

# The Depository Trust & Clearing Corporation

Consolidated Financial Statements (Unaudited) as of March 31,  
2024 and December 31, 2023 and for the three months ended  
March 31, 2024 and 2023

# THE DEPOSITORY TRUST & CLEARING CORPORATION

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

<u>(In thousands, except share data)</u>	<u>As of March 31,</u> <u>2024</u>	<u>As of December 31,</u> <u>2023</u>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 14,215,634	\$ 15,774,381
Participants' segregated cash	3,183	57
Short-term investments	550,000	250,000
Accounts receivable - net of allowance for credit losses	198,724	197,836
Participants' and Clearing Funds	77,400,040	83,216,701
Other Participants' assets	808,049	4,510,304
Other current assets	255,959	244,196
Total current assets	<u>93,431,589</u>	<u>104,193,475</u>
NON-CURRENT ASSETS:		
Premises and equipment - net of accumulated depreciation of \$257,813 and \$242,114 as of March 31, 2024 and December 31, 2023, respectively	256,656	245,288
Goodwill	68,746	68,746
Intangible assets - net of accumulated amortization of \$574,546 and \$546,236 as of March 31, 2024 and December 31, 2023, respectively	270,758	280,119
Operating lease right-of-use-asset	150,194	156,027
Other non-current assets	650,582	635,400
Total non-current assets	<u>1,396,936</u>	<u>1,385,580</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 94,828,525</b></u>	<u><b>\$ 105,579,055</b></u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
CURRENT LIABILITIES:		
Commercial paper - net of unamortized discount	\$ 7,949,868	\$ 9,076,862
Long-term debt, current portion	399,146	398,813
Pension and postretirement benefits	27,736	27,736
Operating lease liability	25,448	25,148
Accounts payable and accrued expenses	272,396	309,560
Participants' and Clearing Funds	77,400,040	83,216,701
Payable to Participants	811,232	4,510,361
Other current liabilities	145,540	292,375
Total current liabilities	<u>87,031,406</u>	<u>97,857,556</u>
NON-CURRENT LIABILITIES:		
Long-term debt	3,306,198	3,332,961
Pension and postretirement benefits	87,216	94,085
Operating lease liability	174,881	181,388
Other non-current liabilities	267,983	252,488
Total non-current liabilities	<u>3,836,278</u>	<u>3,860,922</u>
Total liabilities	<u>90,867,684</u>	<u>101,718,478</u>
COMMITMENTS AND CONTINGENCIES (Note 2)		
<b>SHAREHOLDERS' EQUITY</b>		
Preferred stock:		
Series A, \$0.50 par value - 10,000 shares authorized, issued (above par), and outstanding	300	300
Series B, \$0.50 par value - 10,000 shares authorized, issued (above par), and outstanding	300	300
Series D, \$0.50 par value - 2,000 shares authorized, issued (above par), and outstanding	490,900	490,900
Common stock, \$100 par value - 80,000 shares authorized, 50,908 shares issued and outstanding	5,091	5,091
Additional paid-in capital	411,065	411,065
Retained earnings	3,084,894	2,982,973
Accumulated other comprehensive loss, net of tax	(181,709)	(180,052)
Non-controlling interests	150,000	150,000
Total shareholders' equity	<u>3,960,841</u>	<u>3,860,577</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u><b>\$ 94,828,525</b></u>	<u><b>\$ 105,579,055</b></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>2024</b>	<b>2023</b>
<b>REVENUES</b>		
Settlement and asset services	\$ 141,986	\$ 138,109
Clearing services	248,653	211,606
Matching services	71,899	73,233
Repository and derivatives services	81,545	80,841
Wealth management services	32,442	30,585
Data and other services	13,143	12,676
Investment income, net	5,849	4,644
Total revenues	<u>595,517</u>	<u>551,694</u>
<b>EXPENSES</b>		
Employee compensation and related benefits	261,235	236,745
Information technology	63,793	66,335
Professional and other services	105,498	93,968
Occupancy	16,430	14,413
Depreciation and amortization	44,013	44,054
General and administrative	14,472	11,044
Total expenses	<u>505,441</u>	<u>466,559</u>
Total operating income	<u>90,076</u>	<u>85,135</u>
<b>NON-OPERATING INCOME (EXPENSE)</b>		
Interest income	674,717	574,627
Refunds to Participants	(460,809)	(380,341)
Interest expense	(170,896)	(145,728)
Other non-operating income, net	11,690	12,181
Total non-operating income	<u>54,702</u>	<u>60,739</u>
Income before taxes	144,778	145,874
Provision for income taxes	36,557	38,245
Net income	<u>108,221</u>	<u>107,629</u>
Net income attributable to non-controlling interests	6,300	—
Net income attributable to DTCC	<u>\$ 101,921</u>	<u>\$ 107,629</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>2024</b>	<b>2023</b>
Net income	\$ 108,221	\$ 107,629
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax:		
Defined benefit pension and other plans	—	8
Foreign currency translation	(1,657)	1,711
Other comprehensive (loss) income	(1,657)	1,719
Comprehensive income	106,564	109,348
Comprehensive income attributable to non-controlling interests	6,300	—
Comprehensive income attributable to DTCC	\$ 100,264	\$ 109,348

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

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

(In thousands)	Preferred Stock			Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss, Net of Tax			Total Shareholders' Equity
	Series A	Series B	Series D				Defined Benefit Pension and Other Plans	Foreign Currency Translation	Non- controlling Interests	
BALANCE - January 1, 2024	\$ 300	\$ 300	\$ 490,900	\$ 5,091	\$ 411,065	\$ 2,982,973	\$ (166,642)	\$ (13,410)	\$ 150,000	\$ 3,860,577
Net income	—	—	—	—	—	101,921	—	—	6,300	108,221
Other comprehensive loss	—	—	—	—	—	—	—	(1,657)	—	(1,657)
Dividend to non-controlling interest	—	—	—	—	—	—	—	—	(6,300)	(6,300)
BALANCE - March 31, 2024	\$ 300	\$ 300	\$ 490,900	\$ 5,091	\$ 411,065	\$ 3,084,894	\$ (166,642)	\$ (15,067)	\$ 150,000	\$ 3,960,841

(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	\$ 300	\$ 300	\$ 490,900	\$ 5,091	\$ 411,065	\$ 2,654,554	\$ (170,690)	\$ (14,221)	\$ 150,000	\$ 3,527,299

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>2024</b>	<b>2023</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 108,221	\$ 107,629
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Depreciation and amortization	44,013	44,054
Deferred income taxes	(3,949)	(15,439)
Accretion of discount on Commercial paper, net of associated interest paid	5,909	9,955
Other	7,737	8,749
Net change in:		
Accounts receivable	(1,321)	(8,071)
Other assets	(19,523)	(26,446)
Accounts payable and accrued expenses	(42,072)	1,429
Pension and postretirement benefits	(6,860)	533
Operating lease liability	(6,058)	(7,489)
Other liabilities	(159,389)	(145,893)
Participants' and Clearing Funds liabilities	(4,380,364)	2,416,743
Payable to Participants	(3,699,130)	136,783
Net cash (used in)/provided by operating activities	<u>(8,152,786)</u>	<u>2,522,537</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of Short-term investments	(550,000)	(400,000)
Maturities of Short-term investments	250,000	400,000
Purchases of Premises and equipment	(27,491)	(10,092)
Capitalized software development costs	(18,943)	(20,165)
Proceeds from sale of equity investments	—	49,412
Proceeds from company owned life insurance policies	—	811
Net cash (used in)/provided by investing activities	<u>(346,434)</u>	<u>19,966</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from Commercial paper	8,857,665	14,378,630
Repayments of Commercial paper	(9,990,568)	(14,272,551)
Net cash (used in)/provided by financing activities	<u>(1,132,903)</u>	<u>106,079</u>
Effect of foreign exchange rate changes on Cash and cash equivalents	<u>(2,503)</u>	<u>749</u>
Net (decrease)/increase in Cash and cash equivalents, Participants' segregated cash, Participants' and Clearing Funds cash deposits, Cash in Other Participants' assets, Restricted cash	(9,634,626)	2,649,331
Cash and cash equivalents, Participants' segregated cash, Participants' and Clearing Funds cash deposits, Cash in Other Participants' assets, Restricted cash - Beginning of period	<u>56,331,269</u>	<u>49,079,355</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>\$ 46,696,643</u>	<u>\$ 51,728,686</u>
<b>SUPPLEMENTAL DISCLOSURES:</b>		
Interest paid	\$ 118,341	\$ 98,759
Income taxes paid - net of refunds	\$ 13,709	\$ 7,870

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, 2024 AND DECEMBER 31, 2023 AND FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023

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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)), DTCC Digital (US) Inc. (DTCC Digital (US)); 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, 2024 AND DECEMBER 31, 2023 AND FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023

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## 1. BUSINESS AND OWNERSHIP (CONTINUED)

*Solutions (UK)* offers software application, analytics solutions and consulting services. Its software and analytics 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.

*DTCC Digital (US)* is a Delaware corporation, which develops and deploys institutional-grade, compliance-aware tokenization, account management and finance technology based on blockchain and distributed ledger innovations.

## 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, 2023 and 2022, 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, 2023 and 2022, for additional information on the Company's Summary of Significant Accounting Policies.

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

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

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

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

The Company derives its revenue from transaction fees, subscription revenue, support services, and usage fees. Revenue from transaction fees is billed monthly and calculated based on the value and volume of executed transactions and the established fee schedules, less any applicable volume discounts. The volume targets or thresholds for the discounts primarily reset monthly. Subscription and support revenues are recognized ratably over the performance period of the relevant contract using a time elapsed measure of progress as the customer receives the benefits of the services throughout the term of the contract. Usage fees are recognized when services are provided based on contractual terms.

# THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2024 AND DECEMBER 31, 2023 AND FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 clearing and settlement of equity, corporate and municipal bond and unit investment trust transactions, 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, legal entity identifiers (LEI) 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 is 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, support services, consulting projects and usage fees. Services 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. The Company provides a broad range of other services which include consulting services and bank fees charged back to Participants.

*Investment income (loss), net.* Revenue derived from this revenue stream is related to changes in the fair values of investment assets related to the Company's deferred compensation plan (structured as a Rabbi Trust). The investment income (loss) is recognized in the period the realized/unrealized gain or loss on investment assets held occurs. A corresponding offset to the investment income (loss) related to the deferred compensation liability is recorded in the same period and is included in the Employee compensation and related benefits in the accompanying Consolidated Statements of Income.

### ***Deferred revenue***

Deferred revenue represents the Company's liability to perform services in the future related to payments received in advance of those services. Deferred revenue as of March 31, 2024 and December 31, 2023 was \$9,914,000 and \$6,541,000, 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 9. Of the \$6,541,000 as of December 31, 2023, \$2,721,000 was recognized as revenue during the three months ended March 31, 2024.

# THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2024 AND DECEMBER 31, 2023 AND FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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 in. 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):

	<u>March 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>	<u>March 31,</u> <u>2023</u>
Cash and cash equivalents	\$ 14,215,634	\$ 15,774,381	\$ 16,263,177
Participants' segregated cash	3,183	57	1,571
Participants' and Clearing Funds cash deposits	31,397,246	35,777,609	34,387,488
Cash in Other Participants' assets	808,049	4,510,304	1,068,302
Restricted cash included in Other non-current assets	<u>272,531</u>	<u>268,918</u>	<u>8,148</u>
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>\$ 46,696,643</u>	<u>\$ 56,331,269</u>	<u>\$ 51,728,686</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 any material adverse financial impacts from these events and crises.

# THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2024 AND DECEMBER 31, 2023 AND FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023

## 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 2023-09 - Income Taxes (Topic 740): Improvements to Income Tax Disclosures  <i>Issued December 2023</i>	<ul style="list-style-type: none"> <li>Enhances disclosures related to the rate reconciliation and income taxes paid. The amendment requires consistent categories and greater disaggregation of information in the rate reconciliation and income taxes paid disaggregated by jurisdiction.</li> <li>The amendment requires disclosures of pretax income (or loss) and income tax expense (or benefit) to be consistent with the SEC Regulation S-X 210.4-08(h), Rules of General Application—General Notes to Financial Statements: Income Tax Expense, and eliminates disclosures that no longer are considered cost beneficial or relevant.</li> </ul>	<ul style="list-style-type: none"> <li>Effective January 1, 2025.</li> <li>The adoption of the standard will not have a material impact on the Company's consolidated financial statements and related disclosures.</li> </ul>
<i>Recently Adopted Accounting Standards</i>		
ASU 2023-08 - Intangibles - Goodwill and Other - Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets  <i>Issued December 2023</i>	<ul style="list-style-type: none"> <li>Requires an entity to measure crypto assets at fair value in the statement of financial position each reporting period and recognize changes from remeasurement in net income.</li> <li>Requires an entity to present crypto assets measured at fair value separately from other intangible assets in the balance sheet and changes from the remeasurement of crypto assets separately from changes in the carrying amounts of other intangible assets in the income statement. Additionally, specific presentation is required for cash receipts arising from crypto assets that are received as noncash consideration in the ordinary course of business and are converted nearly immediately into cash.</li> <li>Specific annual disclosures are required upon adoption.</li> </ul>	<ul style="list-style-type: none"> <li>Adopted January 1, 2024.</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>

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

Details for Participants' segregated cash, Other Participants' assets and Payable to Participants as of March 31, 2024 and December 31, 2023 follow (in thousands):

	2024	2023
Assets:		
Participants' segregated cash	\$ 3,183	\$ 57
Other Participants' assets - cash	808,049	4,510,304
Total	<u>\$ 811,232</u>	<u>\$ 4,510,361</u>
Liabilities:		
Payable to Participants	<u>\$ 811,232</u>	<u>\$ 4,510,361</u>

The balance of the Other Participants' assets is subject to fluctuation due to the timing of when the Company receives the cash and stock dividends, interest, reorganization and redemption proceeds, and the subsequent distribution to Participants.

**THE DEPOSITORY TRUST & CLEARING CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2024 AND DECEMBER 31, 2023 AND FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023

**5. ACCOUNTS RECEIVABLE**

Details for Accounts receivable as of March 31, 2024 and December 31, 2023 follow (in thousands):

	<u>2024</u>	<u>2023</u>
Due from Participants and customers for services	\$ 181,051	\$ 178,557
Allowance for credit losses	(204)	(184)
Due from Participants and customers for services, net	180,847	178,373
Other receivables	17,877	19,463
Total	<u>\$ 198,724</u>	<u>\$ 197,836</u>

Details for allowance for credit losses for the three months ended March 31, 2024 and 2023 follow (in thousands):

	<u>2024</u>	<u>2023</u>
Beginning balance of allowance for credit losses	\$ 184	\$ 2,220
Increase in allowance	31	6
Less: Write-offs	(11)	(77)
Ending balance of allowance for credit losses	<u>\$ 204</u>	<u>\$ 2,149</u>

**6. PARTICIPANTS' AND CLEARING FUNDS**

Details for the Participants' and Clearing Funds as of March 31, 2024 and December 31, 2023 follow (in thousands):

	<u>2024</u>			
	<u>DTC</u>	<u>NSCC</u>	<u>FICC</u>	<u>Total</u>
Total deposits	\$ 2,032,313	\$ 13,008,126	\$ 62,359,601	\$ 77,400,040
Less: Required deposits	1,259,000	11,846,435	51,722,071	64,827,506
Excess deposits	<u>\$ 773,313</u>	<u>\$ 1,161,691</u>	<u>\$ 10,637,530</u>	<u>\$ 12,572,534</u>
	<u>2023</u>			
	<u>DTC</u>	<u>NSCC</u>	<u>FICC</u>	<u>Total</u>
Total deposits	\$ 1,984,734	\$ 12,386,378	\$ 68,845,589	\$ 83,216,701
Less: Required deposits	1,128,000	8,349,399	56,600,011	66,077,410
Excess deposits	<u>\$ 856,734</u>	<u>\$ 4,036,979</u>	<u>\$ 12,245,578</u>	<u>\$ 17,139,291</u>

# THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2024 AND DECEMBER 31, 2023 AND FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023

## 6. PARTICIPANTS' AND CLEARING FUNDS (CONTINUED)

**Cash and Securities.** Details for cash and securities of the Participants' and Clearing Funds, which may be applied to satisfy obligations of the depositing Participant, other Participants, or the Company pursuant to the rules of the relevant subsidiaries of the Company, as of March 31, 2024 and December 31, 2023 follow (in thousands):

	2024			
	DTC	NSCC	FICC	Total
Cash and cash equivalents <sup>(1)</sup>	\$ 2,032,313	\$ 11,986,692	\$ 17,378,241	\$ 31,397,246
U.S. Treasury Securities	—	1,021,434	37,592,602	38,614,036
U.S. Agency Residential Mortgage-Backed Securities	—	—	6,907,496	6,907,496
U.S. Agency Issued Debt Securities	—	—	481,262	481,262
Total	<u>\$ 2,032,313</u>	<u>\$ 13,008,126</u>	<u>\$ 62,359,601</u>	<u>\$ 77,400,040</u>

  

	2023			
	DTC	NSCC	FICC	Total
Cash and cash equivalents <sup>(1)</sup>	\$ 1,984,734	\$ 11,778,982	\$ 22,013,893	\$ 35,777,609
U.S. Treasury Securities	—	607,396	38,477,750	39,085,146
U.S. Agency Residential Mortgage-Backed Securities	—	—	7,501,633	7,501,633
U.S. Agency Issued Debt Securities	—	—	852,313	852,313
Total	<u>\$ 1,984,734</u>	<u>\$ 12,386,378</u>	<u>\$ 68,845,589</u>	<u>\$ 83,216,701</u>

(1) The Company's cash and cash equivalents of the Participants' and Clearing Funds are all bank deposits as of March 31, 2024 and December 31, 2023.

## 7. BUSINESS COMBINATIONS

On December 7, 2023, the Company acquired the equity of Securrency Inc. ("Securrency") via a merger of Securrency with a wholly-owned subsidiary of the Company in accordance with the merger agreement. Upon the completion of the merger, Securrency operates under the name DTCC Digital (US) Inc. Securrency is a digital asset technology company that developed a platform that comprises of three key components: a capital markets platform, ledger scan, and digital asset composer. The acquisition will enable DTCC to establish a digital infrastructure that allows DTCC to extend its core services to the digital asset ecosystem and deliver no-touch processing.

The Company acquired the equity of Securrency for a purchase price of approximately \$50.5 million. The acquisition of Securrency was accounted for as a business combination using the acquisition method of accounting. The excess of purchase price over fair value of assets obtained and liabilities assumed was allocated to goodwill. In connection with the acquisition, the Company recorded approximately \$11.0 million of goodwill and \$40.0 million capitalized software. The capitalized software will be amortized to expense over 10 years. Expenses associated with the acquisition were approximately \$6.5 million for the year ended December 31, 2023, which primarily consisted of legal and consulting costs and were expensed as incurred.

# THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2024 AND DECEMBER 31, 2023 AND FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023

## 7. BUSINESS COMBINATIONS (CONTINUED)

The assets acquired, liabilities assumed, and consideration paid in the acquisition were recorded at their estimated fair values based on management's best estimates using information available at the date of the acquisition and are subject to adjustment for up to one year after the closing date of the acquisition. While the fair values are not expected to be materially different from the estimates, DTCC will recognize adjustments to provisional amounts that are identified during the measurement period, which will run through December 6, 2024, in the measurement period in which the adjustment amounts are determined. DTCC will record the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of changes to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. During the three months ended March 31, 2024, the Company did not record any measurement-period adjustments because the Company is still in the process of gathering and reviewing information to support the valuations of the assets acquired, liabilities assumed and related tax positions.

The assets acquired and liabilities assumed as of the acquisition date follow (in thousands):

### Purchase price allocation:

Purchase price	\$	50,503
<b>Assets acquired:</b>		
Cash and cash equivalents		1,856
Accounts receivable		645
Other current assets		431
Premises and equipment		211
Intangible assets		40,034
Operating lease right-of-use-asset		495
Other non-current assets		472
<b>Total assets acquired</b>		<u>44,144</u>
<b>Liabilities assumed:</b>		
Operating lease liability		523
Accounts payable and accrued expenses		2,497
Other current liabilities		1,394
Other non-current liabilities		274
<b>Total liabilities assumed</b>		<u>4,688</u>
Net assets acquired		<u>39,456</u>
Goodwill	\$	<u>11,047</u>

# THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2024 AND DECEMBER 31, 2023 AND FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023

## 8. OTHER ASSETS

Details for Other assets as of March 31, 2024 and December 31, 2023 follow (in thousands):

	<b>2024</b>	<b>2023</b>
Prepaid expenses	\$ 144,898	\$ 151,157
Interest receivable	82,427	39,472
Business employment incentive program	23,023	23,023
Prepaid taxes	4,592	29,457
Other current assets	1,019	1,087
Total other current assets	<u>255,959</u>	<u>244,196</u>
Restricted cash	272,531	268,918
Long-term incentive plan assets	125,408	126,298
Prepays	67,311	61,112
Cash surrender value on insurance policies	65,722	65,722
Deferred tax assets	60,812	56,910
Pension and postretirement	42,592	40,531
Equity investments	7,278	7,278
Investment in Federal reserve stock	6,402	6,402
Other non-current assets	2,526	2,229
Total other non-current assets	<u>650,582</u>	<u>635,400</u>
Total	<u>\$ 906,541</u>	<u>\$ 879,596</u>

## 9. OTHER LIABILITIES

Details for Other liabilities as of March 31, 2024 and December 31, 2023 follow (in thousands):

	<b>2024</b>	<b>2023</b>
Compensation payable	\$ 47,567	\$ 179,441
Long-term incentive plan liabilities	37,517	32,500
Accrued payroll and payroll withholdings	33,046	47,436
Payroll taxes payable	12,566	21,158
Deferred revenue	9,358	5,944
Deferred sublease income	3,734	4,066
Other current liabilities	1,752	1,830
Total other current liabilities	<u>145,540</u>	<u>292,375</u>
Long-term incentive plan liabilities	196,024	210,210
Unrecognized tax benefits	39,900	38,566
Interest rate swaps <sup>(2)</sup>	28,762	311
Asset retirement obligations <sup>(1)</sup>	2,613	2,676
Deferred tax liabilities	128	128
Deferred revenue	556	597
Total other non-current liabilities	<u>267,983</u>	<u>252,488</u>
Total	<u>\$ 413,523</u>	<u>\$ 544,863</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.

(2) The interest rate swaps may change from an asset to liability position.



# THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2024 AND DECEMBER 31, 2023 AND FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023

## 10. COMMERCIAL PAPER

Details for Commercial paper as of March 31, 2024 and December 31, 2023 follow (in thousands):

	<u>2024</u>	<u>2023</u>
Commercial paper - net of unamortized discount of \$53,081 and \$92,370 as of March 31, 2024 and December 31, 2023, respectively	\$ 7,949,868	\$ 9,076,862
Weighted-average interest rate	5.41 %	5.46 %

Interest expense on Commercial paper, included in Interest expense in the accompanying Consolidated Statements of Income, was \$122,408,000 and \$108,715,000 for the three months ended March 31, 2024 and 2023, respectively.

## 11. LONG-TERM DEBT

Details for Long-term debt as of March 31, 2024 and December 31, 2023 follow (in thousands):

	<u>2024</u>	<u>2023</u>
Senior notes <sup>(1)</sup>	\$ 3,705,344	\$ 3,731,774
Less: Current portion of long-term debt	(399,146)	(398,813)
Non-current portion of long-term debt	<u>\$ 3,306,198</u>	<u>\$ 3,332,961</u>

(1) The balances include (i) unamortized discount, (ii) unamortized debt issuance costs and (iii) the impact of the fair value hedge accounting on certain fixed-rate notes that have been swapped to floating rate through the use of interest rate swaps.

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

2024	\$ 400,000
2025	2,150,000
2026	—
2027	600,000
2028	600,000
Thereafter	—
Total	<u>\$ 3,750,000</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.

Details of the senior notes as of March 31, 2024 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, 2025	Semi-annually	1.50%	\$ 1,000,000	\$ 998,212
December 7, 2020	December 7, 2025	Semi-annually	0.75%	750,000	747,588
November 21, 2022	November 21, 2024	Semi-annually	5.05%	400,000	399,146
November 21, 2022	November 21, 2027	Semi-annually	5.10%	600,000	584,147
May 30, 2023	May 30, 2025	Semi-annually	5.15%	400,000	398,506
May 30, 2023	May 30, 2028	Semi-annually	5.00%	600,000	577,745
				<u>\$ 3,750,000</u>	<u>\$ 3,705,344</u>

# THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2024 AND DECEMBER 31, 2023 AND FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023

## 11. 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 \$32,528,000 and \$24,272,000 for the three months ended March 31, 2024 and 2023, respectively. The weighted-average interest rate was 3.25% and 1.84% as of March 31, 2024 and 2023, respectively. The aggregate unamortized debt issuance costs and discount associated with the senior notes were \$15,894,000 and \$17,915,000, as of March 31, 2024 and December 31, 2023, respectively.

*Fair value hedge.* The Company uses interest rate swaps to hedge the fair value of related fixed-rate senior notes. The Company designated the interest rate swaps as a fair value hedge of the related long-term debt and applied the short-cut method for hedge accounting purposes. The fair value of interest rate swaps are included in other assets or other liabilities in the accompanying Consolidated Statements of Financial Condition.

Details of the outstanding fair value hedges as of March 31, 2024 and December 31, 2023 follow (in thousands):

Date Entered	Notional of Swap	Debt Amount Hedged	Fixed Rate Receivable	Floating Rate Payable	Fair Value in Other Assets / (Other Liabilities)	
					2024	2023
November 21, 2022	\$ 600,000	\$ 600,000	5.10 %	USD-Federal Funds-OIS Compound plus 1.365%	\$ (12,462)	\$ 1,184
May 30, 2023	\$ 600,000	\$ 600,000	5.00 %	USD-Federal Fund-OIS Compound plus 1.4621%	(16,300)	(1,495)
					<u>\$ (28,762)</u>	<u>\$ (311)</u>

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 21, Off Balance Sheet and Concentrations of Credit Risks, in DTCC's Audited Consolidated Financial Statements for the years ended December 31, 2023 and 2022, for the Company's concentration of credit risk related to interest rate swaps.

# THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2024 AND DECEMBER 31, 2023 AND FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023

## 11. 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, 2024 and December 31, 2023 follow:

	2024	2023
<b>DTCC</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>DTC</b>		
<b>Committed Amount</b>	\$1.9 billion	\$1.9 billion
<b>Denomination</b>	USD	USD
<b>Number of Participants/Lenders</b>	29/35	29/35
<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>	April 2024	April 2024
<b>Annual Facility Fee</b>	0.10% <sup>(1)</sup>	0.10% <sup>(1)</sup>
<b>NSCC</b>		
<b>Committed Amount</b>	\$9.5 billion	\$9.5 billion
<b>Denomination</b>	USD	USD
<b>Number of Participants/Lenders</b>	29/35	29/35
<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>	April 2024	April 2024
<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 2024 and 2023.

# THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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## 11. LONG-TERM DEBT (CONTINUED)

Details for debt covenants related to the lines of credit as of March 31, 2024 and December 31, 2023 follow:

	2024	2023
<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, 2024 and December 31, 2023, 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, 2024 follow:

	Moody's <sup>(1)</sup>			S&P		
	Long-term	Short-term	Outlook	Long-term	Short-term	Outlook
<b>DTCC</b>	Aa3	N/A	Negative	AA-	A-1+	Stable
<b>DTC</b>	Aaa	P-1	Negative	AA+	A-1+	Stable
<b>FICC</b>	Aaa	P-1	Negative	AA	A-1+	Stable
<b>NSCC</b>	Aaa	P-1	Negative	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, 2024 AND DECEMBER 31, 2023 AND FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023

## 12. FAIR VALUE MEASUREMENTS

See Note 15 in DTCC's Audited Consolidated Financial Statements for the years ended December 31, 2023 and 2022, 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 March 31, 2024 and December 31, 2023 are summarized below (in thousands):

	2024			
	Level 1	Level 2	Level 3	Total
Assets:				
Clearing Funds				
U.S. Treasury Securities	\$ 38,614,036	\$ —	\$ —	\$ 38,614,036
U.S. Agency Issued Debt Securities	245,854	235,408	—	481,262
U.S. Agency Residential Mortgage-Backed Securities	—	6,907,496	—	6,907,496
Other non-current assets				
Long-term incentive plan assets - Mutual fund and Stable value fund investments	113,210	12,198	—	125,408
Total assets	<u>\$ 38,973,100</u>	<u>\$ 7,155,102</u>	<u>\$ —</u>	<u>\$ 46,128,202</u>
Liabilities:				
Clearing Funds				
Securities liabilities	\$ 38,859,890	\$ 7,142,904	\$ —	\$ 46,002,794
Other non-current liabilities				
Interest rate swaps	—	28,762	—	28,762
Total liabilities	<u>\$ 38,859,890</u>	<u>\$ 7,171,666</u>	<u>\$ —</u>	<u>\$ 46,031,556</u>
	2023			
	Level 1	Level 2	Level 3	Total
Assets:				
Clearing Funds				
U.S. Treasury Securities	\$ 39,085,146	\$ —	\$ —	\$ 39,085,146
U.S. Agency Issued Debt Securities	615,495	236,818	—	852,313
U.S. Agency Residential Mortgage-Backed Securities	—	7,501,633	—	7,501,633
Other non-current assets				
Long-term incentive plan assets - Mutual fund and Stable value fund investments	111,928	14,370	—	126,298
Total assets	<u>\$ 39,812,569</u>	<u>\$ 7,752,821</u>	<u>\$ —</u>	<u>\$ 47,565,390</u>
Liabilities:				
Clearing Funds				
Securities liabilities	\$ 39,700,641	\$ 7,738,451	\$ —	\$ 47,439,092
Other non-current liabilities				
Interest rate swaps	—	311	—	311
Total liabilities	<u>\$ 39,700,641</u>	<u>\$ 7,738,762</u>	<u>\$ —</u>	<u>\$ 47,439,403</u>

# THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2024 AND DECEMBER 31, 2023 AND FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023

## 12. 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, 2024 and December 31, 2023 follow (in thousands):

	<b>2024</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	\$ 14,215,634	\$ 14,215,634	\$ 14,215,634	\$ —	\$ —
Participants' segregated cash	3,183	3,183	3,183	—	—
Short-term investments	550,000	550,000	—	550,000	—
<b>Participants' and Clearing Funds:</b>					
Cash deposits - Bank deposits	31,397,246	31,397,246	31,397,246	—	—
Other Participants' assets	808,049	808,049	808,049	—	—
<b>Total</b>	<b>\$46,974,112</b>	<b>\$46,974,112</b>	<b>\$46,424,112</b>	<b>\$ 550,000</b>	<b>\$ —</b>
<b>Liabilities:</b>					
Commercial paper	\$ 7,949,868	\$ 7,949,868	\$ —	\$ 7,949,868	\$ —
<b>Participants' and Clearing Funds:</b>					
Cash deposits - Bank deposits	31,397,246	31,397,246	31,397,246	—	—
Payable to Participants	811,232	811,232	811,232	—	—
Long-term debt	3,734,106	3,674,174	—	3,674,174	—
<b>Total</b>	<b>\$43,892,452</b>	<b>\$43,832,520</b>	<b>\$32,208,478</b>	<b>\$11,624,042</b>	<b>\$ —</b>
<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	\$ 15,774,381	\$ 15,774,381	\$ 15,774,381	\$ —	\$ —
Participants' segregated cash	57	57	57	—	—
Short-term investments	250,000	250,000	—	250,000	—
<b>Participants' and Clearing Funds:</b>					
Cash deposits - Bank deposits	35,777,609	35,777,609	35,777,609	—	—
Other Participants' assets	4,510,304	4,510,304	4,510,304	—	—
<b>Total</b>	<b>\$56,312,351</b>	<b>\$56,312,351</b>	<b>\$56,062,351</b>	<b>\$ 250,000</b>	<b>\$ —</b>
<b>Liabilities:</b>					
Commercial paper	\$ 9,076,862	\$ 9,076,862	\$ —	\$ 9,076,862	\$ —
<b>Participants' and Clearing Funds:</b>					
Cash deposits - Bank deposits	35,777,609	35,777,609	35,777,609	—	—
Payable to Participants	4,510,361	4,510,361	4,510,361	—	—
Long-term debt	3,731,774	3,682,992	—	3,682,992	—
<b>Total</b>	<b>\$53,096,606</b>	<b>\$53,047,824</b>	<b>\$40,287,970</b>	<b>\$12,759,854</b>	<b>\$ —</b>

# THE DEPOSITORY TRUST & CLEARING CORPORATION

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AS OF MARCH 31, 2024 AND DECEMBER 31, 2023 AND FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023

## 12. FAIR VALUE MEASUREMENTS (CONTINUED)

**Assets measured at fair value on a non-recurring basis.** Certain financial 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. The carrying amount of the investments were \$7,278,000 as of March 31, 2024 and December 31, 2023.

## 13. RETIREMENT PLANS

See Note 16 in DTCC's Audited Consolidated Financial Statements for the years ended December 31, 2023 and 2022 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, 2024 and 2023 follow (in thousands):

	<b>Pension Benefits</b>		<b>Other Benefits</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Components of net periodic benefit expense (income):				
Expected return on plan assets	\$ (11,285)	\$ (11,612)	\$ —	\$ —
Interest cost	9,735	10,435	499	591
Service cost	290	1,075	53	68
Amortizations:				
Prior service cost	22	22	—	—
Actuarial (gain) loss	50	3	(561)	(290)
Settlement loss	113	9	—	—
Net periodic benefit expense (income)	<u>\$ (1,075)</u>	<u>\$ (68)</u>	<u>\$ (9)</u>	<u>\$ 369</u>

The Company did not make any contributions to the Pension Plan for the three months ended March 31, 2024 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 \$12,616,000 and \$11,610,000 for the three months ended March 31, 2024 and 2023, respectively.

# THE DEPOSITORY TRUST & CLEARING CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2024 AND DECEMBER 31, 2023 AND FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023

### 14. 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, 2024 and 2023 follow (in thousands):

	<u>2024</u>	<u>2023</u>
Beginning balance	\$ 35,246	\$ 23,645
Increases:		
Prior period tax positions	(5)	342
Current period tax positions	463	1,089
Unrecognized tax benefit	35,704	25,076
Accrued interest	4,196	2,679
Ending balance	<u>\$ 39,900</u>	<u>\$ 27,755</u>

See Note 17 in DTCC's Audited Consolidated Financial Statements for the years ended December 31, 2023 and 2022 for additional information pertaining to the Company's income taxes.

### 15. 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 24, 2024, 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, 2024 to the holders of the Series D Preferred Stock as of record date May 31, 2024.



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## 15. SHAREHOLDERS' EQUITY (CONTINUED)

**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, 2024 and December 31, 2023. 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.

Details of dividends declared to holders of the DTC Series A Preferred Stock during the three months ended March 31, 2024 follow:

Approved and Declared Date	Record Date	Payment Date	Declared Dividend	Dividend Paid
March 19, 2024	March 19, 2024	April 9, 2024	\$ 6,300,000	\$ 6,300,000

## 16. 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 for the general business risk capital requirement, corporate contribution and liquid net assets funded by equity for the clearing agencies as of March 31, 2024 and December 31, 2023 follow (in thousands):

	2024		
	DTC	NSCC	FICC
General business risk capital requirement	\$ 241,881	\$ 260,955	\$ 171,219
Corporate contribution	120,941	130,477	85,610
Total requirement	362,822	391,432	256,829
Liquid net assets funded by equity	766,398	692,026	408,437
Excess	\$ 403,576	\$ 300,594	\$ 151,608
	2023		
	DTC	NSCC	FICC
General business risk capital requirement	\$ 234,639	\$ 270,191	\$ 163,369
Corporate contribution	117,320	135,096	81,684
Total requirement	351,959	405,287	245,053
Liquid net assets funded by equity	731,373	637,350	393,085
Excess	\$ 379,414	\$ 232,063	\$ 148,032

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## 16. CAPITAL REQUIREMENTS (CONTINUED)

**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, 2024 follow:

	<b>Ratio</b>	<b>Minimum Capital Ratio<sup>(a)</sup></b>	<b>Well Capitalized Ratio<sup>(a)</sup></b>
Tier 1 capital ratio <sup>(1)</sup>	96.70 %	6.00 %	8.00 %
Total capital ratio <sup>(1)</sup>	96.70 %	8.00 %	10.00 %
Tier 1 leverage ratio <sup>(2)</sup>	20.80 %	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.

## 17. 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 (OCC) 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, 2024 and December 31, 2023 follow (in billions):

	<b>2024</b>	<b>2023</b>
FICC		
GSD	\$ 2,057	\$ 2,231
MBSD	374	360
NSCC	287	197

There were no defaults by Participants to these obligations in 2024 and 2023.

See Note 20 in DTCC's Audited Consolidated Financial Statements for the years ended December 31, 2023 and 2022 for additional information on the Company's guarantees.

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## 18. SUBSEQUENT EVENTS

The Company evaluated events and transactions occurring after March 31, 2024 through May 2, 2024, 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 15, Shareholders' Equity, occurred during such period that would require recognition or disclosure in these consolidated financial statements.

On April 30, 2024, the Company renewed the annual lines of credit on DTC and NSCC for \$1.9 billion and \$9.6 billion, respectively. These lines will mature on April 29, 2025.