



Securing Today. Shaping Tomorrow.®

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DTCC CAPITAL MANAGEMENT STATEMENT

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Capital Management

DTCC considers capital management integral to ensuring financial stability. DTCC's capital management strategy is a priority for the firm and helps the organization maintain a strong financial position by:

- Ensuring financial resources are sufficient to support both current and forecasted needs;
- Ensuring that DTCC and its operating subsidiaries, particularly the three core clearing agencies that have been designated as Systemically Important Financial Market Utilities (SIFMUs) – The Depository Trust Company (DTC), Fixed Income Clearing Corporation (FICC) and National Securities Clearing Corporation (NSCC) – maintain adequate capital to protect against risks that may arise under adverse scenarios;
- Satisfying current and anticipated regulatory capital requirements in light of strengthened global risk management standards for financial market utilities in markets in which the SIFMUs and other DTCC regulated subsidiaries operate;
- Supporting strong credit ratings, particularly for the SIFMU subsidiaries and the holding company; and
- Maintaining access to financial resources for strategic growth opportunities.

Financial Planning and Capital Framework

DTCC maintains a disciplined approach to financial planning and management, which it views as a critical element to ensuring sustainability of the firm's operations and to its capital planning process. Key aspects of this approach include DTCC's annual budget process; business line performance reviews with management; development of a three-year long-range financial plan; monthly cash flow projections based on earnings estimates and financial forecasting; and regular review of capital requirements at the individual operating subsidiary level, including the SIFMUs, as well as DTCC on a consolidated basis. These elements are brought together to create a comprehensive financial plan that projects DTCC's ability to generate the required level of earnings and cash flows to protect against financial risks and to support overall business strategies.

At the center of DTCC's approach to measuring and managing its capital is a framework comprised of regulatory, economic and strategic components designed to comprehensively assess the capital needs of the consolidated enterprise and its operating subsidiaries. DTCC's capital framework was developed under the supervision of the Finance/Capital Committee of the Board of Directors, which oversees DTCC's financial strategy and assess performance against that strategy.

DTCC's regulatory capital framework was developed using guidance from the 2012 CPMI-IOSCO Principles for Financial Market Infrastructures (PFMIs), which outlined international guidelines for, among other things, core risk management standards for financial utilities. DTCC has also taken into consideration the Securities and Exchange Commission's (SEC) proposed standards for covered clearing agencies, as well as the Federal Reserve's revised Regulation HH (Reg HH) risk management standards, both of which are largely aligned to the PFMIs. DTCC has incorporated key elements of these standards into its capital framework, particularly those related to Principle 15 (General Business Risk), which outlines



minimum capital requirements. Central to Principle 15 is the concept that a clearing agency should hold liquid net assets funded by equity such that it is able to maintain operations for an extended period should it experience general business losses, with the minimum standard equivalent to at least six months of operating expenses. Furthermore, Principle 15 requires a clearing agency to maintain a viable plan for raising additional equity should its equity fall close to or below the minimum amount needed. DTCC identifies a diversified set of strategies and tools to replenish financial resources for the enterprise including its clearing agency subsidiaries and is in the process of developing a comprehensive plan to address this requirement as part of its recovery and resolution planning initiative.

Additionally, DTCC's capital framework incorporates an economic component, which measures capital requirements on a consolidated basis across core risk categories; specifically, business risk, market risk, credit risk and operational risk. DTCC believes that an economic risk-based capital view of the firm's total business portfolio is an important assessment tool to complement regulatory mandates, which are focused on specific DTCC subsidiaries. Under this framework, DTCC is able to evaluate potential stress scenarios to more fully assess its capital requirements and financial resources in terms of economic realities during potential periods of market downturns and contraction.

DTCC also has established a strategic component within its capital framework, which is an assessment of the capital needed to support DTCC's business growth and new strategic initiatives.

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, which are supervised and examined by the Federal Reserve Bank of New York (FED), the New York State Department of Financial Services (NYS DFS), and the U.S. Commodity Futures Trading Commission (CFTC) in the United States; the Ontario Securities Commission (OSC), the Autorité des marchés financiers (AMF) and the Manitoba Securities Commission (MSC) in Canada; ESMA in the European Union; the Japan Financial Services Agency (JFSA) in Japan; the Monetary Authority of Singapore (MAS) in Singapore; and the Australian Securities and Investments Commission (ASIC) in Australia. Additionally, upon implementation of draft SEC Rule 17Ad – 22(e)(15), DTCC's SIFMUs will be required to maintain and report regulatory capital according to the SEC's implementation of PFMI Principle 15 into its proposed standards for covered clearing agencies.

DTCC banking subsidiaries are subject to capital requirements of applicable state and Federal law and regulation. At December 31, 2015, DTCC operated two subsidiaries with banking licenses: DTC and The Warehouse Trust Company (WTC), each a limited purpose trust company under the Banking Law of New York State. As required, DTC and WTC measure and report capital adequacy based on Common Equity Tier 1, Tier 1 Capital, Tier 1 Leverage and Total Capital ratios.



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