

The Depository Trust & Clearing Corporation

Consolidated Financial Statements (Unaudited) as of March 31,
2022 and December 31, 2021 and for the three months ended
March 31, 2022 and 2021

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 March 31, 2022	As of December 31, 2021
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 14,332,523	\$ 14,236,922
Participants' segregated cash	1,946	6,078
Short-term investments	300,000	445,000
Accounts receivable - net of allowance for credit losses	253,769	244,090
Participants' and Clearing Funds	55,612,541	56,501,935
Other Participants' assets	1,604,808	1,326,873
Other current assets	149,558	176,352
Total current assets	<u>72,255,145</u>	<u>72,937,250</u>
NON-CURRENT ASSETS:		
Premises and equipment - net of accumulated depreciation of \$271,033 and \$258,402 as of March 31, 2022 and December 31, 2021, respectively	196,158	190,326
Goodwill	57,699	57,699
Intangible assets - net of accumulated amortization of \$566,027 and \$536,449 as of March 31, 2022 and December 31, 2021, respectively	320,295	328,635
Operating lease right-of-use-asset	214,242	222,341
Other non-current assets	322,228	318,629
Total non-current assets	<u>1,110,622</u>	<u>1,117,630</u>
TOTAL ASSETS	<u><u>\$ 73,365,767</u></u>	<u><u>\$ 74,054,880</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Commercial paper - net of unamortized discount	\$ 8,297,604	\$ 8,291,933
Pension and postretirement benefits	33,892	33,981
Operating lease liability	28,840	28,705
Accounts payable and accrued expenses	110,989	100,346
Participants' and Clearing Funds	55,612,541	56,501,935
Payable to Participants	1,606,754	1,332,951
Other current liabilities	138,026	291,251
Total current liabilities	<u>65,828,646</u>	<u>66,581,102</u>
NON-CURRENT LIABILITIES:		
Long-term debt	3,733,669	3,731,814
Pension and postretirement benefits	146,676	147,919
Operating lease liability	234,432	242,846
Other non-current liabilities	252,124	270,863
Total non-current liabilities	<u>4,366,901</u>	<u>4,393,442</u>
Total liabilities	<u>70,195,547</u>	<u>70,974,544</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 D, \$0.50 par value - 2,000 shares authorized, issued (above par), and outstanding	490,900	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	2,322,689	2,231,213
Accumulated other comprehensive loss, net of tax	(210,125)	(208,533)
Non-controlling interests	150,000	150,000
Total shareholders' equity	<u>3,170,220</u>	<u>3,080,336</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>\$ 73,365,767</u></u>	<u><u>\$ 74,054,880</u></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 March 31,	
	2022	2021
REVENUES		
Settlement and asset services	\$ 126,529	\$ 115,878
Clearing services	232,874	229,078
Matching services	78,457	77,205
Repository and derivatives services	83,713	71,826
Wealth management services	30,349	27,809
Data and other services	12,638	12,414
Investment income (loss), net	(7,551)	3,949
Total revenues	<u>557,009</u>	<u>538,159</u>
EXPENSES		
Employee compensation and related benefits	210,859	204,004
Information technology	56,753	65,115
Professional and other services	89,420	85,463
Occupancy	13,448	12,424
Depreciation and amortization	42,241	40,467
General and administrative	11,058	10,568
Total expenses	<u>423,779</u>	<u>418,041</u>
Total operating income	<u>133,230</u>	<u>120,118</u>
NON-OPERATING INCOME (EXPENSE)		
Interest income	21,564	12,449
Refunds to Participants	(13,941)	(7,758)
Interest expense	(22,731)	(20,200)
Other non-operating income, net	7,241	7,201
Total non-operating expense	<u>(7,867)</u>	<u>(8,308)</u>
Income before taxes	125,363	111,810
Provision for income taxes	33,887	10,117
Net income	<u>\$ 91,476</u>	<u>\$ 101,693</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 March 31,	
	2022	2021
Net income	\$ 91,476	\$ 101,693
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax:		
Defined benefit pension and other plans	—	27
Foreign currency translation	(1,592)	(452)
Other comprehensive loss	(1,592)	(425)
Comprehensive income	\$ 89,884	\$ 101,268

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 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, 2022	\$ 300	\$ 300	\$ —	\$ 490,900	\$ 5,091	\$ 411,065	\$ 2,231,213	\$ (201,239)	\$ (7,294)	\$ 150,000	\$ 3,080,336		
Net income	—	—	—	—	—	—	91,476	—	—	—	91,476		
Other comprehensive loss	—	—	—	—	—	—	—	—	(1,592)	—	(1,592)		
BALANCE - March 31, 2022	\$ 300	\$ 300	\$ —	\$ 490,900	\$ 5,091	\$ 411,065	\$ 2,322,689	\$ (201,239)	\$ (8,886)	\$ 150,000	\$ 3,170,220		

(In thousands)	Preferred Stock				Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive 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)		
Dividend 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		

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 three months ended March 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 91,476	\$ 101,693
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Depreciation and amortization	42,241	40,467
Deferred income taxes	(6,366)	8,415
Accretion of discount on Commercial paper, net of associated interest paid	575	(3,375)
Other	6,717	(14,344)
Net change in:		
Accounts receivable	(10,236)	(23,428)
Other assets	31,920	21,232
Accounts payable and accrued expenses	11,075	(2,306)
Pension and postretirement benefits	(1,299)	(6,361)
Operating lease liability	(7,547)	(9,215)
Other liabilities	(171,666)	(161,048)
Participants' and Clearing Funds liabilities	(619,259)	251,659
Payable to Participants	273,801	354,778
Net cash (used in)/provided by operating activities	<u>(358,568)</u>	<u>558,167</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Short-term investments	(100,000)	(746,179)
Maturities of Short-term investments	245,000	400,000
Purchases of Premises and equipment	(19,416)	(4,218)
Capitalized software development costs	(21,243)	(19,945)
Proceeds from Company owned life insurance policies	174	—
Net cash provided by/(used in) investing activities	<u>104,515</u>	<u>(370,342)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Commercial paper	16,495,070	12,933,375
Repayments of Commercial paper	(16,489,974)	(9,573,218)
Repayments on long-term debt and other borrowings	—	(2,418)
Preferred stock dividend payments	—	(3,384)
Payment to Non-controlling interests	(90)	—
Net cash provided by financing activities	<u>5,006</u>	<u>3,354,355</u>
Effect of foreign exchange rate changes on Cash and cash equivalents	(804)	(747)
Net (decrease)/increase in Cash and cash equivalents, Participants' segregated cash, Participants' and Clearing Funds cash deposits, Cash in Other Participants' assets, Restricted cash	(249,851)	3,541,433
Cash and cash equivalents, Participants' segregated cash, Participants' and Clearing Funds cash deposits, Cash in Other Participants' assets, Restricted cash - Beginning of period	<u>44,058,025</u>	<u>39,460,290</u>
Cash and cash equivalents, Participants' segregated cash, Participants' and Clearing Funds cash deposits, Cash in Other Participants' assets, Restricted cash - End of period	<u>\$ 43,808,174</u>	<u>\$ 43,001,723</u>
SUPPLEMENTAL DISCLOSURES:		
Interest paid	<u>\$ 6,696</u>	<u>\$ 8,158</u>
Income taxes paid - net of refunds	<u>\$ 8,628</u>	<u>\$ 8,660</u>

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

THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2022 AND DECEMBER 31, 2021 AND FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021

1. BUSINESS AND OWNERSHIP

The Depository Trust & Clearing Corporation (DTCC) is the parent company of various operating subsidiaries, including 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, through itself, its subsidiary and affiliates, provides post-trade matching, processing and other related services, primarily to members of the financial services community. *ITP*’s subsidiary and applicable affiliates are authorized to provide certain post-trade matching services pursuant to certain orders issued by regulatory authorities and may be subject to the supervision and examination by these authorities in the jurisdiction they operate including the SEC, the Financial Conduct Authority in the United Kingdom (FCA), and the Autorité des Marchés Financiers (AMF) and the Ontario Securities Commission (OSC) in Canada.

Deriv/SERV enhances transparency and provides operational efficiency for derivatives and securities financing transactions processing and reporting through various legal entities, including affiliated locally registered or recognized trade repositories. *Deriv/SERV* also offers the Trade Information Warehouse asset servicing for credit default swaps and oversees other pre and post derivative trade activities offered by other DTCC legal entities. The trade repositories are subject to supervision and examination by regulatory authorities in the jurisdictions they operate including the Commodity Futures Trading Commission (CFTC), SEC, FCA, thirteen Canadian provincial and territorial regulators, the European Securities and Markets Authority (ESMA), the Swiss Financial Market Supervisory Authority (FINMA), the Monetary Authority of Singapore (MAS), the Financial Services Agency of Japan (JFSA), and the Australian Securities and Investments Commission (ASIC).

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

Solutions (UK) offers software solutions and consulting services.

THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2022 AND DECEMBER 31, 2021 AND FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021

1. BUSINESS AND OWNERSHIP (CONTINUED)

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.

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, 2021 and 2020, 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, 2021 and 2020, for additional information on the Company's Summary of Significant Accounting Policies.

The consolidated financial statements reflect all adjustments of a normal recurring nature that are, in the opinion of management, necessary for the fair presentation of the results for the interim period. The results of operations for interim periods are not necessarily indicative of results for the entire year. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation.

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

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

Revenue recognition. The Company recognizes revenue to depict the transfer of promised services and related performance obligations to customers in an amount that reflects the consideration to which the Company expects to be entitled, upon satisfaction, in exchange for those services.

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 value and volume 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 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 the continuous net settlement of equity and corporate bonds, and the netting and settlement of mortgage backed securities clearing and government securities clearing.

THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2022 AND DECEMBER 31, 2021 AND FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021

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

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

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

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.

Investment income (loss), net. Revenue derived from this revenue stream is related to changes in the fair values of investment assets related to the Company's deferred compensation plan (structured as a Rabbi Trust). The investment income (loss) is recognized in the period the realized/unrealized gain or loss on investment assets held occurs. A corresponding offset to the investment income (loss) related to the deferred compensation liability is recorded in the same period and is included in the Employee compensation and related benefits in the accompanying Consolidated 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 March 31, 2022 and December 31, 2021 was \$20,998,000 and \$17,413,000, 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 \$17,413,000 as of December 31, 2021, \$6,289,000 was recognized as revenue during the three months ended March 31, 2022.

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 MARCH 31, 2022 AND DECEMBER 31, 2021 AND FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021

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):

	March 31, 2022	December 31, 2021	March 31, 2021
Cash and cash equivalents	\$ 14,332,523	\$ 14,236,922	\$ 12,100,344
Participants' segregated cash	1,946	6,078	167
Participants' and Clearing Funds cash deposits	27,860,904	28,480,163	29,725,484
Cash in Other Participants' assets	1,604,808	1,326,873	1,167,751
Restricted cash included in Other non-current assets	7,993	7,989	7,977
Total Cash and cash equivalents, Participants' segregated cash, Participants' and Clearing Funds cash deposits, Cash in Other Participants' assets and Restricted cash shown on the Consolidated Statements of Cash Flows	<u>\$ 43,808,174</u>	<u>\$ 44,058,025</u>	<u>\$ 43,001,723</u>

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 a changes in revenue, interest rates, liquidity/credit, and government and regulatory policy. At this time, the Company has not experienced any adverse impact to its financial results related to the novel coronavirus ("COVID-19") pandemic and the Company does not have operations in or revenue generated from 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"> 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. 	<ul style="list-style-type: none"> Effective January 1, 2023. The Company does not anticipate that the adoption of this standard will have a significant impact on its consolidated financial statements and related disclosures. The Company will continue to evaluate the impact this standard will have on its consolidated financial statements and related disclosures until the standard is adopted.
ASU 2021-09 - Leases (Topic 842): Discount rate for Lessees that are not Public Business Entities <i>Issued November 2021</i>	<ul style="list-style-type: none"> Provides lessees that are not public business entities with the option to elect, as an accounting policy, the use of a risk-free rate as the discount rate by class of underlying asset rather than at the entity-wide level for all leases. Requires entities that make the risk-free rate election to disclose which asset classes it has elected to apply a risk-free rate. 	<ul style="list-style-type: none"> Effective for fiscal year end beginning January 1, 2022 and effective interim period beginning January 1, 2023. The Company is evaluating the impact on its consolidated financial statements and related disclosures.

THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2022 AND DECEMBER 31, 2021 AND FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021

3. ACCOUNTING AND REPORTING DEVELOPMENTS (CONTINUED)

Standard	Description	Impact on the financial statements or other significant matters
<i>Financial Accounting Standards Board Standard Issued, but not yet Adopted</i>		
ASU 2019-12 Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes <i>Issued December 2019</i>	<ul style="list-style-type: none"> • 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 for fiscal year end beginning January 1, 2022 and effective interim period beginning January 1, 2023. • The Company does not anticipate that the adoption of this standard will have a significant impact on its consolidated financial statements and related disclosures.
<i>Recently Adopted Accounting Standards</i>		
ASU 2021-10 - Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance <i>Issued November 2021</i>	<ul style="list-style-type: none"> • Applies to business entities that account for a transaction with a government by applying a grant and accounting model by analogy to other accounting guidance (for example, the grant model within International Accounting Standards (IAS) 20, Accounting for Government Grants). • Requires the following annual disclosures: <ul style="list-style-type: none"> ◦ Information about the nature of the transaction(s) and the related accounting policy used to account for the transactions. ◦ The line items on the balance sheet and income statement that are affected by the transactions, and the amounts applicable to each financial statement line item. ◦ Significant terms and conditions of the transactions, including commitments and contingencies. 	<ul style="list-style-type: none"> • Adopted January 1, 2022. • The adoption of the standard did not have a material impact on the Company's consolidated financial statements and related disclosures.

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

Details for Participants' segregated cash, Other Participants' assets and Payable to Participants as of March 31, 2022 and December 31, 2021 follow (in thousands):

	2022	2021
Assets:		
Participants' segregated cash	\$ 1,946	\$ 6,078
Other Participants' assets	1,604,808	1,326,873
Total	\$ 1,606,754	\$ 1,332,951
Liabilities:		
Payable to Participants	\$ 1,606,754	\$ 1,332,951

THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2022 AND DECEMBER 31, 2021 AND FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021

5. ACCOUNTS RECEIVABLE

Details for Accounts receivable as of March 31, 2022 and December 31, 2021 follow (in thousands):

	<u>2022</u>	<u>2021</u>
Due from Participants and customers for services	\$ 238,276	\$ 226,571
Allowance for credit losses	(371)	(253)
Due from Participants and customers for services, net	237,905	226,318
Other receivables	15,864	17,772
Total	<u>\$ 253,769</u>	<u>\$ 244,090</u>

Details for allowance for credit losses for the three months ended March 31, 2022 and 2021 follow (in thousands):

	<u>2022</u>	<u>2021</u>
Beginning balance of allowance for credit losses	\$ 253	\$ 259
Provision	170	181
Less: Write-offs	(52)	(182)
Ending balance of allowance for credit losses	<u>\$ 371</u>	<u>\$ 258</u>

6. PARTICIPANTS' AND CLEARING FUNDS

Details for the Participants' and Clearing Funds as of March 31, 2022 and December 31, 2021 follow (in thousands):

	<u>2022</u>			
	<u>DTC</u>	<u>NSCC</u>	<u>FICC</u>	<u>Total</u>
Total deposits	\$ 1,974,905	\$ 13,526,364	\$ 40,111,272	\$ 55,612,541
Less: Required deposits	1,157,000	12,609,932	29,960,996	43,727,928
Excess deposits	<u>\$ 817,905</u>	<u>\$ 916,432</u>	<u>\$ 10,150,276</u>	<u>\$ 11,884,613</u>

	<u>2021</u>			
	<u>DTC</u>	<u>NSCC</u>	<u>FICC</u>	<u>Total</u>
Total deposits	\$ 1,962,667	\$ 14,753,453	\$ 39,785,815	\$ 56,501,935
Less: Required deposits	1,150,000	8,343,253	29,720,679	39,213,932
Excess deposits	<u>\$ 812,667</u>	<u>\$ 6,410,200</u>	<u>\$ 10,065,136</u>	<u>\$ 17,288,003</u>

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6. PARTICIPANTS' AND CLEARING FUNDS (CONTINUED)

Cash and Securities. Details for cash and securities of the Participants' and Clearing Funds, which may be applied to satisfy obligations of the depositing Participant, other Participants, or the Company pursuant to the rules of the relevant subsidiaries of the Company, as of March 31, 2022 and December 31, 2021 follow (in thousands):

	2022			
	DTC	NSCC	FICC	Total
Cash and cash equivalents	\$ 1,974,905	\$ 12,740,357	\$ 13,145,642	\$ 27,860,904
U.S. Treasury Securities	—	786,007	23,916,049	24,702,056
U.S. Agency Issued Debt Securities (Non-Callable)	—	—	222,034	222,034
U.S. Agency Residential Mortgage-Backed Securities	—	—	2,827,547	2,827,547
Total	\$ 1,974,905	\$ 13,526,364	\$ 40,111,272	\$ 55,612,541

	2021			
	DTC	NSCC	FICC	Total
Cash and cash equivalents	\$ 1,962,667	\$ 13,941,679	\$ 12,575,817	\$ 28,480,163
U.S. Treasury Securities	—	811,774	24,200,940	25,012,714
U.S. Agency Issued Debt Securities (Non-Callable)	—	—	129,647	129,647
U.S. Agency Residential Mortgage-Backed Securities	—	—	2,879,411	2,879,411
Total	\$ 1,962,667	\$ 14,753,453	\$ 39,785,815	\$ 56,501,935

Details for the Participants' and Clearing Funds cash deposits as of March 31, 2022 and December 31, 2021 follow (in thousands):

	2022			
	DTC	NSCC	FICC	Total
Bank deposits	\$ 1,974,905	\$ 12,740,357	\$ 13,145,642	\$ 27,860,904
Total	\$ 1,974,905	\$ 12,740,357	\$ 13,145,642	\$ 27,860,904

	2021			
	DTC	NSCC	FICC	Total
Bank deposits	\$ 1,962,667	\$ 12,197,679	\$ 10,662,817	\$ 24,823,163
Money market fund investments - at fair value	—	1,744,000	1,913,000	3,657,000
Total	\$ 1,962,667	\$ 13,941,679	\$ 12,575,817	\$ 28,480,163

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7. OTHER ASSETS

Details for Other assets as of March 31, 2022 and December 31, 2021 follow (in thousands):

	2022	2021
Prepays	\$ 122,044	\$ 120,796
Business employment incentive program ⁽¹⁾	18,091	18,091
Prepaid taxes	4,302	35,316
Interest receivable	4,302	1,279
Other current assets	819	870
Total other current assets	<u>149,558</u>	<u>176,352</u>
Long-term incentive plan assets	151,148	159,502
Cash surrender value on insurance policies	72,967	70,411
Prepays	37,867	34,822
Deferred tax assets	17,457	11,183
Pension and postretirement	13,630	13,630
Equity investments	12,393	12,393
Restricted cash	7,993	7,989
Investment in Federal reserve stock	6,402	6,402
Other non-current assets	2,371	2,297
Total other non-current assets	<u>322,228</u>	<u>318,629</u>
Total	<u>\$ 471,786</u>	<u>\$ 494,981</u>

(1) The Company participates in the New Jersey State Business Employment Incentive Program (BEIP). The intent of this program is to encourage businesses to locate and expand in the State of New Jersey through grants that the Company has elected to convert into refundable tax credits.

8. OTHER LIABILITIES

Details for Other liabilities as of March 31, 2022 and December 31, 2021 follow (in thousands):

	2022	2021
Compensation payable	\$ 41,725	\$ 171,975
Accrued payroll and payroll withholdings	29,071	44,247
Long-term incentive plan liabilities	27,639	31,294
Deferred revenue	20,109	16,482
Payroll taxes payable	12,096	19,435
Deferred sublease income	7,307	7,720
Other current liabilities	79	98
Total other current liabilities	<u>138,026</u>	<u>291,251</u>
Long-term incentive plan liabilities	226,523	245,179
Unrecognized tax benefits	21,859	21,822
Asset retirement obligations ⁽¹⁾	2,690	2,748
Deferred revenue	889	931
Deferred tax liabilities	163	183
Total other non-current liabilities	<u>252,124</u>	<u>270,863</u>
Total	<u>\$ 390,150</u>	<u>\$ 562,114</u>

(1) The Company is legally required under certain lease agreements to restore its leased sites to the original condition at the end of the agreement. The amount of asset retirement obligations are accreted to the estimated undiscounted obligations that will be paid to restore the leased sites to the original condition and such accretion is recognised as expense.

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9. COMMERCIAL PAPER

Details for Commercial paper as of March 31, 2022 and December 31, 2021 follow (in thousands):

	<u>2022</u>	<u>2021</u>
Commercial paper - net of unamortized discount of \$3,903 and \$1,067 as of March 31, 2022 and December 31, 2021, respectively	\$ 8,297,604	\$ 8,291,933
Weighted-average interest rate	0.42 %	0.13 %

Interest expense on Commercial paper, included in Interest expense in the accompanying Consolidated Statements of Income, was \$4,930,000 and \$2,430,000 for the three months ended March 31, 2022 and 2021, respectively.

10. LONG-TERM DEBT

Details for Long-term debt as of March 31, 2022 and December 31, 2021 follow (in thousands):

	<u>2022</u>	<u>2021</u>
Senior notes - net of unamortized discount and debt issuance costs	\$ 3,733,669	\$ 3,731,814
Less: Current portion of long-term debt	—	—
Non-current portion of long-term debt	<u>\$ 3,733,669</u>	<u>\$ 3,731,814</u>

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

2022	\$ —
2023	2,000,000
2024	—
2025	1,750,000
2026	—
Thereafter	—
Total	<u>\$ 3,750,000</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.

Details of the senior notes as of March 31, 2022 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	\$ 997,739
April 23, 2020	April 23, 2025	1.50% ⁽¹⁾	1,000,000	994,850
December 7, 2020	December 7, 2023	0.40% ⁽²⁾	1,000,000	996,358
December 7, 2020	December 7, 2025	0.75% ⁽²⁾	750,000	744,722
			<u>\$ 3,750,000</u>	<u>\$ 3,733,669</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 \$11,053,000 for the three months ended March 31, 2022 and 2021, respectively. The weighted-average interest rate was 0.98% as of March 31, 2022 and 2021. The aggregate debt issuance costs and unamortized discount associated with the senior notes were \$16,331,000 and \$18,186,000, as of March 31, 2022 and December 31, 2021, respectively.

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10. LONG-TERM DEBT (CONTINUED)

Lines of credit. DTCC maintains a committed line of credit for general funding purposes while certain of its subsidiaries, DTC and NSCC, also maintain committed lines of credit to support settlement of its payment obligations in the event of the default of any of its Participants pursuant to the rules of the relevant subsidiaries of the Company.

Details for the terms of the outstanding lines of credit as of March 31, 2022 and December 31, 2021 follow:

	2022	2021
<i>DTCC</i>		
Committed Amount	\$500 million	\$500 million
Denomination	USD	USD
Number of Participants/Lenders	13/13	10/10
Borrowing Rate	Base Rate plus 0.125%, or Adjusted Term Secure overnight financing rate (SOFR) or Adjusted Daily SOFR plus 1.125%	Either base rate plus 0.25% or eurodollar plus 1.25%
Maturity Date	January 2025	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	29/35
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 2022
Annual Facility Fee	0.10% ⁽¹⁾	0.10% ⁽¹⁾
Uncommitted Amount	C\$200 million ⁽²⁾	C\$200 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	\$9.3 billion
Denomination	USD	USD
Number of Participants/Lenders	29/35	29/35
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 2022
Annual Facility Fee	0.10% ⁽¹⁾	0.10% ⁽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 2022 and 2021.

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10. LONG-TERM DEBT (CONTINUED)

Details for debt covenants related to the lines of credit as of March 31, 2022 and December 31, 2021 follow:

	2022	2021
<u>DTCC</u>		
Minimum Net Worth	\$1.65 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 March 31, 2022 and December 31, 2021, the Company was in compliance with its debt covenants.

Credit Ratings. DTCC, DTC, FICC and NSCC are rated by Moody's Investors Service, Inc. (Moody's) and S&P Global Inc. (S&P). Details for issuer credit ratings and ratings outlooks for DTCC and its three clearing agency subsidiaries as of March 31, 2022 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 14 in DTCC's Audited Consolidated 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.

Fair value measurements of those items measured on a recurring basis as of March 31, 2022 and December 31, 2021 are summarized below (in thousands):

	2022			Total
	Level 1	Level 2	Level 3	
Assets:				
Clearing Funds				
U.S. Treasury Securities	\$ 24,702,056	\$ —	\$ —	\$ 24,702,056
U.S. Agency Issued Debt Securities (Non-Callable)	222,034	—	—	222,034
U.S. Agency Residential Mortgage-Backed Securities	—	2,827,547	—	2,827,547
Non-current assets				
Long-term incentive plan assets - Mutual fund and Stable value fund investments	128,840	22,308	—	151,148
Total assets	\$ 25,052,930	\$ 2,849,855	\$ —	\$ 27,902,785
Liabilities:				
Clearing Funds				
Securities liabilities	\$ 24,924,090	\$ 2,827,547	\$ —	\$ 27,751,637
Total liabilities	\$ 24,924,090	\$ 2,827,547	\$ —	\$ 27,751,637
2021				
	Level 1	Level 2	Level 3	Total
Assets:				
Clearing Funds				
U.S. Treasury Securities	\$ 25,012,714	\$ —	\$ —	\$ 25,012,714
U.S. Agency Issued Debt Securities (Non-Callable)	129,647	—	—	129,647
U.S. Agency Residential Mortgage-Backed Securities	—	2,879,411	—	2,879,411
Cash deposits - Money market fund investments	3,657,000	—	—	3,657,000
Non-current assets				
Long-term incentive plan assets - Mutual fund and Stable value fund investments	135,525	23,977	—	159,502
Total assets	\$ 28,934,886	\$ 2,903,388	\$ —	\$ 31,838,274
Liabilities:				
Clearing Funds				
Securities liabilities	\$ 25,142,361	\$ 2,879,411	\$ —	\$ 28,021,772
Money market fund investments liabilities	3,657,000	—	—	3,657,000
Total liabilities	\$ 28,799,361	\$ 2,879,411	\$ —	\$ 31,678,772

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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 March 31, 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	\$ 14,332,523	\$ 14,332,523	\$ 14,332,523	\$ —	\$ —
Participants' segregated cash	1,946	1,946	1,946	—	—
Short-term investments	300,000	300,000	—	300,000	—
Participants' and Clearing Funds:					
Cash deposits - Bank deposits	27,860,904	27,860,904	27,860,904	—	—
Other Participants' assets	1,604,808	1,604,808	1,604,808	—	—
Total	\$44,100,181	\$44,100,181	\$43,800,181	\$ 300,000	\$ —
Liabilities:					
Commercial paper	\$ 8,297,604	\$ 8,297,604	\$ —	\$ 8,297,604	\$ —
Participants' and Clearing Funds:					
Cash deposits - Bank deposits	27,860,904	27,860,904	27,860,904	—	—
Payable to Participants	1,606,754	1,606,754	1,606,754	—	—
Long-term debt	3,733,669	3,643,074	—	3,643,074	—
Total	\$41,498,931	\$41,408,336	\$29,467,658	\$11,940,678	\$ —
2021					
	Carrying Amount	Total Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	\$ 14,236,922	\$ 14,236,922	\$ 14,236,922	\$ —	\$ —
Participants' segregated cash	6,078	6,078	6,078	—	—
Short-term investments	445,000	445,000	—	445,000	—
Participants' and Clearing Funds:					
Cash deposits - Bank deposits	24,823,163	24,823,163	24,823,163	—	—
Other Participants' assets	1,326,873	1,326,873	1,326,873	—	—
Total	\$40,838,036	\$40,838,036	\$40,393,036	\$ 445,000	\$ —
Liabilities:					
Commercial paper	\$ 8,291,933	\$ 8,291,933	\$ —	\$ 8,291,933	\$ —
Participants' and Clearing Funds:					
Cash deposits - Bank deposits	24,823,163	24,823,163	24,823,163	—	—
Payable to Participants	1,332,951	1,332,951	1,332,951	—	—
Long-term debt	3,731,814	3,744,935	—	3,744,935	—
Total	\$38,179,861	\$38,192,982	\$26,156,114	\$12,036,868	\$ —

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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 three months ended March 31, 2022, there was no fair value adjustment required for equity investments without a readily determinable fair value. The carrying amount of the investments were \$12,393,000 as of March 31, 2022 and December 31, 2021.

12. RETIREMENT PLANS

See Note 15 in DTCC's Audited Consolidated Financial Statements for the years ended December 31, 2021 and 2020 for additional information on the Company's retirement plans.

Defined benefit pension and other postretirement benefit plans. Details of the components of net periodic benefit expense (income) and amortization for the Company's pension and postretirement benefit plans, included in Employee compensation and related benefits, Interest expense, and Other non-operating income, net in the accompanying Consolidated Statements of Income, for the three months ended March 31, 2022 and 2021 follow (in thousands):

	Pension Benefits		Other Benefits	
	2022	2021	2022	2021
Components of net periodic benefit expense (income):				
Expected return on plan assets	\$ (9,525)	\$ (9,480)	\$ —	\$ —
Interest cost	6,575	5,841	345	296
Service cost	496	531	117	158
Amortizations:				
Prior service cost (credit)	22	22	(260)	(1,287)
Actuarial loss	2,293	3,285	99	424
Settlement loss	—	44	—	—
Net periodic benefit expense (income)	<u>\$ (139)</u>	<u>\$ 243</u>	<u>\$ 301</u>	<u>\$ (409)</u>

The Company did not make any contributions to the Pension Plan for the three months ended March 31, 2022 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 \$12,191,000 and \$10,747,000 for the three months ended March 31, 2022 and 2021, respectively.

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13. INCOME TAXES

Details for unrecognized tax benefits, included in Other non-current liabilities on the accompanying Consolidated Statements of Financial Condition, for the three months ended March 31, 2022 and 2021 follow (in thousands):

	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 19,954	\$ 27,267
Increases:		
Prior period tax positions	—	48
Current period tax positions	—	75
Decreases:		
Prior period tax positions	(163)	(11,317)
Settlements with tax authorities	—	(3,293)
Unrecognized tax benefit	19,791	12,780
Accrued interest	2,068	1,304
Ending balance	<u>\$ 21,859</u>	<u>\$ 14,084</u>

See Note 16 in DTCC's Audited Consolidated Financial Statements for the years ended December 31, 2021 and 2020 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.

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, December 15 and December 15 of each year beginning on December 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 three months ended March 31, 2021 follow:

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

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14. SHAREHOLDERS' EQUITY (CONTINUED)

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 March 31, 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.

Details of dividends paid to holders of the DTC Series A Preferred Stock during the three months ended March 31, 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 DTC Series A Preferred Stock during the three months ended March 31, 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

15. CAPITAL REQUIREMENTS

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

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

Corporate Contribution. The 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.

THE DEPOSITORY TRUST & CLEARING CORPORATION

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15. CAPITAL REQUIREMENTS (CONTINUED)

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

	2022		
	DTC	NSCC	FICC
General business risk capital requirement	\$ 200,031	\$ 211,964	\$ 140,039
Corporate contribution	100,015	105,982	70,019
Total requirement	300,046	317,946	210,058
Liquid net assets funded by equity	629,688	589,444	315,978
Excess	<u>\$ 329,642</u>	<u>\$ 271,498</u>	<u>\$ 105,920</u>
	2021		
	DTC	NSCC	FICC
General business risk capital requirement	\$ 193,270	\$ 211,964	\$ 133,407
Corporate contribution	96,635	105,982	66,703
Total requirement	289,905	317,946	200,110
Liquid net assets funded by equity	675,456	570,329	328,792
Excess	<u>\$ 385,551</u>	<u>\$ 252,383</u>	<u>\$ 128,682</u>

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 March 31, 2022 follow:

	Ratio	Minimum Capital Ratio ^(a)	Well Capitalized Ratio ^(a)
Tier 1 capital ratio ⁽¹⁾	75.58 %	6.00 %	8.00 %
Total capital ratio ⁽¹⁾	75.58 %	8.00 %	10.00 %
Tier 1 leverage ratio ⁽²⁾	17.12 %	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 March 31, 2022 and December 31, 2021 follow (in billions):

	<u>2022</u>	<u>2021</u>
FICC		
GSD	\$ 1,214	\$ 1,150
MBSD	410	434
NSCC	278	185

There were no defaults by Participants to these obligations in 2022 and 2021.

See Note 19 in DTCC's Audited Consolidated Financial Statements for the years ended December 31, 2021 and 2020 for additional information on the Company's guarantees.

17. SUBSEQUENT EVENTS

The Company evaluated events and transactions occurring after March 31, 2022 through May 6, 2022, the date these consolidated financial statements were available to be issued, for potential recognition or disclosure. No additional events or transactions, other than as disclosed below and disclosed in Note 14, Shareholders' Equity, occurred during such period that would require recognition or disclosure in these consolidated financial statements.

On May 3, 2022, the Company renewed the annual lines of credit on DTC and NSCC for \$1.9 billion and \$10.0 billion, respectively. These lines will mature on May 2, 2023.