

The Depository Trust & Clearing Corporation

Consolidated Financial Statements as of September 30, 2021 and
December 31, 2020 and for the three and nine months ended
September 30, 2021 and 2020

THE DEPOSITORY TRUST & CLEARING CORPORATION

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

(In thousands, except share data)	As of September 30, 2021	As of December 31, 2020
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 12,341,289	\$ 9,165,353
Participants' segregated cash	1,806	134
Short-term investments	845,000	800,000
Accounts receivable - net of allowance for credit losses	175,889	217,531
Participants' and Clearing Funds	57,436,542	61,903,522
Other Participants' assets	1,328,916	813,006
Other current assets	146,771	138,265
Total current assets	<u>72,276,213</u>	<u>73,037,811</u>
NON-CURRENT ASSETS:		
Premises and equipment - net of accumulated depreciation of \$296,030 and \$267,545 as of September 30, 2021 and December 31, 2020, respectively	186,679	202,224
Goodwill	57,699	57,699
Intangible assets - net of accumulated amortization of \$748,259 and \$661,765 as of September 30, 2021 and December 31, 2020, respectively	349,927	343,530
Operating lease right-of-use-asset	227,355	220,073
Other non-current assets	299,754	306,088
Total non-current assets	<u>1,121,414</u>	<u>1,129,614</u>
TOTAL ASSETS	<u>\$ 73,397,627</u>	<u>\$ 74,167,425</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Commercial paper - net of unamortized discount	\$ 6,780,267	\$ 3,843,290
Long-term debt	505	3,921
Pension and postretirement benefits	35,789	40,438
Operating lease liability	28,701	27,179
Accounts payable and accrued expenses	156,272	122,021
Participants' and Clearing Funds	57,436,542	61,903,522
Payable to Participants	1,330,722	813,140
Other current liabilities	226,595	285,707
Total current liabilities	<u>65,995,393</u>	<u>67,039,218</u>
NON-CURRENT LIABILITIES:		
Long-term debt	3,729,973	3,723,942
Pension and postretirement benefits	174,144	179,552
Operating lease liability	248,339	245,836
Other non-current liabilities	261,287	290,526
Total non-current liabilities	<u>4,413,743</u>	<u>4,439,856</u>
Total liabilities	<u>70,409,136</u>	<u>71,479,074</u>
COMMITMENTS AND CONTINGENCIES (Note 2)		
SHAREHOLDERS' EQUITY		
Preferred stock:		
Series A, \$0.50 par value - 10,000 shares authorized, issued (above par), and outstanding	300	300
Series B, \$0.50 par value - 10,000 shares authorized, issued (above par), and outstanding	300	300
Series C, \$0.50 par value - 1,600 shares authorized, issued (above par), and outstanding	—	390,516
Series D, \$0.50 par value - 2,000 shares authorized, issued (above par), and outstanding	490,900	—
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	2,167,475	1,964,412
Accumulated other comprehensive loss, net of tax	(236,640)	(233,333)
Non-controlling interests	150,000	150,000
Total shareholders' equity	<u>2,988,491</u>	<u>2,688,351</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 73,397,627</u>	<u>\$ 74,167,425</u>

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

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

(In thousands)	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
REVENUES				
Settlement and asset services	\$ 133,409	\$ 95,608	\$ 375,782	\$ 333,140
Clearing services	121,813	166,833	554,782	525,882
Matching services	72,361	70,376	223,593	220,931
Repository and derivatives services	74,267	65,237	220,555	202,198
Wealth management services	27,878	26,198	83,406	81,451
Data and other services	11,460	11,194	35,771	29,028
Investment income (loss), net	(226)	6,457	11,003	2,319
Total revenues	<u>440,962</u>	<u>441,903</u>	<u>1,504,892</u>	<u>1,394,949</u>
EXPENSES				
Employee compensation and related benefits	188,432	204,081	589,297	567,946
Information technology	53,184	46,927	168,933	142,106
Professional and other services	93,234	84,393	261,624	252,094
Occupancy	12,182	12,775	37,233	37,010
Depreciation and amortization	41,035	37,911	123,928	106,696
General and administrative	12,073	10,647	31,200	33,222
Impairment of intangible assets	—	—	—	7,001
Total expenses	<u>400,140</u>	<u>396,734</u>	<u>1,212,215</u>	<u>1,146,075</u>
Total operating income	<u>40,822</u>	<u>45,169</u>	<u>292,677</u>	<u>248,874</u>
NON-OPERATING INCOME (EXPENSE)				
Interest income	14,389	11,878	38,465	124,329
Refunds to Participants	(8,425)	(6,442)	(22,810)	(81,328)
Interest expense	(19,959)	(21,307)	(59,934)	(98,456)
Other non-operating income, net	7,310	8,763	21,521	29,448
Total non-operating expense	<u>(6,685)</u>	<u>(7,108)</u>	<u>(22,758)</u>	<u>(26,007)</u>
Income before taxes	34,137	38,061	269,919	222,867
Provision for income taxes	6,627	7,929	50,563	53,958
Net income	<u>\$ 27,510</u>	<u>\$ 30,132</u>	<u>\$ 219,356</u>	<u>\$ 168,909</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)

(In thousands)	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Net income	\$ 27,510	\$ 30,132	\$ 219,356	\$ 168,909
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax:				
Defined benefit pension and other plans	—	—	27	—
Foreign currency translation	(3,208)	1,080	(3,334)	(2,528)
Other comprehensive income (loss)	(3,208)	1,080	(3,307)	(2,528)
Comprehensive income	\$ 24,302	\$ 31,212	\$ 216,049	\$ 166,381

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			Non- controlling Interests	Total Shareholders' Equity	
	Series A	Series B	Series C	Series D				Defined Benefit Pension and Other Plans	Foreign Currency Translation				
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		
Net income	—	—	—	—	—	—	90,153	—	—	—	90,153		
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	326	—	326		
Redemption of preferred stock	—	—	(390,516)	—	—	—	(9,484)	—	—	—	(400,000)		
Proceeds from issuance of preferred stock, net of issuance costs	—	—	—	490,900	—	—	—	—	—	—	490,900		
Dividend on preferred stock	—	—	—	—	—	—	(3,425)	—	—	—	(3,425)		
BALANCE - June 30, 2021	300	300	—	490,900	5,091	411,065	2,139,965	(229,615)	(3,817)	150,000	2,964,189		
Net income	—	—	—	—	—	—	27,510	—	—	—	27,510		
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	(3,208)	—	(3,208)		
BALANCE - September 30, 2021	\$ 300	\$ 300	\$ —	\$ 490,900	\$ 5,091	\$ 411,065	\$ 2,167,475	\$ (229,615)	\$ (7,025)	\$ 150,000	\$ 2,988,491		

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

(In thousands)	Preferred Stock				Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net of Tax			Non- controlling Interests	Total Shareholders' Equity	
	Series A	Series B	Series C	Series D				Defined Benefit Pension and Other Plans	Foreign Currency Translation				
	BALANCE - January 1, 2020	\$ 300	\$ 300	390,516				—	\$ 5,091	\$ 411,065			\$ 1,769,638
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		
Net income	—	—	—	—	—	—	52,525	—	—	—	52,525		
Other comprehensive income	—	—	—	—	—	—	—	—	2	—	2		
Dividend on preferred stock	—	—	—	—	—	—	(9,750)	—	—	—	(9,750)		
BALANCE - June 30, 2020	300	300	390,516	—	5,091	411,065	1,898,665	(216,758)	(8,782)	150,000	2,630,397		
Net income	—	—	—	—	—	—	30,132	—	—	—	30,132		
Other comprehensive income	—	—	—	—	—	—	—	—	1,080	—	1,080		
Dividend on preferred stock	—	—	—	—	—	—	(3,558)	—	—	—	(3,558)		
BALANCE - September 30, 2020	\$ 300	\$ 300	\$ 390,516	\$ —	\$ 5,091	\$ 411,065	\$ 1,925,239	\$ (216,758)	\$ (7,702)	\$ 150,000	\$ 2,658,051		

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

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

(In thousands)	For the nine months ended September 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 219,356	\$ 168,909
Adjustments to reconcile net income to net cash provided by / (used in) operating activities:		
Depreciation and amortization	123,928	106,696
Impairment of intangible assets	—	7,001
Deferred income taxes	14,972	1,943
Accretion of discount on Commercial paper, net of associated interest paid	(3,745)	(38,099)
Net income from Equity method investments	—	(558)
Other	2,199	22,114
Net change in:		
Accounts receivable	42,282	2,743
Other assets	(21,365)	62,663
Accounts payable and accrued expenses	35,775	15,776
Pension and postretirement benefits	(9,977)	(6,049)
Operating lease liability	(24,239)	(19,696)
Other liabilities	(64,466)	(48,561)
Participants' and Clearing Funds liabilities	(2,720,499)	7,187,815
Payable to Participants	517,582	676,167
Net cash provided by / (used in) operating activities	<u>(1,888,197)</u>	<u>8,138,864</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Short-term investments	(2,046,179)	(1,845,000)
Maturities of Short-term investments	2,001,251	1,600,000
Purchases of Premises and equipment	(21,186)	(27,745)
Capitalized software development costs	(95,352)	(75,321)
Proceeds from sale of Equity method investments	—	9,902
Proceeds from Company owned life insurance policies	4,298	—
Net cash used in investing activities	<u>(157,168)</u>	<u>(338,164)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Commercial paper	41,415,382	25,311,630
Repayments of Commercial paper	(38,474,660)	(29,308,173)
Proceeds from issuance of debt, net of debt issuance costs	—	1,984,823
Repayments on long-term debt and other borrowings	(3,418)	(3,550)
Preferred stock dividend payments	(6,809)	(13,308)
Proceeds from issuance of preferred stock, net of issuance costs	490,900	—
Redemption of preferred stock	(400,000)	—
Payment to Non-controlling interests	(480)	(2,640)
Net cash provided by / (used in) financing activities	<u>3,020,915</u>	<u>(2,031,218)</u>
Effect of foreign exchange rate changes on Cash and cash equivalents	(2,519)	(259)
Net increase in Cash and cash equivalents, Participants' segregated cash, Participants' and Clearing Funds cash deposits, Cash in Other Participants' assets, Restricted cash	973,031	5,769,223
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>\$ 40,433,321</u>	<u>\$ 32,114,848</u>
SUPPLEMENTAL DISCLOSURES:		
Interest paid	<u>\$ 31,368</u>	<u>\$ 95,638</u>
Income taxes paid - net of refunds	<u>\$ 81,472</u>	<u>\$ 20,900</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 SEPTEMBER 30, 2021 AND DECEMBER 31, 2020 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

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 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 SEPTEMBER 30, 2021 AND DECEMBER 31, 2020 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

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. The Company evaluates, on a quarterly basis, developments in legal and regulatory proceedings that could cause an increase or decrease to the amounts accrued, if any; actual results may vary significantly.

The Company was fined by the SEC for compliance violations arising from a regulatory examination. Without admitting or denying the findings, the Company consented to pay a \$8 million penalty in 2021. The charge for the fine is included in General and administrative in the accompanying Statements of Income of which \$5 million was recorded in fourth quarter of 2020 and \$3 million was recorded in the three and nine months ending September 30th, 2021.

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.

THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF SEPTEMBER 30, 2021 AND DECEMBER 31, 2020 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

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

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.

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 \$1.2 million and \$4.0 million for the three and nine months ended September 30, 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. Revenue was reduced as a result of the correction, for the three and nine months ended September 30, 2021 are \$0.0 million and \$8.0 million, respectively. The Company refunded all overbilled amounts in June 2021.

Rebate. On September 22, 2021, the Board of Directors authorized a rebate to NSCC Participants for \$75 million. Participants will receive a discretionary rebate based on a pro rata share of qualifying revenues at the NSCC level. Estimated 2021 profitability was used as the basis for the calculation of the rebate, which will be paid in December 2021. The recording of the rebate resulted in a negative accounts receivable balance of \$25 million on NSCC that has been reclassified to accounts payable. For the three and nine months ended September 30, 2021, the rebate is presented net in Clearing services revenue in the accompanying Statements of Income.

The Board of Directors authorized and the Company paid rebates in the amount of \$25 million to DTC Participants during 2020. The discretionary rebate was calculated based on estimated profitability at the DTC level. Participants received rebate in proportion to their fees paid in 2020. The rebate was presented net in Settlement and asset services revenue in the accompanying Statements of Income.

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 September 30, 2021 and December 31, 2020 was \$19,460,000 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, \$2,743,000 and \$13,380,000 was recognized as revenue during the three and nine months ended September 30, 2021, respectively.

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.

THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF SEPTEMBER 30, 2021 AND DECEMBER 31, 2020 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

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

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):

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Cash and cash equivalents	\$ 12,341,289	\$ 9,165,353	\$ 6,293,834
Participants' segregated cash	1,806	134	1,465
Participants' and Clearing Funds cash deposits	26,753,325	29,473,824	24,619,298
Cash in Other Participants' assets	1,328,916	813,006	1,193,682
Restricted cash included in Other non-current assets	<u>7,985</u>	<u>7,973</u>	<u>6,569</u>
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>\$ 40,433,321</u>	<u>\$ 39,460,290</u>	<u>\$ 32,114,848</u>

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	<ul style="list-style-type: none"> Clarifies and simplifies aspects of accounting for income taxes. 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. 	<ul style="list-style-type: none"> Effective January 1, 2022. The Company is evaluating the impact on its consolidated financial statements and related disclosures.
<i>Issued December 2019</i>		

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

	<u>2021</u>	<u>2020</u>
Assets:		
Participants' segregated cash	\$ 1,806	\$ 134
Other Participants' assets	1,328,916	813,006
Total	<u>\$ 1,330,722</u>	<u>\$ 813,140</u>
Liabilities:		
Payable to Participants	<u>\$ 1,330,722</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).

5. ACCOUNTS RECEIVABLE

Details for Accounts receivable as of September 30, 2021 and December 31, 2020 follow (in thousands):

	<u>2021</u>	<u>2020</u>
Due from Participants and customers for services	\$ 160,607	\$ 204,071
Allowance for credit losses	(325)	(259)
Due from Participants and customers for services, net	160,282	203,812
Other receivables	15,607	13,719
Total	<u>\$ 175,889</u>	<u>\$ 217,531</u>

Details for allowance for credit losses for the three and nine months ended September 30, 2021 and 2020 follow (in thousands):

	<u>For the three months ended Sept 30,</u>		<u>For the nine months ended Sept 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Beginning balance of allowance for credit losses	\$ 368	\$ 1,006	\$ 259	\$ 614
Provision	73	330	525	1,172
Less: Write-offs	(116)	(909)	(459)	(1,359)
Ending balance of allowance for credit losses	<u>\$ 325</u>	<u>\$ 427</u>	<u>\$ 325</u>	<u>\$ 427</u>

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6. PARTICIPANTS' AND CLEARING FUNDS

Details for the Participants' and Clearing Funds as of September 30, 2021 and December 31, 2020 follow (in thousands):

	2021			
	DTC	NSCC	FICC	Total
Total Deposits	\$ 1,951,000	\$ 12,230,481	\$ 43,255,061	\$ 57,436,542
Less: Required deposits	1,150,000	11,093,822	30,858,527	43,102,349
Excess deposits	<u>\$ 801,000</u>	<u>\$ 1,136,659</u>	<u>\$ 12,396,534</u>	<u>\$ 14,334,193</u>

	2020			
	DTC	NSCC	FICC	Total
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 September 30, 2021 and December 31, 2020 follow (in thousands):

	2021			
	DTC	NSCC	FICC	Total
Cash and cash equivalents	\$ 1,951,000	\$ 11,069,068	\$ 13,733,257	\$ 26,753,325
Securities - at fair value	—	1,161,413	29,521,804	30,683,217
Total	<u>\$ 1,951,000</u>	<u>\$ 12,230,481</u>	<u>\$ 43,255,061</u>	<u>\$ 57,436,542</u>

	2020			
	DTC	NSCC	FICC	Total
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>

Details for the Participants' and Clearing Funds cash deposits as of September 30, 2021 and December 31, 2020 follow (in thousands):

	2021			
	DTC	NSCC	FICC	Total
Bank deposits	\$ 1,951,000	\$ 9,381,068	\$ 11,283,257	\$ 22,615,325
Money market fund investments - at fair value	—	1,688,000	2,450,000	4,138,000
Total	<u>\$ 1,951,000</u>	<u>\$ 11,069,068</u>	<u>\$ 13,733,257</u>	<u>\$ 26,753,325</u>

	2020			
	DTC	NSCC	FICC	Total
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>

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7. OTHER ASSETS

Details for Other assets as of September 30, 2021 and December 31, 2020 follow (in thousands):

	2021	2020
Prepays	\$ 89,552	\$ 99,483
Prepaid taxes	49,093	29,498
Interest receivable	1,816	2,053
Other current assets	6,310	7,231
Total other current assets	<u>146,771</u>	<u>138,265</u>
Long-term incentive plan assets	159,836	159,865
Cash surrender value on insurance policies	70,116	71,498
Prepays	28,148	17,512
Deferred tax assets	12,468	27,774
Equity investments	12,393	12,393
Restricted cash	7,985	7,973
Investment in Federal reserve stock	6,402	6,402
Other non-current assets	2,406	2,671
Total other non-current assets	<u>299,754</u>	<u>306,088</u>
Total	<u>\$ 446,525</u>	<u>\$ 444,353</u>

8. OTHER LIABILITIES

Details for Other liabilities as of September 30, 2021 and December 31, 2020 follow (in thousands):

	2021	2020
Compensation payable	\$ 117,069	\$ 161,106
Accrued payroll and payroll withholdings	37,852	52,716
Long-term incentive plan liabilities	29,177	29,309
Deferred revenue	18,488	16,502
Deferred sublease income	8,141	9,406
Other current liabilities	15,868	16,668
Total other current liabilities	<u>226,595</u>	<u>285,707</u>
Long-term incentive plan liabilities	240,323	242,344
Unrecognized tax benefits	16,974	43,659
Deferred revenue	972	1,097
Deferred tax liabilities	279	560
Other non-current liabilities	2,739	2,866
Total other non-current liabilities	<u>261,287</u>	<u>290,526</u>
Total	<u>\$ 487,882</u>	<u>\$ 576,233</u>

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9. COMMERCIAL PAPER

Details for Commercial paper as of September 30, 2021 and December 31, 2020 follow (in thousands):

	<u>2021</u>	<u>2020</u>
Commercial paper - net of unamortized discount of \$1,883 and \$1,983 as of September 30, 2021 and December 31, 2020, respectively	\$ 6,780,267	\$ 3,843,290
Weighted-average interest rate	0.12 %	0.28 %

Interest expense on Commercial paper, included in Interest expense in the accompanying Consolidated Statements of Income, was \$2,292,000 and \$4,658,000 for the three months ended September 30, 2021 and 2020, respectively, and \$6,520,000 and \$57,136,000 for the nine months ended September 30, 2021 and 2020, respectively.

10. LONG-TERM DEBT

Details for Long-term debt as of September 30, 2021 and December 31, 2020 follow (in thousands):

	<u>2021</u>	<u>2020</u>
Senior notes - net of unamortized discount and debt issuance costs of \$20,027 and \$26,058 as of September 30, 2021 and December 31, 2020, respectively	\$ 3,729,973	\$ 3,723,942
Information technology financing	505	3,921
Total Long-term debt	3,730,478	3,727,863
Less: Current portion of long-term debt	(505)	(3,921)
Non-current portion of long-term debt	<u>\$ 3,729,973</u>	<u>\$ 3,723,942</u>

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

	<u>Senior Notes</u>	<u>Information Technology Financing</u>	<u>Total</u>
2021	\$ —	\$ 505	\$ 505
2022	—	—	—
2023	2,000,000	—	2,000,000
2024	—	—	—
2025	1,750,000	—	1,750,000
Thereafter	—	—	—
Total	<u>\$ 3,750,000</u>	<u>\$ 505</u>	<u>\$ 3,750,505</u>

Senior notes. On April 23, 2020 and December 7, 2020, NSCC issued three-year and five-year senior unsecured 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.

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10. LONG-TERM DEBT (CONTINUED)

Details of the senior notes as of September 30, 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% ⁽¹⁾	\$ 1,000,000	\$ 996,674
April 23, 2020	April 23, 2025	1.50% ⁽¹⁾	1,000,000	994,006
December 7, 2020	December 7, 2023	0.40% ⁽²⁾	1,000,000	995,283
December 7, 2020	December 7, 2025	0.75% ⁽²⁾	750,000	744,010
			<u>\$ 3,750,000</u>	<u>\$ 3,729,973</u>

(1) Interest is payable semi-annually in arrears on April 23 and October 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 \$11,011,000 and \$7,731,000 for the three months ended September 30, 2021 and 2020, respectively, and \$32,958,000 and \$13,561,000 for the nine months ended September 30, 2021 and 2020, respectively. The weighted-average interest rate was 0.98% as of September 30, 2021.

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 September 30, 2021. Interest expense on the loan included in the accompanying Consolidated Statements of Income was \$7,000 and \$45,000 for the three months ended September 30, 2021 and 2020, respectively, and \$41,000 and \$158,000 for the nine months ended September 30, 2021 and 2020, respectively.

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

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10. LONG-TERM DEBT (CONTINUED)

Details for the terms of the outstanding lines of credit as of September 30, 2021 and December 31, 2020 follow:

	2021	2020
<i>DTCC</i>		
Committed Amount	\$500 million	\$500 million
Denomination	USD	USD
Number of Participants/Lenders	10/10	10/10
Borrowing Rate	Either base rate plus 0.25% or eurodollar plus 1.25%	Either base rate plus 0.25% or eurodollar plus 1.25%
Maturity Date	January 2022	January 2022
Annual Facility Fee	0.15% ⁽¹⁾	0.15% ⁽¹⁾
<i>DTC</i>		
Committed Amount	\$1.9 billion	\$1.9 billion
Denomination	USD	USD
Number of Participants/Lenders	29/35	32/37
Borrowing Rate	The greatest of the FRBNY rate, adjusted LIBOR, or zero, on the day of borrowing, plus 1.40%	
Maturity Date	May 2022	May 2021
Annual Facility Fee	0.10% ⁽¹⁾	0.20% ⁽¹⁾
Uncommitted Amount	C\$150 million ⁽²⁾	C\$150 million ⁽²⁾
Denomination	CAD	CAD
Number of Participants/Lenders	1/1	1/1
Borrowing Rate	A rate per annum equal to the Canadian Prime Rate minus 0.50%	
Maturity Date	On Demand	On Demand
<i>NSCC</i>		
Committed Amount	\$9.3 billion	\$10.9 billion
Denomination	USD	USD
Number of Participants/Lenders	29/35	32/37
Borrowing Rate	The greatest of the FRBNY rate, adjusted LIBOR, or zero, on the day of borrowing, plus 1.40%	
Maturity Date	May 2022	May 2021
Annual Facility Fee	0.10% ⁽¹⁾	0.20% ⁽¹⁾

(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.

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10. LONG-TERM DEBT (CONTINUED)

Details for debt covenants related to the lines of credit as of September 30, 2021 and December 31, 2020 follow:

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

As of September 30, 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 September 30, 2021 follow:

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

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

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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 September 30, 2021 and December 31, 2020 are summarized below (in thousands):

	2021			Total
	Level 1	Level 2	Level 3	
Assets:				
Clearing Funds				
Securities	\$ 26,949,401	\$ 3,733,816	\$ —	\$ 30,683,217
Cash deposits - Money market fund investments	4,138,000	—	—	4,138,000
Non-current assets				
Long-term incentive plan assets - Mutual fund and Stable value fund investments	134,236	25,600	—	159,836
Total assets	<u>\$ 31,221,637</u>	<u>\$ 3,759,416</u>	<u>\$ —</u>	<u>\$ 34,981,053</u>
Liabilities:				
Clearing Funds				
Securities liabilities	\$ 26,949,401	\$ 3,733,816	\$ —	\$ 30,683,217
Money market fund investments liabilities	4,138,000	—	—	4,138,000
Total liabilities	<u>\$ 31,087,401</u>	<u>\$ 3,733,816</u>	<u>\$ —</u>	<u>\$ 34,821,217</u>
	2020			Total
	Level 1	Level 2	Level 3	
Assets:				
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
Total assets	<u>\$ 32,236,887</u>	<u>\$ 4,302,676</u>	<u>\$ —</u>	<u>\$ 36,539,563</u>
Liabilities:				
Clearing Funds				
Securities liabilities	\$ 28,160,722	\$ 4,268,976	\$ —	\$ 32,429,698
Money market fund investments liabilities	3,950,000	—	—	3,950,000
Total liabilities	<u>\$ 32,110,722</u>	<u>\$ 4,268,976</u>	<u>\$ —</u>	<u>\$ 36,379,698</u>

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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 September 30, 2021 and December 31, 2020 follow (in thousands):

	2021				
	Carrying Amount	Total Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	\$ 12,341,289	\$ 12,341,289	\$ 12,341,289	\$ —	\$ —
Participants' segregated cash	1,806	1,806	1,806	—	—
Short-term investments	845,000	845,000	—	845,000	—
Participants' and Clearing Funds:					
Cash deposits - Bank deposits	22,615,325	22,615,325	22,615,325	—	—
Other Participants' assets	1,328,916	1,328,916	1,328,916	—	—
Total	\$37,132,336	\$37,132,336	\$36,287,336	\$ 845,000	\$ —
Liabilities:					
Commercial paper	\$ 6,780,267	\$ 6,780,267	\$ —	\$ 6,780,267	\$ —
Participants' and Clearing Funds:					
Cash deposits - Bank deposits	22,615,325	22,615,325	22,615,325	—	—
Payable to Participants	1,330,722	1,330,722	1,330,722	—	—
Long-term debt	3,730,478	3,767,624	—	3,767,624	—
Total	\$34,456,792	\$34,493,938	\$23,946,047	\$10,547,891	\$ —
2020					
	Carrying Amount	Total Fair Value	Level 1	Level 2	Level 3
Assets:					
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	—
Participants' and Clearing Funds:					
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	—	—
Total	\$36,302,317	\$36,302,317	\$34,577,317	\$ 1,725,000	\$ —
Liabilities:					
Commercial paper	\$ 3,843,290	\$ 3,843,290	\$ —	\$ 3,843,290	\$ —
Participants' and Clearing Funds:					
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	—
Total	\$33,908,117	\$33,970,331	\$25,411,964	\$ 8,558,367	\$ —

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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 nine months ended September 30, 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 September 30, 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 September 30, 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	\$ (9,424)	\$ (9,998)	\$ —	\$ —
Interest cost	5,608	7,774	296	454
Service cost	381	(204)	158	167
Amortizations:				
Prior service cost (credit)	21	210	(1,287)	(1,392)
Actuarial loss	2,852	1,918	424	381
Settlement loss	167	586	—	—
Net periodic benefit expense (income)	<u>\$ (395)</u>	<u>\$ 286</u>	<u>\$ (409)</u>	<u>\$ (390)</u>

Details of the components of net periodic benefit expense (income) and amortization for the Company's pension and postretirement benefit plans for the nine months ended September 30, 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	\$ (28,384)	\$ (30,036)	\$ —	\$ —
Interest cost	17,290	24,138	887	1,362
Service cost	1,443	1,608	473	501
Amortizations:				
Prior service cost (credit)	65	624	(3,860)	(4,176)
Actuarial loss	9,422	7,020	1,271	1,143
Settlement loss	255	1,350	—	—
Net periodic benefit expense (income)	<u>\$ 91</u>	<u>\$ 4,704</u>	<u>\$ (1,229)</u>	<u>\$ (1,170)</u>

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12. RETIREMENT PLANS (CONTINUED)

The Company did not make any contributions to the Pension Plan for 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 \$12,075,000 and \$11,718,000 for the three months ended September 30, 2021 and 2020, respectively, and \$34,656,000 and \$33,831,000 for the nine months ended September 30, 2021 and 2020, respectively.

13. INCOME TAXES

Details for unrecognized tax benefits, included in Other non-current liabilities on the accompanying Consolidated Statements of Financial Condition, for the nine months ended September 30, 2021 and 2020 follow (in thousands):

	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 27,267	\$ 29,197
Increases:		
Prior period tax positions	1,336	—
Current period tax positions	1,200	150
Decreases:		
Prior period tax positions	(11,317)	(2,271)
Settlements with tax authorities	(3,292)	(113)
Unrecognized tax benefit	15,194	26,963
Accrued interest	1,780	15,817
Ending balance	<u>\$ 16,974</u>	<u>\$ 42,780</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 pertaining to the Company's income taxes.

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.

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14. SHAREHOLDERS' EQUITY (CONTINUED)

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 were 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 accrued at a floating rate equal to three-month LIBOR plus 3.167% per annum (3.351% at June 15, 2021), and, when declared by DTCC's Board of Directors, dividends on the Series C Preferred stock were payable in arrears on March 15, June 15, September 15 and December 15 of each year beginning on September 15, 2020. On June 15, 2021, DTCC redeemed all 1,600 shares outstanding related to the Series C Preferred stock totaling \$400,000,000 for a price equal to \$250,000 per share with issuance costs of \$9,484,000.

Details of dividends paid to holders of the Series C Preferred Stock during the nine months ended September 30, 2021 follow (in thousands):

Approved and Declared Date	Record Date	Payment Date	Declared Dividend	Shares Outstanding	Dividend Paid
April 13, 2021	May 25, 2021	June 15, 2021	\$2,140.84	1,600	\$ 3,425,344
January 14, 2021	February 25, 2021	March 15, 2021	\$2,114.69	1,600	\$ 3,383,504

Details of dividends paid to holders of the Series C Preferred Stock during the nine months ended September 30, 2020 follow (in thousands):

Approved and Declared Date	Record Date	Payment Date	Declared Dividend	Shares Outstanding	Dividend Paid
April 7, 2020	May 29, 2020	June 15, 2020	\$6,093.75	1,600	\$ 9,750,000

DTCC Series D Fixed Rate Reset Non-Cumulative Perpetual Preferred stock. On June 8, 2021, DTCC issued 2,000 shares of Fixed Rate Reset Non-Cumulative Perpetual Preferred stock, Series D, \$0.50 par value per share, with a liquidation preference of \$250,000 per share resulting in issuance costs of \$9,100,000 and net proceeds of \$490,900,000. When declared by DTCC's Board of Directors, dividends on the Series D Preferred stock are payable in arrears on June 20 and December 20 of each year, beginning December 20, 2021 through June 20, 2026, at a fixed rate of 3.375% per annum. From June 20, 2026 onward, dividends will accrue at a rate equal to the five-year U.S. Treasury rate plus 2.606% per annum.

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 September 30, 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.

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.

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15. CAPITAL REQUIREMENTS (CONTINUED)

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 corporate contribution is 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.

Details of the general business risk capital requirement, corporate contribution and liquid net assets funded by equity for the clearing agencies as of September 30, 2021 and December 31, 2020 follow (in thousands):

	2021		
	DTC	NSCC	FICC
General business risk capital requirement	\$ 189,385	\$ 215,119	\$ 133,618
Corporate contribution	94,693	107,560	66,809
Total requirement	284,078	322,679	200,427
Liquid net assets funded by equity	737,056	705,305	335,600
Excess	\$ 452,978	\$ 382,626	\$ 135,173
	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 required by the FRBNY and the NYSDFS as of September 30, 2021 follow:

	Ratio	Minimum Capital Ratio ^(a)	Well Capitalized Ratio ^(a)
Tier 1 capital ratio ⁽¹⁾	92.81 %	6.00 %	8.00 %
Total capital ratio ⁽¹⁾	92.81 %	8.00 %	10.00 %
Tier 1 leverage ratio ⁽²⁾	20.88 %	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.

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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 September 30, 2021 and December 31, 2020 follow (in billions):

	<u>2021</u>	<u>2020</u>
FICC		
GSD	\$ 1,053	\$ 1,201
MBSD	459	629
NSCC	242	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 September 30, 2021 through November 4, 2021, the date these consolidated financial statements are available to be issued, for potential recognition or disclosure. No events or transactions occurred during such period that would require recognition or disclosure in these consolidated financial statements.