

# The Depository Trust & Clearing Corporation

Consolidated Financial Statements as of March 31, 2021 and  
December 31, 2020 and for the three months ended March 31,  
2021 and 2020

# THE DEPOSITORY TRUST & CLEARING CORPORATION

## TABLE OF CONTENTS

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	<b>Page</b>
CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) AS OF MARCH 31, 2021 AND DECEMBER 31, 2020 AND FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020:	
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 Consolidated Financial Statements	6 -26

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

<b>(In thousands, except share data)</b>	<b>As of March 31, 2021</b>	<b>As of December 31, 2020</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 12,100,344	\$ 9,165,353
Participants' segregated cash	167	134
Short-term investments	1,146,131	800,000
Accounts receivable - net of allowance for credit losses	240,683	217,531
Participants' and Clearing Funds	68,609,777	61,903,522
Other Participants' assets	1,167,751	813,006
Other current assets	114,320	138,265
Total current assets	<u>83,379,173</u>	<u>73,037,811</u>
<b>NON-CURRENT ASSETS:</b>		
Premises and equipment - net of accumulated depreciation of \$279,204 and \$267,545 as of March 31, 2021 and December 31, 2020, respectively	194,353	202,224
Goodwill	57,699	57,699
Intangible assets - net of accumulated amortization of \$690,573 and \$661,765 as of March 31, 2021 and December 31, 2020, respectively	334,630	343,530
Operating lease right-of-use-asset	235,601	220,073
Other non-current assets	300,168	306,088
Total non-current assets	<u>1,122,451</u>	<u>1,129,614</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 84,501,624</b></u>	<u><b>\$ 74,167,425</b></u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Commercial paper - net of unamortized discount	\$ 7,200,072	\$ 3,843,290
Long-term debt	1,503	3,921
Pension and postretirement benefits	40,438	40,438
Operating lease liability	27,870	27,179
Accounts payable and accrued expenses	118,741	122,021
Participants' and Clearing Funds	68,609,777	61,903,522
Payable to Participants	1,167,918	813,140
Other current liabilities	140,718	285,707
Total current liabilities	<u>77,307,037</u>	<u>67,039,218</u>
<b>NON-CURRENT LIABILITIES:</b>		
Long-term debt	3,725,782	3,723,942
Pension and postretirement benefits	173,154	179,552
Operating lease liability	258,190	245,836
Other non-current liabilities	251,226	290,526
Total non-current liabilities	<u>4,408,352</u>	<u>4,439,856</u>
Total liabilities	<u>81,715,389</u>	<u>71,479,074</u>
<b>COMMITMENTS AND CONTINGENCIES (Note 2)</b>		
<b>SHAREHOLDERS' EQUITY</b>		
<b>Preferred stock:</b>		
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
Additional paid-in capital	411,065	411,065
Retained earnings	2,062,721	1,964,412
Accumulated other comprehensive loss, net of tax	(233,758)	(233,333)
Non-controlling interests	150,000	150,000
Total shareholders' equity	<u>2,786,235</u>	<u>2,688,351</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u><b>\$ 84,501,624</b></u>	<u><b>\$ 74,167,425</b></u>

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

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

<b>(In thousands)</b>	<b>For the three months ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>REVENUES</b>		
Settlement and asset services	\$ 115,878	\$ 119,282
Clearing services	229,078	193,104
Matching services	77,205	78,179
Repository and derivatives services	71,826	67,811
Wealth management services	27,809	28,321
Data and other services	12,414	7,836
Investment income (loss), net	3,949	(17,078)
Total revenues	<u>538,159</u>	<u>477,455</u>
<b>EXPENSES</b>		
Employee compensation and related benefits	204,004	171,988
Information technology	65,115	46,620
Professional and other services	85,463	85,386
Occupancy	12,424	12,291
Depreciation and amortization	40,467	33,277
General and administrative	10,568	12,960
Total expenses	<u>418,041</u>	<u>362,522</u>
Total operating income	<u>120,118</u>	<u>114,933</u>
<b>NON-OPERATING INCOME (EXPENSE)</b>		
Interest income	12,449	97,877
Refunds to Participants	(7,758)	(66,864)
Interest expense	(20,200)	(42,297)
Net income from Equity method investments	—	99
Other non-operating income, net	7,201	12,289
Total non-operating (expense) income	<u>(8,308)</u>	<u>1,104</u>
Income before taxes	111,810	116,037
Provision for income taxes	10,117	29,785
Net income	<u>\$ 101,693</u>	<u>\$ 86,252</u>

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

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

<b>(In thousands)</b>	<b>For the three months ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
Net income	\$ 101,693	\$ 86,252
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax:		
Defined benefit pension and other plans	27	—
Foreign currency translation	(452)	(3,610)
Other comprehensive loss	(425)	(3,610)
Comprehensive income	\$ 101,268	\$ 82,642

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

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

(In thousands)	Preferred Stock			Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net of Tax			Total Shareholders' Equity		
	Series A	Series B	Series C				Defined Benefit Pension and Other Plans	Foreign Currency Translation	Non- controlling Interests			
BALANCE - January 1, 2021	\$ 300	\$ 300	\$ 390,516	\$ 5,091	\$ 411,065	\$ 1,964,412	\$ (229,642)	\$ (3,691)	\$ 150,000	\$ 2,688,351		
Net income	—	—	—	—	—	101,693	—	—	—	101,693		
Other comprehensive income (loss)	—	—	—	—	—	—	27	(452)	—	(425)		
Dividends on preferred stock	—	—	—	—	—	(3,384)	—	—	—	(3,384)		
BALANCE - March 31, 2021	\$ 300	\$ 300	\$ 390,516	\$ 5,091	\$ 411,065	\$ 2,062,721	\$ (229,615)	\$ (4,143)	\$ 150,000	\$ 2,786,235		

(In thousands)	Preferred Stock			Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net of Tax			Total Shareholders' Equity		
	Series A	Series B	Series C				Defined Benefit Pension and Other Plans	Foreign Currency Translation	Non- controlling Interests			
BALANCE - January 1, 2020	\$ 300	\$ 300	390,516	\$ 5,091	\$ 411,065	\$ 1,769,638	\$ (216,758)	\$ (5,174)	\$ 150,000	\$ 2,504,978		
Net income	—	—	—	—	—	86,252	—	—	—	86,252		
Other comprehensive loss	—	—	—	—	—	—	—	(3,610)	—	(3,610)		
BALANCE - March 31, 2020	\$ 300	\$ 300	\$ 390,516	\$ 5,091	\$ 411,065	\$ 1,855,890	\$ (216,758)	\$ (8,784)	\$ 150,000	\$ 2,587,620		

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

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

<b>(In thousands)</b>	<b>For the three months ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 101,693	\$ 86,252
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	40,467	33,277
Deferred income taxes	8,415	579
Accretion of discount on Commercial paper, net of associated interest paid	(3,375)	(17,018)
Net income from Equity method investments	—	(99)
Other	(14,344)	6,183
Net change in:		
Accounts receivable	(23,428)	(44,427)
Other assets	21,232	51,113
Accounts payable and accrued expenses	(2,306)	3,863
Pension and postretirement benefits	(6,361)	(4,454)
Operating lease liability	(9,215)	(6,609)
Other liabilities	(161,048)	(145,278)
Participants' and Clearing Funds liabilities	251,659	18,536,400
Payable to Participants	354,778	849,033
Net cash provided by operating activities	<u>558,167</u>	<u>19,348,815</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of Short-term investments	(746,179)	(500,000)
Maturities of Short-term investments	400,000	600,000
Purchases of Premises and equipment	(4,218)	(10,522)
Capitalized software development costs	(19,945)	(24,354)
Net cash (used in)/provided by investing activities	<u>(370,342)</u>	<u>65,124</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from Commercial paper	12,933,375	10,326,931
Repayments of Commercial paper	(9,573,218)	(10,678,852)
Repayments on long-term debt and other borrowings	(2,418)	(2,463)
Preferred stock dividend payments	(3,384)	—
Payment to Non-controlling interests	—	(2,640)
Net cash provided by/(used in) financing activities	<u>3,354,355</u>	<u>(357,024)</u>
Effect of foreign exchange rate changes on Cash and cash equivalents	(747)	(3,426)
Net increase in Cash and cash equivalents, Participants' segregated cash, Participants' and Clearing Funds cash deposits, Cash in Other Participants' assets, Restricted cash	3,541,433	19,053,489
Cash and cash equivalents, Participants' segregated cash, Participants' and Clearing Funds cash deposits, Cash in Other Participants' assets, Restricted cash - Beginning of period	<u>39,460,290</u>	<u>26,345,625</u>
Cash and cash equivalents, Participants' segregated cash, Participants' and Clearing Funds cash deposits, Cash in Other Participants' assets, Restricted cash - End of period	<u>\$ 43,001,723</u>	<u>\$ 45,399,114</u>
<b>SUPPLEMENTAL DISCLOSURES:</b>		
Interest paid	<u>\$ 8,158</u>	<u>\$ 51,990</u>
Income taxes paid - net of refunds	<u>\$ 8,660</u>	<u>\$ 7,239</u>

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

# THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2021 AND DECEMBER 31, 2020 AND FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020

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## 1. BUSINESS AND OWNERSHIP

**The Depository Trust & Clearing Corporation (DTCC)** 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 (US)), DTCC Solutions (UK) Limited (Solutions (UK)), Business Entity Data, B.V. (BED); 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 other financial 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, settlement, trade confirmation, clearing, 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. This designation subjects the clearing agencies to enhanced standards for risk management, operation and governance, as established by the SEC's Standards for Covered Clearing Agencies (CCAS).

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

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

*Deriv/SERV*, through its subsidiary and affiliates, enhances transparency and provides operational efficiency for derivatives and securities financing transactions processing and reporting. *Deriv/SERV* also offers the Trade Information Warehouse asset servicing for credit default swaps.

*Solutions (US)* provides information and data related-solutions.

*Solutions (UK)* offers software solutions and consulting services.

*BED* owns and operates the Global Market Entity Identifier (GMEI) Utility legal entity identifier (LEI) solution in the federated Global LEI System (GLEIS). The GMEI Utility is designed to provide a single, universal standard identifier to any organization or firm involved in a financial transaction internationally across all asset classes. LEIs issued by the GMEI Utility are ISO 17442 compliant and are recognized by all members of the Regulatory Oversight Committee.



# THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2021 AND DECEMBER 31, 2020 AND FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020

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## 2. BASIS OF PRESENTATION AND USE OF ESTIMATES

**Basis of presentation.** The accompanying unaudited consolidated 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 DTCC's Audited Consolidated Financial Statements for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, for additional information on the Company's Summary of Significant Accounting Policies.

The 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 consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation.

**Use of estimates.** The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Management makes estimates regarding, 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, pension benefit obligation 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 Consolidated Statements of Financial Condition, Income or Cash Flows.

**Revenue recognition.** The Company derives its revenue from transaction fees, subscription revenue, support services, and usage fees. Revenue from transaction fees is billed monthly and calculated based on the number of executed transactions and the established fee schedules, less any applicable volume discounts. The volume targets or thresholds for the discounts reset monthly. 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. Usage fees are recognized when services are provided based on contractual terms.

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

*Settlement and asset services.* Revenue derived from this revenue stream are in the form of transaction fees and subscription revenue. The Company provides settlement services for equity, corporate and municipal debt trades and money market instruments in the United States of America. Asset Servicing includes a broad range of services for underwriting, custody, corporate actions, dividend, proxy and reorganization services, as well as the electronic registration and transfer of securities processing.

*Clearing services.* Revenue derived from this revenue stream are in the form of transaction fees that are based on either the volume or value of trading activity. Services include continuous net settlement of equity and corporate bonds, mortgage backed securities clearing, and government securities clearing.

*Matching services.* Revenue derived from this revenue stream are in the form of transaction fees, subscription revenue and support services. Services include trade enrichment, trade agreement, LEIs and data analytics.

*Repository and derivatives services.* Revenue derived from this revenue stream may be in the form of transaction fees, subscription revenue and support services. Services support derivatives trade data submissions covering real-time price reporting, transaction details, valuation data to meet members' reporting obligations in various jurisdictions globally, as well as an asset servicing infrastructure for credit default swaps, matching service for equity derivatives payments and tools to member firms to address the quality of their derivatives trade submissions.

# THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2021 AND DECEMBER 31, 2020 AND FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020

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

*Wealth management services.* Revenue derived from this revenue stream may be in the form of transaction fees. Services include centralized, automated processing and information services for mutual fund, alternative investment, and insurance and retirement products.

*Data and other services.* Revenue derived from this revenue stream may be in the form of subscription revenue and usage fees, which include 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.

*Correction of an error.* During the first quarter of 2021, the Company identified an error that resulted in overbilling clients for a specific Settlement and Asset Services product in 2020 and 2019. The amount overbilled for the years ended December 31, 2020 and 2019, amounted to approximately \$5.2 million and \$2.8 million, respectively. The error also resulted in an overstatement of Settlement and asset services revenue by \$1.3 million for the three months ended March 31, 2020. The error was deemed immaterial to the prior period financials and as a result, the Company recorded the correction of the error and accrued for all overbilled amounts in March 2021. The revenues for the three months ended March 31, 2021 are approximately \$8.0 million lower as a result of the correction. The Company will refund all overbilled amounts in the second quarter of 2021.

### *Deferred revenue*

Deferred revenue represents the Company's liability to perform services in the future related to payments received in advance of those services. Deferred revenue as of March 31, 2021 and December 31, 2020 was \$21,245,000 and \$17,599,000, respectively, and is included in Other current liabilities and Other non-current liabilities on the accompanying Consolidated Statements of Financial Condition, as disclosed in Note 8. Of the \$17,599,000 as of December 31, 2020, \$6,257,000 was recognized as revenue during the three months ended March 31, 2021.

**Reconciliation of Cash and cash equivalents and other limited use cash.** When reconciling the beginning and ending total amounts shown in the Consolidated Statements of Cash Flows, the Company includes all cash on the Consolidated Statements of Financial Condition, regardless of which line it is included. The Consolidated Statements of Cash Flows includes Cash and cash equivalents and cash balances that are not available for general corporate purposes due to certain limitations, including - Participants' segregated cash, Participants' and Clearing Funds cash deposits, Cash in Other Participants' assets and Restricted cash.

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

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Cash and cash equivalents	\$ 12,100,344	\$ 9,165,353	\$ 8,063,219
Participants' segregated cash	167	134	3,496
Participants' and Clearing Funds cash deposits	29,725,484	29,473,824	35,967,882
Cash in Other Participants' assets	1,167,751	813,006	1,364,517
Restricted cash included in Other non-current assets	7,977	7,973	—
Total Cash and cash equivalents, Participants' segregated cash, Participants' and Clearing Funds cash deposits, Cash in Other Participants' assets and Restricted cash shown on the Consolidated Statements of Cash Flows	<u>\$ 43,001,723</u>	<u>\$ 39,460,290</u>	<u>\$ 45,399,114</u>

# THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2021 AND DECEMBER 31, 2020 AND FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020

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

**Novel coronavirus.** The outbreak of the novel coronavirus (“COVID-19”) in many countries continues to adversely impact global commercial activity and has contributed to significant volatility in financial markets. The World Health Organization has declared COVID-19 a "Public Health Emergency of International Concern." The global impact of the outbreak continues to evolve, and as cases of the virus have continued to be identified, many countries have reacted by instituting quarantines and restrictions on travel. Such actions are creating disruption in global supply chains, and adversely impacting a number of industries. The outbreak could have a continued adverse impact on economic and market conditions and trigger a period of global economic slowdown. Nevertheless, COVID-19 could have a material impact on the Company's financial statements. In addition to the factors described above, other factors either in the U.S or internationally that may affect market, economic and geopolitical conditions, and thereby adversely affect the Company's business include, without limitation, economic slowdown, changes in interest rates and/or a lack of availability of credit, changes in law and/or regulation, and uncertainty regarding government and regulatory policy. At this time the Company has not experienced any impairments to the Company's assets or material adverse financial impacts related to COVID-19.

## 3. ACCOUNTING AND REPORTING DEVELOPMENTS

See Note 3 in DTCC's Audited Consolidated Financial Statements for the years ended December 31, 2020 and 2019, 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 2019-12 Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes <i>Issued December 2019</i>	<ul style="list-style-type: none"><li>• Clarifies and simplifies aspects of accounting for income taxes.</li><li>• Eliminates certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for basis differences between book and tax.</li></ul>	<ul style="list-style-type: none"><li>• Effective January 1, 2022.</li><li>• The Company is evaluating the impact on its consolidated financial statements and related disclosures.</li></ul>

## 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 March 31, 2021 and December 31, 2020 follow (in thousands):

	2021	2020
Assets:		
Participants' segregated cash	\$ 167	\$ 134
Other Participants' assets	1,167,751	813,006
Total	<u>\$ 1,167,918</u>	<u>\$ 813,140</u>
Liabilities:		
Payable to Participants	<u>\$ 1,167,918</u>	<u>\$ 813,140</u>

Participants' segregated cash represents cash received from Participants to facilitate their compliance with SEC customer protection rule (Rule 15c3-3).

# THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2021 AND DECEMBER 31, 2020 AND FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020

## 5. ACCOUNTS RECEIVABLE

Details for Accounts receivable as of March 31, 2021 and December 31, 2020 follow (in thousands):

	<u>2021</u>	<u>2020</u>
Due from Participants and customers for services	\$ 225,540	\$ 204,071
Allowance for credit losses	(258)	(259)
Due from Participants and customers for services, net	225,282	203,812
Other receivables	15,401	13,719
Total	<u>\$ 240,683</u>	<u>\$ 217,531</u>

Details for allowance for credit losses for the three months ended March 31, 2021 and 2020 follow (in thousands):

	<u>2021</u>	<u>2020</u>
Beginning balance of allowance for credit losses	\$ 259	\$ 614
Provision	181	452
Less: Write-offs	(182)	(315)
Ending balance of allowance for credit losses	<u>\$ 258</u>	<u>\$ 751</u>

## 6. PARTICIPANTS' AND CLEARING FUNDS

Details for the Participants' and Clearing Funds as of March 31, 2021 and December 31, 2020 follow (in thousands):

	<u>2021</u>			
	<u>DTC</u>	<u>NSCC</u>	<u>FICC</u>	<u>Total</u>
Total Deposits	\$ 1,938,947	\$ 16,035,968	\$ 50,634,862	\$ 68,609,777
Less: Required deposits	1,150,000	15,151,223	39,736,733	56,037,956
Excess deposits	<u>\$ 788,947</u>	<u>\$ 884,745</u>	<u>\$ 10,898,129</u>	<u>\$ 12,571,821</u>

	<u>2020</u>			
	<u>DTC</u>	<u>NSCC</u>	<u>FICC</u>	<u>Total</u>
Total Deposits	\$ 1,925,137	\$ 12,972,776	\$ 47,005,609	\$ 61,903,522
Less: Required deposits	1,150,000	12,054,357	36,468,478	49,672,835
Excess deposits	<u>\$ 775,137</u>	<u>\$ 918,419</u>	<u>\$ 10,537,131</u>	<u>\$ 12,230,687</u>

**Cash and Securities.** Details for cash and securities of the Participants' and Clearing Funds, which may be applied to satisfy obligations of the depositing Participant, other Participants, or the Company pursuant to the rules of the relevant subsidiaries of the Company, as of March 31, 2021 and December 31, 2020 follow (in thousands):

	<u>2021</u>			
	<u>DTC</u>	<u>NSCC</u>	<u>FICC</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,938,947	\$ 14,525,261	\$ 13,261,276	\$ 29,725,484
Securities - at fair value	—	1,510,707	37,373,586	38,884,293
Total	<u>\$ 1,938,947</u>	<u>\$ 16,035,968</u>	<u>\$ 50,634,862</u>	<u>\$ 68,609,777</u>

	<u>2020</u>			
	<u>DTC</u>	<u>NSCC</u>	<u>FICC</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,925,137	\$ 11,845,743	\$ 15,702,944	\$ 29,473,824
Securities - at fair value	—	1,127,033	31,302,665	32,429,698
Total	<u>\$ 1,925,137</u>	<u>\$ 12,972,776</u>	<u>\$ 47,005,609</u>	<u>\$ 61,903,522</u>

# THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2021 AND DECEMBER 31, 2020 AND FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020

## 6. PARTICIPANTS' AND CLEARING FUNDS (CONTINUED)

Details for the Participants' and Clearing Funds cash deposits as of March 31, 2021 and December 31, 2020 follow (in thousands):

	<b>2021</b>			
	<b>DTC</b>	<b>NSCC</b>	<b>FICC</b>	<b>Total</b>
Bank deposits	\$ 1,938,947	\$ 12,070,261	\$ 11,491,276	\$ 25,500,484
Money market fund investments - at fair value	—	2,455,000	1,770,000	4,225,000
Total	<u>\$ 1,938,947</u>	<u>\$ 14,525,261</u>	<u>\$ 13,261,276</u>	<u>\$ 29,725,484</u>

  

	<b>2020</b>			
	<b>DTC</b>	<b>NSCC</b>	<b>FICC</b>	<b>Total</b>
Bank deposits	\$ 1,925,137	\$ 9,813,743	\$ 12,859,944	\$ 24,598,824
Money market fund investments - at fair value	—	1,607,000	2,343,000	3,950,000
Reverse repurchase agreements	—	425,000	500,000	925,000
Total	<u>\$ 1,925,137</u>	<u>\$ 11,845,743</u>	<u>\$ 15,702,944</u>	<u>\$ 29,473,824</u>

## 7. OTHER ASSETS

Details for Other assets as of March 31, 2021 and December 31, 2020 follow (in thousands):

	<b>2021</b>	<b>2020</b>
Prepays	\$ 96,708	\$ 99,483
Prepaid taxes	7,045	29,498
Interest receivable	3,089	2,053
Other current assets	7,478	7,231
Total other current assets	<u>114,320</u>	<u>138,265</u>
Long-term incentive plan assets	160,068	159,865
Cash surrender value on insurance policies	68,611	71,498
Prepays	22,909	17,512
Deferred tax assets	19,226	27,774
Equity investments	12,393	12,393
Restricted cash	7,977	7,973
Investment in Federal reserve stock	6,402	6,402
Other non-current assets	2,582	2,671
Total other non-current assets	<u>300,168</u>	<u>306,088</u>
Total	<u>\$ 414,488</u>	<u>\$ 444,353</u>

**THE DEPOSITORY TRUST & CLEARING CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2021 AND DECEMBER 31, 2020 AND FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020

**8. OTHER LIABILITIES**

Details for Other liabilities as of March 31, 2021 and December 31, 2020 follow (in thousands):

	<u>2021</u>	<u>2020</u>
Compensation payable	\$ 39,116	\$ 161,106
Accrued payroll and payroll withholdings	34,333	52,716
Long-term incentive plan liabilities	26,834	29,309
Deferred revenue	20,189	16,502
Deferred sublease income	8,985	9,406
Other current liabilities	11,261	16,668
Total other current liabilities	<u>140,718</u>	<u>285,707</u>
Long-term incentive plan liabilities	232,799	242,344
Unrecognized tax benefits	14,084	43,659
Deferred revenue	1,056	1,097
Deferred tax liabilities	443	560
Other non-current liabilities	2,844	2,866
Total other non-current liabilities	<u>251,226</u>	<u>290,526</u>
Total	<u>\$ 391,944</u>	<u>\$ 576,233</u>

**9. COMMERCIAL PAPER**

Details for Commercial paper as of March 31, 2021 and December 31, 2020 follow (in thousands):

	<u>2021</u>	<u>2020</u>
Commercial paper - net of unamortized discount of \$829 and \$1,983 as of March 31, 2021 and December 31, 2020, respectively	\$ 7,200,072	\$ 3,843,290
Weighted-average interest rate	0.14 %	0.28 %

Interest expense on Commercial paper, included in Interest expense in the accompanying Consolidated Statements of Income, was \$2,430,000 and \$32,761,000 for the three months ended March 31, 2021 and 2020, respectively.

**10. LONG-TERM DEBT**

Details for Long-term debt as of March 31, 2021 and December 31, 2020 follow (in thousands):

	<u>2021</u>	<u>2020</u>
Medium-term notes, net of unamortized discount and debt issuance costs	\$ 3,725,782	\$ 3,723,942
Information technology financing	1,503	3,921
Total Long-term debt	<u>3,727,285</u>	<u>3,727,863</u>
Less: Current portion of long-term debt	(1,503)	(3,921)
Non-current portion of long-term debt	<u>\$ 3,725,782</u>	<u>\$ 3,723,942</u>

# THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2021 AND DECEMBER 31, 2020 AND FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020

## 10. LONG-TERM DEBT (CONTINUED)

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

	<u>Medium-Term Notes</u>	<u>Information Technology Financing</u>	<u>Total</u>
2021	\$ —	\$ 1,503	\$ 1,503
2022	—	—	—
2023	2,000,000	—	2,000,000
2024	—	—	—
2025	1,750,000	—	1,750,000
Thereafter	—	—	—
Total	<u>\$ 3,750,000</u>	<u>\$ 1,503</u>	<u>\$ 3,751,503</u>

**Medium-term notes.** On April 23, 2020 and December 7, 2020, NSCC issued three-year and five-year senior unsecured medium-term notes for an aggregate total of \$3.75 billion. The proceeds from the issuances constitute liquid resources that, together with other liquid resources of the Company, are available to enable NSCC to affect the settlement of its payment obligations in the event of the default of any of its Participants pursuant to NSCC's rules.

Details of the medium-term notes as of March 31, 2021 follow (in thousands):

<u>Issue Date</u>	<u>Maturity</u>	<u>Rate</u>	<u>Principal Balance</u>	<u>Carrying Value</u>
April 23, 2020	April 23, 2023	1.20% <sup>(1)</sup>	\$ 1,000,000	\$ 995,477
April 23, 2020	April 23, 2025	1.50% <sup>(1)</sup>	1,000,000	993,007
December 7, 2020	December 7, 2023	0.40% <sup>(2)</sup>	1,000,000	994,106
December 7, 2020	December 7, 2025	0.75% <sup>(2)</sup>	750,000	743,192
			<u>\$ 3,750,000</u>	<u>\$ 3,725,782</u>

(1) Interest is payable semi-annually in arrears on October 23 and April 23 of each year, beginning October 23, 2020.

(2) Interest is payable semi-annually in arrears on June 7 and December 7 of each year, beginning June 7, 2021.

Interest expense and amortization of discount and issuance costs, included in Interest expense in the accompanying Consolidated Statements of Income, were \$11,053,000 and \$0 for the three months ended March 31, 2021 and 2020, respectively. The weighted-average interest rate was 0.98% as of March 31, 2021. As of March 31, 2021, the aggregate unamortized debt issuance costs and discount associated with the medium-term notes were \$24,218,000.

**Information Technology Financing.** On January 1, 2019, the Company obtained three year financing of \$14 million from IBM Credit LLC in connection to its software and services purchase agreement with IBM. The interest rate of the loan was 3.90% as of March 31, 2021. Interest expense on the loan included in the accompanying Consolidated Statements of Income was \$23,000 and \$62,000 for the three months ended March 31, 2021 and 2020, respectively.

# THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2021 AND DECEMBER 31, 2020 AND FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020

## 10. LONG-TERM DEBT (CONTINUED)

**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 of its payment obligations in the event of the default of any of its Participants pursuant to the rules of the relevant subsidiaries of the Company.

Details for the terms of the outstanding lines of credit as of March 31, 2021 and December 31, 2020 follow:

	2021	2020
<b><i>DTCC</i></b>		
<b>Committed Amount</b>	\$500 million	\$500 million
<b>Denomination</b>	USD	USD
<b>Number of Participants/Lenders</b>	10/10	10/10
<b>Borrowing Rate</b>	Either base rate plus 0.25% or eurodollar plus 1.25%	Either base rate plus 0.25% or eurodollar plus 1.25%
<b>Maturity Date</b>	January 2022	January 2022
<b>Annual Facility Fee</b>	0.15% <sup>(1)</sup>	0.15% <sup>(1)</sup>
<b><i>DTC</i></b>		
<b>Committed Amount</b>	\$1.9 billion	\$1.9 billion
<b>Denomination</b>	USD	USD
<b>Number of Participants/Lenders</b>	32/37	32/37
<b>Borrowing Rate</b>	The greater of the federal funds offered rate, adjusted LIBOR, or lenders' cost of funds, on the day of borrowing, plus 1.40%	
<b>Maturity Date</b>	May 2021	May 2021
<b>Annual Facility Fee</b>	0.20% <sup>(1)</sup>	0.20% <sup>(1)</sup>
<b>Uncommitted Amount</b>	C\$150 million <sup>(2)</sup>	C\$150 million <sup>(2)</sup>
<b>Denomination</b>	CAD	CAD
<b>Number of Participants/Lenders</b>	1/1	1/1
<b>Borrowing Rate</b>	A rate per annum equal to the Canadian Prime Rate minus 0.50%	
<b>Maturity Date</b>	On Demand	On Demand
<b><i>NSCC</i></b>		
<b>Committed Amount</b>	\$10.9 billion	\$10.9 billion
<b>Denomination</b>	USD	USD
<b>Number of Participants/Lenders</b>	32/37	32/37
<b>Borrowing Rate</b>	The greater of the federal funds offered rate, adjusted LIBOR, or lenders' cost of funds, on the day of borrowing, plus 1.40%	
<b>Maturity Date</b>	May 2021	May 2021
<b>Annual Facility Fee</b>	0.20% <sup>(1)</sup>	0.20% <sup>(1)</sup>

(1) The annual facility fee associated with maintaining the line of credit is included in Professional and other services in the accompanying Consolidated Statements of Income.

(2) Used to support Canadian settlement.

There were no borrowings under the lines of credit during 2021 and 2020.



# THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2021 AND DECEMBER 31, 2020 AND FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020

## 10. LONG-TERM DEBT (CONTINUED)

Details for debt covenants related to the lines of credit as of March 31, 2021 and December 31, 2020 follow:

	2021	2020
<b><u>DTCC</u></b>		
<b>Minimum Net Worth</b>	\$1.25 billion	\$1.25 billion
<b>Maximum Priority Debt</b>	\$200 million	\$200 million
<b><u>DTC</u></b>		
<b>Minimum Net Worth</b>	\$200 million	\$200 million
<b>Minimum Participants' Fund deposits</b>	\$750 million	\$750 million
<b><u>NSCC</u></b>		
<b>Minimum Net Worth</b>	\$200 million	\$200 million
<b>Minimum Clearing Fund deposits</b>	\$1.5 billion	\$1.5 billion

As of March 31, 2021 and December 31, 2020, 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 issuer credit ratings and ratings outlooks for DTCC and its three clearing agency subsidiaries as of March 31, 2021 follow:

	Moody's <sup>(1)</sup>			S&P		
	Long-term	Short-term	Outlook	Long-term	Short-term	Outlook
<b>DTCC</b>	Aa3	N/A	Stable	AA-	A-1+	Stable
<b>DTC</b>	Aaa	P-1	Stable	AA+	A-1+	Stable
<b>FICC</b>	Aaa	P-1	Stable	AA	A-1+	Stable
<b>NSCC</b>	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.

# THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2021 AND DECEMBER 31, 2020 AND FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020

## 11. FAIR VALUE MEASUREMENTS

See Note 15 in DTCC's Audited Consolidated Financial Statements for the years ended December 31, 2020 and 2019, 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 as of March 31, 2021 and December 31, 2020 are summarized below (in thousands):

	2021			Total
	Level 1	Level 2	Level 3	
<b>Assets:</b>				
Participants' and Clearing Funds				
Securities	\$ 34,970,227	\$ 3,914,066	\$ —	\$ 38,884,293
Cash deposits - Money market fund investments	4,225,000	—	—	4,225,000
Non-current assets				
Long-term incentive plan assets - Mutual fund and Stable value fund investments	130,302	29,766	—	160,068
<b>Total assets</b>	<b>\$ 39,325,529</b>	<b>\$ 3,943,832</b>	<b>\$ —</b>	<b>\$ 43,269,361</b>
<b>Liabilities:</b>				
Participants' and Clearing Funds				
Securities liabilities	\$ 34,970,227	\$ 3,914,066	\$ —	\$ 38,884,293
Money market fund investments liabilities	4,225,000	—	—	4,225,000
<b>Total liabilities</b>	<b>\$ 39,195,227</b>	<b>\$ 3,914,066</b>	<b>\$ —</b>	<b>\$ 43,109,293</b>
	2020			Total
	Level 1	Level 2	Level 3	
<b>Assets:</b>				
Participants' and Clearing Funds				
Securities	\$ 28,160,722	\$ 4,268,976	\$ —	\$ 32,429,698
Cash deposits - Money market fund investments	3,950,000	—	—	3,950,000
Non-current assets				
Long-term incentive plan assets - Mutual fund and Stable value fund investments	126,165	33,700	—	159,865
<b>Total assets</b>	<b>\$ 32,236,887</b>	<b>\$ 4,302,676</b>	<b>\$ —</b>	<b>\$ 36,539,563</b>
<b>Liabilities:</b>				
Participants' and Clearing Funds				
Securities liabilities	\$ 28,160,722	\$ 4,268,976	\$ —	\$ 32,429,698
Money market fund investments liabilities	3,950,000	—	—	3,950,000
<b>Total liabilities</b>	<b>\$ 32,110,722</b>	<b>\$ 4,268,976</b>	<b>\$ —</b>	<b>\$ 36,379,698</b>

There were no transfers between levels within the fair value hierarchy during the periods ended March 31, 2021 and December 31, 2020. There were no financial assets and liabilities measured at fair value on a recurring basis classified as Level 3 for the periods ended March 31, 2021 and December 31, 2020.

# THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2021 AND DECEMBER 31, 2020 AND FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020

## 11. FAIR VALUE MEASUREMENTS (CONTINUED)

**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 Consolidated Statements of Financial Condition as of March 31, 2021 and December 31, 2020 follow (in thousands):

	<b>2021</b>				
	<b>Carrying Amount</b>	<b>Total Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Assets:</b>					
Cash and cash equivalents	\$ 12,100,344	\$ 12,100,344	\$ 12,100,344	\$ —	\$ —
Participants' segregated cash	167	167	167	—	—
Short-term investments	1,146,131	1,146,131	—	1,146,131	—
<b>Participants' and Clearing Funds:</b>					
Cash deposits - Bank deposits	25,500,484	25,500,484	25,500,484	—	—
Other Participants' assets	1,167,751	1,167,751	1,167,751	—	—
<b>Total</b>	<b>\$39,914,877</b>	<b>\$39,914,877</b>	<b>\$38,768,746</b>	<b>\$ 1,146,131</b>	<b>\$ —</b>
<b>Liabilities:</b>					
Commercial paper	\$ 7,200,072	\$ 7,200,072	\$ —	\$ 7,200,072	\$ —
<b>Participants' and Clearing Funds:</b>					
Cash deposits - Bank deposits	25,500,484	25,500,484	25,500,484	—	—
Payable to Participants	1,167,918	1,167,918	1,167,918	—	—
Long-term debt	3,727,285	3,755,192	—	3,755,192	—
<b>Total</b>	<b>\$37,595,759</b>	<b>\$37,623,666</b>	<b>\$26,668,402</b>	<b>\$10,955,264</b>	<b>\$ —</b>
<b>2020</b>					
	<b>Carrying Amount</b>	<b>Total Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Assets:</b>					
Cash and cash equivalents	\$ 9,165,353	\$ 9,165,353	\$ 9,165,353	\$ —	\$ —
Participants' segregated cash	134	134	134	—	—
Short-term investments	800,000	800,000	—	800,000	—
<b>Participants' and Clearing Funds:</b>					
Cash deposits - Bank deposits	24,598,824	24,598,824	24,598,824	—	—
Cash deposits - Reverse repurchase agreements	925,000	925,000	—	925,000	—
Other Participants' assets	813,006	813,006	813,006	—	—
<b>Total</b>	<b>\$36,302,317</b>	<b>\$36,302,317</b>	<b>\$34,577,317</b>	<b>\$ 1,725,000</b>	<b>\$ —</b>
<b>Liabilities:</b>					
Commercial paper	\$ 3,843,290	\$ 3,843,290	\$ —	\$ 3,843,290	\$ —
<b>Participants' and Clearing Funds:</b>					
Cash deposits - Bank deposits	24,598,824	24,598,824	24,598,824	—	—
Cash deposits - Reverse repurchase agreements	925,000	925,000	—	925,000	—
Payable to Participants	813,140	813,140	813,140	—	—
Long-term debt	3,727,863	3,790,077	—	3,790,077	—
<b>Total</b>	<b>\$33,908,117</b>	<b>\$33,970,331</b>	<b>\$25,411,964</b>	<b>\$ 8,558,367</b>	<b>\$ —</b>

# THE DEPOSITORY TRUST & CLEARING CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2021 AND DECEMBER 31, 2020 AND FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020

### 11. FAIR VALUE MEASUREMENTS (CONTINUED)

**Assets measured at fair value on a non-recurring basis.** Certain assets are subject to measurement at fair value on a non-recurring basis. For these assets, measurement at fair value in periods subsequent to their initial recognition is applicable if they are determined to be impaired or when an observable event occurs.

Financial assets measured at fair value on a non-recurring basis include equity investments, which are classified as Level 3 instruments. During the first three months ended March 31, 2021, there was no fair value adjustment required to equity investments without a readily determinable fair value. The carrying amount of the investments were \$12,393,000 as of March 31, 2021 and December 31, 2020.

### 12. RETIREMENT PLANS

See Note 16 in DTCC's Audited Consolidated Financial Statements for the years ended December 31, 2020 and 2019 for additional information on the Company's retirement plans.

**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, included in Employee compensation and related benefits, Interest expense, and Other non-operating income, net in the accompanying Consolidated Statements of Income, for the three months ended March 31, 2021 and 2020 follow (in thousands):

	Pension Benefits		Other Benefits	
	2021	2020	2021	2020
Components of net periodic benefit expense (income):				
Expected return on plan assets	\$ (9,480)	\$ (10,019)	\$ —	\$ —
Interest cost	5,841	8,199	296	454
Service cost	531	908	158	167
Amortizations:				
Prior service cost (credit)	22	207	(1,287)	(1,392)
Actuarial loss	3,285	2,552	424	381
Settlement loss	44	135	—	—
Net periodic benefit expense (income)	<u>\$ 243</u>	<u>\$ 1,982</u>	<u>\$ (409)</u>	<u>\$ (390)</u>

The Company did not make any contributions to the Pension Plan for the three months ended March 31, 2021 and does not anticipate making any contributions for the remainder of the fiscal year.

**Defined contribution retirement plans.** Total expense for the defined contribution retirement plans included in Employee compensation and related benefits in the accompanying Consolidated Statements of Income was \$10,747,000 and \$10,630,000 for the three months ended March 31, 2021 and 2020, respectively.

# THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2021 AND DECEMBER 31, 2020 AND FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020

## 13. INCOME TAXES

Details for unrecognized tax benefits, included in Other non-current liabilities on the accompanying Consolidated Statements of Financial Condition, as of March 31, 2021 and 2020 follow (in thousands):

	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 27,267	\$ 29,197
Increases:		
Prior period tax positions	48	—
Current period tax positions	75	50
Decreases:		
Prior period tax positions	(11,317)	(533)
Settlements with tax authorities	(3,293)	—
Unrecognized tax benefit	12,780	28,714
Accrued interest	1,304	15,077
Ending balance	<u>\$ 14,084</u>	<u>\$ 43,791</u>

On February 1, 2021, the Company and the New York City tax authority reached a settlement agreement related to income tax audits of the 2010-2014 fiscal years. The Company reduced the related unrecognized tax benefit and accrued interest by \$11,317,000 and \$11,810,000, respectively.

See Note 17 in DTCC's Audited Consolidated Financial Statements for the years ended December 31, 2020 and 2019 for additional information.

## 14. 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, in accordance with the Amended Certificate of Incorporation of DTCC, 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 accrue at a floating rate equal to three-month LIBOR plus 3.167% per annum (3.384% at March 15, 2021), and, when declared by DTCC's Board of Directors, dividends on the Series C Preferred stock are payable in arrears on March 15, June 15, September 15 and December 15 of each year beginning on September 15, 2020.

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 days 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.

# THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2021 AND DECEMBER 31, 2020 AND FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020

## 14. SHAREHOLDERS' EQUITY (CONTINUED)

Details of dividends paid to holders of the Series C Preferred Stock during the three months ended March 31, 2021 follow (in thousands):

<b>Approved and Declared Date</b>	<b>Record Date</b>	<b>Payment Date</b>	<b>Declared Dividend</b>	<b>Shares Outstanding</b>	<b>Dividend Paid</b>
January 14, 2021	February 25, 2021	March 15, 2021	\$2,114.69	1,600	\$ 3,383,504

On April 13, 2021, in accordance with the Amended Certificate of Incorporation of DTCC, the Board of Directors approved and declared dividends in the amount of \$2,140.84 per share on 1,600 shares outstanding of its Series C Preferred Stock. The aggregate dividend of \$3,425,344 will be payable on June 15, 2021 to the holders of the Series C Preferred Stock as of record date May 25, 2021.

**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. The ownership of DTC preferred stock is reported as non-controlling interests in the consolidated financial statements. 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, 2021 and December 31, 2020. Annual dividends are accrued based on the weighted-average rate of interest paid by the Company on required Participants' Fund deposits during the dividend period as disclosed in the DTC's rules. The 2020 annual dividend amount of \$480,000 was approved and declared by the Board of Directors in February 2021, and was paid in April 2021, to the holders of DTC Series A Preferred stock during 2020. The 2019 annual dividend amount of \$2,640,000 was approved and declared by the Board of Directors in February 2020, and was paid in March 2020, to the holders of DTC Series A Preferred stock during 2019.

## 15. CAPITAL REQUIREMENTS

As required by Rule 17Ad-22(e)(15) of the CCAS and pursuant to the Clearing Agency Policy on Capital Requirements, the Company must meet its total capital requirement by holding liquid net assets funded by equity. The total capital requirement for each of the clearing agencies is equal to the sum of the general business risk capital requirement and corporate contribution, as described below.

**General Business Risk Capital Requirement.** This capital requirement is held to cover potential general business losses so that the clearing agencies can continue operations and provide services as a going concern if those losses materialize. It is determined based on the general business risk profile and estimated time to execute a recovery or orderly wind-down of critical operations for each of the clearing agencies and, at a minimum, is equal to six months of operating expenses.

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

# THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2021 AND DECEMBER 31, 2020 AND FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020

## 15. CAPITAL REQUIREMENTS (CONTINUED)

Details of the general business risk capital requirement, corporate contribution and liquid net assets funded by equity for the clearing agencies as of March 31, 2021 and December 31, 2020 follow (in thousands):

	2021		
	DTC	NSCC	FICC
General business risk capital requirement	\$ 182,452	\$ 205,138	\$ 131,256
Corporate contribution	91,226	102,569	65,628
Total requirement	273,678	307,707	196,884
Liquid net assets funded by equity	687,965	649,912	310,898
Excess	\$ 414,287	\$ 342,205	\$ 114,014

  

	2020		
	DTC	NSCC	FICC
General business risk capital requirement	\$ 179,187	\$ 204,080	\$ 130,261
Corporate contribution	89,593	102,040	65,130
Total requirement	268,780	306,120	195,391
Liquid net assets funded by equity	684,377	620,079	300,549
Excess	\$ 415,597	\$ 313,959	\$ 105,158

**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; European Securities and Markets Authority in Europe; Financial Conduct Authority in the UK; Ontario Securities Commission in Canada; and the Monetary Authority of Singapore in Singapore.

**Capital adequacy.** DTC is subject to capital guidelines issued by United States federal and state banking regulators.

DTC capital and leverage ratios filed with the FRBNY and the NYSDFS as of March 31, 2021 follow:

	Ratio	Minimum Capital Ratio <sup>(a)</sup>	Well Capitalized Ratio <sup>(a)</sup>
Tier 1 capital ratio <sup>(1)</sup>	92.33 %	6.00 %	8.00 %
Total capital ratio <sup>(1)</sup>	92.33 %	8.00 %	10.00 %
Tier 1 leverage ratio <sup>(2)</sup>	20.86 %	4.00 %	4.00 %

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

(1) Total capital and Tier 1 capital include common stock, retained earnings and preferred stock. DTC's tier 1 capital and total capital ratios are based on tier 1 capital and total risk-weighted assets.

(2) Tier 1 leverage ratio is based on tier 1 capital and quarterly average total assets.

# THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2021 AND DECEMBER 31, 2020 AND FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020

## 16. 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 default risk, FICC (through GSD and MBSD) and NSCC use risk-based margining to determine Participants' required cash and eligible securities deposits to 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.

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

Details for open CCP positions for which a trade guaranty applied as of March 31, 2021 and December 31, 2020 follow (in billions):

	<u>2021</u>	<u>2020</u>
FICC		
GSD	\$ 1,096	\$ 1,201
MBSD	627	629
NSCC	261	183

See Note 21 in DTCC's Audited Consolidated Financial Statements for the years ended December 31, 2020 and 2019 for additional information on the Company's guarantees.

## 17. SUBSEQUENT EVENTS

The Company evaluated events and transactions occurring after March 31, 2021 through May 7, 2021, the date these consolidated financial statements are available to be issued, for potential recognition or disclosure. No additional events or transactions, other than as disclosed below and disclosed in Note 14, Shareholders' Equity, occurred during such period that would require recognition or disclosure in these consolidated financial statements.

On May 4, 2021, the Company renewed the annual lines of credit on DTC and NSCC for \$1.9 billion and \$9.3 billion respectively. These lines will mature on May 3, 2022.