable to Participants	930,704	930,704	930,704	—	—
Long-term debt	38,425	38,646	—	38,646	—
Total	$ 25,082,182	$ 25,082,403	$ 21,678,395	$ 3,404,008	$ —

	2017				
	Carrying Amount	Total Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	$ 5,075,318	$ 5,075,318	$ 5,075,318	$ —	$ —
Participants' segregated cash	20,120	20,120	20,120	—	—
Accounts receivable	174,456	174,456	—	174,456	—
Participants' and Clearing Funds:					
Cash deposits	14,312,520	14,312,520	13,442,520	870,000	—
Investments in marketable securities	25,000	24,920	24,920	—	—
Other Participants' assets	868,036	868,036	862,802	5,234	—
Total	$ 20,475,450	$ 20,475,370	$ 19,425,680	$ 1,049,690	$ —
Liabilities:					
Commercial paper	$ 3,222,571	$ 3,222,571	$ —	$ 3,222,571	$ —
Accounts payable and accrued expenses	118,345	118,345	—	118,345	—
Participants' and Clearing Funds:					
Cash deposits	14,337,520	14,337,520	14,337,520	—	—
Payable to Participants	888,156	888,156	888,156	—	—
Long-term debt	44,252	45,822	—	45,822	—
Total	$ 18,610,844	$ 18,612,414	$ 15,225,676	$ 3,386,738	$ —

14. PENSION AND POSTRETIREMENT BENEFITS

Defined contribution retirement plans. Total expense for the defined contribution retirement plans included in Employee compensation and related benefits in the accompanying Condensed Consolidated Statements of Income was $9,769,000 and $9,903,000 for the three months ended March 31, 2018 and 2017, respectively.

Defined benefit pension and other postretirement benefit plans. Details of the components of net periodic benefit expense (income) and amortization for the Company's pension and postretirement benefit plans for the three months ended March 31, 2018 and 2017 follow (in thousands):

	Pension Benefits		Other Benefits	
	2018	2017	2018	2017
Components of net periodic benefit expense (income):				
Expected return on plan assets	$ (9,896)	$ (9,390)	$ —	$ —
Interest cost	8,530	8,656	1,412	1,388
Service cost	793	808	1,071	1,272
Amortizations:				
Prior service cost (credit)	22	22	(1,270)	(1,380)
Actuarial loss	1,951	1,369	914	518
Settlement loss	—	—	56	38
Net periodic benefit expense (income)	$ 1,400	$ 1,465	$ 2,183	$ 1,836

See Note 17 in DTCC's Audited Consolidated Financial Statements for the years ended December 31, 2017 and 2016, for additional information.

15. INCOME TAXES

The Company's effective tax rate was 26.6% and 21.4% for the three months ended March 31, 2018 and 2017, respectively. The increase in the effective tax rate was primarily due to the tax impact in the prior-year period related to the Avox and Clarient dispositions, partially offset by a lower corporate tax rate from the enactment of the U.S. Tax Cuts and Jobs Act of 2017 (Tax Act).

The Company recorded provisional amounts associated with the Tax Act for the year ended December 31, 2017. The changes included in the Tax Act have significant complexity due to changes in the interpretations of the Tax Act, and changes in accounting standards for income taxes. In addition, the Tax Act subjects U.S. shareholders to a tax on global intangible low-taxed income ("GILTI") earned by certain foreign subsidiaries. The Company can make an accounting policy election to either recognize deferred taxes for temporary basis differences expected to reverse as GILTI in future years or provide for the tax expense related to GILTI in the year the tax is incurred. The Company is evaluating the tax impact of GILTI and has not made an accounting policy election.

The SEC issued rules that allows the Company a measurement period of up to one year after the enactment date of the Tax Act to recognize the impact of the Tax Act. As of March 31, 2018, the Company believes the potential adjustments in future periods will not have a material impact on its Condensed Consolidated Statements of Financial Condition and Income. The Company has not changed its provisional amounts and will continue to refine its calculations as further information and interpretations become available.

Details for unrecognized tax benefits, included in Other non-current liabilities on the accompanying Condensed Consolidated Statements of Financial Condition, as of March 31, 2018 and March 31, 2017 follow (in thousands):

	2018	2017
Beginning balance	$ 53,008	$ 45,410
Accrued interest	30,926	19,814
Ending balance	$ 83,934	$ 65,224

See Note 18 in DTCC's Audited Consolidated Financial Statements for the years ended December 31, 2017 and 2016 for additional information.

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. 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 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.

DTCC may redeem the Series C Preferred Stock at its option, for cash, i) in whole or in part, from time to time, on any dividend payment date on or after June 15, 2020 at a redemption price equal to $250,000 per share, plus any declared and unpaid dividends to, but excluding the redemption date, or ii) in whole but not in part, at any time within 90 day's following a Regulatory Capital Treatment Event, as defined in the Series C Preferred Stock Offering Memorandum, at a redemption price equal to $250,000 per share, plus any declared and unpaid dividends to, but excluding, the redemption date.

On April 18, 2018, 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, 2018, to the holders of the Series C Preferred Stock as of record date May 31, 2018.

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 DTC Series A preferred stock. There was $150,000,000 of DTC Series A preferred stock (1,500,000 shares at par value of $100 per share) outstanding as of March 31, 2018 and December 31, 2017. Dividends are accrued based on the weighted-average interest rate paid by the Corporation on required Participants' Fund deposits during the dividend period as disclosed in the DTC's rules. The 2017 annual dividend amount of $1,080,000 was approved and declared by the Board of Directors in February 2018, and will be paid in April 2018, to the holders of DTC Series A Preferred stock during 2017.

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, FRBNY, the NYSDFS and the Commodity Futures Trading Commission in the United States; Ontario Securities Commission in Canada; and the Monetary Authority of Singapore in Singapore.

Certain DTCC subsidiaries are subject to capital guidelines issued by United States federal and state banking regulators. During the year DTCC engaged in banking activities under DTC.

DTC capital ratios filed with the FRBNY and the NYSDFS, and included in DTC's Condensed Financial Statements submitted to the SEC as of March 31, 2018, follow:

	DTC	Minimum Capital Ratio(1)	Well Capitalized Ratio(1)
Tier 1 capital ratio	78.48%	6.00%	8.00%
Total capital ratio	78.48%	8.00%	10.00%
Tier 1 leverage ratio	18.14%	4.00%	4.00%

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

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 $6,651,000 and $6,514,000 for the three months ended March 31, 2018 and 2017, respectively. These amounts are included in Occupancy in the accompanying Condensed Consolidated Statements of Income.

The Company sublets office space in some of its leased offices. Rental income under these subleases was $537,000 and $18,000 for the three months ended March 31, 2018 and 2017, respectively. These amounts are included in Other non-operating income (expense) in the accompanying Condensed Consolidated Statements of Income.

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

2018	$ 22,898
2019	29,147
2020	29,076
2021	29,469
2022	29,418
Thereafter	261,714
Total minimum rental payments (1)	$ 401,722

(1) Future minimum rental payments were not reduced by minimum sublease rentals of $51,749,000 due in the future under noncancelable subleases.

18. GUARANTEES

FICC and NSCC provide CCP services, including clearing, settlement and risk management services. Acting as a CCP, FICC (through GSD and MBSD) and NSCC 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, FICC (through GSD and MBSD) and NSCC use risk-based margining to collect cash and securities collateral through their Clearing Funds. NSCC's trade guaranty attaches at the point of validation for locked-in submissions, or at the point of comparison and validation for bilateral submissions.

Details for open CCP positions for which a trade guarantee applied as of March 31, 2018 and December 31, 2017 follow (in billions):

	2018	2017
FICC		
GSD	$ 992	$ 1,039
MBSD	346	312
NSCC	191	135

There were no defaults by Participants to these obligations.

See Note 22 in DTCC's Audited Consolidated Financial Statements for the years ended December 31, 2017 and 2016, for additional information.

19. SUBSEQUENT EVENTS

The Company evaluated events and transactions occurring after March 31, 2018 through May 2, 2018, for potential recognition or disclosure in these accompanying Condensed Consolidated Financial Statements. Other than previously disclosed in Note 16 for the Series C Preferred Stock dividend, no other events or transactions occurred during such period that would require recognition or disclosure in these accompanying Condensed Consolidated Financial Statements.