

# The Depository Trust & Clearing Corporation

Consolidated Financial Statements (Unaudited) as of June 30,  
2022 and December 31, 2021 and for the three and six months  
ended June 30, 2022 and 2021

# THE DEPOSITORY TRUST & CLEARING CORPORATION

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

| <b>(In thousands, except share data)</b>   | <b>As of June 30,<br/>2022</b> | <b>As of December 31,<br/>2021</b> |
|--|--------------------------------|------------------------------------|
| <b>ASSETS</b>  |                                |                                    |
| <b>CURRENT ASSETS:</b>   |                                |                                    |
| Cash and cash equivalents  | \$ 14,186,931                  | \$ 14,236,922                      |
| Investments in marketable securities   | 17,989                         | —                                  |
| Participants' segregated cash  | 10,243                         | 6,078                              |
| Short-term investments   | 795,000                        | 445,000                            |
| Accounts receivable - net of allowance for credit losses   | 223,869                        | 244,090                            |
| Participants' and Clearing Funds   | 53,086,972                     | 56,501,935                         |
| Other Participants' assets   | 1,401,795                      | 1,326,873                          |
| Other current assets   | 160,500                        | 176,352                            |
| Total current assets   | <u>69,883,299</u>              | <u>72,937,250</u>                  |
| <b>NON-CURRENT ASSETS:</b>   |                                |                                    |
| Premises and equipment - net of accumulated depreciation of \$281,833 and \$258,402<br>as of June 30, 2022 and December 31, 2021, respectively | 194,256                        | 190,326                            |
| Goodwill   | 57,699                         | 57,699                             |
| Intangible assets - net of accumulated amortization of \$597,294 and \$536,449<br>as of June 30, 2022 and December 31, 2021, respectively      | 316,213                        | 328,635                            |
| Operating lease right-of-use-asset   | 205,546                        | 222,341                            |
| Other non-current assets   | 321,133                        | 318,629                            |
| Total non-current assets   | <u>1,094,847</u>               | <u>1,117,630</u>                   |
| <b>TOTAL ASSETS</b>  | <u><u>\$ 70,978,146</u></u>    | <u><u>\$ 74,054,880</u></u>        |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>  |                                |                                    |
| <b>CURRENT LIABILITIES:</b>  |                                |                                    |
| Commercial paper - net of unamortized discount   | \$ 8,504,264                   | \$ 8,291,933                       |
| Long-term debt, current portion  | 998,266                        | —                                  |
| Pension and postretirement benefits  | 33,981                         | 33,981                             |
| Operating lease liability  | 28,146                         | 28,705                             |
| Accounts payable and accrued expenses  | 125,584                        | 100,346                            |
| Participants' and Clearing Funds   | 53,086,972                     | 56,501,935                         |
| Payable to Participants  | 1,412,038                      | 1,332,951                          |
| Other current liabilities  | 196,885                        | 291,251                            |
| Total current liabilities  | <u>64,386,136</u>              | <u>66,581,102</u>                  |
| <b>NON-CURRENT LIABILITIES:</b>  |                                |                                    |
| Long-term debt   | 2,737,240                      | 3,731,814                          |
| Pension and postretirement benefits  | 148,216                        | 147,919                            |
| Operating lease liability  | 225,902                        | 242,846                            |
| Other non-current liabilities  | 240,284                        | 270,863                            |
| Total non-current liabilities  | <u>3,351,642</u>               | <u>4,393,442</u>                   |
| Total liabilities  | <u>67,737,778</u>              | <u>70,974,544</u>                  |
| <b>COMMITMENTS AND CONTINGENCIES (Note 2)</b>  |                                |                                    |
| <b>SHAREHOLDERS' EQUITY</b>  |                                |                                    |
| <b>Preferred stock:</b>  |                                |                                    |
| Series A, \$0.50 par value - 10,000 shares authorized, issued (above par), and outstanding   | 300                            | 300                                |
| Series B, \$0.50 par value - 10,000 shares authorized, issued (above par), and outstanding   | 300                            | 300                                |
| Series 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  | 2,399,168                      | 2,231,213                          |
| Accumulated other comprehensive loss, net of tax   | (216,456)                      | (208,533)                          |
| Non-controlling interests  | 150,000                        | 150,000                            |
| Total shareholders' equity   | <u>3,240,368</u>               | <u>3,080,336</u>                   |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>  | <u><u>\$ 70,978,146</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)**

| <b>(In thousands)</b>                      | <b>For the three months ended June 30,</b> |                  | <b>For the six months ended June 30,</b> |                   |
|--|--|------------------|--|-------------------|
|  | <b>2022</b>                                | <b>2021</b>      | <b>2022</b>                              | <b>2021</b>       |
| <b>REVENUES</b>                            |  |                  |  |                   |
| Settlement and asset services              | \$ 129,854                                 | \$ 126,495       | \$ 256,383                               | \$ 242,373        |
| Clearing services                          | 218,366                                    | 203,891          | 451,240                                  | 432,969           |
| Matching services                          | 75,667                                     | 74,027           | 154,124                                  | 151,232           |
| Repository and derivatives services        | 82,782                                     | 74,462           | 166,495                                  | 146,288           |
| Wealth management services                 | 30,309                                     | 27,719           | 60,658                                   | 55,528            |
| Data and other services                    | 13,599                                     | 11,897           | 26,237                                   | 24,311            |
| Investment income (loss), net              | (13,487)                                   | 7,280            | (21,038)                                 | 11,229            |
| Total revenues                             | <u>537,090</u>                             | <u>525,771</u>   | <u>1,094,099</u>                         | <u>1,063,930</u>  |
| <b>EXPENSES</b>                            |  |                  |  |                   |
| Employee compensation and related benefits | 205,570                                    | 196,861          | 416,429                                  | 400,865           |
| Information technology                     | 59,209                                     | 50,635           | 115,962                                  | 115,749           |
| Professional and other services            | 98,907                                     | 82,927           | 188,327                                  | 168,390           |
| Occupancy                                  | 13,805                                     | 12,626           | 27,253                                   | 25,051            |
| Depreciation and amortization              | 42,469                                     | 42,426           | 84,710                                   | 82,893            |
| General and administrative                 | 13,424                                     | 8,559            | 24,482                                   | 19,127            |
| Total expenses                             | <u>433,384</u>                             | <u>394,034</u>   | <u>857,163</u>                           | <u>812,075</u>    |
| Total operating income                     | <u>103,706</u>                             | <u>131,737</u>   | <u>236,936</u>                           | <u>251,855</u>    |
| <b>NON-OPERATING INCOME (EXPENSE)</b>      |  |                  |  |                   |
| Interest income                            | 97,800                                     | 11,627           | 119,364                                  | 24,076            |
| Refunds to Participants                    | (64,786)                                   | (6,627)          | (78,727)                                 | (14,385)          |
| Interest expense                           | (37,548)                                   | (19,775)         | (60,279)                                 | (39,975)          |
| Other non-operating income, net            | 7,616                                      | 7,010            | 14,857                                   | 14,211            |
| Total non-operating income (expense)       | <u>3,082</u>                               | <u>(7,765)</u>   | <u>(4,785)</u>                           | <u>(16,073)</u>   |
| Income before taxes                        | 106,788                                    | 123,972          | 232,151                                  | 235,782           |
| Provision for income taxes                 | 21,871                                     | 33,819           | 55,758                                   | 43,936            |
| Net income                                 | <u>\$ 84,917</u>                           | <u>\$ 90,153</u> | <u>\$ 176,393</u>                        | <u>\$ 191,846</u> |

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

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

| <b>(In thousands)</b>                           | <b>For the three months ended June 30,</b> |             | <b>For the six months ended June 30,</b> |             |
|---|--|-------------|--|-------------|
|   | <b>2022</b>                                | <b>2021</b> | <b>2022</b>                              | <b>2021</b> |
| Net income                                      | \$ 84,917                                  | \$ 90,153   | \$ 176,393                               | \$ 191,846  |
| OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax: |  |             |  |             |
| Defined benefit pension and other plans         | —  | —           | —  | 27          |
| Foreign currency translation                    | (6,331)                                    | 326         | (7,923)                                  | (126)       |
| Other comprehensive income (loss)               | (6,331)                                    | 326         | (7,923)                                  | (99)        |
| Comprehensive income                            | \$ 78,586                                  | \$ 90,479   | \$ 168,470                               | \$ 191,747  |

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<br>Stock | Additional<br>Paid-In<br>Capital | Retained<br>Earnings | Accumulated Other<br>Comprehensive Loss,<br>Net of Tax |                                    |                                  | Total<br>Shareholders'<br>Equity |  |  |
|-----------------------------|-----------------|----------|----------|------------|-----------------|----------------------------------|----------------------|--|------------------------------------|----------------------------------|----------------------------------|--|--|
|                             | Series A        | Series B | Series C | Series D   |                 |                                  |                      | Defined Benefit<br>Pension and<br>Other Plans          | Foreign<br>Currency<br>Translation | Non-<br>controlling<br>Interests |                                  |  |  |
|                             |                 |          |          |            |                 |                                  |                      |  |                                    |                                  |                                  |  |  |
| 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                     |  |  |
| Net income                  | —               | —        | —        | —          | —               | —                                | 84,917               | —  | —                                  | —                                | 84,917                           |  |  |
| Other comprehensive loss    | —               | —        | —        | —          | —               | —                                | —                    | —  | (6,331)                            | —                                | (6,331)                          |  |  |
| Dividend on preferred stock | —               | —        | —        | —          | —               | —                                | (8,438)              | —  | —                                  | —                                | (8,438)                          |  |  |
| BALANCE - June 30, 2022     | \$ 300          | \$ 300   | \$ —     | \$ 490,900 | \$ 5,091        | \$ 411,065                       | \$ 2,399,168         | \$ (201,239)   | \$ (15,217)                        | \$ 150,000                       | \$ 3,240,368                     |  |  |

| (In thousands)   | Preferred Stock |          |            |            | Common<br>Stock | Additional<br>Paid-In<br>Capital | Retained<br>Earnings | Accumulated Other<br>Comprehensive Loss,<br>Net of Tax |                                    |                                  | Total<br>Shareholders'<br>Equity |  |  |
|--|-----------------|----------|------------|------------|-----------------|----------------------------------|----------------------|--|------------------------------------|----------------------------------|----------------------------------|--|--|
|  | Series A        | Series B | Series C   | Series D   |                 |                                  |                      | Defined Benefit<br>Pension and<br>Other Plans          | Foreign<br>Currency<br>Translation | Non-<br>controlling<br>Interests |                                  |  |  |
|  |                 |          |            |            |                 |                                  |                      |  |                                    |                                  |                                  |  |  |
| BALANCE - January 1, 2021  | \$ 300          | \$ 300   | \$ 390,516 | \$ —       | \$ 5,091        | \$ 411,065                       | \$ 1,964,412         | \$ (229,642)   | \$ (3,691)                         | \$ 150,000                       | \$ 2,688,351                     |  |  |
| Net income   | —               | —        | —          | —          | —               | —                                | 101,693              | —  | —                                  | —                                | 101,693                          |  |  |
| Other comprehensive income (loss)                                | —               | —        | —          | —          | —               | —                                | —                    | 27   | (452)                              | —                                | (425)                            |  |  |
| 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                     |  |  |
| Net income   | —               | —        | —          | —          | —               | —                                | 90,153               | —  | —                                  | —                                | 90,153                           |  |  |
| Other comprehensive income                                       | —               | —        | —          | —          | —               | —                                | —                    | —  | 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                     |  |  |

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

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

| <b>(In thousands)</b>   | <b>For the six months ended June 30,</b> |                      |
|---|--|----------------------|
|   | <b>2022</b>                              | <b>2021</b>          |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |  |                      |
| Net income  | \$ 176,393                               | \$ 191,846           |
| Adjustments to reconcile net income to net cash provided by operating activities:   |  |                      |
| Depreciation and amortization   | 84,710                                   | 82,893               |
| Deferred income taxes   | (12,267)                                 | 11,534               |
| Accretion of discount on Commercial paper, net of associated interest paid  | 7,497                                    | (3,747)              |
| Other   | 20,284                                   | (6,585)              |
| Net change in:  |  |                      |
| Accounts receivable   | 16,607                                   | (14,548)             |
| Other assets  | 24,786                                   | 38                   |
| Accounts payable and accrued expenses   | 27,236                                   | (15,605)             |
| Pension and postretirement benefits   | 418                                      | (7,906)              |
| Operating lease liability   | (15,337)                                 | (16,164)             |
| Other liabilities   | (123,479)                                | (99,252)             |
| Participants' and Clearing Funds liabilities  | 1,986,843                                | (2,210,245)          |
| Payable to Participants   | 79,085                                   | 3,761,695            |
| Net cash provided by operating activities   | <u>2,272,776</u>                         | <u>1,673,954</u>     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |  |                      |
| Purchases of Short-term investments   | (795,000)                                | (1,646,179)          |
| Maturities of Short-term investments  | 445,000                                  | 1,301,251            |
| Purchases of Investments in marketable securities   | (17,989)                                 | —                    |
| Purchases of Premises and equipment   | (31,345)                                 | (14,483)             |
| Capitalized software development costs  | (48,459)                                 | (60,002)             |
| Proceeds from Company owned life insurance policies   | 174                                      | 3,362                |
| Net cash used in investing activities   | <u>(447,619)</u>                         | <u>(416,051)</u>     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>  |  |                      |
| Proceeds from Commercial paper  | 34,839,378                               | 28,384,608           |
| Repayments of Commercial paper  | (34,634,543)                             | (27,913,476)         |
| Repayments on long-term debt and other borrowings   | —  | (2,914)              |
| Preferred stock dividend payments   | (8,437)                                  | (6,808)              |
| Proceeds from issuance of preferred stock, net of issuance costs  | —  | 490,900              |
| Redemption of preferred stock   | —  | (400,000)            |
| Payment to Non-controlling interests  | (135)                                    | (480)                |
| Net cash provided by financing activities   | <u>196,263</u>                           | <u>551,830</u>       |
| Effect of foreign exchange rate changes on Cash and cash equivalents  | (5,466)                                  | (422)                |
| Net increase in Cash and cash equivalents, Participants' segregated cash, Participants' and Clearing Funds cash deposits, Cash in Other Participants' assets, Restricted cash       | 2,015,954                                | 1,809,311            |
| 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>\$ 46,073,979</u>                     | <u>\$ 41,269,601</u> |
| <b>SUPPLEMENTAL DISCLOSURES:</b>  |  |                      |
| Interest paid   | <u>\$ 36,550</u>                         | <u>\$ 29,068</u>     |
| Income taxes paid - net of refunds  | <u>\$ 38,193</u>                         | <u>\$ 30,984</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 JUNE 30, 2022 AND DECEMBER 31, 2021 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2022 AND 2021

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## 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) is a New York Limited Liability Company, which provides data related solutions. Used primarily by financial firms, these solutions include referential and activity-based data, analytics and benchmarks across a variety of asset classes.



# THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF JUNE 30, 2022 AND DECEMBER 31, 2021 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2022 AND 2021

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## 1. BUSINESS AND OWNERSHIP (CONTINUED)

*Solutions (UK)* offers software solutions and consulting services. Its software solution, DTCC Report Hub®, centers on pre and post trade reporting to help firms manage the complexities of meeting multiple regulatory mandates across jurisdictions. The Consulting Services business offers specialized advisory services to firms primarily in the financial services industry.

*BED* owns and operates the GMEI® utility legal entity identifier (LEI) solution in the federated Global LEI System (GLEIS). The Global Markets Entity Identifier (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, which coordinate and oversee a worldwide framework of LEI. BED is accredited with the Global Legal Entity Identifier Foundation (GLEIF).

## 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.

**Investments in marketable securities.** The investments in marketable securities are U.S. Treasury securities classified as held-to-maturity and are recorded at amortized cost. The Company intends and has the ability to hold all held-to-maturity securities to maturity. The Company does not intend to reclassify any amount of held-to-maturity investments to available for-sale or trading investments.

**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 DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF JUNE 30, 2022 AND DECEMBER 31, 2021 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2022 AND 2021

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

**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.

*Matching services.* Revenue derived from this revenue stream may 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.

# THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF JUNE 30, 2022 AND DECEMBER 31, 2021 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2022 AND 2021

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

### *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 June 30, 2022 and December 31, 2021 was \$20,227,000 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, \$4,614,000 and \$10,903,000, were recognized as revenue during the three and six months ended June 30, 2022, 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.

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

|   | <b>June<br/>30, 2022</b> | <b>December<br/>31, 2021</b> | <b>June<br/>30, 2021</b> |
|---|--------------------------|------------------------------|--------------------------|
| Cash and cash equivalents   | \$ 14,186,931            | \$ 14,236,922                | \$ 9,423,205             |
| Participants' segregated cash   | 10,243                   | 6,078                        | 384                      |
| Participants' and Clearing Funds cash deposits  | 30,467,005               | 28,480,163                   | 27,263,580               |
| Cash in Other Participants' assets  | 1,401,795                | 1,326,873                    | 4,574,451                |
| Restricted cash included in Other non-current assets  | 8,005                    | 7,989                        | 7,981                    |
| 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>\$ 46,073,979</u>     | <u>\$ 44,058,025</u>         | <u>\$ 41,269,601</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 changes in revenue, interest rates, liquidity/credit, and government and regulatory policy. At this time, the Company has not experienced significant adverse impacts to its financial results related to the ongoing novel coronavirus ("COVID-19") pandemic or operations in or revenue generated from Russia, Belarus or Ukraine.

# THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF JUNE 30, 2022 AND DECEMBER 31, 2021 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2022 AND 2021

## 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<br><br><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 consolidated financial statements and related disclosures.</li> <li>• 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.</li> </ul> |
| ASU 2021-09 - Leases (Topic 842): Discount rate for Lessees that are not Public Business Entities<br><br><i>Issued November 2021</i>                                     | <ul style="list-style-type: none"> <li>• 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.</li> <li>• Requires entities that make the risk-free rate election to disclose which asset classes it has elected to apply a risk-free rate.</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 has evaluated the impact on its consolidated financial statements and related disclosures and will not elect the use of a risk-free rate as the discount rate at the time of adoption.</li> </ul>   |
| ASU 2019-12 Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes<br><br><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 consolidated financial statements and related disclosures.</li> </ul>  |
| <i>Recently Adopted Accounting Standards</i>   |  |   |
| ASU 2021-10 - Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance<br><br><i>Issued November 2021</i>                         | <ul style="list-style-type: none"> <li>• 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).</li> <li>• Requires the following annual disclosures:                             <ul style="list-style-type: none"> <li>◦ Information about the nature of the transaction(s) and the related accounting policy used to account for the transactions.</li> <li>◦ 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.</li> <li>◦ Significant terms and conditions of the transactions, including commitments and contingencies.</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• Adopted January 1, 2022.</li> <li>• The adoption of the standard did not have a material impact on the Company's consolidated financial statements and related disclosures.</li> </ul>   |

**THE DEPOSITORY TRUST & CLEARING CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF JUNE 30, 2022 AND DECEMBER 31, 2021 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2022 AND 2021

**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 June 30, 2022 and December 31, 2021 follow (in thousands):

|                               | <u>2022</u>         | <u>2021</u>         |
|-------------------------------|---------------------|---------------------|
| Assets:                       |                     |                     |
| Participants' segregated cash | \$ 10,243           | \$ 6,078            |
| Other Participants' assets    | 1,401,795           | 1,326,873           |
| Total                         | <u>\$ 1,412,038</u> | <u>\$ 1,332,951</u> |
| Liabilities:                  |                     |                     |
| Payable to Participants       | <u>\$ 1,412,038</u> | <u>\$ 1,332,951</u> |

**5. ACCOUNTS RECEIVABLE**

Details for Accounts receivable as of June 30, 2022 and December 31, 2021 follow (in thousands):

|   | <u>2022</u>       | <u>2021</u>       |
|---|-------------------|-------------------|
| Due from Participants and customers for services      | \$ 205,389        | \$ 226,571        |
| Allowance for credit losses                           | (1,952)           | (253)             |
| Due from Participants and customers for services, net | 203,437           | 226,318           |
| Other receivables                                     | 20,432            | 17,772            |
| Total   | <u>\$ 223,869</u> | <u>\$ 244,090</u> |

Details for allowance for credit losses for the three and six months ended June 30, 2022 and 2021 follow (in thousands):

|  | <u>For the three months ended June 30,</u> |               | <u>For the six months ended June 30,</u> |               |
|--|--|---------------|--|---------------|
|  | <u>2022</u>                                | <u>2021</u>   | <u>2022</u>                              | <u>2021</u>   |
| Beginning balance of allowance for credit losses | \$ 371                                     | \$ 258        | \$ 253                                   | \$ 259        |
| Increase in allowance                            | 1,760                                      | 272           | 1,930                                    | 452           |
| Less: Write-offs                                 | (179)                                      | (162)         | (231)                                    | (343)         |
| Ending balance of allowance for credit losses    | <u>\$ 1,952</u>                            | <u>\$ 368</u> | <u>\$ 1,952</u>                          | <u>\$ 368</u> |

# THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF JUNE 30, 2022 AND DECEMBER 31, 2021 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2022 AND 2021

## 6. PARTICIPANTS' AND CLEARING FUNDS

Details for the Participants' and Clearing Funds as of June 30, 2022 and December 31, 2021 follow (in thousands):

|                         | 2022              |                     |                     |                     |
|-------------------------|-------------------|---------------------|---------------------|---------------------|
|                         | DTC               | NSCC                | FICC                | Total               |
| Total deposits          | \$ 1,976,787      | \$ 14,852,748       | \$ 36,257,437       | \$ 53,086,972       |
| Less: Required deposits | 1,151,000         | 13,655,864          | 28,991,939          | 43,798,803          |
| Excess deposits         | <u>\$ 825,787</u> | <u>\$ 1,196,884</u> | <u>\$ 7,265,498</u> | <u>\$ 9,288,169</u> |

  

|                         | 2021              |                     |                      |                      |
|-------------------------|-------------------|---------------------|----------------------|----------------------|
|                         | DTC               | NSCC                | FICC                 | Total                |
| 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> |

**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 June 30, 2022 and December 31, 2021 follow (in thousands):

|  | 2022                |                      |                      |                      |
|--|---------------------|----------------------|----------------------|----------------------|
|  | DTC                 | NSCC                 | FICC                 | Total                |
| Cash and cash equivalents                          | \$ 1,976,787        | \$ 14,025,203        | \$ 14,465,015        | \$ 30,467,005        |
| U.S. Treasury Securities                           | —                   | 827,545              | 19,359,834           | 20,187,379           |
| U.S. Agency Residential Mortgage-Backed Securities | —                   | —                    | 2,306,149            | 2,306,149            |
| U.S. Agency Issued Debt Securities                 | —                   | —                    | 126,439              | 126,439              |
| Total  | <u>\$ 1,976,787</u> | <u>\$ 14,852,748</u> | <u>\$ 36,257,437</u> | <u>\$ 53,086,972</u> |

  

|  | 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 Residential Mortgage-Backed Securities | —                   | —                    | 2,879,411            | 2,879,411            |
| U.S. Agency Issued Debt Securities                 | —                   | —                    | 129,647              | 129,647              |
| Total  | <u>\$ 1,962,667</u> | <u>\$ 14,753,453</u> | <u>\$ 39,785,815</u> | <u>\$ 56,501,935</u> |

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

|               | 2022                |                      |                      |                      |
|---------------|---------------------|----------------------|----------------------|----------------------|
|               | DTC                 | NSCC                 | FICC                 | Total                |
| Bank deposits | \$ 1,976,787        | \$ 14,025,203        | \$ 14,465,015        | \$ 30,467,005        |
| Total         | <u>\$ 1,976,787</u> | <u>\$ 14,025,203</u> | <u>\$ 14,465,015</u> | <u>\$ 30,467,005</u> |

  

|   | 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   | <u>\$ 1,962,667</u> | <u>\$ 13,941,679</u> | <u>\$ 12,575,817</u> | <u>\$ 28,480,163</u> |

**THE DEPOSITORY TRUST & CLEARING CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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**7. OTHER ASSETS**

Details for Other assets as of June 30, 2022 and December 31, 2021 follow (in thousands):

|  | <b>2022</b>       | <b>2021</b>       |
|--|-------------------|-------------------|
| Prepays  | \$ 137,020        | \$ 120,796        |
| Business employment incentive program <sup>(1)</sup> | 18,091            | 18,091            |
| Interest receivable                                  | 4,446             | 1,279             |
| Prepaid taxes  | —                 | 35,316            |
| Other current assets                                 | 943               | 870               |
| Total other current assets                           | <u>160,500</u>    | <u>176,352</u>    |
| Long-term incentive plan assets                      | 133,609           | 159,502           |
| Cash surrender value on insurance policies           | 72,199            | 70,411            |
| Prepays  | 47,808            | 34,822            |
| Deferred tax assets                                  | 23,045            | 11,183            |
| Pension and postretirement                           | 15,972            | 13,630            |
| Equity investments                                   | 11,944            | 12,393            |
| Restricted cash                                      | 8,005             | 7,989             |
| Investment in Federal reserve stock                  | 6,402             | 6,402             |
| Other non-current assets                             | 2,149             | 2,297             |
| Total other non-current assets                       | <u>321,133</u>    | <u>318,629</u>    |
| Total  | <u>\$ 481,633</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 June 30, 2022 and December 31, 2021 follow (in thousands):

|   | <b>2022</b>       | <b>2021</b>       |
|---|-------------------|-------------------|
| Compensation payable                        | \$ 88,668         | \$ 171,975        |
| Accrued payroll and payroll withholdings    | 38,902            | 44,247            |
| Long-term incentive plan liabilities        | 28,866            | 31,294            |
| Deferred revenue                            | 19,380            | 16,482            |
| Payroll taxes payable                       | 13,726            | 19,435            |
| Deferred sublease income                    | 6,892             | 7,720             |
| Other current liabilities                   | 451               | 98                |
| Total other current liabilities             | <u>196,885</u>    | <u>291,251</u>    |
| Long-term incentive plan liabilities        | 220,532           | 245,179           |
| Unrecognized tax benefits                   | 16,366            | 21,822            |
| Asset retirement obligations <sup>(1)</sup> | 2,513             | 2,748             |
| Deferred revenue                            | 847               | 931               |
| Deferred tax liabilities                    | 26                | 183               |
| Total other non-current liabilities         | <u>240,284</u>    | <u>270,863</u>    |
| Total                                       | <u>\$ 437,169</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.

# THE DEPOSITORY TRUST & CLEARING CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF JUNE 30, 2022 AND DECEMBER 31, 2021 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2022 AND 2021

### 9. COMMERCIAL PAPER

Details for Commercial paper as of June 30, 2022 and December 31, 2021 follow (in thousands):

|  | <u>2022</u>  | <u>2021</u>  |
|--|--------------|--------------|
| Commercial paper - net of unamortized discount of \$8,531 and \$1,067<br>as of June 30, 2022 and December 31, 2021, respectively | \$ 8,504,264 | \$ 8,291,933 |
| Weighted-average interest rate   | 1.26 %       | 0.13 %       |

Interest expense on Commercial paper, included in Interest expense in the accompanying Consolidated Statements of Income, was \$18,015,000 and \$1,798,000 for the three months ended June 30, 2022 and 2021, respectively, and \$22,945,000 and \$4,228,000 for the six months ended June 30, 2022 and 2021, respectively.

### 10. LONG-TERM DEBT

Details for Long-term debt as of June 30, 2022 and December 31, 2021 follow (in thousands):

|  | <u>2022</u>         | <u>2021</u>         |
|--|---------------------|---------------------|
| Senior notes - net of unamortized discount and debt issuance costs | \$ 3,735,506        | \$ 3,731,814        |
| Less: Current portion of long-term debt                            | (998,266)           | —                   |
| Non-current portion of long-term debt                              | <u>\$ 2,737,240</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 June 30, 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% <sup>(1)</sup> | \$ 1,000,000             | \$ 998,266            |
| April 23, 2020    | April 23, 2025   | 1.50% <sup>(1)</sup> | 1,000,000                | 995,260               |
| December 7, 2020  | December 7, 2023 | 0.40% <sup>(2)</sup> | 1,000,000                | 996,899               |
| December 7, 2020  | December 7, 2025 | 0.75% <sup>(2)</sup> | 750,000                  | 745,081               |
|                   |                  |                      | <u>\$ 3,750,000</u>      | <u>\$ 3,735,506</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 \$11,012,000 and \$10,894,000 for the three months ended June 30, 2022 and 2021, respectively, and \$22,023,000 and \$21,947,000 for the six months ended June 30, 2022 and 2021, respectively. The weighted-average interest rate was 0.98% as of June 30, 2022. The aggregate debt issuance costs and unamortized discount associated with the senior notes were \$14,494,000 and \$18,186,000, as of June 30, 2022 and December 31, 2021, respectively.



# THE DEPOSITORY TRUST & CLEARING CORPORATION

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AS OF JUNE 30, 2022 AND DECEMBER 31, 2021 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2022 AND 2021

## 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 June 30, 2022 and December 31, 2021 follow:

|                                       | 2022   | 2021  |
|---------------------------------------|--|---|
| <b>DTCC</b>                           |  |   |
| <b>Committed Amount</b>               | \$500 million  | \$500 million   |
| <b>Denomination</b>                   | USD  | USD   |
| <b>Number of Participants/Lenders</b> | 13/13  | 10/10   |
| <b>Borrowing Rate</b>                 | Base Rate plus 0.125%, or<br>Adjusted Term Secure overnight<br>financing rate (SOFR) or Adjusted<br>Daily SOFR plus 1.125% | Either base rate plus 0.25% or<br>eurodollar plus 1.25%   |
| <b>Maturity Date</b>                  | January 2025   | January 2022  |
| <b>Annual Facility Fee</b>            | 0.15% <sup>(1)</sup>   | 0.15% <sup>(1)</sup>  |
| <b>DTC</b>                            |  |   |
| <b>Committed 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,<br>Adjusted Daily SOFR, or zero on<br>the day of borrowing, plus 1.40%                     | The greatest of the FRBNY rate,<br>adjusted LIBOR, or zero,<br>on the day of borrowing, plus<br>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>  |
| <b>Uncommitted Amount</b>             | C\$200 million <sup>(2)</sup>  | C\$200 million <sup>(2)</sup>   |
| <b>Denomination</b>                   | CAD  | CAD   |
| <b>Number of Participants/Lenders</b> | 1/1  | 1/1   |
| <b>Borrowing Rate</b>                 | A rate per annum equal to the Canadian Prime Rate minus 0.50%  |   |
| <b>Maturity Date</b>                  | On Demand  | On Demand   |
| <b>NSCC</b>                           |  |   |
| <b>Committed Amount</b>               | \$10.0 billion   | \$9.3 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,<br>Adjusted Daily SOFR, or zero on<br>the day of borrowing plus 1.40%                      | The greatest of the FRBNY rate,<br>adjusted LIBOR, or zero,<br>on the day of borrowing, plus<br>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>  |

(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.

# THE DEPOSITORY TRUST & CLEARING CORPORATION

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## 10. LONG-TERM DEBT (CONTINUED)

Details for debt covenants related to the lines of credit as of June 30, 2022 and December 31, 2021 follow:

|  | 2022           | 2021           |
|--|----------------|----------------|
| <b><u>DTCC</u></b>                         |                |                |
| <b>Minimum Net Worth</b>                   | \$1.65 billion | \$1.25 billion |
| <b>Maximum Priority Debt</b>               | \$200 million  | \$200 million  |
| <b><u>DTC</u></b>                          |                |                |
| <b>Minimum Net Worth</b>                   | \$200 million  | \$200 million  |
| <b>Minimum Participants' Fund deposits</b> | \$750 million  | \$750 million  |
| <b><u>NSCC</u></b>                         |                |                |
| <b>Minimum Net Worth</b>                   | \$200 million  | \$200 million  |
| <b>Minimum Clearing Fund deposits</b>      | \$1.5 billion  | \$1.5 billion  |

As of June 30, 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 June 30, 2022 follow:

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

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

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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 June 30, 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  | \$ 20,187,379        | \$ —                | \$ —        | \$ 20,187,379        |
| U.S. Agency Issued Debt Securities  | 78,274               | 48,165              | —           | 126,439              |
| U.S. Agency Residential Mortgage-Backed Securities                              | —                    | 2,306,149           | —           | 2,306,149            |
| Non-current assets  |                      |                     |             |                      |
| Long-term incentive plan assets - Mutual fund and Stable value fund investments | 111,637              | 21,972              | —           | 133,609              |
| Total assets  | <u>\$ 20,377,290</u> | <u>\$ 2,376,286</u> | <u>\$ —</u> | <u>\$ 22,753,576</u> |
| Liabilities:  |                      |                     |             |                      |
| Clearing Funds  |                      |                     |             |                      |
| Securities liabilities  | \$ 20,265,653        | \$ 2,354,314        | \$ —        | \$ 22,619,967        |
| Total liabilities   | <u>\$ 20,265,653</u> | <u>\$ 2,354,314</u> | <u>\$ —</u> | <u>\$ 22,619,967</u> |
|   | 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  | 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  | <u>\$ 28,934,886</u> | <u>\$ 2,903,388</u> | <u>\$ —</u> | <u>\$ 31,838,274</u> |
| 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   | <u>\$ 28,799,361</u> | <u>\$ 2,879,411</u> | <u>\$ —</u> | <u>\$ 31,678,772</u> |

# THE DEPOSITORY TRUST & CLEARING CORPORATION

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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 June 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            | \$ 14,186,931       | \$ 14,186,931       | \$ 14,186,931       | \$ —                | \$ —        |
| Participants' segregated cash        | 10,243              | 10,243              | 10,243              | —                   | —           |
| Short-term investments               | 795,000             | 795,000             | —                   | 795,000             | —           |
| Investments in marketable securities | 17,989              | 17,989              | 17,989              | —                   | —           |
| Participants' and Clearing Funds:    |                     |                     |                     |                     |             |
| Cash deposits - Bank deposits        | 30,467,005          | 30,467,005          | 30,467,005          | —                   | —           |
| Other Participants' assets           | 1,401,795           | 1,401,795           | 1,401,795           | —                   | —           |
| <b>Total</b>                         | <b>\$46,878,963</b> | <b>\$46,878,963</b> | <b>\$46,083,963</b> | <b>\$ 795,000</b>   | <b>\$ —</b> |
| Liabilities:                         |                     |                     |                     |                     |             |
| Commercial paper                     | \$ 8,504,264        | \$ 8,504,264        | \$ —                | \$ 8,504,264        | \$ —        |
| Participants' and Clearing Funds:    |                     |                     |                     |                     |             |
| Cash deposits - Bank deposits        | 30,467,005          | 30,467,005          | 30,467,005          | —                   | —           |
| Payable to Participants              | 1,412,038           | 1,412,038           | 1,412,038           | —                   | —           |
| Long-term debt                       | 3,735,506           | 3,606,067           | —                   | 3,606,067           | —           |
| <b>Total</b>                         | <b>\$44,118,813</b> | <b>\$43,989,374</b> | <b>\$31,879,043</b> | <b>\$12,110,331</b> | <b>\$ —</b> |
| 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           | —                   | —           |
| <b>Total</b>                         | <b>\$40,838,036</b> | <b>\$40,838,036</b> | <b>\$40,393,036</b> | <b>\$ 445,000</b>   | <b>\$ —</b> |
| 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           | —           |
| <b>Total</b>                         | <b>\$38,179,861</b> | <b>\$38,192,982</b> | <b>\$26,156,114</b> | <b>\$12,036,868</b> | <b>\$ —</b> |

# THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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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 six months ended June 30, 2022, there was a \$449,000 mark-to-market investment loss included in Other non-operating income, net in the accompanying Consolidated Statements of Income. The carrying amount of the investments were \$11,944,000 and \$12,393,000 as of June 30, 2022 and December 31, 2021, respectively. The fair value of the investments were determined based on the latest valuation of equity investments from their most recent financial statements.

## 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 June 30, 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> |

Details of the components of net periodic benefit expense (income) and amortization for the Company's pension and postretirement benefit plans six months ended June 30, 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                       | \$ (19,050)      | \$ (18,960)   | \$ —           | \$ —            |
| Interest cost  | 13,150           | 11,682        | 690            | 592             |
| Service cost   | 992              | 1,062         | 234            | 316             |
| Amortizations:                                       |                  |               |                |                 |
| Prior service cost (credit)                          | 44               | 44            | (520)          | (2,574)         |
| Actuarial loss                                       | 4,586            | 6,570         | 198            | 848             |
| Settlement loss                                      | —                | 88            | —              | —               |
| Net periodic benefit expense (income)                | <u>\$ (278)</u>  | <u>\$ 486</u> | <u>\$ 602</u>  | <u>\$ (818)</u> |

# THE DEPOSITORY TRUST & CLEARING CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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### 12. RETIREMENT PLANS (CONTINUED)

The Company did not make any contributions to the Pension Plan for the three and six months ended June 30, 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 \$12,984,000 and \$11,834,000 for the three months ended June 30, 2022 and 2021, respectively, and \$25,175,000 and \$22,581,000 for the six months ended June 30, 2022 and 2021, 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 six months ended June 30, 2022 and 2021 follow (in thousands):

|                                  | For the six months ended June 30, |           |
|----------------------------------|-----------------------------------|-----------|
|                                  | 2022                              | 2021      |
| Beginning balance                | \$ 19,954                         | \$ 27,267 |
| Increases:                       |                                   |           |
| Prior period tax positions       | —                                 | 1,521     |
| Current period tax positions     | 200                               | 150       |
| Decreases:                       |                                   |           |
| Prior period tax positions       | (5,134)                           | (11,317)  |
| Settlements with tax authorities | —                                 | (3,292)   |
| Unrecognized tax benefit         | 15,020                            | 14,329    |
| Accrued interest                 | 1,346                             | 1,720     |
| Ending balance                   | \$ 16,366                         | \$ 16,049 |

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.

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**14. SHAREHOLDERS' EQUITY (CONTINUED)**

Details of dividends paid to holders of the Series C Preferred Stock during the six months ended June 30, 2021 follow:

| <b>Approved and Declared Date</b> | <b>Record Date</b> | <b>Payment Date</b> | <b>Declared Dividend</b> | <b>Shares Outstanding</b> | <b>Dividend Paid</b> |
|-----------------------------------|--------------------|---------------------|--------------------------|---------------------------|----------------------|
| 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         |

**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.

Details of dividends paid to holders of the Series D Preferred Stock during the six months ended June 30, 2022 follow:

| <b>Approved and Declared Date</b> | <b>Record Date</b> | <b>Payment Date</b> | <b>Declared Dividend</b> | <b>Shares Outstanding</b> | <b>Dividend Paid</b> |
|-----------------------------------|--------------------|---------------------|--------------------------|---------------------------|----------------------|
| May 9, 2022                       | May 10, 2022       | June 21, 2022       | \$ 4,218.75              | 2,000                     | \$ 8,437,500         |

**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 June 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.

Details of dividends paid to holders of the DTC Series A Preferred Stock during the six months ended June 30, 2022 follow:

| <b>Approved and Declared Date</b> | <b>Record Date</b> | <b>Payment Date</b> | <b>Declared Dividend</b> | <b>Dividend Paid</b> |
|-----------------------------------|--------------------|---------------------|--------------------------|----------------------|
| 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 six months ended June 30, 2021 follow:

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

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## 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.

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

|   | 2022              |                   |                   |
|---|-------------------|-------------------|-------------------|
|   | DTC               | NSCC              | FICC              |
| General business risk capital requirement | \$ 211,109        | \$ 211,964        | \$ 140,064        |
| Corporate contribution                    | 105,554           | 105,982           | 70,032            |
| Total requirement                         | 316,663           | 317,946           | 210,096           |
| Liquid net assets funded by equity        | 625,385           | 605,523           | 326,126           |
| Excess                                    | <u>\$ 308,722</u> | <u>\$ 287,577</u> | <u>\$ 116,030</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 CFTC in the United States; ESMA in Europe; FCA in the UK; OSC in Canada; and the MAS in Singapore.



# THE DEPOSITORY TRUST & CLEARING CORPORATION

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## 15. CAPITAL REQUIREMENTS (CONTINUED)

**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 June 30, 2022 follow:

|                                      | <b>Ratio</b> | <b>Minimum<br/>Capital<br/>Ratio<sup>(a)</sup></b> | <b>Well<br/>Capitalized<br/>Ratio<sup>(a)</sup></b> |
|--------------------------------------|--------------|--|---|
| Tier 1 capital ratio <sup>(1)</sup>  | 75.83 %      | 6.00 %   | 8.00 %  |
| Total capital ratio <sup>(1)</sup>   | 75.83 %      | 8.00 %   | 10.00 %   |
| Tier 1 leverage ratio <sup>(2)</sup> | 13.35 %      | 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.

## 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 June 30, 2022 and December 31, 2021 follow (in billions):

|      | <b>2022</b> | <b>2021</b> |
|------|-------------|-------------|
| FICC |             |             |
| GSD  | \$ 1,137    | \$ 1,150    |
| MBSD | 344         | 434         |
| NSCC | 216         | 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.

# THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF JUNE 30, 2022 AND DECEMBER 31, 2021 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2022 AND 2021

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## 17. SUBSEQUENT EVENTS

The Company evaluated events and transactions occurring after June 30, 2022 through August 4, 2022, the date these consolidated 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 consolidated financial statements.