

# The Depository Trust Company

Financial Statements (Unaudited) as of September 30, 2022 and  
December 31, 2021 and for the three and nine months ended  
September 30, 2022 and 2021

# THE DEPOSITORY TRUST COMPANY

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# THE DEPOSITORY TRUST COMPANY

## STATEMENTS OF FINANCIAL CONDITION (UNAUDITED)

<b>(In thousands, except share data)</b>	<b>As of September 30, 2022</b>	<b>As of December 31, 2021</b>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 635,485	\$ 754,890
Accounts receivable - net of allowance for credit losses	47,054	56,094
Participants' Fund cash deposits	1,962,961	1,962,667
Other Participants' assets	2,623,097	1,310,428
Other current assets	5,020	3,706
Total current assets	5,273,617	4,087,785
NON-CURRENT ASSETS:		
Premises and equipment - net of accumulated depreciation of \$11,070 and \$10,545 as of September 30, 2022 and December 31, 2021, respectively	14,806	15,331
Intangible assets - net of accumulated amortization of \$56,556 and \$44,684 as of September 30, 2022 and December 31, 2021, respectively	38,480	36,622
Other non-current assets	32,546	31,031
Total non-current assets	85,832	82,984
<b>TOTAL ASSETS</b>	<b>\$ 5,359,449</b>	<b>\$ 4,170,769</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 59,325	\$ 208,222
Participants' Fund cash deposits	1,962,961	1,962,667
Payable to Participants	2,623,097	1,310,428
Other current liabilities	5,570	11,301
Total current liabilities	4,650,953	3,492,618
OTHER NON-CURRENT LIABILITIES:		
Other non-current liabilities	3,564	2,710
Total liabilities	4,654,517	3,495,328
COMMITMENTS AND CONTINGENCIES (Note 2)		
<b>SHAREHOLDERS' EQUITY</b>		
Preferred stock, Series A, \$100 par value - 3,250,000 shares authorized; 1,500,000 issued and outstanding	150,000	150,000
Common stock, \$100 par value - 18,500 shares authorized, issued and outstanding	1,850	1,850
Additional paid-in capital	61,546	61,546
Retained earnings	491,536	462,045
Total shareholders' equity	704,932	675,441
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 5,359,449</b>	<b>\$ 4,170,769</b>

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

# THE DEPOSITORY TRUST COMPANY

## STATEMENTS OF INCOME (UNAUDITED)

<b>(In thousands)</b>	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>REVENUES</b>				
Settlement and asset services	\$ 125,760	\$ 126,410	\$ 367,399	\$ 354,345
Other services	6,593	5,671	19,599	18,897
Total revenues	<u>132,353</u>	<u>132,081</u>	<u>386,998</u>	<u>373,242</u>
<b>EXPENSES</b>				
Employee compensation and related benefits	59,013	50,289	178,647	152,361
Information technology	13,120	9,969	36,654	31,869
Professional and other services	34,958	26,476	90,774	69,391
Occupancy	4,672	2,461	11,760	7,436
Depreciation and amortization	3,994	4,074	12,397	12,115
General and administrative	7,083	6,646	20,784	18,880
Total expenses	<u>122,840</u>	<u>99,915</u>	<u>351,016</u>	<u>292,052</u>
Total operating income	<u>9,513</u>	<u>32,166</u>	<u>35,982</u>	<u>81,190</u>
<b>NON-OPERATING INCOME (EXPENSE)</b>				
Interest income	18,181	1,498	26,474	3,869
Refunds to Participants	(13,118)	(809)	(18,834)	(1,915)
Interest expense	(1,856)	(1,569)	(5,533)	(4,898)
Other non-operating income, net	1,553	1,924	5,470	5,641
Total non-operating income	<u>4,760</u>	<u>1,044</u>	<u>7,577</u>	<u>2,697</u>
Income before taxes	14,273	33,210	43,559	83,887
Provision for income taxes	5,446	9,263	14,068	22,763
Net income	<u>\$ 8,827</u>	<u>\$ 23,947</u>	<u>\$ 29,491</u>	<u>\$ 61,124</u>

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

## THE DEPOSITORY TRUST COMPANY

### STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

<b>(In thousands)</b>	<b>Preferred Stock Series A</b>	<b>Common Stock</b>	<b>Additional Paid-In Capital</b>	<b>Retained Earnings</b>	<b>Total Shareholders' Equity</b>
BALANCE - January 1, 2022	\$ 150,000	\$ 1,850	\$ 61,546	\$ 462,045	\$ 675,441
Net income	—	—	—	10,782	10,782
BALANCE - March 31, 2022	\$ 150,000	\$ 1,850	\$ 61,546	\$ 472,827	\$ 686,223
Net income	—	—	—	9,882	9,882
BALANCE - June 30, 2022	\$ 150,000	\$ 1,850	\$ 61,546	\$ 482,709	\$ 696,105
Net income	—	—	—	8,827	8,827
BALANCE - September 30, 2022	<u>\$ 150,000</u>	<u>\$ 1,850</u>	<u>\$ 61,546</u>	<u>\$ 491,536</u>	<u>\$ 704,932</u>

<b>(In thousands)</b>	<b>Preferred Stock Series A</b>	<b>Common Stock</b>	<b>Additional Paid-In Capital</b>	<b>Retained Earnings</b>	<b>Total Shareholders' Equity</b>
BALANCE - January 1, 2021	\$ 150,000	\$ 1,850	\$ 61,546	\$ 565,206	\$ 778,602
Common stock dividend	—	—	—	(30,000)	(30,000)
Net income	—	—	—	15,054	15,054
BALANCE - March 31, 2021	\$ 150,000	\$ 1,850	\$ 61,546	\$ 550,260	\$ 763,656
Net income	—	—	—	22,123	22,123
BALANCE - June 30, 2021	\$ 150,000	\$ 1,850	\$ 61,546	\$ 572,383	\$ 785,779
Net income	—	—	0	23,947	23,947
BALANCE - September 30, 2021	<u>\$ 150,000</u>	<u>\$ 1,850</u>	<u>\$ 61,546</u>	<u>\$ 596,330</u>	<u>\$ 809,726</u>

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

# THE DEPOSITORY TRUST COMPANY

## STATEMENTS OF CASH FLOWS (UNAUDITED)

<b>(In thousands)</b>	<b>For the nine months ended September 30,</b>	
	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 29,491	\$ 61,124
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	12,397	12,115
Deferred income taxes	(1,419)	3,827
Other	21	(2,645)
Net change in:		
Accounts receivable	9,019	(2,135)
Other assets	(1,410)	2,016
Accounts payable and accrued expenses	1,238	35,325
Other liabilities	(4,877)	(14,854)
Participants' Fund liabilities	294	25,863
Payable to Participants	1,312,669	515,973
Net cash provided by operating activities	<u>1,357,423</u>	<u>636,609</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of Short-term investments	—	(250,000)
Maturities of Short-term investments	—	150,000
Capitalized software development costs	(13,730)	(11,614)
Cash used in investing activities	<u>(13,730)</u>	<u>(111,614)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Dividend on common stock	(150,000)	(30,000)
Dividend on preferred stock	(135)	(480)
Cash used in by financing activities	<u>(150,135)</u>	<u>(30,480)</u>
Net increase in Cash and cash equivalents, Participants' Fund cash deposits, Cash in Other Participants' assets	1,193,558	494,515
Cash and cash equivalents, Participants' Fund cash deposits, Cash in Other Participants' assets - Beginning of period	<u>4,027,985</u>	<u>3,419,764</u>
Cash and cash equivalents, Participants' Fund cash deposits, Cash in Other Participants' assets - End of period	<u>\$ 5,221,543</u>	<u>\$ 3,914,279</u>
<b>SUPPLEMENTAL DISCLOSURES:</b>		
Interest paid	<u>\$ 5,455</u>	<u>\$ 5,179</u>
Income taxes paid - net of refunds	<u>\$ 20,150</u>	<u>\$ 36,791</u>

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

# THE DEPOSITORY TRUST COMPANY

## NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

AS OF SEPTEMBER 30, 2022 AND DECEMBER 31, 2021 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

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### 1. BUSINESS AND OWNERSHIP

The Depository Trust Company (DTC or the Company) 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 (referred to herein as its Participants).

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

DTC is designated as a Systemically Important Financial Market Utility (SIFMU) by the U.S. Financial Stability Oversight Council pursuant to Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, which subjects the Company to enhanced standards for risk management, operation and governance, as established by the SEC's Standards for Covered Clearing Agencies (CCAS).

### 2. SIGNIFICANT ACCOUNTING POLICIES

**Basis of presentation.** The accompanying unaudited, interim financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP). The interim financial statements exclude some of the disclosures required in audited financial statements and should be read in conjunction with DTC's Audited Financial Statements for the years ended December 31, 2021 and 2020, which are located on the Company's website at <http://www.dtcc.com/legal/financial-statements>. See Note 2 in DTC's audited financial statements for the years ended December 31, 2021 and 2020, for additional information on the Company's Summary of Significant Accounting Policies.

The financial statements reflect all adjustments of a normal recurring nature that are, in the opinion of management, necessary for the fair presentation of the results for the interim period. The results of operations for interim periods are not necessarily indicative of results for the entire year.

**Use of estimates.** The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Management makes estimates regarding, among other things, the collectability of receivables, the outcome of litigation, the realization of deferred taxes, unrecognized tax benefits, impairment of intangible assets, fair value measurements, expense allocations and other matters that affect the reported amounts. Estimates are based on judgment and available information; therefore, actual results could differ materially from those estimates.

**Other Participants' assets and Payable to Participants.** The Company receives cash and stock dividends, interest, reorganization and redemption proceeds on securities registered in the name of its nominee, Cede and Co., and interest and redemption proceeds on bearer securities, which it distributes to Participants. Balances comprised of cash that represent cash dividends, interest, reorganization, redemptions, and cash collateral received are included in Other Participants' assets, with a corresponding liability recorded in Payable to Participants, on the accompanying Statements of Financial Condition.

**Commitments and contingencies.** The Company is involved in legal proceedings and litigation arising in the ordinary course of business. In the opinion of management, the outcome of such proceedings and litigation is not expected to have a material effect on the accompanying Statements of Financial Condition, Income or Cash Flows.

# THE DEPOSITORY TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

AS OF SEPTEMBER 30, 2022 AND DECEMBER 31, 2021 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Revenue recognition.** The Company derives its revenue from transaction fees, subscription revenue, 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 primarily reset monthly. Subscription 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 Statements of Income follow:

*Settlement and asset services.* Revenue derived from this revenue stream is 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.

*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.

*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, 2022 and December 31, 2021 was \$4,041,000 and \$4,184,000, respectively, and is included in Other current liabilities and Other non-current liabilities on the accompanying Statements of Financial Condition. Of the \$4,184,000 as of December 31, 2021, \$581,000 and \$3,088,000 were recognized as revenue during the three and nine months ended September 30, 2022, respectively.

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

**Reconciliation of Cash and cash equivalents and other limited use cash.** When reconciling the beginning and ending total amounts shown in the Statements of Cash Flows, the Company includes all cash on the Statements of Financial Condition, regardless of which line it is included. The Statement 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' Fund cash deposits and Cash in Other Participants' assets.

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

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Cash and cash equivalents	\$ 635,485	\$ 754,890	\$ 637,056
Participants' Fund cash deposits (see Note 4)	1,962,961	1,962,667	1,951,000
Cash in Other Participants' assets	2,623,097	1,310,428	1,326,223
Total Cash and cash equivalents, Participants' Fund cash deposits and Cash in Other Participants' assets shown on the Statements of Cash Flows	<u>\$ 5,221,543</u>	<u>\$ 4,027,985</u>	<u>\$ 3,914,279</u>



# THE DEPOSITORY TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

AS OF SEPTEMBER 30, 2022 AND DECEMBER 31, 2021 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Global Events and Crises.** Global pandemics, sanctions, war, or natural disasters may have an adverse impact on market, economic and geopolitical conditions and trigger a period of global economic slowdown. Such a slowdown may have a material impact on the Company's financial results including changes in revenue, interest rates, liquidity/credit, and government and regulatory policy. At this time, the Company has not experienced any adverse impacts to its financial results or operations related to the novel coronavirus ("COVID-19") pandemic or conflicts in Russia, Belarus or Ukraine.

## 3. 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 2021-08 - Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers <i>Issued October 2021</i>	<ul style="list-style-type: none"><li>Requires contract assets and contract liabilities (i.e. deferred revenue) acquired in a business combination to be recognized and measured by the acquirer on the acquisition date in accordance with ASC 606, Revenue from Contracts with Customers, which results in the acquirer recognizing contract assets and contract liabilities at the same amounts recorded by the acquiree.</li></ul>	<ul style="list-style-type: none"><li>Effective January 1, 2023.</li><li>The Company does not anticipate that the adoption of this standard will have a significant impact on its financial statements and related disclosures.</li><li>The Company will continue to evaluate the impact this standard will have on its financial statements and related disclosures.</li></ul>
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 for fiscal year end beginning January 1, 2022 and effective interim period beginning January 1, 2023.</li><li>The Company does not anticipate that the adoption of this standard will have a significant impact on its financial statements and related disclosures.</li></ul>

## 4. PARTICIPANTS' FUND CASH DEPOSITS

Details for the Participants' Fund cash deposits as of September 30, 2022 and December 31, 2021 follow (in thousands):

	2022	2021
Total deposits	\$ 1,962,961	\$ 1,962,677
Less: Required deposits	1,152,000	1,150,000
Excess deposits	<u>\$ 810,961</u>	<u>\$ 812,677</u>

Participants' cash deposits in the Participants Fund may be applied to satisfy obligations of the depositing Participant, other Participants or DTC as pursuant to DTC's rules.

# THE DEPOSITORY TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

AS OF SEPTEMBER 30, 2022 AND DECEMBER 31, 2021 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

## 5. LINES OF CREDIT AND CREDIT RATINGS

**Lines of credit.** The Company maintains lines of credit to support settlement of its payment obligations in the event of the default of any of its Participants pursuant to DTC's rules. Details for the terms of the outstanding lines of credit as of September 30, 2022 and December 31, 2021 follow:

Committed	2022	2021
<b>Amount</b>	\$1.9 billion	\$1.9 billion
<b>Denomination</b>	USD	USD
<b>Number of Participants/Lenders</b>	30/36	29/35
<b>Borrowing Rate</b>	The greatest of the FRBNY rate, Adjusted Daily Secure Overnight Financing Rate (SOFR), or zero on the day of borrowing plus 1.40%	The greatest of the FRBNY rate, Adjusted London Interbank Offered Rate (LIBOR), or zero, on the day of borrowing, plus 1.40%
<b>Maturity Date</b>	May 2023	May 2022
<b>Annual Facility Fee</b>	0.10% <sup>(1)</sup>	0.10% <sup>(1)</sup>
Uncommitted <sup>(2)</sup>	2022	2021
<b>Amount</b>	—	C\$200 million
<b>Denomination</b>	—	CAD
<b>Number of Participants/Lenders</b>	—	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

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

(2) DTC no longer permits clients to settle in Canadian dollars. Effective August 19, 2022 the uncommitted C\$200 million line of credit, used to support these settlements, was terminated.

There were no borrowings under the lines of credit during 2022 and 2021.

Details for debt covenants related to the committed line of credit as of September 30, 2022 and December 31, 2021 follow:

	2022	2021
<b>Minimum Net Worth</b>	\$200 million	\$200 million
<b>Minimum Participants' Fund deposits</b>	\$750 million	\$750 million

As of September 30, 2022 and December 31, 2021, the Company was in compliance with its debt covenants.

**Credit Ratings.** The Company is rated by Moody's Investors Service, Inc. (Moody's) and S&P Global Inc. (S&P). Details for issuer credit ratings and ratings outlooks for the Company as of September 30, 2022 follow:

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

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

# THE DEPOSITORY TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

AS OF SEPTEMBER 30, 2022 AND DECEMBER 31, 2021 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

## 6. FAIR VALUE MEASUREMENTS

See Note 8 in DTC's Audited Financial Statements for the years ended December 31, 2021 and 2020, 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.

There were no assets or liabilities measured at fair value on a recurring basis during the periods ended September 30, 2022 and December 31, 2021.

**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 Statements of Financial Condition as of September 30, 2022 and December 31, 2021 follow (in thousands):

	2022				
	Carrying Amount	Total Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	\$ 635,485	\$ 635,485	\$ 635,485	\$ —	\$ —
Participants' Fund cash deposits	1,962,961	1,962,961	1,962,961	—	—
Other Participants' assets	2,623,097	2,623,097	2,623,097	—	—
Total	<u>\$ 5,221,543</u>	<u>\$ 5,221,543</u>	<u>\$ 5,221,543</u>	<u>\$ —</u>	<u>\$ —</u>
Liabilities:					
Participants' Fund liabilities	\$ 1,962,961	\$ 1,962,961	\$ 1,962,961	\$ —	\$ —
Payable to Participants	2,623,097	2,623,097	2,623,097	—	—
Total	<u>\$ 4,586,058</u>	<u>\$ 4,586,058</u>	<u>\$ 4,586,058</u>	<u>\$ —</u>	<u>\$ —</u>
	2021				
	Carrying Amount	Total Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	\$ 754,890	\$ 754,890	\$ 754,890	\$ —	\$ —
Participants' Fund cash deposits	1,962,667	1,962,667	1,962,667	—	—
Other Participants' assets	1,310,428	1,310,428	1,310,428	—	—
Total	<u>\$ 4,027,985</u>	<u>\$ 4,027,985</u>	<u>\$ 4,027,985</u>	<u>\$ —</u>	<u>\$ —</u>
Liabilities:					
Participants' Fund liabilities	\$ 1,962,667	\$ 1,962,667	\$ 1,962,667	\$ —	\$ —
Payable to Participants	1,310,428	1,310,428	1,310,428	—	—
Total	<u>\$ 3,273,095</u>	<u>\$ 3,273,095</u>	<u>\$ 3,273,095</u>	<u>\$ —</u>	<u>\$ —</u>

### Assets measured at fair value on a non-recurring basis.

There were no assets measured at fair value on a non-recurring basis during the periods ended September 30, 2022 and December 31, 2021.

# THE DEPOSITORY TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

AS OF SEPTEMBER 30, 2022 AND DECEMBER 31, 2021 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

## 7. RETIREMENT PLANS

**Defined contribution retirement plans.** Eligible U.S. DTCC employees participate in one of two defined contribution plans, The Depository Trust & Clearing Corporation Employee Savings Plan (Employee Savings Plan) and The Depository Trust & Clearing Corporation Operations Level Employee Savings Plan (Operations Level Savings Plan). The Employee Savings Plan is a single employer plan covering non-bargaining unit employees. The Operations Level Savings Plan is a single employer plan covering bargaining unit employees.

**Defined benefit pension and other postretirement benefit plans.** Eligible DTCC employees participate in DTCC's non-contributory defined benefit pension and other postretirement plans, which provide for certain benefits upon retirement. DTCC's sponsored non-contributory plans include a defined benefit pension plan, supplemental executive retirement plan and benefit restoration plan. The other postretirement plans include retiree medical and life insurance plans for eligible retired employees and their beneficiaries.

**Cost allocation.** DTCC allocates the cost of these plans to its subsidiaries based primarily upon the estimated proportion of each subsidiary's salary cost relative to DTCC's total salary cost. The defined contribution retirement plans costs allocated to DTC were \$3,499,000 and \$3,127,000 for the three months ended September 30, 2022 and 2021, respectively, and \$10,424,000 and \$8,971,000 for the nine months ended September 30, 2022 and 2021, respectively. The defined benefit pension and other postretirement benefit plans costs allocated to DTC were expense of \$391,000 and income of \$193,000 for the three months ended September 30, 2022 and 2021, respectively, and expense of \$629,000 and income of \$222,000 for the nine months ended September 30, 2022 and 2021, respectively. These costs are included in Employee compensation and related benefits, Interest expense, and Other non-operating income, net in the accompanying Statements of Income based on the nature of the pension expense component.

## 8. INCOME TAXES

Rollforward of unrecognized tax benefits for the nine months ended September 30, 2022 and 2021 follow (in thousands):

	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 1,423	\$ 2,267
Increases:		
Prior period tax positions	724	1,423
Decreases:		
Prior period tax positions	—	(1,199)
Settlements with tax authorities	—	(1,068)
Unrecognized tax benefit	<u>2,147</u>	<u>1,423</u>
Accrued interest	<u>611</u>	<u>356</u>
Ending balance	<u>\$ 2,758</u>	<u>\$ 1,779</u>

See Note 10 in DTC's Audited Financial Statements for the years ended December 31, 2021 and 2020 for additional information pertaining to the Company's income taxes.

## 9. SHAREHOLDERS' EQUITY

**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, 2022 and December 31, 2021. 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 DEPOSITORY TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

AS OF SEPTEMBER 30, 2022 AND DECEMBER 31, 2021 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

## 9. SHAREHOLDERS' EQUITY (CONTINUED)

Details of dividends paid to holders of the Series A Preferred Stock during the nine months ended September 30, 2022 follow:

<u>Approved and Declared Date</u>	<u>Record Date</u>	<u>Payment Date</u>	<u>Declared Dividend</u>	<u>Dividend Paid</u>
February 23, 2022	February 23, 2022	April 11, 2022	\$ 45,000	\$ 45,000
December 15, 2021	December 17, 2021	January 11, 2022	\$ 90,000	\$ 90,000

Details of dividends paid to holders of the Series A Preferred Stock during the nine months ended September 30, 2021 follow:

<u>Approved and Declared Date</u>	<u>Record Date</u>	<u>Payment Date</u>	<u>Declared Dividend</u>	<u>Dividend Paid</u>
February 10, 2021	February 11, 2021	April 9, 2021	\$ 480,000	\$ 480,000

**Common stock dividend.** On February 10, 2021, the Board of Directors approved a dividend in the amount of \$30 million from DTC to DTCC, which was paid on April 19, 2021. On December 15, 2021, the Board of Directors approved a dividend in the amount of \$150 million from DTC to DTCC, which was paid on February 8, 2022.

## 10. 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 DTC 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 Company can continue operations and provide services as a going concern if those losses materialize. It is determined based on the Company's general business risk profile and estimated time to execute a recovery or orderly wind-down of critical operations and, at a minimum, is equal to six months of operating expenses.

**Corporate Contribution.** The corporate contribution is applied to losses of the Company as provided in DTC's rules. The amount of the corporate contribution is generally equal to 50% of the Company's general business risk capital requirement.

Details for the general business risk capital requirement, corporate contribution and liquid net assets funded by equity for the Company as of September 30, 2022 and December 31, 2021 follow (in thousands):

	<u>2022</u>	<u>2021</u>
General business risk capital requirement	\$ 222,611	\$ 193,270
Corporate contribution	111,306	96,635
Total requirement	333,917	289,905
Liquid net assets funded by equity	635,485	675,456
Excess	<u>\$ 301,568</u>	<u>\$ 385,551</u>

# THE DEPOSITORY TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

AS OF SEPTEMBER 30, 2022 AND DECEMBER 31, 2021 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

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## CAPITAL REQUIREMENTS (CONTINUED)

**Capital Adequacy.** The capital and leverage ratios required by the FRBNY and the NYSDFS as of September 30, 2022 follow:

	<u>Ratio</u>	<u>Minimum Capital Ratio<sup>(a)</sup></u>	<u>Well Capitalized Ratio<sup>(a)</sup></u>
Tier 1 capital ratio <sup>(1)</sup>	60.43 %	6.00 %	8.00 %
Total capital ratio <sup>(1)</sup>	60.43 %	8.00 %	10.00 %
Tier 1 leverage ratio <sup>(2)</sup>	16.95 %	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.

## 11. SUBSEQUENT EVENTS

The Company evaluated events and transactions occurring after September 30, 2022 through October 28, 2022, the date these financial statements were 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 financial statements.