

National Securities Clearing Corporation

Financial Statements as of September 30, 2019 and
December 31, 2018 and for the three and nine months ended
September 30, 2019 and 2018

NATIONAL SECURITIES CLEARING CORPORATION
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NATIONAL SECURITIES CLEARING CORPORATION
STATEMENTS OF FINANCIAL CONDITION (UNAUDITED)

(In thousands, except share data)	As of September 30, 2019	As of December 31, 2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 7,008,863	\$ 7,125,729
Participants' segregated cash	52,350	77,988
Short-term investments	900,000	800,000
Accounts receivable	23,850	22,865
Clearing Fund	7,594,590	8,265,535
Other Participants' assets	1,758	1,783
Other current assets	30,699	32,304
Total current assets	15,612,110	16,326,204
NON-CURRENT ASSETS:		
Premises and equipment - net of accumulated depreciation of \$1,536 and \$3,948 as of September 30, 2019 and December 31, 2018, respectively	3,186	3,262
Intangible assets - net of accumulated amortization of \$67,592 and \$109,052 as of September 30, 2019 and December 31, 2018, respectively	40,888	30,991
Total non-current assets	44,074	34,253
TOTAL ASSETS	\$ 15,656,184	\$ 16,360,457
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES:		
Commercial paper - net of unamortized discount of \$25,049 and \$43,856 as of September 30, 2019 and December 31, 2018, respectively	\$ 7,367,818	\$ 7,436,141
Accounts payable and accrued expenses	7,678	4,805
Clearing Fund	7,594,590	8,265,535
Payable to Participants	54,108	79,771
Other current liabilities	1,428	—
Total current liabilities	15,025,622	15,786,252
OTHER NON-CURRENT LIABILITIES:		
Other non-current liabilities	17,776	15,473
Total liabilities	15,043,398	15,801,725
COMMITMENTS AND CONTINGENCIES (Note 2)		
SHAREHOLDER'S EQUITY		
Common stock, \$0.50 par value - 30,000 shares authorized; 20,000 shares issued and outstanding	10	10
Paid-in capital	69,442	69,442
Retained earnings	543,334	489,280
Total shareholder's equity	612,786	558,732
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	\$ 15,656,184	\$ 16,360,457

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

NATIONAL SECURITIES CLEARING CORPORATION
STATEMENTS OF INCOME (UNAUDITED)

(In thousands)	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
REVENUES				
Clearing services	\$ 79,705	\$ 76,996	\$ 242,150	\$ 245,827
Wealth management services	25,421	27,284	77,363	83,477
Other services	1,135	613	2,385	2,249
Total revenues	<u>106,261</u>	<u>104,893</u>	<u>321,898</u>	<u>331,553</u>
EXPENSES				
Employee compensation and related benefits	37,414	33,204	105,989	100,974
Information technology	9,231	8,106	26,812	24,059
Professional and other services	28,738	27,126	78,646	78,820
Occupancy	2,121	2,052	6,165	6,030
Depreciation and amortization	2,617	3,404	7,721	10,467
General and administrative	5,781	4,375	17,481	14,494
Total expenses	<u>85,902</u>	<u>78,267</u>	<u>242,814</u>	<u>234,844</u>
Total operating income	<u>20,359</u>	<u>26,626</u>	<u>79,084</u>	<u>96,709</u>
NON-OPERATING INCOME (EXPENSE)				
Interest income	77,498	62,701	263,705	154,574
Refunds to Participants	(38,250)	(32,560)	(137,536)	(89,444)
Interest expense	(42,253)	(33,545)	(136,558)	(71,899)
Other non-operating income	1,533	1,861	6,054	5,437
Total non-operating income (expense)	<u>(1,472)</u>	<u>(1,543)</u>	<u>(4,335)</u>	<u>(1,332)</u>
Income before taxes	18,887	25,083	74,749	95,377
Provision for income taxes	5,146	765	20,695	20,869
Net income	<u>\$ 13,741</u>	<u>\$ 24,318</u>	<u>\$ 54,054</u>	<u>\$ 74,508</u>

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

NATIONAL SECURITIES CLEARING CORPORATION

STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY (UNAUDITED)

(In thousands)	Common Stock	Paid-In Capital	Retained Earnings	Total Shareholder's Equity
BALANCE - January 1, 2019	\$ 10	\$ 69,442	\$ 489,280	\$ 558,732
Net income	—	—	21,191	21,191
BALANCE - March 31, 2019	10	69,442	510,471	579,923
Net income	—	—	19,122	19,122
BALANCE - June 30, 2019	10	69,442	529,593	599,045
Net income	—	—	13,741	13,741
BALANCE - September 30, 2019	<u>\$ 10</u>	<u>\$ 69,442</u>	<u>\$ 543,334</u>	<u>\$ 612,786</u>

(In thousands)	Common Stock	Paid-In Capital	Retained Earnings	Total Shareholder's Equity
BALANCE - January 1, 2018	\$ 10	\$ 69,442	\$ 388,797	\$ 458,249
Net income	—	—	28,022	28,022
BALANCE - March 31, 2018	10	69,442	416,819	486,271
Net income	—	—	22,168	22,168
BALANCE - June 30, 2018	10	69,442	438,987	508,439
Net income	—	—	24,318	24,318
BALANCE - September 30, 2018	<u>\$ 10</u>	<u>\$ 69,442</u>	<u>\$ 463,305</u>	<u>\$ 532,757</u>

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

NATIONAL SECURITIES CLEARING CORPORATION

STATEMENTS OF CASH FLOWS (UNAUDITED)

<u>(In thousands)</u>	For the nine months ended September 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 54,054	\$ 74,508
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Depreciation and amortization	7,721	10,467
Loss on Impairment of Intangible assets	200	—
Deferred income taxes	1,781	3,587
Discount on Commercial paper outstanding	21,983	14,597
Net change in:		
Accounts receivable	(985)	6,162
Other assets	1,605	(10,331)
Other Participants' assets	68	(282)
Accounts payable and accrued expenses	2,873	6,402
Other liabilities	1,950	(8,760)
Clearing Fund liabilities, net	(622,398)	2,648,672
Payable to Participants	(25,663)	131,621
Net cash provided by/(used in) operating activities	<u>(556,811)</u>	<u>2,876,643</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Short-term investments	(1,500,000)	—
Maturities of Short-term investments	1,400,000	—
Purchases of investments in marketable securities	—	(8,600)
Maturities of investments in marketable securities	—	8,600
Capitalized software development costs	(17,742)	(12,619)
Net cash used in investing activities	<u>(117,742)</u>	<u>(12,619)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in Commercial paper, net (see Note 6)	(90,306)	3,185,170
Net cash provided by/(used in) financing activities	<u>(90,306)</u>	<u>3,185,170</u>
Net increase/(decrease) in Cash and cash equivalents, Participants' segregated cash, Clearing Fund cash deposits, Cash in Other Participants' assets	(764,859)	6,049,194
Cash and cash equivalents, Participants' segregated cash, Clearing Fund cash deposits, Cash in Other Participants' assets - Beginning of period	<u>14,856,465</u>	<u>7,369,407</u>
Cash and cash equivalents, Participants' segregated cash, Clearing Fund cash deposits, Cash in Other Participants' assets - End of period	<u>\$ 14,091,606</u>	<u>\$ 13,418,601</u>
SUPPLEMENTAL DISCLOSURES:		
Interest paid	<u>\$ 107,588</u>	<u>\$ 50,855</u>
Income taxes paid - net of refunds	<u>\$ 15,830</u>	<u>\$ 25,624</u>

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

NATIONAL SECURITIES CLEARING CORPORATION

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

AS OF SEPTEMBER 30, 2019 AND DECEMBER 31, 2018 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

1. BUSINESS AND OWNERSHIP

National Securities Clearing Corporation (NSCC or the Company) is organized as a business corporation under New York law, and is a clearing agency registered with the U.S. Securities and Exchange Commission (SEC). NSCC provides clearing, settlement, risk management, and central counterparty (CCP) services to its members (collectively referred to as Participants) for broker-to-broker trades involving equities, corporate and municipal debt, exchange-traded funds, and unit investment trusts.

NSCC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (DTCC). Other subsidiaries of DTCC include The Depository Trust Company (DTC), Fixed Income Clearing Corporation (FICC), DTCC ITPLLC, DTCC Deriv/SERV LLC and DTCC Solutions LLC.

NSCC is designated as a Systemically Important Financial Market Utility (SIFMU) 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 enhanced standards for operation and governance, as established by the SEC's Standards for Covered Clearing Agencies (CCAS).

2. BASIS OF PRESENTATION AND USE OF ESTIMATES

Basis of presentation. The accompanying unaudited Financial Statements (interim 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 exclude some of the disclosures required in audited financial statements and should be read in conjunction with NSCC's Audited Financial Statements for the years ended December 31, 2018 and 2017, which are located on the Company's website at <http://www.dtcc.com/legal/financial-statements>. See Note 2 in NSCC's Audited Financial Statements for the years ended December 31, 2018 and 2017, for additional information on the Company's Summary of Significant Accounting Policies.

The 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.

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 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, expense allocations 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.

Commitments and Contingencies. 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 Statements of Financial Condition, Income or Cash Flows.

NATIONAL SECURITIES CLEARING CORPORATION

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

AS OF SEPTEMBER 30, 2019 AND DECEMBER 31, 2018 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

2. BASIS OF PRESENTATION AND USE OF ESTIMATES (CONTINUED)

Revenue recognition. The Company derives its revenue from transaction fees 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. Other services, which represent fees generated from offering referential based data and business processing solutions to financial institutions globally, is recognized when services are provided based on contractual terms.

Revenue streams. Details for each revenue stream presented in the Company's Statements of Income follow:

Clearing services. The Company delivers clearing services across the U.S. equities markets.

Wealth management services. The Company provides wealth management services that include centralized, automated processing and information services for mutual fund, alternative investment, and insurance and retirement products. These businesses drive centralized, automated processing and information services. Wealth management services enable seamless, end-to-end communications with broker/dealers and other distribution partners for funds, asset managers and insurance companies and their service providers.

Other services. The Company offers referential and activity-based, announcement, security reference, and liquidity data through the DTCC Data Services product. These offerings are delivered in fixed or configurable formats, sourced from the Company's transaction, reference, position and asset servicing data.

Expense allocations. Substantially all expenses are recorded at DTCC and are allocated to its subsidiaries, including NSCC, based upon their estimated use of such goods or services as determined by various allocation factors including direct expenses, level of support provided and utilization of technology resources. Accordingly, the expenses in the accompanying Statements of Income represent allocated costs including Employee compensation and related benefits, Information technology, Professional and other services, Occupancy, Depreciation and amortization and General and administrative.

Impacts to previously reported results. The Company reclassified prior period amounts related to allocated depreciation and amortization to conform to the current year presentation. This reclassification had no impact on previously reported total assets, total liabilities, revenues, net income, and cash flows.

The impact of the change in presentation for allocated depreciation and amortization on the Company's previously reported results for the three and nine months ended September 30, 2018 follows (in thousands):

	For the three months ended September 30, 2018			For the nine months ended September 30, 2018		
	As Previously Reported	Reclassification Presentation Adjustment	As Restated	As Previously Reported	Reclassification Presentation Adjustment	As Restated
Information technology	\$ 10,330	\$ (2,224)	\$ 8,106	\$ 31,372	\$ (7,313)	\$ 24,059
Occupancy	2,602	(550)	2,052	7,693	(1,663)	6,030
General and administrative	1,601	2,774	4,375	5,518	8,976	14,494

NATIONAL SECURITIES CLEARING CORPORATION

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

AS OF SEPTEMBER 30, 2019 AND DECEMBER 31, 2018 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

2. BASIS OF PRESENTATION AND USE OF ESTIMATES (CONTINUED)

Restricted cash. The Company has reported the cash and cash equivalents related to Participants' segregated cash, Clearing Fund cash deposits, Cash in Other Participants' assets within the beginning and ending balances of Cash and cash equivalents, Participants' segregated cash, Clearing Fund cash deposits, Cash in Other Participants' assets on the accompanying Statements of Cash Flows.

A reconciliation of Cash and cash equivalents, Participants' segregated cash, Clearing Fund cash deposits, Cash in Other Participants' assets, reported within the accompanying Statements of Financial Condition that sum to the total of the same such amounts shown on the accompanying Statements of Cash Flows follows (in thousand):

	September 30, 2019	December 31, 2018	September 30, 2018
Cash and cash equivalents	\$ 7,008,863	\$ 7,125,729	\$ 6,892,665
Participants' segregated cash	52,350	77,988	151,459
Clearing Fund cash deposits	7,028,635	7,651,033	6,374,246
Cash in Other Participants' assets	1,758	1,715	231
Total Cash and cash equivalents, Participants' segregated cash, Clearing Fund cash deposits, Cash in Other Participants' assets shown on the Statements of Cash Flows	<u>\$ 14,091,606</u>	<u>\$ 14,856,465</u>	<u>\$ 13,418,601</u>

As a result of this accounting change, net cash used in operating activities of approximately \$557 million is primarily driven by the change in Clearing Fund liabilities and Payable to Participants.

3. ACCOUNTING AND REPORTING DEVELOPMENT

See Note 3 in NSCC's Audited Financial Statements for the years ended December 31, 2018 and 2017, for additional information on the Company's Accounting and Reporting Developments.

Standard	Description	Impact on the financial statements or other significant matters
<i>Financial Accounting Standards Board Standard Issued, but not yet Adopted</i>		
ASU 2019-05 Financial Instruments - Credit Losses: Targeted Transition Relief <i>Issued May 2019</i>	<ul style="list-style-type: none"> Provides entities with an option upon adoption of ASU 2016-13 <i>Customer's Financial Instruments - Credit Losses</i> to irrevocably elect the fair value option on an instrument-by-instrument basis for certain financial instruments that are both within the scope of the current expected credit loss and eligible for the fair value option. 	<ul style="list-style-type: none"> Effective January 1, 2020. The Company does not intend to elect the fair value option on any instrument within the scope and therefore no impact is expected.

NATIONAL SECURITIES CLEARING CORPORATION

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

AS OF SEPTEMBER 30, 2019 AND DECEMBER 31, 2018 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

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

Details for Participants' segregated cash, Other Participants' assets and Payable to Participants as of September 30, 2019 and December 31, 2018 follow (in thousands):

	<u>2019</u>	<u>2018</u>
Assets:		
Participants' segregated cash	\$ 52,350	\$ 77,988
Other Participants' assets:		
Cash	1,758	1,715
Other	—	68
Total Other Participants' assets	<u>1,758</u>	<u>1,783</u>
Total	<u>\$ 54,108</u>	<u>\$ 79,771</u>
Liabilities:		
Payable to Participants	<u>\$ 54,108</u>	<u>\$ 79,771</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.

5. CLEARING FUND

Details for the Clearing Fund deposits as of September 30, 2019 and December 31, 2018 follow (in thousands):

	<u>2019</u>	<u>2018</u>
Required deposits	\$ 6,916,913	\$ 6,830,444
Excess deposits	677,677	1,435,091
Total	<u>\$ 7,594,590</u>	<u>\$ 8,265,535</u>

Details for the Clearing Fund deposits as of September 30, 2019 and December 31, 2018 follow (in thousands):

	<u>2019</u>	<u>2018</u>
Cash deposits	\$ 7,028,635	\$ 7,651,033
Securities on deposit - at fair value	565,955	614,502
Total	<u>\$ 7,594,590</u>	<u>\$ 8,265,535</u>

Details for the Clearing Fund cash deposits as of September 30, 2019 and December 31, 2018 follow (in thousands):

	<u>2019</u>	<u>2018</u>
Bank deposits	\$ 5,280,635	\$ 5,720,033
Money market fund investments	1,223,000	1,556,000
Reverse repurchase agreements	525,000	375,000
Total	<u>\$ 7,028,635</u>	<u>\$ 7,651,033</u>

Clearing Fund cash deposits. Participant cash deposits of the Clearing Fund may be applied to satisfy obligations of the depositing Participant, other Participants, or the Company as provided in NSCC's rules.

NATIONAL SECURITIES CLEARING CORPORATION

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

AS OF SEPTEMBER 30, 2019 AND DECEMBER 31, 2018 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

6. COMMERCIAL PAPER

Details for Commercial paper as of September 30, 2019 and December 31, 2018 follow (in thousands):

	<u>2019</u>	<u>2018</u>
Commercial paper - net of unamortized discount of \$25,049 and \$43,856 as of September 30, 2019 and December 31, 2018, respectively	\$ 7,367,818	\$ 7,436,141
Weighted-average interest rate	2.32%	2.59%

Interest expense on Commercial paper included in the accompanying Statements of Income was \$39,911,000 and \$31,424,000 for the three months ended September 30, 2019 and 2018, respectively, and \$129,571,000 and \$65,453,000 for the nine months ended September 30, 2019 and 2018, respectively.

Details for the cash flows associated with the issuance and maturities of Commercial paper for the nine months ended September 30, 2019 and 2018 follow (in thousands):

	<u>2019</u>	<u>2018</u>
Maturities less than 90 days:		
Proceeds from/(Repayments of) Commercial paper less than 90 days, net	<u>\$ 82,783</u>	<u>\$ 340,932</u>
Maturities greater than 90 days:		
Proceeds from Commercial paper	4,992,766	5,066,469
Repayments of Commercial paper	(5,165,855)	(2,222,231)
Proceeds from/(Repayments of) Commercial paper greater than 90 days, net	<u>(173,089)</u>	<u>2,844,238</u>
Change in Commercial paper, net	<u><u>\$ (90,306)</u></u>	<u><u>\$ 3,185,170</u></u>

7. PENSION AND POSTRETIREMENT BENEFITS

Eligible DTCC employees participate in DTCC's trustee non-contributory defined benefit pension plan, supplemental executive retirement plan and benefit restoration plan, which provide for certain benefits upon retirement. Eligible DTCC employees also participate in DTCC's life insurance program, which provides for the payment of death benefits to beneficiaries of eligible retired employees, and DTCC's health care program, which provides benefits to eligible retired employees.

Cost allocation. DTCC allocates the cost of these plans to its subsidiaries based primarily upon the estimated proportion of each subsidiary's salary cost relative to DTCC's total salary cost. The benefit plan costs allocated to NSCC were \$2,506,000 and \$506,000 for the three months ended September 30, 2019 and 2018, respectively, and \$6,028,000 and \$2,025,000 for the nine months ended September 30, 2019 and 2018, respectively. These costs are included in Employee compensation and related benefits, Interest expense, and Other non-operating income in the accompanying Statements of Income based on the nature of the pension expense component.

NATIONAL SECURITIES CLEARING CORPORATION

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

AS OF SEPTEMBER 30, 2019 AND DECEMBER 31, 2018 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

8. CAPITAL REQUIREMENTS

The capital requirements for NSCC is equal to the sum of the general business risk capital requirement and corporate contribution, as described below. The Company must meet the capital requirements by holding liquid net assets funded by equity, as described in rule 17Ad-22(e)(15) of the CCAS and the Clearing Agency Policy on Capital Requirements.

General Business Risk Capital Requirement. The general business risk capital requirement is determined according to Rule 17Ad-22(e)(15) of the CCAS and the Clearing Agency Policy on Capital Requirements. The capital requirement is held to cover potential general business losses so that the Company can continue operations and provide services as a going concern if those losses materialize. It is determined based on the Company's general business risk profile and estimated time to execute a recovery or orderly wind-down of critical operations and, at a minimum, is equal to six months of operating expenses.

Corporate Contribution. The Company maintains an amount referred to as the corporate contribution, to be applied to losses of the Company as provided in the clearing agency rules. The amount of the corporate contribution is generally equal to 50% of the Company's general business risk capital requirement.

Details for general business risk capital requirement, corporate contribution and liquid net assets funded by equity for the Company as of September 30, 2019 and December 31, 2018 follow (in thousands):

	2019	2018
General business risk capital requirement	\$ 159,218	\$ 153,054
Corporate contribution	79,609	76,527
Total requirement	238,827	229,581
Liquid net assets funded by equity	515,996	445,732
Excess	\$ 277,169	\$ 216,151

9. LINE OF CREDIT AND CREDIT RATINGS

Line of credit. The Company maintains a line of credit to support settlement. Details for the terms of the outstanding line of credit as of September 30, 2019 and December 31, 2018 follow:

	2019	2018
Committed Amount	\$12.1 billion	\$12.1 billion
Number of Participants/Lenders	32/41	33/41

There were no borrowings under the line of credit during 2019 and 2018.

Details for debt covenants related to the line of credit as of September 30, 2019 and December 31, 2018 follow:

	2019	2018
Minimum Net Worth	\$125 million	\$125 million
Minimum Clearing Fund deposits	\$1 billion	\$1 billion

As of September 30, 2019 and December 31, 2018, the Company was in compliance with its debt covenants.

NATIONAL SECURITIES CLEARING CORPORATION

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

AS OF SEPTEMBER 30, 2019 AND DECEMBER 31, 2018 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

9. LINE OF CREDIT AND CREDIT RATINGS (CONTINUED)

Credit Ratings. The Company is rated by Moody's Investors Service, Inc. (Moody's) and S&P Global Inc. (S&P). Details for issuer credit ratings and ratings outlooks for the Company as of September 30, 2019 follow:

Moody's ⁽¹⁾			S&P		
Long-term	Short-term	Outlook	Long-term	Short-term	Outlook
Aaa	P-1	Stable	AA+	A-1+	Stable

(1) Moody's categorizes the long-term issuer ratings of the Company as a clearing counterparty rating (CCR) under the agency's Clearing Houses Rating Methodology.

10. GUARANTEES

NSCC provides CCP services, including clearing, settlement and risk management services. Acting as a CCP, NSCC guarantees the settlement of trades in the event one or more of its Participants defaults. A Participant default is defined in NSCC's rules. In its guarantor role, NSCC has equal claims to and from Participants on opposite sides of netted transactions. To cover its guarantee risk, NSCC uses risk-based margining to collect cash and securities collateral through its Clearing Fund. 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 certain NSCC's open positions for which a trade guaranty applied as of September 30, 2019 and December 31, 2018 follow (in billions):

	2019		2018
NSCC	\$ 173	\$	176

There were no defaults by Participants to these obligations.

See Note 16 in NSCC's Audited Financial Statements for the years ended December 31, 2018 and 2017 for additional information.

11. SUBSEQUENT EVENTS

In October 2019, the Board of Directors authorized revenue rebates to NSCC's customers for approximately \$8 million. Customers will receive a rebate based on a pro rata share of qualifying revenues. Estimated 2019 profitability was used as the basis for the calculation of the rebates, which will be paid in December 2019.

The Company evaluated events and transactions occurring after September 30, 2019 through October 30, 2019, for potential recognition or disclosure in these accompanying Financial Statements. No additional events or transactions occurred during such period that would require recognition or disclosure in these accompanying Financial Statements.