

**THE DEPOSITORY TRUST & CLEARING CORPORATION  
THE DEPOSITORY TRUST COMPANY  
FIXED INCOME CLEARING CORPORATION  
NATIONAL SECURITIES CLEARING CORPORATION**

**AUDIT COMMITTEE CHARTER**

**I. Purpose**

The Boards of Directors (collectively, the “Board”) of The Depository Trust & Clearing Corporation (“DTCC”), The Depository Trust Company (“DTC”), Fixed Income Clearing Corporation (“FICC”) and National Securities Clearing Corporation (“NSCC”) (DTC, FICC and NSCC together, the “SIFMUs” and collectively with DTCC, the “Company”) have each established an Audit Committee (collectively, the “Committee”) to assist the Board in overseeing and monitoring: (i) the integrity of the Company’s financial statements and financial reporting; (ii) the overall effectiveness of the Company’s internal control environment; (iii) the effectiveness of the Company’s process for monitoring compliance with applicable laws, regulations and its Code of Conduct; (iv) the performance and coverage of the internal audit function as it relates to DTCC and/or any individual SIFMU; (v) the external auditor’s independence, performance and coverage; (vi) functional areas within the Committee’s jurisdiction to ensure proper communication of any issues or risks material to the SIFMUs; and (vii) legal, compliance and regulatory risks as they relate to DTCC, to any SIFMU, or to any SIFMU’s provision of clearance and settlement services as an industry utility.

**II. Administrative Structure**

**A. Composition**

The Committee shall be composed of not less than four members, including the Chair of the Committee. All members of the Committee shall be Members of the Board who are not employed by DTCC (“non-management” directors). The Non-Executive Chairman of the Board shall serve as an *ex officio* member of the Committee. Committee Members shall be selected by the Board, upon nomination by the Governance Committee, and shall serve at the pleasure of, the Board. At least one member of the Committee shall qualify as independent from the participant members of the SIFMUs.

Committee Members shall be independent of management and free from any relationship that would interfere with the exercise of independent judgment. All Committee Members shall have experience in dealing with matters relating to finance and accounting and be able to read and understand fundamental financial statements. At least one member of the Committee shall have considerable accounting or related financial management expertise as defined by legislation and regulation. DTCC will make available to the Committee as needed educational opportunities relevant to the Committee.

In the event of a vacancy on the Committee, the Committee will continue to undertake its responsibilities, so long as the remaining Committee members are capable of satisfying the quorum requirement.

B. Committee Chair

The Chair of the Committee shall be selected by the Board, upon nomination by the Governance Committee and shall serve at the pleasure of the Board. In the absence of the Chair at any meeting of the Committee, the Non-Executive Chairman shall serve as Chair of such meeting. In the absence of the Non-Executive Chairman at any meeting at which the Chair is absent, those members of the Committee present shall designate a Committee member to serve as the Acting Chair.

C. Meetings

There shall be scheduled at least four meetings of the Committee annually, with additional meetings called as the Committee deems appropriate. Meetings of the Committee shall be called by the Chair or the Chair's designee. Meetings of the Committee are open to all Board members and guests invited by the Board or the Committee. The Chair or the Chair's designee shall, in consultation with management, as appropriate, prepare an agenda in advance of each meeting. The Committee also retains the authority to call an "executive session" in which any guests of the Committee may be excluded. The Non-Executive Chairman shall be permitted to attend and participate in executive sessions called by the Committee. Should a matter come before the Committee that requires certain expertise and the Committee member (or members) with knowledge of such expertise is not at the meeting, that matter should be voted on at a subsequent meeting at which such Committee member (or members) is present.

The General Auditor, the external auditor, the Chief Compliance Officer, and the General Counsel, shall, at least four times per year and at the discretion of the Committee, or at the request of such officer(s), be provided the opportunity to meet in executive session separately with the Committee. The Group Chief Risk Officer shall, at least two times per year (or more frequently at the discretion of the Committee or at the request of such officer), be provided the opportunity to meet in executive session separately with the Committee.

The Committee Chair shall either be a member of the Board's Risk Committee or meet with the Chair of the Board's Risk Committee quarterly to share information and concerns and coordinate the activities of the two committees.

D. Quorum and Voting

A majority of the incumbent Committee members shall constitute a quorum for the transaction of business. The presence of the Non-Executive Chairman shall not be counted towards quorum for the transaction of business at a meeting of the Committee where a quorum of voting Committee members is present, but may be counted towards quorum for the transaction of business at a meeting of the Committee at which a quorum of voting

Committee members is not present. The Non-Executive Chairman shall not be a voting member of the Committee; provided, however, that (i) in the event of a tie vote or deadlock among the voting members of the Committee, the Non-Executive Chairman shall have the casting vote which shall determine the outcome of such tie vote or deadlock, and (ii) the Non-Executive Chairman may vote at a meeting of the Committee at which he is counted towards quorum for the transaction of business.

E. Minutes and Reports

The Committee shall maintain minutes of all Committee meetings and shall report to the Board regularly on its activities through the circulation of the minutes of its meetings and by regular reports from the Chair. The Chair is responsible for ensuring that important issues discussed at Committee meetings are reported to the Board.

F. Staff Liaison

The General Auditor shall report directly to the Chair of the Committee and shall assist the Committee as needed in the performance of its duties. The Chief Compliance Officer shall assist the Committee in the performance of its duties with regards to oversight of legal and regulatory compliance and Code of Conduct matters.

The Committee may also require the attendance at any Committee meeting of any additional officers or employees of DTCC as it deems appropriate. The Committee shall receive such support as it requires in the performance of its duties from officers of the Company including without limitation the General Auditor, the Chief Compliance Officer, the Chief Financial Officer and the General Counsel.

**III. Authority**

A. Scope

Subject to the direction of the Board, the Committee is authorized to act on behalf of the Board with respect to any matter necessary or appropriate to the accomplishment of the purpose and responsibilities set forth in this Charter. In discharging its role, the Committee may inquire into any matter it considers appropriate to carry out its purpose and responsibilities, with access to all books, records, facilities and personnel of DTCC, and its wholly owned subsidiaries. The Committee also has the authority to retain advisors, consultants and counsel to assist it in carrying out its activities. DTCC shall provide adequate resources to support the Committee's activities.

B. Delegation

The Committee may delegate a subset of its responsibilities to one or more subcommittees composed of members of the Committee. In addition, the Committee may rely on members of management to assist it in undertaking its responsibilities. However, in all instances, the Committee retains the obligation to oversee such delegated activity and to assure itself that delegation and reliance on the work of the persons delegated to and members of management is reasonable.

### C. Authority of the Chair to Act in an Emergency<sup>1</sup>

In an emergency situation, the Chair of the Committee shall make a reasonable effort to convene a meeting of the Committee. If a quorum cannot be obtained, the majority vote of those Committee members present at the meeting will be sufficient for the Committee to take action. If no Committee members are able to attend the emergency meeting, the Chair of the Committee, or the Non-Executive Chairman if the Chair of the Committee is unavailable, may act on behalf of the Committee when immediate action is required. In such instances, the Chair or Non-Executive Chairman, as the case may be, shall report to the Committee as soon as possible on any actions taken at the meeting, or by the Chair or Non-Executive Chairman, as the case may be, for its ratification. The Chair reviews proposed subsidiary audit committee chair appointments, in addition to any other approvals which are necessary for any such subsidiary.

### D. Advisory Resources

The Committee may obtain such advice as it requires from time to time to address its responsibilities, whether through the appointment of one or more advisors to provide expert input, the engagement of consultants or other advisory resources, or through any other appropriate action.

## **IV. Responsibilities**

The Committee's role is to oversee, on behalf of the Board, internal and external audit processes, financial reporting and disclosure controls and procedures, as such may relate to DTCC and/or any individual SIFMU, including approving major changes in auditing and accounting principles and practices. As the Committee's role is one of oversight, it is recognized that management is responsible for preparing DTCC's financial statements and for establishing and maintaining internal controls. Consequently, in carrying out its oversight responsibilities, the Committee is not providing any expert or special assurance as to the Company's financial statements or any certification as to the work of any auditor.

The following responsibilities are set forth to guide the Committee in fulfilling its purpose; the Committee may undertake other and different activities as appropriate for that purpose, or as may be delegated to it by the Board.

### A. Financial Statements and Financial Reporting

The Committee is responsible for overseeing the management of financial risks, specifically risks over financial reporting. To this end, the Committee shall:

1. Discuss with management and the external auditor the audited and unaudited financial statements;
2. Review with management, the external auditor and Internal Audit (as appropriate)

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<sup>1</sup> Should the emergency situation concern a participant represented by a member of the Committee, such Committee member shall recuse himself/herself from attending the meeting.

significant financial reporting issues and judgments made in connection with the preparation of the financial statements, critical accounting and tax policies, any major issues regarding accounting principles and financial statement presentations and the effect of regulatory and accounting initiatives;

3. Approve material changes in accounting principles and practices;
4. Review with senior management DTCC's internal control over financial reporting;
5. Review and discuss with the external auditor any audit problems or difficulties and management's responses thereto; and
6. Resolve any disagreements between management and the external auditor regarding DTCC's financial reporting.

#### B. Internal Control Environment

The Committee is responsible for overseeing the overall quality of the internal control environment of the Company. To this end, the Committee shall:

1. Review the results of selected internal audits, compliance testing and regulatory examinations, and management's planned response to the issues arising in those reports;
2. Review external audit's annual management letter, and their annual opinions on the quality of controls for DTC, NSCC, and FICC;
3. Review the General Auditor's annual report on the control environment, and annual analysis of significant industry trends in risks and controls.
4. Review the aging of issues and past due status of issues, as well as any actions that could result in an adjustment of the issue severity rating, arising from internal audit, external audit, compliance, and regulatory reports and examinations;
5. Annually review the travel, entertainment, and other expenditures of the President and Chief Executive Officer with the assistance of Internal Audit and the Chief Financial Officer;
6. Review any disclosure of (a) significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the ability of DTCC or any SIFMU to record, process, summarize, and report financial data, and (b) any fraud, whether or not material, that involves management or other employees who have a significant role in Ethical Compliance, Legal Compliance, or Risk Management;
7. Require the attendance at any Committee meeting of additional officers or employees of DTCC as it deems appropriate to discuss aspects of risk management and the internal control environment; and

8. Institute and oversee investigations into matters within the scope of the Committee's responsibilities, including hiring and determining funding for outside experts, including outside counsel.

C. Internal Audit Performance and Coverage

The Committee shall:

1. Be responsible for recommending to the Board the appointment, replacement, reassignment or dismissal of the General Auditor;
2. Supervise the General Auditor, who shall report directly to the Chair of the Committee and administratively to the Chief Executive Officer of the Company, in the performance of the General Auditor's duties, and oversee the effectiveness of the internal audit function;
3. Through the Chair, interact with the General Auditor separate from formal Committee meetings to remain current on developments within the department and the internal control environment which should be assessed from a Company and SIFMU-specific perspective as appropriate;
4. Delegate to the Committee Chair the responsibility to conduct the annual performance assessment of the General Auditor;
5. Review and approve the compensation recommendation for the General Auditor;
6. Annually review and approve the Internal Audit Department charter and review key policies, including the frequency of audits and the risk assessment process;
7. Approve material changes in auditing principles and practices;
8. Review and approve the annual budgets for the Company's Internal Audit and Compliance departments and recommend those budgets to the Board for approval;
9. Annually review and approve the structure, staffing, and resources of the Internal Audit Department;
10. Annually review and approve the Internal Audit Department's annual objectives and the annual internal audit plan, provided that the plan shall be presented first to the Committee in draft prior to receiving input from management, and ensure that such plans and objectives adequately address matters at a Company and an individual SIFMU level ; and review any significant changes to the internal audit plan and progress towards completion of the plan;
11. Review, at least annually, the results of the Internal Audit Department's Quality Assurance Improvement Program, and any external quality assurance reviews;
12. Review any aspects of the internal audit function that are outsourced to, or co-sourced with, a third party; and

13. Review any delay in the issuance of an internal audit report extending beyond the standard time frame adopted by Internal Audit, and any serious difficulties or disputes with management encountered during the course of an audit, including any restrictions on the scope of the audit or access to required information.
14. Ensure that the Internal Audit Department's risk assessment and annual planning processes take into account legal and regulatory risks and impacts specific to DTCC and the SIFMUs as separate legal entities.

D. External Audit Independence, Performance and Coverage

The Committee shall:

1. Monitor and evaluate the external auditor's qualifications, performance and independence and based upon such evaluations approve the appointment or dismissal of the external auditor;
2. Approve all external audit fees and terms, and both the scope and fees for any other services to be provided by the external auditors unrelated to the audit; in the absence of a scheduled meeting, the Chair will have the authority to pre-approve such services and report to the Committee at the next regularly scheduled meeting;
3. Obtain and review, at least annually, a report on the Company which should be assessed from a Company and SIFMU-specific perspective as appropriate by the external auditor describing the auditor's internal quality-control procedures, any material issues raised by the most recent internal quality-control review or peer review of the auditor, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the auditor, and any steps taken to deal with any such issues;
4. Ensure that the lead audit partner (signing the External Auditor opinion) and the concurring audit partner serve no more than five consecutive years and the relationship partner and other non-signing partners rotate off the audit at least every seven years; ensure annually the receipt from the external auditors of a formal written statement delineating all relationships between the external auditors and the Company, and discuss with the external auditors all disclosed relationships and their impact on the external auditor's independence;
5. Have a clear understanding with the external auditors that they must maintain an open and transparent relationship with the Committee, and that the ultimate accountability of the external auditors is to the Board and the Committee;
6. Review and approve the scope of the annual audit of the Company's financial statements including a discussion of the review of risk and the scope of the external auditor's evaluation of the effectiveness of internal control which should be assessed from a Company and SIFMU-specific perspective as appropriate;

7. Review periodically the results of and any significant findings from the annual audit of the Company's financial statements, including the recommendations for improvements in accounting controls and administrative efficiency, and the results of internal control reviews which should be assessed from a Company and SIFMU-specific perspective as appropriate;
8. Review periodically matters required to be communicated in accordance with American Institute of Certified Public Accountants (AICPA) Statement on Auditing Standards (SAS) No. 114, The Auditor's Communication with Those Charged with Governance and Public Company Accounting Oversight Board (PCAOB) Auditing Standard No. 16, Communications with Audit Committees; and
9. Review annually the fees paid to and services rendered by all external audit firms to the Company.

E. Legal, Compliance and Regulatory Risks

The Committee is responsible for overseeing the management of legal, compliance and regulatory risk. To this end, the Committee shall:

1. Oversee the design and management of the Company's Compliance Program, including policies and procedures reasonably designed to ensure that compliance issues are resolved effectively and expeditiously by the Chief Compliance Officer and senior management which should be assessed from a Company and SIFMU-specific perspective as appropriate;
2. Meet periodically with the SIFMUs' regulators;
3. Be responsible for reviewing and endorsing management's appointment, reassignment or dismissal of a Chief Compliance Officer for the Company, and presenting that appointment, reassignment or dismissal to the Board for its approval;
4. Review and approve the compensation recommendation for the Chief Compliance Officer;
5. Oversee the structure, staffing, and resources of the Compliance Department;
6. Review and approve DTC's BSA/AML Program on an annual basis and recommend to the Board for its approval;
7. Monitor ongoing compliance activities and issues by receiving regular updates from the Chief Compliance Officer which should be assessed from a Company and SIFMU-specific perspective as appropriate;
8. Review key risks and compliance concerns detected as part of the compliance program, including summaries of and trends concerning Suspicious Activity Reports ("SARs") and other significant BSA/AML related filings for DTC;

9. Understand the potential impact on DTCC and the SIFMUs of changes in applicable laws, regulations, regulatory guidance and industry practices, and ensure that critical matters and systemic risk concerns are escalated to the Board which should be assessed from a Company and SIFMU-specific perspective as appropriate;
10. Consider any issues or risks material to DTC, NSCC or FICC, as communicated to the Committee by the responsible functional areas within the Committee's purview, as they may relate to the SIFMUs' performance of responsibilities under the SEC's covered clearing agency standards;
11. Review the process for communicating the Code of Conduct to personnel, any submissions by DTCC employees under the Code of Conduct, including confidential anonymous submissions, regarding questionable accounting or auditing matters; and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance or purported material violations of law or fiduciary duty which should be assessed from a Company and SIFMU-specific perspective as appropriate;
12. Annually review a report from the Company's General Counsel on existing, pending, or threatened litigation, and discuss legal matters related to DTCC or any SIFMU that may have a material impact on the financial statements; and
13. Annually review a report from the Company's General Counsel on the Company's use of external counsel services, including details of associated and aggregated costs by firm.

F. Coordination, Reporting and Self-Evaluation

The Committee shall:

1. Review annually the Committee's responsibilities as set forth in the Charter and recommend any changes to the Governance Committee for consideration and approval by the Governance Committee and the Board; and
2. Review annually any critical metrics established for the Committee and recommend any changes; and
3. Undertake an annual self-assessment of the Committee's performance and provide results of such assessment to the Board for review.