

Fixed Income Clearing Corporation

Financial Statements (Unaudited) as of March 31, 2025 and
December 31, 2024 and for the three months ended
March 31, 2025 and 2024

FIXED INCOME CLEARING CORPORATION

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FIXED INCOME CLEARING CORPORATION

STATEMENTS OF FINANCIAL CONDITION (UNAUDITED)

(In thousands, except share data)	As of March 31, 2025	As of December 31, 2024
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 480,018	\$ 491,907
Accounts receivable - net of allowance for credit losses	35,037	29,846
Clearing Fund	87,677,348	91,308,866
Other Participants' assets	37,926	41,342
Other current assets	29,460	15,676
Total current assets	88,259,789	91,887,637
NON-CURRENT ASSETS:		
Premises and equipment - net of accumulated depreciation of \$411 and \$406 as of March 31, 2025 and December 31, 2024, respectively	553	558
Intangible assets - net of accumulated amortization of \$86,556 and \$81,413 as of March 31, 2025 and December 31, 2024, respectively	63,944	58,992
Other non-current assets	8,721	7,350
Total non-current assets	73,218	66,900
TOTAL ASSETS	\$ 88,333,007	\$ 91,954,537
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 111,610	\$ 108,733
Clearing Fund	87,677,348	91,308,866
Payable to Participants	37,926	41,342
Other current liabilities	11,649	24,164
Total current liabilities	87,838,533	91,483,105
OTHER NON-CURRENT LIABILITIES:		
Other non-current liabilities	1,552	1,458
Total liabilities	87,840,085	91,484,563
COMMITMENTS AND CONTINGENCIES (Note 2)		
SHAREHOLDER'S EQUITY		
Common stock, \$0.50 par value - 105,000 shares authorized; 20,400 shares issued and outstanding	10	10
Additional paid-in capital	86,617	86,617
Retained earnings	406,295	383,347
Total shareholder's equity	492,922	469,974
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	\$ 88,333,007	\$ 91,954,537

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

FIXED INCOME CLEARING CORPORATION

STATEMENTS OF INCOME (UNAUDITED)

(In thousands)	For the three months ended March 31,	
	2025	2024
REVENUES		
Clearing services	\$ 142,547	\$ 110,553
Other services	441	403
Total revenues	142,988	110,956
EXPENSES		
Employee compensation and related benefits	45,152	40,365
Information technology	10,061	8,025
Professional and other services	48,593	38,558
Occupancy	2,275	2,077
Depreciation and amortization	5,148	4,143
General and administrative	4,771	4,132
Total expenses	116,000	97,300
Total operating income	26,988	13,656
NON-OPERATING INCOME (EXPENSE)		
Interest income	238,047	247,681
Refunds to Participants	(233,344)	(242,342)
Interest expense	(1,164)	(1,189)
Other non-operating income, net	1,317	1,354
Total non-operating income	4,856	5,504
Income before taxes	31,844	19,160
Provision for income taxes	8,896	5,173
Net income	\$ 22,948	\$ 13,987

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, 2025	\$ 10	\$ 86,617	\$ 383,347	\$ 469,974
Net income	—	—	22,948	22,948
BALANCE - March 31, 2025	<u>\$ 10</u>	<u>\$ 86,617</u>	<u>\$ 406,295</u>	<u>\$ 492,922</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, 2024	\$ 10	\$ 86,617	\$ 306,458	\$ 393,085
Net income	—	—	13,987	13,987
BALANCE - March 31, 2024	<u>\$ 10</u>	<u>\$ 86,617</u>	<u>\$ 320,445</u>	<u>\$ 407,072</u>

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

FIXED INCOME CLEARING CORPORATION

STATEMENTS OF CASH FLOWS (UNAUDITED)

(In thousands)	For the three months ended March 31,	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 22,948	\$ 13,987
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Depreciation and amortization	5,148	4,143
Deferred income taxes	(1,371)	(1,219)
Net change in:		
Accounts receivable	(5,191)	(1,485)
Other assets	(13,784)	(16,112)
Accounts payable and accrued expenses	2,877	(7,823)
Other liabilities	(12,421)	5,911
Clearing Fund liabilities	334,453	(4,635,652)
Payable to Participants	(3,416)	(22,485)
Net cash provided by/(used in) operating activities	<u>329,243</u>	<u>(4,660,735)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capitalized software development costs	<u>(10,095)</u>	<u>(4,768)</u>
Cash used in investing activities	<u>(10,095)</u>	<u>(4,768)</u>
Net increase/(decrease) in Cash and cash equivalents, Clearing Fund cash deposits, Cash in Other Participants' assets	319,148	(4,665,503)
Cash and cash equivalents, Clearing Fund cash deposits, Cash in Other Participants' assets - Beginning of period	<u>22,028,784</u>	<u>22,479,225</u>
Cash and cash equivalents, Clearing Fund cash deposits, Cash in Other Participants' assets - End of period	<u>\$ 22,347,932</u>	<u>\$ 17,813,722</u>
SUPPLEMENTAL DISCLOSURES:		
Interest paid	<u>\$ 1,185</u>	<u>\$ 1,272</u>
Income taxes paid - net of refunds	<u>\$ 29,144</u>	<u>\$ —</u>

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

FIXED INCOME CLEARING CORPORATION

NOTES TO FINANCIAL STATEMENTS

AS OF MARCH 31, 2025 AND DECEMBER 31, 2024 AND FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024

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, 2024 and 2023, 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, 2024 and 2023, 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.

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NOTES TO FINANCIAL STATEMENTS

AS OF MARCH 31, 2025 AND DECEMBER 31, 2024 AND FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024

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 March 31, 2025 and December 31, 2024 was \$1,233,000 and \$778,000, respectively, and is included in Other current liabilities on the accompanying Statements of Financial Condition. Of the \$778,000 as of December 31, 2024, \$31,000 was recognized as revenue during the three months ended March 31, 2025.

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):

	March 31, 2025	December 31, 2024	March 31, 2024
Cash and cash equivalents	\$ 480,018	\$ 491,907	\$ 432,830
Clearing Fund cash deposits (see Note 4)	21,829,988	21,495,535	17,378,241
Cash in Other Participants' assets	37,926	41,342	2,651
Total Cash and cash equivalents, Clearing Fund cash deposits and Cash in Other Participants' assets shown on the Statements of Cash Flows	<u>\$ 22,347,932</u>	<u>\$ 22,028,784</u>	<u>\$ 17,813,722</u>

Global Events and Crises. Global pandemics, sanctions, war, global cyber outage 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.

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NOTES TO FINANCIAL STATEMENTS

AS OF MARCH 31, 2025 AND DECEMBER 31, 2024 AND FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024

3. ACCOUNTING AND REPORTING DEVELOPMENTS

Standard	Description	Impact on the financial statements or other significant matters
Financial Accounting Standards Board Standard Issued, but not yet Adopted		
ASU 2023-09 - Income Taxes (Topic 740): Improvements to Income Tax Disclosures <i>Issued December 2023</i>	<ul style="list-style-type: none"> 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. 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. 	<ul style="list-style-type: none"> Effective January 1, 2025 for annual reporting periods. The adoption of the standard will not have a material impact on the Company's financial statements and related disclosures.
ASU 2024-03 and ASU 2025-01 - Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40) <i>Issued November 2024 and January 2025, respectively</i>	<ul style="list-style-type: none"> Enhances disclosures required for specified information about certain costs and expenses at each interim and annual reporting period an entity. 	<ul style="list-style-type: none"> Effective January 1, 2027 for annual reporting periods, and January 1, 2028 for interim reporting periods. The Company is evaluating the impact on its financial statements and related disclosures.

4. CLEARING FUND

Details for the Clearing Fund deposits as of March 31, 2025 and December 31, 2024 follow (in thousands):

	2025			2024		
	GS Division	MBS Division	Total	GS Division	MBS Division	Total
Total deposits	\$75,295,296	\$12,382,052	\$87,677,348	\$78,255,749	\$13,053,117	\$91,308,866
Less: Required deposits	62,858,416	10,317,115	73,175,531	65,499,185	11,118,415	76,617,600
Excess deposits	<u>\$12,436,880</u>	<u>\$ 2,064,937</u>	<u>\$14,501,817</u>	<u>\$12,756,564</u>	<u>\$ 1,934,702</u>	<u>\$14,691,266</u>

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NOTES TO FINANCIAL STATEMENTS

AS OF MARCH 31, 2025 AND DECEMBER 31, 2024 AND FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024

4. CLEARING FUND (CONTINUED)

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 March 31, 2025 and December 31, 2024 follow (in thousands):

	2025			2024		
	GS Division	MBS Division	Total	GS Division	MBS Division	Total
Cash ⁽¹⁾	\$ 18,169,625	\$ 3,660,363	\$ 21,829,988	\$ 17,420,484	\$ 4,075,051	\$ 21,495,535
U.S. Treasury Securities	46,012,627	8,585,259	54,597,886	50,787,146	8,886,405	59,673,551
U.S. Agency Residential Mortgage-Backed Securities	10,869,843	113,676	10,983,519	9,777,877	69,383	9,847,260
U.S. Agency Issued Debt Securities	243,201	22,754	265,955	270,242	22,278	292,520
Total	<u>\$ 75,295,296</u>	<u>\$ 12,382,052</u>	<u>\$ 87,677,348</u>	<u>\$ 78,255,749</u>	<u>\$ 13,053,117</u>	<u>\$ 91,308,866</u>

(1) The Company's cash of the Clearing Fund are all bank deposits as of March 31, 2025 and December 31, 2024.

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 March 31, 2025 and December 31, 2024 follow:

	2025	2024
Committed Amount	\$200 million	\$200 million
Denomination	USD	USD
Number of Participants/Lenders	1/1	1/1
Borrowing Rate	Federal Funds Rate plus 1.40%	Federal Funds Rate plus 1.40%
Maturity Date	May 2025	May 2025
Annual Facility Fee	0.25% ⁽¹⁾	0.25% ⁽¹⁾
Debt Covenant		
Minimum Capital Requirements ⁽²⁾	\$318 million	\$318 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 10

There were no borrowings under the line of credit during 2025 and 2024.

As of March 31, 2025 and December 31, 2024, the Company was in compliance with its debt covenant.

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NOTES TO FINANCIAL STATEMENTS

AS OF MARCH 31, 2025 AND DECEMBER 31, 2024 AND FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024

5. LINE OF CREDIT AND CREDIT RATINGS (CONTINUED)

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 March 31, 2025 follow:

Moody's ⁽¹⁾			S&P		
Long-term	Short-term	Outlook	Long-term	Short-term	Outlook
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, 2024 and 2023, 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, 2025 and December 31, 2024 are summarized below (in thousands):

	2025			
	Total	Level 1	Level 2	Level 3
Assets - Clearing Fund				
U.S. Treasury Securities	\$ 54,597,886	\$ 54,597,886	\$ —	\$ —
U.S. Agency Issued Debt Securities	265,955	22,754	243,201	—
U.S. Agency Residential Mortgage-Backed Securities	10,983,519	—	10,983,519	—
Total	<u>\$ 65,847,360</u>	<u>\$ 54,620,640</u>	<u>\$ 11,226,720</u>	<u>\$ —</u>
Liabilities - Clearing Fund				
Securities liabilities	\$ 65,847,360	\$ 54,620,640	\$ 11,226,720	\$ —
Total	<u>\$ 65,847,360</u>	<u>\$ 54,620,640</u>	<u>\$ 11,226,720</u>	<u>\$ —</u>
	2024			
	Total	Level 1	Level 2	Level 3
Assets - Clearing Fund				
U.S. Treasury Securities	\$ 59,673,551	\$ 59,673,551	\$ —	\$ —
U.S. Agency Issued Debt Securities	292,520	51,403	241,117	—
U.S. Agency Residential Mortgage-Backed Securities	9,847,260	—	9,847,260	—
Total	<u>\$ 69,813,331</u>	<u>\$ 59,724,954</u>	<u>\$ 10,088,377</u>	<u>\$ —</u>
Liabilities - Clearing Fund				
Securities liabilities	\$ 69,813,331	\$ 59,724,954	\$ 10,088,377	\$ —
Total	<u>\$ 69,813,331</u>	<u>\$ 59,724,954</u>	<u>\$ 10,088,377</u>	<u>\$ —</u>

FIXED INCOME CLEARING CORPORATION

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AS OF MARCH 31, 2025 AND DECEMBER 31, 2024 AND FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024

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 March 31, 2025 and December 31, 2024 follow (in thousands):

	2025				
	Carrying Amount	Total Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	\$ 480,018	\$ 480,018	\$ 480,018	\$ —	\$ —
Clearing Fund:					
Cash deposits - Bank deposits	21,829,988	21,829,988	21,829,988	—	—
Other Participants' assets	37,926	37,926	37,926	—	—
Total	<u>\$ 22,347,932</u>	<u>\$ 22,347,932</u>	<u>\$ 22,347,932</u>	<u>\$ —</u>	<u>\$ —</u>
Liabilities:					
Clearing Fund:					
Cash deposits - Bank deposits	\$ 21,829,988	\$ 21,829,988	\$ 21,829,988	\$ —	\$ —
Payable to Participants	37,926	37,926	37,926	—	—
Total	<u>\$ 21,867,914</u>	<u>\$ 21,867,914</u>	<u>\$ 21,867,914</u>	<u>\$ —</u>	<u>\$ —</u>
	2024				
	Carrying Amount	Total Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	\$ 491,907	\$ 491,907	\$ 491,907	\$ —	\$ —
Clearing Fund:					
Cash deposits - Bank deposits	21,495,535	21,495,535	21,495,535	—	—
Other Participants' assets	41,342	41,342	41,342	—	—
Total	<u>\$ 22,028,784</u>	<u>\$ 22,028,784</u>	<u>\$ 22,028,784</u>	<u>\$ —</u>	<u>\$ —</u>
Liabilities:					
Clearing Fund:					
Cash deposits - Bank deposits	\$ 21,495,535	\$ 21,495,535	\$ 21,495,535	\$ —	\$ —
Payable to Participants	41,342	41,342	41,342	—	—
Total	<u>\$ 21,536,877</u>	<u>\$ 21,536,877</u>	<u>\$ 21,536,877</u>	<u>\$ —</u>	<u>\$ —</u>

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 March 31, 2025 and December 31, 2024.

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NOTES TO FINANCIAL STATEMENTS

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7. REPORTABLE SEGMENT

The Company determines its reportable operating segments based on a combination of factors, including the results reviewed by the chief operating decision maker (CODM), products and services provided, type of customer served, and geographic considerations. The Company's CODM evaluates the performance of the business as a whole and makes decisions about resource allocations based on the entity's net income. Net income is used by the CODM for monitoring and assessing the segment's performance, as well as making key decisions. As such, the Company determined that it operates as a single operating and reportable segment. The accounting policies used to measure the profit and loss of the segment are the same as those described in Note 2. The CODM is routinely provided with expense details that are limited to what is presented on the face of the Statements of Income.

The Company's CODM is DTCC's Executive Committee.

8. 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 \$2,412,000 and \$2,064,000 for the three months ended March 31, 2025 and 2024, 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 expense of \$3,000 and income of \$54,000 for the three months ended March 31, 2025 and 2024, respectively, and are included in Employee compensation and related benefits, Interest expense, and Other non-operating income, net, in the accompanying Statements of Income.

9. INCOME TAXES

Rollforward of unrecognized tax benefits for the three months ended March 31, 2025 and 2024 follow (in thousands):

	2025	2024
Beginning balance	\$ 1,458	\$ 986
Increases:		
Prior period tax positions	5	—
Current period tax positions	65	44
Unrecognized tax benefit	1,528	1,030
Accrued interest	24	138
Ending balance	\$ 1,552	\$ 1,168
Amended New York State/City Returns - below the recognition threshold	\$ 1,655	\$ —

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9. INCOME TAXES (CONTINUED)

See Note 11 in FICC's Audited Financial Statements for the years ended December 31, 2024 and 2023 for additional information pertaining to the Company's income taxes.

10. 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.

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 March 31, 2025 and December 31, 2024 follow (in thousands):

	2025	2024
General business risk capital requirement	\$ 211,909	\$ 211,909
Corporate contribution	105,954	105,954
Total requirement	317,863	317,863
Liquid net assets funded by equity	480,018	469,974
Excess	\$ 162,155	\$ 152,111

11. 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 March 31, 2025 and December 31, 2024 follow (in billions):

Division	2025	2024
GSD	\$ 2,821	\$ 2,818
MBSD	500	455
	\$ 3,321	\$ 3,273

FIXED INCOME CLEARING CORPORATION

NOTES TO FINANCIAL STATEMENTS

AS OF MARCH 31, 2025 AND DECEMBER 31, 2024 AND FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024

11. GUARANTEES (CONTINUED)

There were no defaults by Participants to these obligations in 2025 and 2024.

See Note 14 in FICC's Audited Financial Statements for the years ended December 31, 2024 and 2023 for additional information on the Company's guarantees.

12. SUBSEQUENT EVENTS

The Company evaluated events and transactions occurring after March 31, 2025 through the date these financial statements were issued for potential recognition or disclosure. No events or transactions occurred during such period that would require recognition or disclosure in these financial statements.