

Fixed Income Clearing Corporation

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

FIXED INCOME CLEARING CORPORATION

TABLE OF CONTENTS

	Page
FINANCIAL STATEMENTS (UNAUDITED) AS OF SEPTEMBER 30, 2022 AND DECEMBER 31, 2021 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021:	
Statements of Financial Condition	1
Statements of Income	2
Statements of Changes in Shareholder's Equity	3
Statements of Cash Flows	4
Notes to Financial Statements	5 - 12

FIXED INCOME CLEARING CORPORATION

STATEMENTS OF FINANCIAL CONDITION (UNAUDITED)

(In thousands, except share data)	As of September 30, 2022	As of December 31, 2021
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 325,130	\$ 328,792
Accounts receivable - net of allowance for credit losses	16,994	24,681
Clearing Fund	38,600,557	39,785,815
Other Participants' assets	2,372	14,845
Other current assets	11,642	526
Total current assets	<u>38,956,695</u>	<u>40,154,659</u>
NON-CURRENT ASSETS:		
Premises and equipment - net of accumulated depreciation of \$361 and \$346 as of September 30, 2022 and December 31, 2021, respectively	603	618
Intangible assets - net of accumulated amortization of \$60,437 and \$46,126 as of September 30, 2022 and December 31, 2021, respectively	44,406	42,127
Total non-current assets	<u>45,009</u>	<u>42,745</u>
TOTAL ASSETS	<u><u>\$ 39,001,704</u></u>	<u><u>\$ 40,197,404</u></u>
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 48,049	\$ 47,820
Clearing Fund	38,600,557	39,785,815
Payable to Participants	2,372	14,845
Other current liabilities	2,320	4,425
Total current liabilities	<u>38,653,298</u>	<u>39,852,905</u>
OTHER NON-CURRENT LIABILITIES:		
Other non-current liabilities	9,762	12,978
Total liabilities	<u>38,663,060</u>	<u>39,865,883</u>
COMMITMENTS AND CONTINGENCIES (Note 2)		
SHAREHOLDER'S EQUITY		
Common stock, \$0.50 par value - 105,000 shares authorized; 20,400 shares issued and outstanding	10	10
Additional paid-in capital	86,617	86,617
Retained earnings	252,017	244,894
Total shareholder's equity	<u>338,644</u>	<u>331,521</u>
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	<u><u>\$ 39,001,704</u></u>	<u><u>\$ 40,197,404</u></u>

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

FIXED INCOME CLEARING CORPORATION
STATEMENTS OF INCOME (UNAUDITED)

(In thousands)	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
REVENUES				
Clearing services	\$ 78,701	\$ 75,234	\$ 234,741	\$ 234,478
Other services	280	53	644	132
Total revenues	<u>78,981</u>	<u>75,287</u>	<u>235,385</u>	<u>234,610</u>
EXPENSES				
Employee compensation and related benefits	33,101	28,249	96,686	85,963
Information technology	7,056	6,233	20,033	18,448
Professional and other services	28,898	24,990	79,535	73,004
Occupancy	2,445	1,410	6,004	4,359
Depreciation and amortization	4,815	4,544	14,326	12,745
General and administrative	3,869	6,385	10,742	12,815
Total expenses	<u>80,184</u>	<u>71,811</u>	<u>227,326</u>	<u>207,334</u>
Total operating income (loss)	<u>(1,203)</u>	<u>3,476</u>	<u>8,059</u>	<u>27,276</u>
NON-OPERATING INCOME (EXPENSE)				
Interest income	84,863	4,245	119,073	10,624
Refunds to Participants	(83,279)	(4,124)	(116,716)	(10,275)
Interest expense	(811)	(686)	(2,418)	(2,142)
Other non-operating income, net	679	841	2,390	2,465
Total non-operating income	<u>1,452</u>	<u>276</u>	<u>2,329</u>	<u>672</u>
Income before taxes	249	3,752	10,388	27,948
Provision for income taxes	371	1,653	3,265	5,717
Net income (loss)	<u>\$ (122)</u>	<u>\$ 2,099</u>	<u>\$ 7,123</u>	<u>\$ 22,231</u>

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

FIXED INCOME CLEARING CORPORATION

STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

(In thousands)	Common Stock	Additional Paid-In Capital	Retained Earnings	Total Shareholder's Equity
BALANCE - January 1, 2022	\$ 10	\$ 86,617	\$ 244,894	\$ 331,521
Net income	—	—	6,059	6,059
BALANCE - March 31, 2022	\$ 10	\$ 86,617	\$ 250,953	\$ 337,580
Net income	—	—	1,186	1,186
BALANCE - June 30, 2022	\$ 10	\$ 86,617	\$ 252,139	\$ 338,766
Net income	—	—	(122)	(122)
BALANCE - September 30, 2022	<u>\$ 10</u>	<u>\$ 86,617</u>	<u>\$ 252,017</u>	<u>\$ 338,644</u>

(In thousands)	Common Stock	Additional Paid-In Capital	Retained Earnings	Total Shareholder's Equity
BALANCE - January 1, 2021	\$ 10	\$ 86,617	\$ 251,487	\$ 338,114
Net income	—	—	12,818	12,818
BALANCE - March 31, 2021	\$ 10	\$ 86,617	\$ 264,305	\$ 350,932
Net income	—	—	7,314	7,314
BALANCE - June 30, 2021	\$ 10	\$ 86,617	\$ 271,619	\$ 358,246
Net income	—	—	2,099	2,099
BALANCE - September 30, 2021	<u>\$ 10</u>	<u>\$ 86,617</u>	<u>\$ 273,718</u>	<u>\$ 360,345</u>

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

FIXED INCOME CLEARING CORPORATION

STATEMENTS OF CASH FLOWS (UNAUDITED)

(In thousands)	For the nine months ended September 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 7,123	\$ 22,231
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Depreciation and amortization	14,326	12,745
Deferred income taxes	(3,580)	2,452
Other	—	(3,401)
Net change in:		
Accounts receivable	7,687	599
Other assets	(11,116)	(519)
Accounts payable and accrued expenses	20,229	15,835
Other liabilities	(1,741)	(1,403)
Clearing Fund liabilities	2,229,873	(1,969,687)
Payable to Participants	(12,473)	(86)
Net cash provided by/(used in) operating activities	<u>2,250,328</u>	<u>(1,921,234)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capitalized software development costs	(16,590)	(13,488)
Cash used in investing activities	<u>(16,590)</u>	<u>(13,488)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividend on common stock	(20,000)	—
Cash used in financing activities	<u>(20,000)</u>	<u>—</u>
Net increase/(decrease) in Cash and cash equivalents, Clearing Fund cash deposits, Cash in Other Participants' assets	2,213,738	(1,934,722)
Cash and cash equivalents, Clearing Fund cash deposits, Cash in Other Participants' assets - Beginning of period	<u>12,919,454</u>	<u>16,004,635</u>
Cash and cash equivalents, Clearing Fund cash deposits, Cash in Other Participants' assets - End of period	<u>\$ 15,133,192</u>	<u>\$ 14,069,913</u>
SUPPLEMENTAL DISCLOSURES:		
Interest paid	<u>\$ 2,384</u>	<u>\$ 2,205</u>
Income taxes paid - net of refunds	<u>\$ 8,208</u>	<u>\$ 7,034</u>

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

FIXED INCOME CLEARING CORPORATION

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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

1. BUSINESS AND OWNERSHIP

Fixed Income Clearing Corporation (FICC or the Company), a clearing agency registered with the U.S. Securities and Exchange Commission (SEC), provides central counterparty (CCP) services to firms that participate in the U.S. government and mortgage-backed securities markets (referred to herein as Participants). Services provided by FICC consist 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).

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Commitments and contingencies. The Company is involved in legal proceedings and litigation arising in the ordinary course of business. In the opinion of management, the outcome of such proceedings and litigation is not expected to have a material effect on the accompanying Statements of Financial Condition, Income or Cash Flows. The Company evaluates, on a quarterly basis, developments in legal and regulatory proceedings that could cause an increase or decrease to the amounts accrued, if any; actual results may vary significantly.

Revenue recognition. The Company derives its revenue from transaction fees, subscription revenue, and usage fees. Revenue from transaction fees is billed monthly and calculated based on the 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 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.

FIXED INCOME CLEARING CORPORATION

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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 sold through the DTCC Data Services product. These offerings are delivered in fixed or configurable formats, sourced from the Company's transaction, reference, position and asset servicing data.

Deferred revenue. Deferred revenue represents the Company's liability to perform services in the future related to payments received in advance of those services. Deferred revenue as of September 30, 2022 and December 31, 2021 was \$1,812,000 and \$2,191,000, respectively, and is included in Other current liabilities on the accompanying Statements of Financial Condition. Of the \$2,191,000 as of December 31, 2021, \$19,000 and \$379,000 were recognized as revenue during the three and nine months ended September 30, 2022, respectively.

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

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

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

	September 30, 2022	December 31, 2021	September 30, 2021
Cash and cash equivalents	\$ 325,130	\$ 328,792	\$ 335,600
Clearing Fund cash deposits (see Note 4)	14,805,690	12,575,817	13,733,257
Cash in Other Participants' assets	2,372	14,845	1,056
Total Cash and cash equivalents, Clearing Fund cash deposits and Cash in Other Participants' assets shown on the Statements of Cash Flows	<u>\$ 15,133,192</u>	<u>\$ 12,919,454</u>	<u>\$ 14,069,913</u>

Common stock dividend. On December 15, 2021, the Board of Directors approved a dividend in the amount of \$20 million from FICC to DTCC, which was paid on January 24, 2022.

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

FIXED INCOME CLEARING CORPORATION

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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

3. ACCOUNTING AND REPORTING DEVELOPMENTS

Standard	Description	Impact on the financial statements or other significant matters
<i>Financial Accounting Standards Board Standard Issued, but not yet Adopted</i>		
ASU 2021-08 - Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers <i>Issued October 2021</i>	<ul style="list-style-type: none"> Requires contract assets and contract liabilities (i.e. deferred revenue) acquired in a business combination to be recognized and measured by the acquirer on the acquisition date in accordance with ASC 606, Revenue from Contracts with Customers, which results in the acquirer recognizing contract assets and contract liabilities at the same amounts recorded by the acquiree. 	<ul style="list-style-type: none"> Effective January 1, 2023. The Company does not anticipate that the adoption of this standard will have a significant impact on its financial statements and related disclosures. The Company will continue to evaluate the impact this standard will have on its financial statements and related disclosures.
ASU 2019-12 Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes <i>Issued December 2019</i>	<ul style="list-style-type: none"> Clarifies and simplifies aspects of accounting for income taxes. Eliminates certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for basis differences between book and tax. 	<ul style="list-style-type: none"> Effective for fiscal year end beginning January 1, 2022 and effective interim period beginning January 1, 2023. The Company does not anticipate that the adoption of this standard will have a significant impact on its financial statements and related disclosures.

4. CLEARING FUND

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

	2022			2021		
	GS Division	MBS Division	Total	GS Division	MBS Division	Total
Total deposits	\$28,765,592	\$ 9,834,965	\$38,600,557	\$28,383,239	\$11,402,576	\$39,785,815
Less: Required deposits	22,553,358	8,728,694	31,282,052	20,687,611	9,033,068	29,720,679
Excess deposits	<u>\$ 6,212,234</u>	<u>\$ 1,106,271</u>	<u>\$ 7,318,505</u>	<u>\$ 7,695,628</u>	<u>\$ 2,369,508</u>	<u>\$10,065,136</u>

Cash and Securities. Details for cash and securities of the Clearing Fund, which may be applied to satisfy obligations of the depositing Participant, other Participants, or the Company pursuant to FICC's rules, as of September 30, 2022 and December 31, 2021 follow (in thousands):

	2022			2021		
	GS Division	MBS Division	Total	GS Division	MBS Division	Total
Cash and cash equivalents	\$11,336,904	\$ 3,468,786	\$14,805,690	\$ 9,753,767	\$ 2,822,050	\$12,575,817
U.S. Treasury Securities	15,529,198	5,855,007	21,384,205	16,402,778	7,798,162	24,200,940
U.S. Agency Residential Mortgage-Backed Securities	1,826,832	363,910	2,190,742	2,116,475	762,936	2,879,411
U.S. Agency Issued Debt Securities	72,658	147,262	219,920	110,219	19,428	129,647
Total	<u>\$28,765,592</u>	<u>\$ 9,834,965</u>	<u>\$38,600,557</u>	<u>\$28,383,239</u>	<u>\$11,402,576</u>	<u>\$39,785,815</u>

FIXED INCOME CLEARING CORPORATION

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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

4. CLEARING FUND (CONTINUED)

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

	<u>2022</u>	<u>2021</u>
Bank deposits	\$ 14,805,690	\$ 10,662,817
Money market fund investments - at fair value	—	1,913,000
Total	<u>\$ 14,805,690</u>	<u>\$ 12,575,817</u>

5. CREDIT RATINGS

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

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

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

6. FAIR VALUE MEASUREMENTS

See Note 8 in FICC's Audited Financial Statements for the years ended December 31, 2021 and 2020, for the Company's valuation basis, including valuation techniques and inputs, as well as the fair value hierarchy used in measuring the Company's financial assets and liabilities that are both accounted for at fair value and at other than fair value.

Financial assets and liabilities measured at fair value on a recurring basis.

Fair value measurements for those items measured on a recurring basis as of September 30, 2022 and December 31, 2021 are summarized below (in thousands):

	<u>2022</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets - Clearing Fund				
U.S. Treasury Securities	\$ 21,384,205	\$ —	\$ —	\$ 21,384,205
U.S. Agency Issued Debt Securities	203,566	16,354	—	219,920
U.S. Agency Residential Mortgage-Backed Securities	—	2,190,742	—	2,190,742
Total	<u>\$ 21,587,771</u>	<u>\$ 2,207,096</u>	<u>\$ —</u>	<u>\$ 23,794,867</u>
Liabilities - Clearing Fund				
Securities liabilities	\$ 21,587,771	\$ 2,207,096	\$ —	\$ 23,794,867
Total	<u>\$ 21,587,771</u>	<u>\$ 2,207,096</u>	<u>\$ —</u>	<u>\$ 23,794,867</u>

FIXED INCOME CLEARING CORPORATION

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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

6. FAIR VALUE MEASUREMENTS (CONTINUED)

	2021			
	Level 1	Level 2	Level 3	Total
Assets - Clearing Fund				
U.S. Treasury Securities	\$ 24,200,940	\$ —	\$ —	\$ 24,200,940
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	1,913,000	—	—	1,913,000
Total	\$ 26,243,587	\$ 2,879,411	\$ —	\$ 29,122,998
Liabilities - Clearing Fund				
Securities liabilities	\$ 24,330,587	\$ 2,879,411	\$ —	\$ 27,209,998
Money market fund investments liabilities	1,913,000	—	—	1,913,000
Total	\$ 26,243,587	\$ 2,879,411	\$ —	\$ 29,122,998

Financial assets and liabilities measured at other than fair value. The carrying values, fair values and fair value hierarchy levels of all financial instruments measured at other than fair value on the accompanying Statements of Financial Condition as of September 30, 2022 and December 31, 2021 follow (in thousands):

	2022				
	Carrying Amount	Total Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	\$ 325,130	\$ 325,130	\$ 325,130	\$ —	\$ —
Clearing Fund:					
Cash deposits - Bank deposits	14,805,690	14,805,690	14,805,690	—	—
Other Participants' assets	2,372	2,372	2,372	—	—
Total	\$ 15,133,192	\$ 15,133,192	\$ 15,133,192	\$ —	\$ —
Liabilities:					
Clearing Fund:					
Cash deposits - Bank deposits	\$ 14,805,690	\$ 14,805,690	\$ 14,805,690	\$ —	\$ —
Payable to Participants	2,372	2,372	2,372	—	—
Total	\$ 14,808,062	\$ 14,808,062	\$ 14,808,062	\$ —	\$ —

FIXED INCOME CLEARING CORPORATION**NOTES TO FINANCIAL STATEMENTS (UNAUDITED)**

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

6. FAIR VALUE MEASUREMENTS (CONTINUED)

	Carrying Amount	Total Fair Value	2021		
			Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	\$ 328,792	\$ 328,792	\$ 328,792	\$ —	\$ —
Clearing Fund:					
Cash deposits - Bank deposits	10,662,817	10,662,817	10,662,817	—	—
Other Participants' assets	14,845	14,845	14,845	—	—
Total	<u>\$ 11,006,454</u>	<u>\$ 11,006,454</u>	<u>\$ 11,006,454</u>	<u>\$ —</u>	<u>\$ —</u>
Liabilities:					
Clearing Fund:					
Cash deposits - Bank deposits	\$ 10,662,817	\$ 10,662,817	\$ 10,662,817	\$ —	\$ —
Payable to Participants	14,845	14,845	14,845	—	—
Total	<u>\$ 10,677,662</u>	<u>\$ 10,677,662</u>	<u>\$ 10,677,662</u>	<u>\$ —</u>	<u>\$ —</u>

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

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

7. RETIREMENT PLANS

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

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

Cost allocation. DTCC allocates the cost of these plans to its subsidiaries based primarily upon the estimated proportion of each subsidiary's salary cost relative to DTCC's total salary cost. The defined contribution retirement plans costs allocated to FICC were \$2,192,000 and \$1,844,000 for the three months ended September 30, 2022 and 2021, respectively, and \$5,982,000 and \$5,319,000 for the nine months ended September 30, 2022 and 2021, respectively. The defined benefit pension and other postretirement benefit plans costs allocated to FICC were expense of \$190,000 and income of \$63,000 for the three months ended September 30, 2022 and 2021, respectively, and expense of \$369,000 and income of \$4,000 for the nine months ended September 30, 2022 and 2021, respectively. These costs are included in Employee compensation and related benefits, Interest expense, and Other non-operating income, net in the accompanying Statements of Income based on the nature of the pension expense component.

FIXED INCOME CLEARING CORPORATION

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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

8. INCOME TAXES

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

	<u>2022</u>	<u>2021</u>
Beginning balance	\$ —	\$ 2,250
Decreases:		
Prior period tax positions	316	(1,394)
Settlements with tax authorities	—	(856)
Unrecognized tax benefit	316	—
Accrued interest	48	—
Ending balance	<u>\$ 364</u>	<u>\$ —</u>

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

9. 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 FICC is equal to the sum of the general business risk capital requirement and corporate contribution, as described below.

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

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

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

	<u>2022</u>	<u>2021</u>
General business risk capital requirement	\$ 145,952	\$ 133,407
Corporate contribution	72,976	66,703
Total requirement	218,928	200,110
Liquid net assets funded by equity	325,130	328,792
Excess	<u>\$ 106,202</u>	<u>\$ 128,682</u>

10. GUARANTEES

FICC, through GSD and MBSD, provides CCP services, including clearing, settlement and risk management services. Acting as a CCP, FICC guarantees the settlement of trades, with respect to each division, in the event one or more of its Participants defaults. A Participant default is defined in each division's rules. In its guarantor role, FICC has equal claims to and from Participants on opposite sides of netted transactions. To cover its default risk, FICC uses risk-based margining to determine Participants' required cash and eligible securities deposits to its Clearing Fund. FICC maintains separate Clearing Funds for each of GSD and MBSD.

FIXED INCOME CLEARING CORPORATION

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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

10. GUARANTEES (CONTINUED)

In addition, with respect to GSD, FICC has entered into a cross-margining agreement with the Chicago Mercantile Exchange Inc. (CME), which may also provide for additional funds if the defaulting Participant was a cross-margining participant.

Details for each division's open positions for which a trade guaranty applied as of September 30, 2022 and December 31, 2021 follow (in billions):

Division	2022	2021
GSD	\$ 1,169	\$ 1,150
MBSD	319	434
	<u>\$ 1,488</u>	<u>\$ 1,584</u>

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

See Note 13 in FICC's Audited Financial Statements for the years ended December 31, 2021 and 2020 for additional information on the Company's guarantees.

11. SUBSEQUENT EVENTS

The Company evaluated events and transactions occurring after September 30, 2022 through October 28, 2022, the date these financial statements were available to be issued, for potential recognition or disclosure. No events or transactions occurred during such period that would require recognition or disclosure in these financial statements.