

INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors of Fixed Income Clearing Corporation
New York, NY

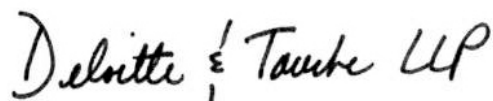
We have examined management's assertion of Fixed Income Clearing Corporation ("FICC") (a wholly owned subsidiary of The Depository Trust & Clearing Corporation), included in the accompanying "Management's Assertion Regarding Section IV-G of Release No. 16900, under the Securities Exchange Act of 1934 relating to the Effectiveness of FICC's Internal Control over the Processing of Transactions Related to Trade Comparison, Netting and Settlement of Products Serviced by Government Securities Division and the Mortgage-Backed Securities Division of FICC," that FICC complied with the criteria established in Section IV-G of Release No. 16900, under the Securities Exchange Act of 1934, during the twelve month period ended June 30, 2017 ("Management's Assertion"). Management is responsible for FICC's compliance with those requirements. Our responsibility is to express an opinion on management's assertion about FICC's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting Management's Assertion about FICC's compliance with requirements, and performing such other procedures as we considered necessary in the circumstances. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion about compliance with the specified requirements is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about whether management's assertion is fairly stated, in all material respects. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on FICC's compliance with specified requirements.

In our opinion, Management's Assertion that FICC maintained effective internal control and that no material inadequacies existed over the processing of transactions related to trade comparison, netting and settlement of products serviced by Government Securities Division and the Mortgage-Backed Securities Division of FICC, and that FICC complied with the requirements of Section IV-G of Release No. 16900 under the Securities Exchange Act of 1934 during the twelve month period ended June 30, 2017, is fairly stated, in all material respects.

Because of inherent limitations in any internal control, misstatements due to errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control over to FICC's trade comparison, netting and settlement of products serviced by Government Securities Division and the Mortgage-Backed Securities Division of FICC to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

This report is intended solely for the information and use of the Board of Directors, management, and its regulators, and is not intended to be, and will not be, used by anyone other than those specified parties.



August 30, 2017



Securing Today. Shaping Tomorrow.®

55 Water Street
New York, NY 10041

www.dtcc.com

Management's Assertion Regarding Section IV-G of Release No. 16900, under the Securities Exchange Act of 1934 relating to the Effectiveness of FICC's Internal Control over the Processing of Transactions Related to Trade Comparison, Netting, and Settlement of Products Serviced by Government Securities Division and Mortgage-Backed Securities Division of FICC

For the twelve month period ended June 30, 2017

The Fixed Income Clearing Corporation (the "Company" or "FICC"), a wholly owned subsidiary of the Depository Trust & Clearing Corporation, maintains effective internal control over the processing of transactions related to trade comparison, netting and settlement of products, as per Section IV-G of Release No. 16900, under the Securities Exchange Act of 1934.

We, as members of management of the Company, are responsible for establishing and maintaining internal control over the processing of transactions related to trade comparison, netting and settlement of products serviced by the Government Securities ("GS") Division of the Company and trade comparison and netting of products serviced by the Mortgage-Backed Securities ("MBS") Division of the Company. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. Some of the objectives of such internal control are to provide GS Division management with reasonable, but not absolute, assurance that (i) detailed transaction information submitted by members, the Federal Reserve Bank of New York, and government-supported enterprises is properly recorded or compared as appropriate, (ii) the system properly nets transactions processed to reduce settlement obligations, (iii) all transaction details are properly recorded and reflected in daily statements to members and (iv) the Company has the capability to meet its obligation to guarantee trades pursuant to the timeframes for such established in the Company's rules for the GS Division. Some of the objectives of internal control are to provide MBS Division management with reasonable, but not absolute, assurance that: (i) detailed transaction information submitted by members are properly recorded or compared as appropriate, (ii) the system properly nets transactions processed to reduce settlement obligations, (iii) all transaction details are properly recorded and reflected in daily statements to members, (iv) appropriate deposits are maintained to cover margin requirements to secure participants' obligations as established in the Company's rules for the MBS Division and (v) Members are responsible for promptly reviewing the daily reports prepared by the Company, and for promptly notifying the Company of errors and omissions.

We have evaluated FICC's internal control over the processing of transactions related to trade comparison, netting and settlement of products serviced by GS and MBS Divisions of FICC, and based on this assessment, we assert that:

- FICC has fairly stated and complied with, in all material respects, the requirements of Section IV-G of Release No. 16900 under the Securities Exchange Act of 1934 during the twelve month period ended June 30, 2017, and
- FICC has maintained effective internal control and no material inadequacies exist, during the twelve month period ended June 30, 2017, over the processing of transactions related to trade comparison, netting, and settlement of products serviced by GS and MBS Divisions of FICC, as defined by the requirements of Section IV-G of Release No. 16900, under the Securities Exchange Act of 1934.

THE FIXED INCOME CLEARING CORPORATION

August 30, 2017

DTCC Confidential - Yellow