

# Fixed Income Clearing Corporation

Financial Statements (Unaudited) as of June 30, 2024 and  
December 31, 2023 and for the three and six months ended  
June 30, 2024 and 2023

# **FIXED INCOME CLEARING CORPORATION**

## **TABLE OF CONTENTS**

---

	<b>Page</b>
FINANCIAL STATEMENTS (UNAUDITED) AS OF JUNE 30, 2024 AND DECEMBER 31, 2023 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023:	
Statements of Financial Condition	1
Statements of Income	2
Statements of Changes in Shareholder's Equity	3
Statements of Cash Flows	4
Notes to Financial Statements	5 - 12

**FIXED INCOME CLEARING CORPORATION**  
**STATEMENTS OF FINANCIAL CONDITION (UNAUDITED)**

<b>(In thousands, except share data)</b>	<b>As of June 30, 2024</b>	<b>As of December 31, 2023</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 457,943	\$ 440,196
Accounts receivable - net of allowance for credit losses	22,038	20,821
Clearing Fund	69,540,776	68,845,589
Other Participants' assets	41,869	25,136
Other current assets	14,998	14,862
Total current assets	<u>70,077,624</u>	<u>69,346,604</u>
<b>NON-CURRENT ASSETS:</b>		
Premises and equipment - net of accumulated depreciation of \$396 and \$386 as of June 30, 2024 and December 31, 2023, respectively	568	578
Intangible assets - net of accumulated amortization of \$74,085 and \$65,690 as of June 30, 2024 and December 31, 2023, respectively	46,238	40,571
Other non-current assets	2,285	—
Total non-current assets	<u>49,091</u>	<u>41,149</u>
<b>TOTAL ASSETS</b>	<u>\$ 70,126,715</u>	<u>\$ 69,387,753</u>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 105,046	\$ 111,452
Clearing Fund	69,540,776	68,845,589
Payable to Participants	41,869	25,136
Other current liabilities	14,510	11,338
Total current liabilities	<u>69,702,201</u>	<u>68,993,515</u>
<b>OTHER NON-CURRENT LIABILITIES:</b>		
Other non-current liabilities	1,273	1,153
Total liabilities	<u>69,703,474</u>	<u>68,994,668</u>
<b>COMMITMENTS AND CONTINGENCIES (Note 2)</b>		
<b>SHAREHOLDER'S EQUITY</b>		
Common stock, \$0.50 par value - 105,000 shares authorized; 20,400 shares issued and outstanding	10	10
Additional paid-in capital	86,617	86,617
Retained earnings	336,614	306,458
Total shareholder's equity	<u>423,241</u>	<u>393,085</u>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<u>\$ 70,126,715</u>	<u>\$ 69,387,753</u>

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

**FIXED INCOME CLEARING CORPORATION**  
**STATEMENTS OF INCOME (UNAUDITED)**

<b>(In thousands)</b>	<b>For the three months ended June 30,</b>		<b>For the six months ended June 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
<b>REVENUES</b>				
Clearing services	\$ 116,194	\$ 96,364	\$ 226,747	\$ 189,295
Other services	392	337	795	626
Total revenues	<u>116,586</u>	<u>96,701</u>	<u>227,542</u>	<u>189,921</u>
<b>EXPENSES</b>				
Employee compensation and related benefits	38,314	35,794	78,679	70,698
Information technology	8,260	6,548	16,285	13,727
Professional and other services	43,056	31,596	81,614	61,393
Occupancy	1,800	1,895	3,877	3,848
Depreciation and amortization	4,262	4,860	8,405	9,706
General and administrative	4,294	3,900	8,426	7,523
Total expenses	<u>99,986</u>	<u>84,593</u>	<u>197,286</u>	<u>166,895</u>
Total operating income	<u>16,600</u>	<u>12,108</u>	<u>30,256</u>	<u>23,026</u>
<b>NON-OPERATING INCOME (EXPENSE)</b>				
Interest income	230,142	253,122	477,823	472,330
Refunds to Participants	(224,731)	(248,596)	(467,073)	(464,209)
Interest expense	(1,188)	(1,281)	(2,377)	(2,562)
Other non-operating income, net	1,354	1,378	2,708	2,756
Total non-operating income	<u>5,577</u>	<u>4,623</u>	<u>11,081</u>	<u>8,315</u>
Income before taxes	22,177	16,731	41,337	31,341
Provision for income taxes	6,008	4,802	11,181	8,932
Net income	<u>\$ 16,169</u>	<u>\$ 11,929</u>	<u>\$ 30,156</u>	<u>\$ 22,409</u>

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

## FIXED INCOME CLEARING CORPORATION

### STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY (UNAUDITED)

<u>(In thousands)</u>	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Total Shareholder's Equity</u>
BALANCE - January 1, 2024	\$ 10	\$ 86,617	\$ 306,458	\$ 393,085
Net income	—	—	13,987	13,987
BALANCE - March 31, 2024	10	86,617	320,445	407,072
Net income	—	—	16,169	16,169
BALANCE - June 30, 2024	<u>\$ 10</u>	<u>\$ 86,617</u>	<u>\$ 336,614</u>	<u>\$ 423,241</u>

<u>(In thousands)</u>	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Total Shareholder's Equity</u>
BALANCE - January 1, 2023	\$ 10	\$ 86,617	\$ 249,520	\$ 336,147
Net income	—	—	10,480	10,480
BALANCE - March 31, 2023	10	86,617	260,000	346,627
Net income	—	—	11,929	11,929
BALANCE - June 30, 2023	<u>\$ 10</u>	<u>\$ 86,617</u>	<u>\$ 271,929</u>	<u>\$ 358,556</u>

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

**FIXED INCOME CLEARING CORPORATION**  
**STATEMENTS OF CASH FLOWS (UNAUDITED)**

<b>(In thousands)</b>	<b>For the six months ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 30,156	\$ 22,409
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Depreciation and amortization	8,405	9,706
Deferred income taxes	(2,354)	(2,771)
Other	—	13
Net change in:		
Accounts receivable	(1,217)	(4,058)
Other assets	(136)	1,209
Accounts payable and accrued expenses	(6,406)	18,748
Other liabilities	3,361	9,770
Clearing Fund liabilities	(3,455,994)	(275,342)
Payable to Participants	16,733	(58,906)
Net cash used in operating activities	<u>(3,407,452)</u>	<u>(279,222)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capitalized software development costs	<u>(14,062)</u>	<u>(7,148)</u>
Cash used in investing activities	<u>(14,062)</u>	<u>(7,148)</u>
Net decrease in Cash and cash equivalents, Clearing Fund cash deposits, Cash in Other Participants' assets	(3,421,514)	(286,370)
Cash and cash equivalents, Clearing Fund cash deposits, Cash in Other Participants' assets - Beginning of period	<u>22,479,225</u>	<u>19,202,097</u>
Cash and cash equivalents, Clearing Fund cash deposits, Cash in Other Participants' assets - End of period	<u>\$ 19,057,711</u>	<u>\$ 18,915,727</u>
<b>SUPPLEMENTAL DISCLOSURES:</b>		
Interest paid	<u>\$ 2,397</u>	<u>\$ 2,402</u>
Income taxes paid - net of refunds	<u>\$ 9,520</u>	<u>\$ 1,810</u>

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

# FIXED INCOME CLEARING CORPORATION

## NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

AS OF JUNE 30, 2024 AND DECEMBER 31, 2023 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023

---

### 1. BUSINESS AND OWNERSHIP

Fixed Income Clearing Corporation (FICC or the Company), a clearing agency registered with the U.S. Securities and Exchange Commission (SEC), provides central counterparty (CCP) services for the U.S. government and mortgage-backed securities markets (referred to herein as Participants). Services provided by FICC consist principally of automated real-time trade comparison, netting, settlement, trade confirmation, clearing, risk management and electronic pool notification. FICC has two divisions, the Government Securities Division (GSD) and the Mortgage-Backed Securities Division (MBSD).

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

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

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of presentation.** The accompanying unaudited interim financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP). The interim financial statements exclude some of the disclosures required in audited financial statements and should be read in conjunction with FICC's Audited Financial Statements for the years ended December 31, 2023 and 2022, which are located on the Company's website at <http://www.dtcc.com/legal/financial-statements>. See Note 2 in FICC's audited financial statements for the years ended December 31, 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.

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

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

**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 entity expects to be entitled, upon satisfaction, in exchange for those services.

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

# FIXED INCOME CLEARING CORPORATION

## NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

AS OF JUNE 30, 2024 AND DECEMBER 31, 2023 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023

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

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

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

*Other services.* Revenue derived from this revenue stream may be in the form of subscription revenue and usage fees, which include referential and activity-based announcement, security reference, and liquidity data through the DTCC Data Services product. These offerings are delivered in fixed or configurable formats, sourced from the Company's transaction, reference, position and asset servicing data.

*Deferred revenue.* Deferred revenue represents the Company's liability to perform services in the future related to payments received in advance of those services. Deferred revenue as of June 30, 2024 and December 31, 2023 was \$804,000 and \$1,458,000, respectively, and is included in Other current liabilities on the accompanying Statements of Financial Condition. Of the \$1,458,000 as of December 31, 2023, \$175,000 and \$654,000 were recognized as revenue during the three and six months ended June 30, 2024, respectively.

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

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

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

	<b>June 30, 2024</b>	<b>December 31, 2023</b>	<b>June 30, 2023</b>
Cash and cash equivalents	\$ 457,943	\$ 440,196	\$ 406,328
Clearing Fund cash deposits (see Note 4)	18,557,899	22,013,893	18,491,736
Cash in Other Participants' assets	41,869	25,136	17,663
Total Cash and cash equivalents, Clearing Fund cash deposits and Cash in Other Participants' assets shown on the Statements of Cash Flows	<u>\$ 19,057,711</u>	<u>\$ 22,479,225</u>	<u>\$ 18,915,727</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.



# FIXED INCOME CLEARING CORPORATION

## NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

AS OF JUNE 30, 2024 AND DECEMBER 31, 2023 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 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 financial statements and related disclosures.</li> </ul>

### 4. CLEARING FUND

Details for the Clearing Fund deposits as of June 30, 2024 and December 31, 2023 follow (in thousands):

	2024			2023		
	GS Division	MBS Division	Total	GS Division	MBS Division	Total
Total deposits	\$57,432,337	\$12,108,439	\$69,540,776	\$57,999,997	\$10,845,592	\$68,845,589
Less: Required deposits	44,914,253	10,435,095	55,349,348	48,118,973	8,481,038	56,600,011
Excess deposits	<u>\$12,518,084</u>	<u>\$ 1,673,344</u>	<u>\$14,191,428</u>	<u>\$ 9,881,024</u>	<u>\$ 2,364,554</u>	<u>\$12,245,578</u>

**Cash and Securities.** Details for cash and securities of the Clearing Fund, which may be applied to satisfy obligations of the depositing Participant, other Participants, or the Company pursuant to FICC's rules, as of June 30, 2024 and December 31, 2023 follow (in thousands):

	2024			2023		
	GS Division	MBS Division	Total	GS Division	MBS Division	Total
Cash and cash equivalents <sup>(1)</sup>	\$14,575,978	\$ 3,981,921	\$18,557,899	\$18,029,680	\$ 3,984,213	\$22,013,893
U.S. Treasury Securities	36,009,483	8,068,191	44,077,674	32,561,960	5,915,790	38,477,750
U.S. Agency Residential Mortgage-Backed Securities	6,610,729	36,569	6,647,298	6,766,776	734,857	7,501,633
U.S. Agency Issued Debt Securities	236,147	21,758	257,905	641,581	210,732	852,313
Total	<u>\$57,432,337</u>	<u>\$12,108,439</u>	<u>\$69,540,776</u>	<u>\$57,999,997</u>	<u>\$10,845,592</u>	<u>\$68,845,589</u>

(1) The Company's cash and cash equivalents of the Clearing Fund are all bank deposits as of June 30, 2024 and December 31, 2023.

# FIXED INCOME CLEARING CORPORATION

## NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

AS OF JUNE 30, 2024 AND DECEMBER 31, 2023 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023

### 5. LINE OF CREDIT AND CREDIT RATINGS

**Line of credit.** On May 31, 2024, the Company entered into a committed line of credit agreement to provide liquidity for daily clearance and settlement activities. Details for the terms of the outstanding line of credit as of June 30, 2024 follow:

<b>Committed</b>	<b>2024</b>
<b>Amount</b>	\$200 million
<b>Denomination</b>	USD
<b>Number of Participants/Lenders</b>	1/1
<b>Borrowing Rate</b>	Federal Funds Rate plus 1.40%
<b>Maturity Date</b>	May 2025
<b>Annual Facility Fee</b>	0.25% <sup>(1)</sup>
<b>Debt Covenant</b>	
<b>Minimum Capital Requirements</b> <sup>(2)</sup>	\$269 million

(1) The annual facility fee associated with maintaining the line of credit is included in Professional and other services in the accompanying Statements of Income.

(2) See note 9

There were no borrowings under the line of credit during 2024.

As of June 30, 2024, the Company was in compliance with its debt covenant.

**Credit Ratings.** The Company is rated by Moody's Investors Service, Inc. (Moody's) and S&P Global Inc. (S&P). Details for issuer credit ratings and ratings outlooks for the Company as of June 30, 2024 follow:

<b>Moody's</b> <sup>(1)</sup>			<b>S&amp;P</b>		
<b>Long-term</b>	<b>Short-term</b>	<b>Outlook</b>	<b>Long-term</b>	<b>Short-term</b>	<b>Outlook</b>
Aaa	P-1	Negative	AA	A-1+	Stable

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

### 6. FAIR VALUE MEASUREMENTS

See Note 8 in FICC's Audited Financial Statements for the years ended December 31, 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.

**FIXED INCOME CLEARING CORPORATION****NOTES TO FINANCIAL STATEMENTS (UNAUDITED)****AS OF JUNE 30, 2024 AND DECEMBER 31, 2023 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023****6. FAIR VALUE MEASUREMENTS (CONTINUED)****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 June 30, 2024 and December 31, 2023 are summarized below (in thousands):

	<b>2024</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Assets - Clearing Fund</b>				
U.S. Treasury Securities	\$ 44,077,674	\$ 44,077,674	\$ —	\$ —
U.S. Agency Issued Debt Securities	257,905	21,758	236,147	—
U.S. Agency Residential Mortgage-Backed Securities	6,647,298	—	6,647,298	—
<b>Total</b>	<b>\$ 50,982,877</b>	<b>\$ 44,099,432</b>	<b>\$ 6,883,445</b>	<b>\$ —</b>
<b>Liabilities - Clearing Fund</b>				
Securities liabilities	\$ 50,982,877	\$ 44,099,432	\$ 6,883,445	\$ —
<b>Total</b>	<b>\$ 50,982,877</b>	<b>\$ 44,099,432</b>	<b>\$ 6,883,445</b>	<b>\$ —</b>
<b>2023</b>				
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Assets - Clearing Fund</b>				
U.S. Treasury Securities	\$ 38,477,750	\$ 38,477,750	\$ —	\$ —
U.S. Agency Issued Debt Securities	852,313	615,495	236,818	—
U.S. Agency Residential Mortgage-Backed Securities	7,501,633	—	7,501,633	—
<b>Total</b>	<b>\$ 46,831,696</b>	<b>\$ 39,093,245</b>	<b>\$ 7,738,451</b>	<b>\$ —</b>
<b>Liabilities - Clearing Fund</b>				
Securities liabilities	\$ 46,831,696	\$ 39,093,245	\$ 7,738,451	\$ —
<b>Total</b>	<b>\$ 46,831,696</b>	<b>\$ 39,093,245</b>	<b>\$ 7,738,451</b>	<b>\$ —</b>

# FIXED INCOME CLEARING CORPORATION

## NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

AS OF JUNE 30, 2024 AND DECEMBER 31, 2023 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023

### 6. FAIR VALUE MEASUREMENTS (CONTINUED)

**Financial assets and liabilities measured at other than fair value.** The carrying values, fair values and fair value hierarchy levels of all financial instruments measured at other than fair value on the accompanying Statements of Financial Condition as of June 30, 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	\$ 457,943	\$ 457,943	\$ 457,943	\$ —	\$ —
<b>Clearing Fund:</b>					
Cash deposits - Bank deposits	18,557,899	18,557,899	18,557,899	—	—
Other Participants' assets	41,869	41,869	41,869	—	—
<b>Total</b>	<b>\$ 19,057,711</b>	<b>\$ 19,057,711</b>	<b>\$ 19,057,711</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Liabilities:</b>					
<b>Clearing Fund:</b>					
Cash deposits - Bank deposits	\$ 18,557,899	\$ 18,557,899	\$ 18,557,899	\$ —	\$ —
Payable to Participants	41,869	41,869	41,869	—	—
<b>Total</b>	<b>\$ 18,599,768</b>	<b>\$ 18,599,768</b>	<b>\$ 18,599,768</b>	<b>\$ —</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	\$ 440,196	\$ 440,196	\$ 440,196	\$ —	\$ —
<b>Clearing Fund:</b>					
Cash deposits - Bank deposits	22,013,893	22,013,893	22,013,893	—	—
Other Participants' assets	25,136	25,136	25,136	—	—
<b>Total</b>	<b>\$ 22,479,225</b>	<b>\$ 22,479,225</b>	<b>\$ 22,479,225</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Liabilities:</b>					
<b>Clearing Fund:</b>					
Cash deposits - Bank deposits	\$ 22,013,893	\$ 22,013,893	\$ 22,013,893	\$ —	\$ —
Payable to Participants	25,136	25,136	25,136	—	—
<b>Total</b>	<b>\$ 22,039,029</b>	<b>\$ 22,039,029</b>	<b>\$ 22,039,029</b>	<b>\$ —</b>	<b>\$ —</b>

**Assets and liabilities measured at fair value on a non-recurring basis.** There were no financial assets or liabilities measured at fair value on a non-recurring basis during the periods ended June 30, 2024 and December 31, 2023.

# FIXED INCOME CLEARING CORPORATION

## NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

AS OF JUNE 30, 2024 AND DECEMBER 31, 2023 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023

### 7. RETIREMENT PLANS

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

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

**Cost allocation.** DTCC allocates the cost of these plans to its subsidiaries based primarily upon the estimated proportion of each subsidiary's salary cost relative to DTCC's total salary cost. The defined contribution retirement plans costs allocated to FICC were expense of \$2,286,000 and \$1,891,000 for the three months ended June 30, 2024 and 2023, respectively, and expense of \$4,350,000 and \$3,582,000 for the six months ended June 30, 2024 and 2023 respectively, and are included in Employee compensation and related benefits in the accompanying Statements of Income. The defined benefit pension and other postretirement benefit plans costs allocated to FICC were income of \$103,000 and expense of \$77,000 for the three months ended June 30, 2024 and 2023, respectively, and income of \$157,000 and expense of \$205,000 for the six months ended June 30, 2024 and 2023, respectively, and are included in Employee compensation and related benefits, Interest expense, and Other non-operating income, net, in the accompanying Statements of Income.

### 8. INCOME TAXES

Rollforward of unrecognized tax benefits for the six months ended June 30, 2024 and 2023 follow (in thousands):

	2024	2023
Beginning balance	\$ 986	\$ 316
Increases:		
Current period tax positions	108	3
Unrecognized tax benefit	1,094	319
Accrued interest	179	64
Ending balance	<u>\$ 1,273</u>	<u>\$ 383</u>

See Note 10 in FICC's Audited Financial Statements for the years ended December 31, 2023 and 2022 for additional information pertaining to the Company's income taxes.

### 9. CAPITAL REQUIREMENTS

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

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

# FIXED INCOME CLEARING CORPORATION

## NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

AS OF JUNE 30, 2024 AND DECEMBER 31, 2023 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023

### 9. CAPITAL REQUIREMENTS (CONTINUED)

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

Details for the general business risk capital requirement, corporate contribution and liquid net assets funded by equity for the Company as of June 30, 2024 and December 31, 2023 follow (in thousands):

	<u>2024</u>	<u>2023</u>
General business risk capital requirement	\$ 179,215	\$ 163,369
Corporate contribution	89,607	81,684
Total requirement	268,822	245,053
Liquid net assets funded by equity	423,241	393,085
Excess	<u>\$ 154,419</u>	<u>\$ 148,032</u>

### 10. GUARANTEES

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

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

Details for each division's open positions for which a trade guaranty applied as of June 30, 2024 and December 31, 2023 follow (in billions):

<u>Division</u>	<u>2024</u>	<u>2023</u>
GSD	\$ 2,110	\$ 2,231
MBSD	436	360
	<u>\$ 2,546</u>	<u>\$ 2,591</u>

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

See Note 13 in FICC's Audited Financial Statements for the years ended December 31, 2023 and 2022 for additional information on the Company's guarantees.

### 11. SUBSEQUENT EVENTS

The Company evaluated events and transactions occurring after June 30, 2024 through July 26, 2024, the date these financial statements were available to be issued, for potential recognition or disclosure. No events or transactions occurred during such period that would require recognition or disclosure in these financial statements.