

# The Depository Trust & Clearing Corporation

Consolidated Financial Statements (Unaudited) as of March 31,  
2023 and December 31, 2022 and for the three months ended  
March 31, 2023 and 2022

# 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 March 31, 2023</b>	<b>As of December 31, 2022</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 16,263,177	\$ 16,167,430
Participants' segregated cash	1,571	2,020
Short-term investments	750,000	750,000
Accounts receivable - net of allowance for credit losses	199,609	191,244
Participants' and Clearing Funds	69,307,463	61,735,088
Other Participants' assets	1,068,302	931,071
Other current assets	219,613	197,928
Total current assets	<u>87,809,735</u>	<u>79,974,781</u>
<b>NON-CURRENT ASSETS:</b>		
Premises and equipment - net of accumulated depreciation of \$291,763 and \$280,175 as of March 31, 2023 and December 31, 2022, respectively	194,545	195,203
Goodwill	57,699	57,699
Intangible assets - net of accumulated amortization of \$652,973 and \$620,506 as of March 31, 2023 and December 31, 2022, respectively	278,408	290,423
Operating lease right-of-use-asset	178,093	188,552
Other non-current assets	312,835	347,689
Total non-current assets	<u>1,021,580</u>	<u>1,079,566</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 88,831,315</u></u>	<u><u>\$ 81,054,347</u></u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Commercial paper - net of unamortized discount	\$ 9,225,672	\$ 9,109,638
Long-term debt, current portion	1,998,385	1,997,307
Pension and postretirement benefits	21,456	21,456
Operating lease liability	27,136	30,512
Accounts payable and accrued expenses	224,142	216,013
Participants' and Clearing Funds	69,307,463	61,735,088
Payable to Participants	1,069,873	933,091
Other current liabilities	155,687	292,765
Total current liabilities	<u>82,029,814</u>	<u>74,335,870</u>
<b>NON-CURRENT LIABILITIES:</b>		
Long-term debt	2,731,387	2,736,286
Pension and postretirement benefits	111,873	111,331
Operating lease liability	202,444	209,910
Other non-current liabilities	228,498	242,999
Total non-current liabilities	<u>3,274,202</u>	<u>3,300,526</u>
Total liabilities	<u>85,304,016</u>	<u>77,636,396</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	2,654,554	2,546,925
Accumulated other comprehensive loss, net of tax	(184,911)	(186,630)
Non-controlling interests	150,000	150,000
Total shareholders' equity	<u>3,527,299</u>	<u>3,417,951</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u><u>\$ 88,831,315</u></u>	<u><u>\$ 81,054,347</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 March 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>REVENUES</b>		
Settlement and asset services	\$ 138,109	\$ 126,529
Clearing services	211,606	232,874
Matching services	73,233	78,457
Repository and derivatives services	80,841	83,713
Wealth management services	30,585	30,349
Data and other services	12,676	12,638
Investment income (loss), net	4,644	(7,551)
Total revenues	<u>551,694</u>	<u>557,009</u>
<b>EXPENSES</b>		
Employee compensation and related benefits	236,745	210,859
Information technology	66,335	56,753
Professional and other services	93,968	89,420
Occupancy	14,413	13,448
Depreciation and amortization	44,054	42,241
General and administrative	11,044	11,058
Total expenses	<u>466,559</u>	<u>423,779</u>
Total operating income	<u>85,135</u>	<u>133,230</u>
<b>NON-OPERATING INCOME (EXPENSE)</b>		
Interest income	574,627	21,564
Refunds to Participants	(380,341)	(13,941)
Interest expense	(145,728)	(22,731)
Other non-operating income, net	12,181	7,241
Total non-operating income (expense)	<u>60,739</u>	<u>(7,867)</u>
Income before taxes	145,874	125,363
Provision for income taxes	38,245	33,887
Net income	<u>\$ 107,629</u>	<u>\$ 91,476</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 March 31,</b>	
	<b>2023</b>	<b>2022</b>
Net income	\$ 107,629	\$ 91,476
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax:		
Defined benefit pension and other plans	8	—
Foreign currency translation	1,711	(1,592)
Other comprehensive income (loss)	1,719	(1,592)
Comprehensive income	\$ 109,348	\$ 89,884

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

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

(In thousands)	Preferred Stock			Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net of Tax			Total Shareholders' Equity
	Series A	Series B	Series D				Defined Benefit Pension and Other Plans	Foreign Currency Translation	Non- controlling Interests	
BALANCE - January 1, 2023	\$ 300	\$ 300	\$ 490,900	\$ 5,091	\$ 411,065	\$ 2,546,925	\$ (170,698)	\$ (15,932)	\$ 150,000	\$ 3,417,951
Net income	—	—	—	—	—	107,629	—	—	—	107,629
Other comprehensive income	—	—	—	—	—	—	8	1,711	—	1,719
BALANCE - March 31, 2023	<u>\$ 300</u>	<u>\$ 300</u>	<u>\$ 490,900</u>	<u>\$ 5,091</u>	<u>\$ 411,065</u>	<u>\$ 2,654,554</u>	<u>\$ (170,690)</u>	<u>\$ (14,221)</u>	<u>\$ 150,000</u>	<u>\$ 3,527,299</u>

(In thousands)	Preferred Stock			Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss, Net of Tax			Total Shareholders' Equity
	Series A	Series B	Series D				Defined Benefit Pension and Other Plans	Foreign Currency Translation	Non- controlling 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	<u>\$ 300</u>	<u>\$ 300</u>	<u>\$ 490,900</u>	<u>\$ 5,091</u>	<u>\$ 411,065</u>	<u>\$ 2,322,689</u>	<u>\$ (201,239)</u>	<u>\$ (8,886)</u>	<u>\$ 150,000</u>	<u>\$ 3,170,220</u>

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 three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 107,629	\$ 91,476
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Depreciation and amortization	44,054	42,241
Deferred income taxes	(15,439)	(6,366)
Accretion of discount on Commercial paper, net of associated interest paid	9,955	575
Other	8,749	6,717
Net change in:		
Accounts receivable	(8,071)	(10,236)
Other assets	(26,446)	31,920
Accounts payable and accrued expenses	1,429	11,075
Pension and postretirement benefits	533	(1,299)
Operating lease liability	(7,489)	(7,547)
Other liabilities	(145,893)	(171,666)
Participants' and Clearing Funds liabilities	2,416,743	(619,259)
Payable to Participants	136,783	273,801
Net cash provided by/(used in) operating activities	<u>2,522,537</u>	<u>(358,568)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of Short-term investments	(400,000)	(100,000)
Maturities of Short-term investments	400,000	245,000
Purchases of Premises and equipment	(10,092)	(19,416)
Capitalized software development costs	(20,165)	(21,243)
Proceeds from sale of Equity investments	49,412	—
Proceeds from Company owned life insurance policies	811	174
Net cash provided by investing activities	<u>19,966</u>	<u>104,515</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from Commercial paper	14,378,630	16,495,070
Repayments of Commercial paper	(14,272,551)	(16,489,974)
Payment to Non-controlling interests	—	(90)
Net cash provided by financing activities	<u>106,079</u>	<u>5,006</u>
Effect of foreign exchange rate changes on Cash and cash equivalents	749	(804)
Net increase/(decrease) in Cash and cash equivalents, Participants' segregated cash, Participants' and Clearing Funds cash deposits, Cash in Other Participants' assets, Restricted cash	2,649,331	(249,851)
Cash and cash equivalents, Participants' segregated cash, Participants' and Clearing Funds cash deposits, Cash in Other Participants' assets, Restricted cash - Beginning of period	49,079,355	44,058,025
Cash and cash equivalents, Participants' segregated cash, Participants' and Clearing Funds cash deposits, Cash in Other Participants' assets, Restricted cash - End of period	<u>\$ 51,728,686</u>	<u>\$ 43,808,174</u>
<b>SUPPLEMENTAL DISCLOSURES:</b>		
Interest paid	\$ 98,759	\$ 6,696
Income taxes paid - net of refunds	<u>\$ 7,870</u>	<u>\$ 8,628</u>

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

# THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2023 AND DECEMBER 31, 2022 AND FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022

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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 central counterparty (CCP) services, including clearing, settlement and risk management services to its members for 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 for 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 in which they operate including the SEC, the Financial Conduct Authority (FCA) in the United Kingdom, 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 MARCH 31, 2023 AND DECEMBER 31, 2022 AND FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022

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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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**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, 2022 and 2021, 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, 2022 and 2021, 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.

**Equity investments.** All investments that represent less than a 20% ownership interest are initially recognized at cost and included in Other non-current assets on the accompanying Consolidated Statements of Financial Condition. Subsequently, these investments are measured at fair value, which represents cost less impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar security. Changes in the fair values of these investments are recorded in Other non-operating income, net in the accompanying Consolidated Statements of Income.

On December 19, 2022, the London Stock Exchange Group, plc (LSEG) agreed to acquire 100% of the Acadisoft, Inc. (Acadia) outstanding stocks. The transaction closed on March 31, 2023. DTCC owned 7% of Acadia at the time of the sale and received proceeds of \$49,468,000 upon closing. The Company recorded a gain of \$38,717,000 on the sale, of which \$38,445,000 was recorded during the year ended December 31, 2022. The gain is included in Other non-operating income, net in the accompanying Consolidated Statements of Income.

**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 MARCH 31, 2023 AND DECEMBER 31, 2022 AND FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 be 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 MARCH 31, 2023 AND DECEMBER 31, 2022 AND FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 March 31, 2023 and December 31, 2022 was \$16,156,000 and \$14,532,000, 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 \$14,532,000 as of December 31, 2022, \$6,054,000 was recognized as revenue during the three months ended March 31, 2023.

**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>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
Cash and cash equivalents	\$ 16,263,177	\$ 16,167,430	\$ 14,332,523
Participants' segregated cash	1,571	2,020	1,946
Participants' and Clearing Funds cash deposits	34,387,488	31,970,747	27,860,904
Cash in Other Participants' assets	1,068,302	931,071	1,604,808
Restricted cash included in Other non-current assets	8,148	8,087	7,993
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>\$ 51,728,686</u>	<u>\$ 49,079,355</u>	<u>\$ 43,808,174</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 statements.

**THE DEPOSITORY TRUST & CLEARING CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2023 AND DECEMBER 31, 2022 AND FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022

**3. PARTICIPANTS' SEGREGATED CASH, OTHER PARTICIPANTS' ASSETS AND PAYABLE TO PARTICIPANTS**

Details for Participants' segregated cash, Other Participants' assets and Payable to Participants as of March 31, 2023 and December 31, 2022 follow (in thousands):

	<u>2023</u>	<u>2022</u>
Assets:		
Participants' segregated cash	\$ 1,571	\$ 2,020
Other Participants' assets	1,068,302	931,071
Total	<u>\$ 1,069,873</u>	<u>\$ 933,091</u>
Liabilities:		
Payable to Participants	<u>\$ 1,069,873</u>	<u>\$ 933,091</u>

**4. ACCOUNTS RECEIVABLE**

Details for Accounts receivable as of March 31, 2023 and December 31, 2022 follow (in thousands):

	<u>2023</u>	<u>2022</u>
Due from Participants and customers for services	\$ 182,304	\$ 172,330
Allowance for credit losses	(2,149)	(2,220)
Due from Participants and customers for services, net	180,155	170,110
Other receivables	19,454	21,134
Total	<u>\$ 199,609</u>	<u>\$ 191,244</u>

Details for allowance for credit losses for the three months ended March 31, 2023 and 2022 follow (in thousands):

	<u>2023</u>	<u>2022</u>
Beginning balance of allowance for credit losses	\$ 2,220	\$ 253
Increase in allowance	6	170
Less: Write-offs	(77)	(52)
Ending balance of allowance for credit losses	<u>\$ 2,149</u>	<u>\$ 371</u>

**THE DEPOSITORY TRUST & CLEARING CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2023 AND DECEMBER 31, 2022 AND FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022

**5. PARTICIPANTS' AND CLEARING FUNDS**

Details for the Participants' and Clearing Funds as of March 31, 2023 and December 31, 2022 follow (in thousands):

	<b>2023</b>			
	<b>DTC</b>	<b>NSCC</b>	<b>FICC</b>	<b>Total</b>
Total deposits	\$ 2,013,587	\$ 11,367,430	\$ 55,926,446	\$ 69,307,463
Less: Required deposits	1,175,000	10,362,540	45,578,817	57,116,357
Excess deposits	<u>\$ 838,587</u>	<u>\$ 1,004,890</u>	<u>\$ 10,347,629</u>	<u>\$ 12,191,106</u>
	<b>2022</b>			
	<b>DTC</b>	<b>NSCC</b>	<b>FICC</b>	<b>Total</b>
Total deposits	\$ 2,001,893	\$ 12,002,310	\$ 47,730,885	\$ 61,735,088
Less: Required deposits	1,170,000	10,817,731	37,612,013	49,599,744
Excess deposits	<u>\$ 831,893</u>	<u>\$ 1,184,579</u>	<u>\$ 10,118,872</u>	<u>\$ 12,135,344</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 March 31, 2023 and December 31, 2022 follow (in thousands):

	<b>2023</b>			
	<b>DTC</b>	<b>NSCC</b>	<b>FICC</b>	<b>Total</b>
Cash and cash equivalents <sup>(1)</sup>	\$ 2,013,587	\$ 10,755,658	\$ 21,618,243	\$ 34,387,488
U.S. Treasury Securities	—	611,772	29,068,578	29,680,350
U.S. Agency Residential Mortgage-Backed Securities	—	—	4,283,942	4,283,942
U.S. Agency Issued Debt Securities	—	—	955,683	955,683
Total	<u>\$ 2,013,587</u>	<u>\$ 11,367,430</u>	<u>\$ 55,926,446</u>	<u>\$ 69,307,463</u>
	<b>2022</b>			
	<b>DTC</b>	<b>NSCC</b>	<b>FICC</b>	<b>Total</b>
Cash and cash equivalents <sup>(1)</sup>	\$ 2,001,893	\$ 11,201,776	\$ 18,767,078	\$ 31,970,747
U.S. Treasury Securities	—	800,534	25,939,504	26,740,038
U.S. Agency Residential Mortgage-Backed Securities	—	—	2,693,060	2,693,060
U.S. Agency Issued Debt Securities	—	—	331,243	331,243
Total	<u>\$ 2,001,893</u>	<u>\$ 12,002,310</u>	<u>\$ 47,730,885</u>	<u>\$ 61,735,088</u>

(1) The Company's cash and cash equivalents of the Participants' and Clearing Funds are all bank deposits as of March 31, 2023 and December 31, 2022, respectively.

**THE DEPOSITORY TRUST & CLEARING CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2023 AND DECEMBER 31, 2022 AND FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022

**6. OTHER ASSETS**

Details for Other assets as of March 31, 2023 and December 31, 2022 follow (in thousands):

	<b>2023</b>	<b>2022</b>
Prepays	\$ 136,273	\$ 136,503
Interest receivable	69,745	25,838
Business employment incentive program	11,826	12,667
Prepaid taxes	—	20,154
Interest rate swap <sup>(1)</sup>	—	1,035
Other current assets	1,769	1,731
Total other current assets	<u>219,613</u>	<u>197,928</u>
Long-term incentive plan assets	125,547	121,171
Cash surrender value on insurance policies	64,163	65,105
Prepays	50,912	51,103
Pension and postretirement	30,111	28,867
Deferred tax assets	24,045	14,369
Restricted cash	8,148	8,087
Investment in Federal reserve stock	6,402	6,402
Equity investments	1,194	50,389
Other non-current assets	2,313	2,196
Total other non-current assets	<u>312,835</u>	<u>347,689</u>
Total	<u>\$ 532,448</u>	<u>\$ 545,617</u>

(1) The interest rate swap may change from an asset to liability position. See Note 10, Fair Value Measurements, to determine the position of the interest rate swap.

**7. OTHER LIABILITIES**

Details for Other liabilities as of March 31, 2023 and December 31, 2022 follow (in thousands):

	<b>2023</b>	<b>2022</b>
Compensation payable	\$ 40,747	\$ 176,086
Accrued payroll and payroll withholdings	31,223	46,081
Long-term incentive plan liabilities	28,422	30,814
Income taxes payable	23,055	—
Deferred revenue	15,434	13,768
Payroll taxes payable	11,359	20,214
Deferred sublease income	5,371	5,687
Other current liabilities	76	115
Total other current liabilities	<u>155,687</u>	<u>292,765</u>
Long-term incentive plan liabilities	197,218	207,757
Unrecognized tax benefits	27,755	25,954
Asset retirement obligations <sup>(1)</sup>	2,675	2,597
Deferred revenue	722	764
Deferred tax liabilities	128	5,927
Total other non-current liabilities	<u>228,498</u>	<u>242,999</u>
Total	<u>\$ 384,185</u>	<u>\$ 535,764</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 recognized as expense.

# THE DEPOSITORY TRUST & CLEARING CORPORATION

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AS OF MARCH 31, 2023 AND DECEMBER 31, 2022 AND FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022

## 8. COMMERCIAL PAPER

Details for Commercial paper as of March 31, 2023 and December 31, 2022 follow (in thousands):

	<u>2023</u>	<u>2022</u>
Commercial paper - net of unamortized discount of \$55,528 and \$27,750 as of March 31, 2023 and December 31, 2022, respectively	\$ 9,225,672	\$ 9,109,638
Weighted-average interest rate	4.77 %	4.11 %

Interest expense on Commercial paper, included in Interest expense in the accompanying Consolidated Statements of Income, was \$108,715,000 and \$4,930,000 for the three months ended March 31, 2023 and 2022, respectively.

## 9. LONG-TERM DEBT

Details for Long-term debt as of March 31, 2023 and December 31, 2022 follow (in thousands):

	<u>2023</u>	<u>2022</u>
Senior notes - net of unamortized discount and debt issuance costs	4,729,772	\$ 4,733,593
Less: Current portion of long-term debt	(1,998,385)	(1,997,307)
Non-current portion of long-term debt	<u>\$ 2,731,387</u>	<u>\$ 2,736,286</u>

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

2023	\$ 2,000,000
2024	400,000
2025	1,750,000
2026	—
2027	600,000
Thereafter	—
Total	<u>\$ 4,750,000</u>

**Senior notes.** 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.

The April 2020 senior note issuance at 1.2% with a principal of \$1 billion was repaid on April 24, 2023, the first business day after the maturity date.

Details of the senior notes as of March 31, 2023 follow (in thousands):

<u>Issue Date</u>	<u>Maturity</u>	<u>Payable</u>	<u>Rate</u>	<u>Principal Balance</u>	<u>Carrying Value</u>
April 23, 2020	April 23, 2023	Semi-annually	1.20%	\$ 1,000,000	\$ 999,864
April 23, 2020	April 23, 2025	Semi-annually	1.50%	1,000,000	996,531
December 7, 2020	December 7, 2023	Semi-annually	0.40%	1,000,000	998,521
December 7, 2020	December 7, 2025	Semi-annually	0.75%	750,000	746,158
November 21, 2022	November 21, 2024	Semi-annually	5.05%	400,000	397,815
November 21, 2022	November 21, 2027	Semi-annually	5.10%	600,000	590,883
				<u>\$ 4,750,000</u>	<u>\$ 4,729,772</u>

# THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2023 AND DECEMBER 31, 2022 AND FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022

## 9. LONG-TERM DEBT (CONTINUED)

Interest expense and amortization of discount and issuance costs, included in Interest expense in the accompanying Consolidated Statements of Income, were \$24,272,000 and \$11,011,000 for the three months ended March 31, 2023 and 2022, respectively. The weighted-average interest rate was 1.84% and 0.98% as of March 31, 2023 and 2022, respectively. The aggregate debt issuance costs and unamortized discount associated with the senior notes were \$15,434,000 and \$17,850,000, as of March 31, 2023 and December 31, 2022, respectively.

*Fair value hedge.* On November 21, 2022, the Company entered into an interest rate swap contract with a notional amount of \$600 million to receive a fixed-rate of 5.1% and pay float-rate of USD-Federal Funds-OIS Compound plus 1.365%. The Company uses the interest rate swap to hedge the fair value of a fixed-rate senior note of \$600 million, maturing November 21, 2027. The Company designated the interest rate swap as a fair value hedge of the related long-term debt and applied the short-cut method for hedge accounting purposes.

Details for the total fair value of derivative assets and liabilities as of March 31, 2023 and 2022 follow (in thousands):

	Other Current Assets		Accounts payable and accrued expenses	
	2023	2022	2023	2022
Derivatives designated as hedging instruments:				
Fair value hedges - Interest rate swap contract	\$ —	\$ 1,443	\$ 4,795	\$ —

See Note 11, Fair Value Measurements, Financial assets and liabilities measured at fair value on a recurring basis, for the Company's fair value measurement of the interest rate swap and the underlying long-term senior note. Interest rate swaps may expose the Company to credit-related losses in the event of nonperformance by its counterparty. Credit risk is monitored on an ongoing basis. See Note 20, Off Balance Sheet and Concentrations of Credit Risks, in DTCC's Audited Consolidated Financial Statements for the years ended December 31, 2022 and 2021, for the Company's concentration of credit risk related to interest rate swap.



# THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2023 AND DECEMBER 31, 2022 AND FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022

## 9. LONG-TERM DEBT (CONTINUED)

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

Details for the terms of the outstanding lines of credit as of March 31, 2023 and December 31, 2022 follow:

	2023	2022
<b><i>DTCC</i></b>		
<b>Committed Amount</b>	\$500 million	\$500 million
<b>Denomination</b>	USD	USD
<b>Number of Participants/Lenders</b>	13/13	13/13
<b>Borrowing Rate</b>	Base Rate plus 0.125%, or Adjusted Term Secure Overnight Financing Rate (SOFR) or Adjusted Daily SOFR plus 1.125%	Base Rate plus 0.125%, or Adjusted Term Secure Overnight Financing Rate (SOFR) or Adjusted Daily SOFR plus 1.125%
<b>Maturity Date</b>	January 2025	January 2025
<b>Annual Facility Fee</b>	0.15% <sup>(1)</sup>	0.15% <sup>(1)</sup>
<b><i>DTC</i></b>		
<b>Committed Amount</b>	\$1.9 billion	\$1.9 billion
<b>Denomination</b>	USD	USD
<b>Number of Participants/Lenders</b>	30/36	30/36
<b>Borrowing Rate</b>	The greatest of the FRBNY rate, Adjusted Daily SOFR, or zero on the day of borrowing, plus 1.40%	The greatest of the FRBNY rate, Adjusted Daily SOFR, or zero on the day of borrowing, plus 1.40%
<b>Maturity Date</b>	May 2023	May 2023
<b>Annual Facility Fee</b>	0.10% <sup>(1)</sup>	0.10% <sup>(1)</sup>
<b><i>NSCC</i></b>		
<b>Committed Amount</b>	\$10.0 billion	\$10.0 billion
<b>Denomination</b>	USD	USD
<b>Number of Participants/Lenders</b>	30/36	30/36
<b>Borrowing Rate</b>	The greatest of the FRBNY rate, Adjusted Daily SOFR, or zero on the day of borrowing plus 1.40%	The greatest of the FRBNY rate, Adjusted Daily SOFR, or zero on the day of borrowing plus 1.40%
<b>Maturity Date</b>	May 2023	May 2023
<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.

There were no borrowings under the lines of credit during 2023 and 2022.

# THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2023 AND DECEMBER 31, 2022 AND FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022

## 9. LONG-TERM DEBT (CONTINUED)

Details for debt covenants related to the lines of credit as of March 31, 2023 and December 31, 2022 follow:

	2023	2022
<b><u>DTCC</u></b>		
<b>Minimum Net Worth</b>	\$1.65 billion	\$1.65 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 March 31, 2023 and December 31, 2022, the Company was in compliance with its debt covenants.

**Credit Ratings.** DTCC, DTC, FICC and NSCC are rated by Moody's Investors Service, Inc. (Moody's) and S&P Global Inc. (S&P). Details for issuer credit ratings and ratings outlooks for DTCC and its three clearing agency subsidiaries as of March 31, 2023 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.

# THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2023 AND DECEMBER 31, 2022 AND FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022

## 10. FAIR VALUE MEASUREMENTS

See Note 14 in DTCC's Audited Consolidated Financial Statements for the years ended December 31, 2022 and 2021, for the Company's valuation basis, including valuation techniques and inputs, as well as the fair value hierarchy used in measuring the Company's financial assets and liabilities that are both accounted for at fair value and at other than fair value.

### Financial Assets and Liabilities measured at fair value on a recurring basis.

Fair value measurements of those items measured on a recurring basis as of March 31, 2023 and December 31, 2022 are summarized below (in thousands):

	2023			
	Level 1	Level 2	Level 3	Total
Assets:				
Clearing Funds				
U.S. Treasury Securities	\$ 29,680,350	\$ —	\$ —	\$ 29,680,350
U.S. Agency Issued Debt Securities	840,438	115,245	—	955,683
U.S. Agency Residential Mortgage-Backed Securities	—	4,283,942	—	4,283,942
Non-current assets				
Long-term incentive plan assets - Mutual fund and Stable value fund investments	107,050	18,497	—	125,547
Total assets	<u>\$ 30,627,838</u>	<u>\$ 4,417,684</u>	<u>\$ —</u>	<u>\$ 35,045,522</u>
Liabilities:				
Clearing Funds				
Securities liabilities	\$ 30,520,788	\$ 4,399,187	\$ —	\$ 34,919,975
Interest rate swap	—	4,795	—	4,795
Total liabilities	<u>\$ 30,520,788</u>	<u>\$ 4,403,982</u>	<u>\$ —</u>	<u>\$ 34,924,770</u>
	2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Clearing Funds				
U.S. Treasury Securities	\$ 26,740,038	\$ —	\$ —	\$ 26,740,038
U.S. Agency Issued Debt Securities	217,206	114,038	—	331,244
U.S. Agency Residential Mortgage-Backed Securities	—	2,693,059	—	2,693,059
Cash deposits - Money market fund investments				
Current assets				
Interest rate swap	—	1,443	—	1,443
Non-current assets				
Long-term incentive plan assets - Mutual fund and Stable value fund investments	102,528	18,643	—	121,171
Total assets	<u>\$ 27,059,772</u>	<u>\$ 2,827,183</u>	<u>\$ —</u>	<u>\$ 29,886,955</u>
Liabilities:				
Clearing Funds				
Securities liabilities	\$ 26,957,244	\$ 2,807,097	\$ —	\$ 29,764,341
Total liabilities	<u>\$ 26,957,244</u>	<u>\$ 2,807,097</u>	<u>\$ —</u>	<u>\$ 29,764,341</u>

# THE DEPOSITORY TRUST & CLEARING CORPORATION

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AS OF MARCH 31, 2023 AND DECEMBER 31, 2022 AND FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022

## 10. FAIR VALUE MEASUREMENTS (CONTINUED)

*Financial Assets and Liabilities measured at other than fair value.* Financial assets and liabilities whose carrying value approximates fair value. The carrying values of certain financial assets and liabilities approximate their fair values because they are short-term in duration, have no defined maturity or have market-based interest rates.

The carrying values, fair values and fair value hierarchy levels of all financial instruments measured at other than fair value on the accompanying Consolidated Statements of Financial Condition as of March 31, 2023 and December 31, 2022 follow (in thousands):

	<b>2023</b>				
	<b>Carrying Amount</b>	<b>Total Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Assets:</b>					
Cash and cash equivalents	\$ 16,263,177	\$ 16,263,177	\$ 16,263,177	\$ —	\$ —
Participants' segregated cash	1,571	1,571	1,571	—	—
Short-term investments	750,000	750,000	—	750,000	—
<b>Participants' and Clearing Funds:</b>					
Cash deposits - Bank deposits	34,387,488	34,387,488	34,387,488	—	—
Other Participants' assets	1,068,302	1,068,302	1,068,302	—	—
<b>Total</b>	<b>\$52,470,538</b>	<b>\$52,470,538</b>	<b>\$51,720,538</b>	<b>\$ 750,000</b>	<b>\$ —</b>
<b>Liabilities:</b>					
Commercial paper	\$ 9,225,672	\$ 9,225,672	\$ —	\$ 9,225,672	\$ —
<b>Participants' and Clearing Funds:</b>					
Cash deposits - Bank deposits	34,387,488	34,387,488	34,387,488	—	—
Payable to Participants	1,069,873	1,069,873	1,069,873	—	—
Long-term debt	4,729,772	4,588,721	—	4,588,721	—
<b>Total</b>	<b>\$49,412,805</b>	<b>\$49,271,754</b>	<b>\$35,457,361</b>	<b>\$13,814,393</b>	<b>\$ —</b>
<b>2022</b>					
	<b>Carrying Amount</b>	<b>Total Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Assets:</b>					
Cash and cash equivalents	\$ 16,167,430	\$ 16,167,430	\$ 16,167,430	\$ —	\$ —
Participants' segregated cash	2,020	2,020	2,020	—	—
Short-term investments	750,000	750,000	—	750,000	—
<b>Participants' and Clearing Funds:</b>					
Cash deposits - Bank deposits	31,970,747	31,970,747	31,970,747	—	—
Other Participants' assets	931,071	931,071	931,071	—	—
<b>Total</b>	<b>\$49,821,268</b>	<b>\$49,821,268</b>	<b>\$49,071,268</b>	<b>\$ 750,000</b>	<b>\$ —</b>
<b>Liabilities:</b>					
Commercial paper	\$ 9,109,638	\$ 9,109,638	\$ —	\$ 9,109,638	\$ —
<b>Participants' and Clearing Funds:</b>					
Cash deposits - Bank deposits	31,970,747	31,970,747	31,970,747	—	—
Payable to Participants	933,091	933,091	933,091	—	—
Long-term debt	4,733,593	4,570,058	—	4,570,058	—
<b>Total</b>	<b>\$46,747,069</b>	<b>\$46,583,534</b>	<b>\$32,903,838</b>	<b>\$13,679,696</b>	<b>\$ —</b>

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AS OF MARCH 31, 2023 AND DECEMBER 31, 2022 AND FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022

## 10. FAIR VALUE MEASUREMENTS (CONTINUED)

**Assets measured at fair value on a non-recurring basis.** Certain assets are subject to measurement at fair value on a non-recurring basis. For these assets, measurement at fair value in periods subsequent to their initial recognition is applicable if they are determined to be impaired or when an observable event occurs.

Financial assets measured at fair value on a non-recurring basis include equity investments, which are classified as Level 3 instruments. During the three months ended March 31, 2023, there was a \$272,000 mark-to-market investment gain included in Other non-operating income, net in the accompanying Consolidated Statements of Income. See Note 2 Summary of Significant Accounting Policies - Equity Investment for the sale of Acadia. The carrying amount of the investments were \$1,194,000 and \$50,389,000 as of March 31, 2023 and December 31, 2022, respectively.

## 11. RETIREMENT PLANS

See Note 15 in DTCC's Audited Consolidated Financial Statements for the years ended December 31, 2022 and 2021 for additional information on the Company's retirement plans.

**Defined benefit pension and other postretirement benefit plans.** Details of the components of net periodic benefit expense (income) and amortization for the Company's pension and postretirement benefit plans, included in Employee compensation and related benefits, Interest expense, and Other non-operating income, net in the accompanying Consolidated Statements of Income, for the three months ended March 31, 2023 and 2022 follow (in thousands):

	Pension Benefits		Other Benefits	
	2023	2022	2023	2022
Components of net periodic benefit expense (income):				
Expected return on plan assets	\$ (11,612)	\$ (9,525)	\$ —	\$ —
Interest cost	10,435	6,575	591	345
Service cost	1,075	496	68	117
Amortizations:				
Prior service cost (credit)	22	22	—	(260)
Actuarial loss (gain)	3	2,293	(290)	99
Settlement loss	9	—	—	—
Net periodic benefit expense (income)	<u>\$ (68)</u>	<u>\$ (139)</u>	<u>\$ 369</u>	<u>\$ 301</u>

The Company did not make any contributions to the Pension Plan for the three months ended March 31, 2023 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 \$11,610,000 and \$12,191,000 for the three months ended March 31, 2023 and 2022, respectively.

# THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2023 AND DECEMBER 31, 2022 AND FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022

## 12. INCOME TAXES

Details for unrecognized tax benefits, included in Other non-current liabilities on the accompanying Consolidated Statements of Financial Condition, for the three months ended March 31, 2023 and 2022 follow (in thousands):

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 23,645	\$ 19,954
Increases:		
Prior period tax positions	342	—
Current period tax positions	1,089	—
Decreases:		
Prior period tax positions	—	(163)
Unrecognized tax benefit	25,076	19,791
Accrued interest	2,679	2,068
Ending balance	<u>\$ 27,755</u>	<u>\$ 21,859</u>

See Note 16 in DTCC's Audited Consolidated Financial Statements for the years ended December 31, 2022 and 2021 for additional information pertaining to the Company's income taxes.

## 13. 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 D Fixed Rate Reset Non-Cumulative Perpetual Preferred stock.** 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. 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.

On April 17, 2023, the Board of Directors approved and declared dividends in the amount of \$4,218.75 per share on 2,000 shares outstanding of its Series D Preferred Stock. The aggregate dividend of \$8,437,500 will be payable on June 20, 2023 to the holders of the Series D Preferred Stock as of record date May 31, 2023.

**DTC Series A Non-Cumulative Perpetual Preferred stock.** Under a plan adopted by the Board of Directors, each Participant of DTC is required to own shares of DTC Series A preferred stock. The ownership of DTC preferred stock is reported as non-controlling interests in the consolidated financial statements. There was \$150,000,000 of DTC Series A preferred stock (1,500,000 shares at par value of \$100 per share) outstanding as of March 31, 2023 and December 31, 2022. Dividends are subject to regulatory limitations and restrictions per the New York Banking Law and Federal Reserve Act and must be approved and declared by the Board of Directors. When declared, dividend amounts are 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.

There were no dividends declared to holders of the DTC Series A Preferred Stock during the three months ended March 31, 2023.

# THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2023 AND DECEMBER 31, 2022 AND FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022

## 13. SHAREHOLDERS' EQUITY (CONTINUED)

Details of dividends paid to holders of the DTC Series A Preferred Stock during the three months ended March 31, 2022 follow:

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

## 14. 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.

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.

# THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2023 AND DECEMBER 31, 2022 AND FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022

## 14. CAPITAL REQUIREMENTS (CONTINUED)

**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 March 31, 2023 and December 31, 2022 follow (in thousands):

	2023		
	DTC	NSCC	FICC
General business risk capital requirement	\$ 232,076	\$ 239,409	\$ 151,079
Corporate contribution	116,038	119,705	75,539
Total requirement	348,114	359,114	226,618
Liquid net assets funded by equity	668,920	656,308	346,627
Excess	\$ 320,806	\$ 297,194	\$ 120,009

  

	2022		
	DTC	NSCC	FICC
General business risk capital requirement	\$ 229,966	\$ 224,590	\$ 150,500
Corporate contribution	114,983	112,295	75,250
Total requirement	344,949	336,885	225,750
Liquid net assets funded by equity	648,185	645,416	336,147
Excess	\$ 303,236	\$ 308,531	\$ 110,397

**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.

**Capital adequacy.** DTC is subject to capital guidelines issued by United States federal and state banking regulators.

DTC capital and leverage ratios required by the FRBNY and the NYSDFS as of March 31, 2023 follow:

	Ratio	Minimum Capital Ratio <sup>(a)</sup>	Well Capitalized Ratio <sup>(a)</sup>
Tier 1 capital ratio <sup>(1)</sup>	85.22 %	6.00 %	8.00 %
Total capital ratio <sup>(1)</sup>	85.22 %	8.00 %	10.00 %
Tier 1 leverage ratio <sup>(2)</sup>	18.70 %	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.



# THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2023 AND DECEMBER 31, 2022 AND FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022

## 15. 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 generally attaches at the point of validation for locked-in submissions, or at the point of comparison and validation for bilateral submissions.

DTC, NSCC, FICC and The Options Clearing Corporation have also entered into a multilateral netting contract and limited cross-guaranty agreement. In accordance with the cross-guaranty agreement, these clearing agencies have agreed to make payments to each other for any remaining unsatisfied obligations of a common defaulting Participant to the extent that these clearing agencies have excess resources belonging to the defaulting Participant. Under this agreement, no party ever needs to pay out of pocket and no party can receive more than its loss.

Details for open CCP positions for which a trade guaranty applied as of March 31, 2023 and December 31, 2022 follow (in billions):

	<u>2023</u>	<u>2022</u>
FICC		
GSD	\$ 1,570	\$ 1,418
MBSD	309	282
NSCC	230	166

There were no defaults by Participants to these obligations in 2023 and 2022.

See Note 19 in DTCC's Audited Consolidated Financial Statements for the years ended December 31, 2022 and 2021 for additional information on the Company's guarantees.

## 16. SUBSEQUENT EVENTS

The Company evaluated events and transactions occurring after March 31, 2023 through May 5, 2023, the date these consolidated financial statements were available to be issued, for potential recognition or disclosure. No additional events or transactions, other than as disclosed below and disclosed in Note 9, Long-Term Debt and Note 13, Shareholders' Equity, occurred during such period that would require recognition or disclosure in these consolidated financial statements.

On May 2, 2023, the Company renewed the annual lines of credit on DTC and NSCC for \$1.9 billion and \$9.5 billion, respectively. These lines will mature on April 30, 2024.