

The Depository Trust & Clearing Corporation

Condensed Consolidated Financial Statements
as of March 31, 2019 and December 31, 2018 and for the three
months ended March 31, 2019 and 2018

THE DEPOSITORY TRUST & CLEARING CORPORATION

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

<u>(In thousands, except share data)</u>	<u>As of March 31,</u> <u>2019</u>	<u>As of December 31,</u> <u>2018</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 7,147,355	\$ 8,641,036
Participants' segregated cash	103,610	77,988
Short-term investments	700,000	800,000
Accounts receivable - net of allowance for doubtful accounts of \$1,471 and \$1,650 as of March 31, 2019 and December 31, 2018, respectively	176,352	177,880
Participants' and Clearing Funds	32,974,121	36,622,122
Other Participants' assets	944,370	518,115
Other current assets	112,085	133,960
Total current assets	<u>42,157,893</u>	<u>46,971,101</u>
NON-CURRENT ASSETS:		
Premises and equipment - net of accumulated depreciation of \$411,481 and \$399,846 as of March 31, 2019 and December 31, 2018, respectively	208,378	213,111
Goodwill	57,699	57,699
Intangible assets - net of accumulated amortization of \$862,938 and \$839,236 as of March 31, 2019 and December 31, 2018, respectively	327,195	319,119
Equity method investments	10,037	10,491
Operating lease right-of-use-asset	245,255	—
Other non-current assets	332,810	319,579
Total non-current assets	<u>1,181,374</u>	<u>919,999</u>
TOTAL ASSETS	<u><u>\$ 43,339,267</u></u>	<u><u>\$ 47,891,100</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Commercial paper - net of unamortized discount of \$44,253 and \$43,856 as of March 31, 2019 and December 31, 2018, respectively	\$ 5,847,406	\$ 7,436,141
Current portion of long-term debt	8,773	2,650
Current portion of pension and postretirement benefits	16,608	16,608
Current portion of operating lease liability	25,127	—
Accounts payable and accrued expenses	121,902	104,013
Participants' and Clearing Funds	32,974,121	36,622,122
Payable to Participants	1,047,980	596,103
Other current liabilities	120,102	260,677
Total current liabilities	<u>40,162,019</u>	<u>45,038,314</u>
NON-CURRENT LIABILITIES:		
Non-current portion of long-term debt	38,687	33,725
Non-current portion of pension and postretirement benefits	199,149	198,492
Non-current operating lease liability	273,046	—
Other non-current liabilities	271,963	288,334
Total non-current liabilities	<u>782,845</u>	<u>520,551</u>
Total liabilities	<u>40,944,864</u>	<u>45,558,865</u>
COMMITMENTS AND CONTINGENCIES (Note 2)		
SHAREHOLDERS' EQUITY		
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 C, \$0.50 par value - 1,600 shares authorized, issued (above par), and outstanding	390,516	390,516
Common stock, \$100 par value - 80,000 shares authorized, 50,908 shares issued and outstanding	5,091	5,091
Paid-in capital	411,065	411,065
Retained earnings	1,633,254	1,571,298
Accumulated other comprehensive loss, net of tax	(196,123)	(196,335)
Non-controlling interests	150,000	150,000
Total shareholders' equity	<u>2,394,403</u>	<u>2,332,235</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>\$ 43,339,267</u></u>	<u><u>\$ 47,891,100</u></u>

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

THE DEPOSITORY TRUST & CLEARING CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(In thousands)	For the three months ended March 31,	
	2019	2018
REVENUES		
Settlement and asset services	\$ 110,831	\$ 113,870
Clearing services	154,805	153,387
Matching and data services	67,966	70,691
Repository services	72,435	73,864
Wealth management services	26,318	28,512
Other services	9,066	11,118
Investment income (loss)	8,749	(9)
Total revenues	<u>450,170</u>	<u>451,433</u>
EXPENSES		
Employee compensation and related benefits	192,319	165,959
Information technology	41,226	39,997
Professional and other services	82,599	89,431
Occupancy	12,031	12,181
Depreciation and amortization	35,337	41,952
General and administrative	9,708	11,529
Total expenses	<u>373,220</u>	<u>361,049</u>
Total operating income	<u>76,950</u>	<u>90,384</u>
NON-OPERATING INCOME (EXPENSE)		
Interest income	156,292	86,048
Refunds to Participants	(102,511)	(65,345)
Interest expense	(57,502)	(23,384)
Net (loss) income from Equity method investments	(245)	104
Other non-operating income	11,351	8,516
Total non-operating income	<u>7,385</u>	<u>5,939</u>
Income before taxes	84,335	96,323
Provision for income taxes	22,379	25,670
Net income	<u>\$ 61,956</u>	<u>\$ 70,653</u>

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

THE DEPOSITORY TRUST & CLEARING CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

<u>(In thousands)</u>	For the three months ended March 31,	
	2019	2018
Net income	\$ 61,956	\$ 70,653
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax:		
Foreign currency translation	212	906
Other comprehensive income	212	906
Comprehensive income	\$ 62,168	\$ 71,559

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

(In thousands)	Preferred Stock			Common Stock	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net of Tax			Total Shareholders' Equity
	Series A	Series B	Series C				Defined Benefit Pension and Other Plans	Foreign Currency Translation	Non-controlling Interests	
BALANCE - January 1, 2019	\$ 300	\$ 300	\$ 390,516	\$ 5,091	\$ 411,065	\$ 1,571,298	\$ (189,472)	\$ (6,863)	\$ 150,000	\$ 2,332,235
Net income	—	—	—	—	—	61,956	—	—	—	61,956
Other comprehensive income	—	—	—	—	—	—	—	212	—	212
BALANCE - March 31, 2019	<u>\$ 300</u>	<u>\$ 300</u>	<u>\$ 390,516</u>	<u>\$ 5,091</u>	<u>\$ 411,065</u>	<u>\$ 1,633,254</u>	<u>\$ (189,472)</u>	<u>\$ (6,651)</u>	<u>\$ 150,000</u>	<u>\$ 2,394,403</u>

(In thousands)	Preferred Stock			Common Stock	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net of Tax			Total Shareholders' Equity
	Series A	Series B	Series C				Defined Benefit Pension and Other Plans	Foreign Currency Translation	Non-controlling Interests	
BALANCE - January 1, 2018	\$ 300	\$ 300	\$ 390,516	\$ 5,091	\$ 411,065	\$ 1,261,309	\$ (188,925)	\$ (429)	\$ 148,440	\$ 2,027,667
Net income	—	—	—	—	—	70,653	—	—	—	70,653
Other comprehensive income	—	—	—	—	—	—	—	906	—	906
BALANCE - March 31, 2018	<u>\$ 300</u>	<u>\$ 300</u>	<u>\$ 390,516</u>	<u>\$ 5,091</u>	<u>\$ 411,065</u>	<u>\$ 1,331,962</u>	<u>\$ (188,925)</u>	<u>\$ 477</u>	<u>\$ 148,440</u>	<u>\$ 2,099,226</u>

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

THE DEPOSITORY TRUST & CLEARING CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(In thousands)	For the three months ended March 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 61,956	\$ 70,653
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Depreciation and amortization	35,337	41,952
Net (gain)/loss on disposal of Premises and equipment and Intangible assets	—	1,591
Net loss/(gain) from Equity method investments	245	(104)
Deferred income taxes	798	1,242
Discount on Commercial paper outstanding	3,598	—
Other	(136)	62
Net change in:		
Accounts receivable	1,664	(1,844)
Other Participants' assets	432	3,487
Other assets	7,792	(1,547)
Accounts payable and accrued expenses	30,047	4,124
Pension and postretirement benefits	657	1,429
Other liabilities	(116,132)	(98,937)
Participants' and Clearing Funds liabilities, net	27,195	6,410,171
Payable to Participants	451,877	42,548
Net cash provided by/(used in) operating activities	<u>505,330</u>	<u>6,474,827</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Short-term investments	(300,000)	—
Maturities of Short-term investments	400,000	—
Maturities of Investments in marketable securities	—	25,000
Purchases of Investments in marketable securities	—	(25,000)
Purchases of Premises and equipment	(6,902)	(14,929)
Purchases of Intangible assets	(17,350)	(21,653)
Net cash provided by/(used in) investing activities	<u>75,748</u>	<u>(36,582)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in Commercial paper, net (see Note 11)	(1,592,333)	20,279
Repayments on long-term debt and other borrowings	(3,343)	(2,187)
Net cash provided by/(used in) financing activities	<u>(1,595,676)</u>	<u>18,092</u>
Effect of foreign exchange rate changes on Cash and cash equivalents	421	1,188
Net increase/(decrease) in Cash and cash equivalents, Participants' segregated cash, Participants' and Clearing Funds cash deposits, Cash in Other Participants' assets	(1,014,177)	6,457,525
Cash and cash equivalents, Participants' segregated cash, Participants' and Clearing Funds cash deposits, Cash in Other Participants' assets - Beginning of period	<u>25,569,357</u>	<u>20,270,015</u>
Cash and cash equivalents, Participants' segregated cash, Participants' and Clearing Funds cash deposits, Cash in Other Participants' assets - End of period	<u>\$ 24,555,180</u>	<u>\$ 26,727,540</u>
SUPPLEMENTAL DISCLOSURES:		
Non-cash investing and financing activity related to information technology	<u>\$ 14,428</u>	<u>\$ —</u>
Cash interest paid	<u>\$ 42,537</u>	<u>\$ 12,413</u>
Cash income taxes paid - net of refunds	<u>\$ 8,490</u>	<u>\$ 9,673</u>
Non-cash financing activity - capital lease obligation	<u>\$ —</u>	<u>\$ 3,640</u>

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

THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2019 AND DECEMBER 31, 2018 AND FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

1. BUSINESS AND OWNERSHIP

The Depository Trust & Clearing Corporation (DTCC) is the parent company of various operating subsidiaries, including, but not limited to, 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), Business Entity Data, B.V. (GMEI); 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 financial services industries.

NSCC is organized as a business corporation under New York law, and is a clearing agency registered with the SEC. NSCC provides clearing, settlement, risk management, and central counterparty (CCP) services to its members for broker-to broker 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 to members that participate in the U.S. government and mortgage-backed securities markets, consisting principally of automated real-time trade comparison, netting, clearance, settlement, trade confirmation, 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 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, formerly known as Omgeo LLC, provides post-trade matching, processing and other related services, primarily to members of the financial community.

Deriv/SERV, through its subsidiaries and affiliates, enhances transparency and provides operational efficiency for the derivatives market. Its trade repository system supports a multitude of data submissions, including real-time price reporting, transaction details, confirmation records and valuation data.

Solutions provides information-based and business processing solutions to financial intermediaries globally.

GMEI utility is DTCC's Legal Entity Identifier (LEI) solution offered in collaboration with Society for Worldwide Interbank Financial Telecommunication (SWIFT) and a consortium of 14 global financial services organizations, led by the Global Financial Markets Association (GFMA), to meet the requirements across all asset classes. GMEI is designed to create and apply a single, universal standard identifier to any organization or firm involved in a financial transaction globally.

2. BASIS OF PRESENTATION AND USE OF ESTIMATES

Basis of presentation. The accompanying Condensed Consolidated 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 have not been audited. These accompanying interim financial statements do not include all of the information and notes required by U.S. GAAP for complete financial statements and should be read in conjunction with DTCC's Audited Consolidated Financial Statements for the years ended December 31, 2018 and 2017, 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, 2018 and 2017, for additional information on the Company's Summary of Significant Accounting Policies.

The Condensed Consolidated 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 Condensed Consolidated Financial Statements include the accounts of the Company and its wholly-owned subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation.

Impacts to previously reported results. The Company reclassified prior period amounts related to Trade Information Warehouse revenues to conform to the current year presentation.

The impact of the change in presentation on the Company's previously reported results for the three months ended March 31, 2018 follows (in thousands):

	For the three months ended March 31, 2018		
	As Previously Reported	Reclassification Presentation Adjustment	As Restated
Clearing services	\$ 155,457	\$ (2,070)	\$ 153,387
Repository services	71,794	2,070	73,864

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 Condensed 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 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.

Restricted cash. As a result of the adoption of ASU 2016-18, *Statement of Cash Flows: Restricted Cash* under the full retrospective method of adoption the Company has reported the cash and cash equivalents related to Participants' segregated cash, Participants' and Clearing Funds cash deposits, Cash in Other Participants' assets within the beginning and ending balances of Cash and cash equivalents, Participants' segregated cash, Participants' and Clearing Funds cash deposits, Cash in Other Participants' assets on the accompanying Condensed Consolidated Statements of Cash Flows. See Note 3 in DTCC's Audited Consolidated Financial Statements for the years ended December 31, 2018 and 2017, for additional information.

THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2019 AND DECEMBER 31, 2018 AND FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

2. BASIS OF PRESENTATION AND USE OF ESTIMATES (CONTINUED)

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

	March 31, 2019	December 31, 2018	March 31, 2018
Cash and cash equivalents	\$ 7,147,355	\$ 8,641,036	\$ 5,076,638
Participants' segregated cash	103,610	77,988	32,267
Participants' and Clearing Funds cash deposits	16,359,863	16,332,668	20,722,691
Cash in Other Participants' assets	944,352	517,665	895,944
Total Cash and cash equivalents, Participants' segregated cash, Participants' and Clearing Funds cash deposits, Cash in Other Participants' assets shown on the Condensed Consolidated Statements of Cash Flows	<u>\$ 24,555,180</u>	<u>\$ 25,569,357</u>	<u>\$ 26,727,540</u>

As a result of this accounting change, net cash provided by operating activities of approximately \$505 million is primarily driven by the change in Participants' and Clearing Funds liabilities and Payable to Participants.

The impact of the new cash flows standard on the Company's previously reported results for the three months ended March 31, 2018 follows (in thousands):

	As Previously Reported	New Restricted Cash Standard Adjustment	As Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Other Participants' assets	\$ (30,401)	\$ 33,888	\$ 3,487
Participants' and Clearing Funds liabilities, net	—	6,410,171	6,410,171
Net cash provided by/(used in) operating activities	30,768	6,444,059	6,474,827
CASH FLOWS FROM INVESTING ACTIVITIES			
Change in Participants' segregated cash	\$ (12,147)	\$ 12,147	\$ —
Net cash provided by/(used in) investing activities	(48,729)	12,147	(36,582)

Revenue recognition. On January 1, 2018, the Company adopted ASU 2014-09, *Revenue from Contracts with Customers* under the full retrospective method of adoption. See Note 3 in DTCC's Audited Consolidated Financial Statements for the years ended December 31, 2018 and 2017, for additional information.

The Company recognizes revenue to depict the transfer of promised services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. To achieve that principle, the Company applies the following steps: identify the contract(s) with the customer, identify the performance obligations in the contract(s), determine the transaction price, allocate the transaction price to the performance obligations in the contract and recognize revenue when (or as) the entity satisfies a performance obligation.

The Company recognizes revenue from contracts with customers as performance obligations are satisfied when promised services are transferred to the customer. The majority of the promised services and related performance obligations are recognized at the point in time when the control of the promised service is transferred to the customer.

2. BASIS OF PRESENTATION AND USE OF ESTIMATES (CONTINUED)

The amount of revenue recognized reflects the consideration the Company expects to be entitled to for transferring the promised services to the customer. For certain contracts with customers, the consideration in which the Company expects to be entitled to in exchange for transferring promised service to a customer consists of variable consideration. The variable consideration primarily relates to volume based discounts or rebates for certain services, however, the volume targets or thresholds typically reset on a monthly basis therefore, the variable consideration does not have an impact on the revenue recognition.

The Company derives its revenue from transaction fees, subscription revenue and support services, professional services, and other services. Revenue from transaction fees is recognized at a point in time on the transaction date, as the customer obtains the control and benefit of the service at that point. 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. Professional services and other revenues, when sold with subscription and support offerings, are accounted for separately when these services have value to the customer on a standalone basis and are recognized as the performance obligation is satisfied and control of the service is transferred to the customer, otherwise they are recognized ratably over the contract term. Other services, which represent fees generated from offering referential based data and business processing solutions to financial institutions globally, is recognized when services are provided based on contractual terms.

Revenue streams

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

Settlement and asset services. DTC provides settlement services for equity, corporate and municipal debt trades and money market instruments in the U.S. The payment and transfer of securities ownership occurs at DTC, which provides custody and asset servicing for securities. Asset services include underwriting, corporate actions processing, securities processing, global tax services and issuer services.

Clearing services. The Company's subsidiaries, NSCC and FICC, deliver clearing services across the U.S. equities and fixed income markets. Clearing services include continuous net settlement, mortgage backed securities clearing, and government securities clearing.

Matching and data services. DTCC's Institutional Trade Processing (ITP) service provides trade processing solutions combined with DTCC's global solution for LEIs and its settlement capabilities with pre-trade and matching services. ITP offers buy-side, sell-side, and custodian firms an end-to-end straight-through-processing solution for their trading activity. Matching and data services include trade enrichment, trade agreement, and data analytics.

Repository services. The Global Trade Repository service supports data submissions including real-time price reporting, transaction details, confirmation records and valuation data. The Trade Information Warehouse's Trade Reporting Repository enables regulators and market participants to view the market's overall risk exposure to over-the-counter (OTC) credit derivatives instruments by operating and maintaining the centralized, electronic database for credit default swap contracts outstanding in the global marketplace. Repository services include OTC derivatives reporting and trade reporting.

Wealth management services. NSCC provides wealth management services that include centralized, automated processing and information services for mutual fund, alternative investment, and insurance and retirement products. These businesses drive centralized, automated processing and information services. Wealth management services enable seamless, end-to-end communications with broker/dealers and other distribution partners for funds, asset managers and insurance companies and their service providers.

Other services. The Company offers 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.

2. BASIS OF PRESENTATION AND USE OF ESTIMATES (CONTINUED)

Accounts receivable and contract balances

The period in which the Company recognizes revenue may differ from the timing of payments received from customers. The Company records a receivable when revenue is recognized prior to payment and there is an unconditional right to payment. See Note 5, Due from Participants and customers for services, net, for the Company's receivables related to revenues from contracts with customers. Alternatively, when payment precedes the provision of the related services, the Company records deferred revenue until the performance obligations are satisfied.

Deferred revenue represents the Company's contract liabilities related to billings or payments received in advance for subscription and support services, as well as professional service fees, where the performance obligation has not yet been satisfied. Deferred revenue was \$12,612,000 and \$12,311,000 at March 31, 2019 and December 31, 2018, respectively, and is included in Other current liabilities on the accompanying Condensed Consolidated Statements of Financial Condition.

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 Condensed Consolidated Statements of Financial Condition, Income or Cash Flows.

3. ACCOUNTING AND REPORTING DEVELOPMENTS

See Note 3 in DTCC's Audited Consolidated Financial Statements for the years ended December 31, 2018 and 2017, for additional information on the Company's Accounting and Reporting Developments.

Standard	Description	Impact on the financial statements or other significant matters
<i>Recently Adopted Accounting Standard</i>		
ASU 2016-02 Leases <i>Issued February 2016</i>	<ul style="list-style-type: none"> • Requires a lessee to recognize leases with terms of longer than 12 months within balance sheet assets and liabilities. • Changes the recognition measurement and presentation of expenses and cash flows arising from a lease depending on its classification as a financing or operating leases as determined by the lessee. • Lessor accounting will remain largely unchanged from current GAAP. Leases of fewer than 12 months are exempt from the updated standard. 	<ul style="list-style-type: none"> • Adopted January 1, 2019. • The Company adopted the standard through a cumulative-effect adjustment without revising the prior comparative period and elected the practical expedients permitted under the transition guidance within the standard, which permits the Company not to reassess the following for any expired or existing contracts: i) whether any contracts contain leases; ii) lease classification (i.e. operating lease or finance lease); and iii) initial direct cost. • See Note 8 for additional information.

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, 2019 and December 31, 2018 follow (in thousands):

	<u>2019</u>	<u>2018</u>
Assets:		
Participants' segregated cash	\$ 103,610	\$ 77,988
Other Participants' assets:		
Cash in Other Participants' assets	944,352	517,665
Other	18	450
Total	<u>\$ 1,047,980</u>	<u>\$ 596,103</u>
Liabilities:		
Payable to Participants	<u>\$ 1,047,980</u>	<u>\$ 596,103</u>

Participants' segregated cash represents cash received from Participants to facilitate their compliance with SEC customer protection rules. Unclaimed balances are remitted to the appropriate authority when required by abandoned property laws.

Payable to Participants included \$83,000 and \$127,000 of cash collateral received from Participants, representing 130% of short positions as of March 31, 2019 and December 31, 2018, respectively. Unclaimed balances are remitted to the appropriate authority when required, pursuant to abandoned property laws.

5. ACCOUNTS RECEIVABLE

Details for Accounts receivable as of March 31, 2019 and December 31, 2018 follow (in thousands):

	<u>2019</u>	<u>2018</u>
Due from Participants and customers for services	\$ 165,193	\$ 165,554
Allowance for doubtful accounts	(1,471)	(1,650)
Due from Participants and customers for services, net	163,722	163,904
Other receivables	12,630	13,976
Total	<u>\$ 176,352</u>	<u>\$ 177,880</u>

Total write-offs in the allowance for doubtful accounts were \$43,000 and \$75,000 for the three months ended March 31, 2019 and 2018, respectively.

THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2019 AND DECEMBER 31, 2018 AND FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

6. PARTICIPANTS' AND CLEARING FUNDS

Details for the Participants' and Clearing Funds as of March 31, 2019 and December 31, 2018 follow (in thousands):

	2019			
	DTC	NSCC	FICC	Total
Required deposits	\$ 1,150,000	\$ 6,324,375	\$ 15,398,693	\$ 22,873,068
Excess deposits	736,182	1,991,388	7,373,483	10,101,053
Total	<u>\$ 1,886,182</u>	<u>\$ 8,315,763</u>	<u>\$ 22,772,176</u>	<u>\$ 32,974,121</u>

	2018			
	DTC	NSCC	FICC	Total
Required deposits	\$ 1,150,000	\$ 6,830,444	\$ 18,053,674	\$ 26,034,118
Excess deposits	684,363	1,435,091	8,468,550	10,588,004
Total	<u>\$ 1,834,363</u>	<u>\$ 8,265,535</u>	<u>\$ 26,522,224</u>	<u>\$ 36,622,122</u>

Cash deposits and Securities on deposit. Details for cash deposits and securities on deposit of the Participants' and Clearing Funds, which may be applied to satisfy obligations of the depositing Participant, other Participants, or the Company as provided in the rules of the relevant subsidiaries of the Company, as of March 31, 2019 and December 31, 2018 follow (in thousands):

	2019			
	DTC	NSCC	FICC	Total
Cash deposits	\$ 1,886,182	\$ 7,834,833	\$ 6,638,848	\$ 16,359,863
Securities on deposit - at fair value	—	480,930	16,133,328	\$ 16,614,258
Total	<u>\$ 1,886,182</u>	<u>\$ 8,315,763</u>	<u>\$ 22,772,176</u>	<u>\$ 32,974,121</u>

	2018			
	DTC	NSCC	FICC	Total
Cash deposits	\$ 1,834,363	\$ 7,651,033	\$ 6,847,272	\$ 16,332,668
Securities on deposit - at fair value	—	614,502	19,674,952	20,289,454
Total	<u>\$ 1,834,363</u>	<u>\$ 8,265,535</u>	<u>\$ 26,522,224</u>	<u>\$ 36,622,122</u>

Details for the Participants' and Clearing Funds cash deposits as of March 31, 2019 and December 31, 2018 follow (in thousands):

	2019			
	DTC	NSCC	FICC	Total
Bank deposits	\$ 1,886,182	\$ 5,820,833	\$ 4,935,848	\$ 12,642,863
Money market fund investments	—	1,639,000	1,253,000	2,892,000
Reverse repurchase agreements	—	375,000	450,000	825,000
Total	<u>\$ 1,886,182</u>	<u>\$ 7,834,833</u>	<u>\$ 6,638,848</u>	<u>\$ 16,359,863</u>

	2018			
	DTC	NSCC	FICC	Total
Bank deposits	\$ 1,834,363	\$ 5,720,033	\$ 5,466,272	\$ 13,020,668
Money market fund investments	—	1,556,000	931,000	2,487,000
Reverse repurchase agreements	—	375,000	450,000	825,000
Total	<u>\$ 1,834,363</u>	<u>\$ 7,651,033</u>	<u>\$ 6,847,272</u>	<u>\$ 16,332,668</u>

7. EQUITY METHOD INVESTMENTS

Details for DTCC’s Equity method investments as of March 31, 2019 and December 31, 2018 follow (in thousands, except ownership percentage):

	<u>2019</u>	<u>2018</u>
European Central Counterparty N.V.		
Percentage ownership	20%	20%
Carrying value	\$ 10,037	\$ 10,491
DTCC-Euroclear GlobalCollateral, LTD		
Percentage ownership	50%	50%
Carrying value	\$ —	\$ —

European Central Counterparty N.V. (ECCP N.V.), a joint venture with ABN AMRO Clearing Investments B.V., NASDAQ AB, BATS Trading Limited and Euronext N.V., provides a pan-European clearing solution offering economies of scale and risk management expertise to European market participants. ECCP N.V. uses the risk management framework and customer service organization of European Multilateral Clearing Facility N.V. (EMCF), and conducts its operations using the technology platform and infrastructure of EMCF.

DTCC-Euroclear GlobalCollateral LTD (DEGCL), a joint venture with Euroclear plc, provides support to financial institutions in addressing significant regulatory, operational and industry challenges related to the management of margin calls and collateral impacting the over-the-counter (OTC) derivatives market.

The Company's contributions to DEGCL for the three months ended March 31, 2019 and year ended December 31, 2018 follow (in thousands):

	<u>Amount</u>
June 19, 2018	\$ 5,000
December 5, 2018	6,000
Total ⁽¹⁾	<u>\$ 11,000</u>

(1) DTCC maintained the same ownership percentage as the joint venture partner, Euroclear plc, who also contributed a total of \$11,000,000

Based on the delayed revenue generation and losses sustained by DEGCL services, a triggering event resulted during 2017 that required DTCC to assess its investment in DEGCL for other-than-temporary impairment. As a result, DTCC recognized an impairment charge of \$9,881,000, which was included in Impairment of Equity method investments in the Consolidated Statement of Income for the year ended December 31, 2017. Cash contributions made to DEGCL subsequent to impairment were for the funding of prior losses of DEGCL and will be included in Net loss from Equity method investments in the accompanying Condensed Consolidated Statements of Income until financial conditions improve. DTCC continues to maintain its relationship with the DEGCL joint venture.

THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2019 AND DECEMBER 31, 2018 AND FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

8. LEASES

The Company determines if an arrangement is or contains a lease at contract inception. Operating leases are included in Operating lease right-of-use (ROU) asset, Current portion of operating lease liability, and Non-current operating lease liability on the Company's Condensed Consolidated Statements of Financial Condition. Finance leases are included in Property and equipment, Current portion of long-term debt, and Non-current portion of long-term debt on the Company's Condensed Consolidated Statements of Financial Condition.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. The ROU assets are measured at the amount equal to the lease liabilities, adjusted for balances of accrued or prepaid rent and unamortized lease incentives provided by lessors. Operating lease liabilities are recognized based on the present value of the future lease payments over the remaining lease term. The Company uses its incremental borrowing rate, factoring in the lease term, to determine the lease liability. When determining lease term, the Company considers renewal options that the Company is reasonably certain to exercise and termination options that the Company is reasonably certain not to exercise. For operating leases, expense is generally recognized on a straightline basis over the lease term. For finance leases, interest expense on the lease liability is recognized using the effective interest method and amortization of the ROU asset is recognized on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term. The Company has lease agreements with lease and non-lease components, which are accounted for separately.

The Company leases corporate offices, datacenters and certain equipment primarily through operating leases and a limited number of finance leases. The Company's leases have remaining lease terms of 1 year to 14 years, some of which may include options to extend the leases for up to 10 years, and some of which may include options to terminate the leases within 1 year.

Details for leased assets and lease liabilities as of March 31, 2019 follow:

	Operating Leases	Finance Leases	Total
Assets			
Operating lease right-of-use	\$ 245,255	\$ —	\$ 245,255
Premise and equipment	—	136	136
Total leased assets	<u>\$ 245,255</u>	<u>\$ 136</u>	<u>\$ 245,391</u>
Liabilities			
Current			
Current portion of operating lease liabilities	\$ 25,127	\$ —	\$ 25,127
Current portion of long-term debt	—	39	39
Non-current			
Non-current operating lease liabilities	273,046	—	273,046
Non-current portion of long-term debt	—	102	102
Total leased liabilities	<u>\$ 298,173</u>	<u>\$ 141</u>	<u>\$ 298,314</u>

THE DEPOSITORY TRUST & CLEARING CORPORATION**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)****AS OF MARCH 31, 2019 AND DECEMBER 31, 2018 AND FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018****8. LEASES (CONTINUED)**

Details for the maturity of lease liabilities follow:

	Operating Leases	Finance Leases	Total
2019	\$ 25,837	\$ 35	\$ 25,872
2020	33,759	47	33,806
2021	32,235	47	32,282
2022	26,300	27	26,327
2023	26,142	—	26,142
Thereafter	223,936	—	223,936
Total lease payments	<u>368,209</u>	<u>156</u>	<u>368,365</u>
Interest	(70,036)	(15)	(70,051)
Present value of lease liabilities	<u>\$ 298,173</u>	<u>\$ 141</u>	<u>\$ 298,314</u>

Details for estimated future minimum rental payments under all noncancelable leases as of December 31, 2018 follow (in thousands):

2019	\$ 33,981
2020	33,804
2021	33,879
2022	29,779
2023	29,716
Thereafter	232,344
Total minimum rental payments ⁽¹⁾	<u>\$ 393,503</u>

(1) Future minimum rental payments were not reduced by minimum sublease rentals of \$52,639,000 due in the future under noncancelable subleases.

Details for the lease expense and the lease payments for the three months ended March 31, 2019 follow:

	Operating Leases	Finance Leases	Total
Lease expense			
Occupancy	\$ 7,972	\$ —	\$ 7,972
Information technology	920	—	920
Depreciation and amortization	—	10	10
Interest expense	—	2	2
Total lease expense	<u>8,892</u>	<u>12</u>	<u>8,904</u>
Sublease income (Occupancy)	(1,460)	—	(1,460)
Net lease expense	<u>\$ 7,432</u>	<u>\$ 12</u>	<u>\$ 7,444</u>
Lease Payments			
Operating cash flows	\$ 8,573	\$ 10	\$ 8,583
Financing cash flows	—	2	2
Total lease cash flows	<u>\$ 8,573</u>	<u>\$ 12</u>	<u>\$ 8,585</u>

8. LEASES (CONTINUED)

Details of the weighted average remaining lease term and weighted average discount rate used to determine the lease liability as of March 31, 2019 follow:

	<u>Operating Leases</u>	<u>Finance Leases</u>
Weighted average remaining lease term (years):	12.2	3.3
Weighted average discount rate	3.38%	4.65%
Leased assets obtained in exchange for new lease liabilities during the three months ended March 31, 2019	\$ —	\$ —

9. OTHER ASSETS

Details for Other assets as of March 31, 2019 and December 31, 2018 follow (in thousands):

	<u>2019</u>	<u>2018</u>
Prepays	\$ 81,376	\$ 81,774
Prepaid taxes	12,779	24,645
Interest receivable	17,901	27,353
Other current assets	29	188
Total other current assets	<u>112,085</u>	<u>133,960</u>
Long-term incentive plan assets	154,391	148,549
Cash surrender value on insurance policies	62,714	61,035
Prepays	51,332	44,978
Deferred tax assets	44,100	44,952
Equity investments	11,750	11,750
Investment in Federal Reserve Stock	6,402	6,402
Other non-current assets	2,121	1,913
Total other non-current assets	<u>332,810</u>	<u>319,579</u>
Total	<u>\$ 444,895</u>	<u>\$ 453,539</u>

See Note 11 in DTCC's Audited Consolidated Financial Statements for the years ended December 31, 2018 and 2017 for additional information.

10. OTHER LIABILITIES

Details for Other liabilities as of March 31, 2019 and December 31, 2018 follow (in thousands):

	2019	2018
Compensation payable	\$ 36,317	\$ 143,837
Long-term incentive plan liabilities	25,314	51,979
Deferred revenue	12,612	12,311
Deferred rent	—	829
Other current liabilities	45,859	51,721
Total other current liabilities	<u>120,102</u>	<u>260,677</u>
Long-term incentive plan liabilities	226,290	206,758
Unrecognized tax benefits ⁽¹⁾	41,329	40,153
Deferred rent	—	35,136
Deferred tax liabilities	916	970
Other payables	3,428	5,317
Total other non-current liabilities	<u>271,963</u>	<u>288,334</u>
Total	<u>\$ 392,065</u>	<u>\$ 549,011</u>

(1) See Note 15 for additional information.

11. COMMERCIAL PAPER

Details for Commercial paper as of March 31, 2019 and December 31, 2018 follow (in thousands):

	2019	2018
Commercial paper - net of unamortized discount of \$44,253 and \$43,856 as of March 31, 2019 and December 31, 2018, respectively	\$ 5,847,406	\$ 7,436,141
Weighted-average interest rate	2.74%	2.59%

Interest expense on Commercial paper included in the accompanying Condensed Consolidated Statements of Income was \$45,805,000 and \$12,483,000 for the three months ended March 31, 2019 and 2018, respectively.

Details for the cash flows associated with the issuance and maturities of Commercial paper for the three months ended March 31, 2019 and 2018 follow (in thousands):

	2019	2018
Maturities less than 90 days:		
Proceeds from/(Repayments of) Commercial paper less than 90 days, net	<u>\$ (1,117,413)</u>	<u>\$ (71,034)</u>
Maturities greater than 90 days:		
Proceeds from Commercial paper	1,253,692	551,005
Repayments of Commercial paper	(1,728,612)	(459,692)
Proceeds from/(Repayments of) Commercial paper greater than 90 days, net	<u>(474,920)</u>	<u>91,313</u>
Change in Commercial paper, net	<u>\$ (1,592,333)</u>	<u>\$ 20,279</u>

12. LONG-TERM DEBT

Details for Long-term debt as of March 31, 2019 and December 31, 2018 follow (in thousands):

	<u>2019</u>	<u>2018</u>
Notes payable	\$ 35,775	\$ 36,375
Information technology financing	11,685	—
Total long-term debt	<u>47,460</u>	<u>36,375</u>
Less: Current portion of long-term debt	<u>(8,773)</u>	<u>(2,650)</u>
Non-current portion of long-term debt	<u>\$ 38,687</u>	<u>\$ 33,725</u>

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

	<u>Notes Payable</u>	<u>Information Technology Financing</u>	<u>Total</u>
2019	\$ 2,050	\$ 3,661	\$ 5,711
2020	2,650	4,103	\$ 6,753
2021	2,650	3,921	\$ 6,571
2022	2,650	—	\$ 2,650
2023	2,650	—	\$ 2,650
Thereafter	23,125	—	\$ 23,125
Total	<u>\$ 35,775</u>	<u>\$ 11,685</u>	<u>\$ 47,460</u>

Notes payable. Details for notes payable as of March 31, 2019 and December 31, 2018 follow (in thousands):

<u>Issue Date</u>	<u>Maturity</u>	<u>Rate</u>	<u>Outstanding Balance</u>	
			<u>2019</u>	<u>2018</u>
April 26, 2012	April 26, 2032	3.83%	\$ 19,575	\$ 19,575
September 28, 2012	September 28, 2032	3.93%	16,200	16,800
Total			<u>\$ 35,775</u>	<u>\$ 36,375</u>

The weighted-average interest rate was 3.88% as of March 31, 2019 and December 31, 2018, respectively. Total Interest expense on notes payable included in the accompanying Condensed Consolidated Statements of Income was \$352,000 and \$378,000 for three months ended March 31, 2019 and 2018, respectively.

Information Technology Financing. On January 1, 2019, the Company obtained three year financing of \$14 million from IBM Credit LLC in connection to its software and services purchase agreement with IBM. The weighted-average interest rate of the loan was 3.90% as of March 31, 2019. Total Interest expense on the loan included in the accompanying Consolidated Statements of Income was \$123,000 for the three months ended March 31, 2019.

12. LONG-TERM DEBT (CONTINUED)

Lines of credit. DTCC maintains a committed line of credit for general funding purposes while certain of its subsidiaries, DTC and NSCC, also maintain committed lines of credit to support settlement.

Details for the terms of the outstanding lines of credit as of March 31, 2019 and December 31, 2018 follow:

	2019	2018
<i>DTCC</i>		
Committed Amount	\$500 million	\$500 million
Denomination	USD	USD
No. of Participants/Lenders	10/10	10/10
<i>DTC</i>		
Committed Amount	\$1.9 billion	\$1.9 billion
Denomination	USD	USD
No. of Participants/Lenders	33/41	33/41
Uncommitted Amount	C\$150 million ⁽¹⁾	C\$150 million ⁽¹⁾
Denomination	CAD	CAD
No. of Participants/Lenders	1/1	1/1
<i>NSCC</i>		
Committed Amount	\$12.1 billion	\$12.1 billion
Denomination	USD	USD
No. of Participants/Lenders	33/41	33/41

(1) Used to support Canadian settlement.

There were no borrowings under the lines of credit during 2019 and 2018.

12. LONG-TERM DEBT (CONTINUED)

Details for debt covenants related to the notes payable and lines of credit as of March 31, 2019 and December 31, 2018 follow:

	2019	2018
Notes Payable		
<u><i>DTCC</i></u>		
Minimum Net Worth	\$400 million	\$400 million
Maximum Priority Debt	20% of Net Worth	20% of Net Worth
Lines of Credit		
<u><i>DTCC</i></u>		
Minimum Net Worth	\$1.25 billion	\$1.1 billion
Maximum Priority Debt	\$200 million	\$200 million
<u><i>DTC</i></u>		
Minimum Net Worth	\$150 million	\$150 million
Minimum Participants' Fund deposits	\$750 million	\$750 million
<u><i>NSCC</i></u>		
Minimum Net Worth	\$125 million	\$125 million
Minimum Clearing Fund deposits	\$1 billion	\$1 billion

As of March 31, 2019 and December 31, 2018, 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 senior debt ratings and ratings outlooks for DTCC and its three clearing agency subsidiaries as of March 31, 2019 follow:

	Moody's ⁽¹⁾			S&P		
	Long-term	Short-term	Outlook	Long-term	Short-term	Outlook
DTCC	Aa3	N/A	Stable	AA-	A-1+	Stable
DTC	Aaa	P-1	Stable	AA+	A-1+	Stable
FICC	Aaa	P-1	Stable	AA	A-1+	Stable
NSCC	Aaa	P-1	Stable	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.

13. FAIR VALUE MEASUREMENTS

See Note 15 in DTCC's Audited Consolidated Financial Statements for the years ended December 31, 2018 and 2017, 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 of those items measured on a recurring basis are summarized below as of March 31, 2019 and December 31, 2018 (in thousands):

	2019			Total
	Level 1	Level 2	Level 3	
Assets - Participants' and Clearing Funds				
Securities on deposit	\$ 13,480,634	\$ 3,133,624	\$ —	\$ 16,614,258
Non-current assets				
Long-term incentive plan assets	118,007	36,384	—	154,391
Total	<u>\$ 13,598,641</u>	<u>\$ 3,170,008</u>	<u>\$ —</u>	<u>\$ 16,768,649</u>
Participants' and Clearing Funds - Securities				
liabilities	\$ 13,480,634	\$ 3,133,624	\$ —	\$ 16,614,258
Total	<u>\$ 13,480,634</u>	<u>\$ 3,133,624</u>	<u>\$ —</u>	<u>\$ 16,614,258</u>
	2018			Total
	Level 1	Level 2	Level 3	
Assets - Participants' and Clearing Funds				
Securities on deposit	\$ 16,659,680	\$ 3,629,774	\$ —	\$ 20,289,454
Non-current assets				
Long-term incentive plan assets	113,151	35,398	—	148,549
Total	<u>\$ 16,772,831</u>	<u>\$ 3,665,172</u>	<u>\$ —</u>	<u>\$ 20,438,003</u>
Participants' and Clearing Funds - Securities				
liabilities	\$ 16,659,680	\$ 3,629,774	\$ —	\$ 20,289,454
Total	<u>\$ 16,659,680</u>	<u>\$ 3,629,774</u>	<u>\$ —</u>	<u>\$ 20,289,454</u>

There were no transfers between levels in the fair value hierarchy, nor were any financial assets and liabilities measured at fair value on a recurring basis classified as Level 3 for the periods ended March 31, 2019 and December 31, 2018.

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13. 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 Condensed Consolidated Statements of Financial Condition as of March 31, 2019 and December 31, 2018 follow (in thousands):

	2019				
	Carrying Amount	Total Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	\$ 7,147,355	\$ 7,147,355	\$ 7,147,355	\$ —	\$ —
Participants' segregated cash	103,610	103,610	103,610	—	—
Short-term investments	700,000	700,000	—	700,000	—
Participants' and Clearing Funds Cash deposits	16,359,863	16,359,863	15,534,863	825,000	—
Other Participants' assets	944,370	944,370	944,352	18	—
Total	\$25,255,198	\$25,255,198	\$23,730,180	\$ 1,525,018	\$ —
Liabilities:					
Commercial paper	\$ 5,847,406	\$ 5,847,406	\$ —	\$ 5,847,406	\$ —
Accounts payable and accrued expenses	121,902	121,902	—	121,902	—
Participants' and Clearing Funds Cash deposit liabilities	16,359,863	16,359,863	16,359,863	—	—
Payable to Participants	1,047,980	1,047,980	1,047,980	—	—
Long-term debt	47,460	49,158	—	49,158	—
Total	\$23,424,611	\$23,426,309	\$17,407,843	\$ 6,018,466	\$ —
2018					
	Carrying Amount	Total Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	\$ 8,641,036	\$ 8,641,036	\$ 8,641,036	\$ —	\$ —
Participants' segregated cash	77,988	77,988	77,988	—	—
Short-term investments	800,000	800,000	—	800,000	—
Participants' and Clearing Funds Cash deposits	16,332,668	16,332,668	15,507,668	825,000	—
Other Participants' assets	518,115	518,115	517,665	450	—
Total	\$26,369,807	\$26,369,807	\$24,744,357	\$ 1,625,450	\$ —
Liabilities:					
Commercial paper	\$ 7,436,141	\$ 7,436,141	\$ —	\$ 7,436,141	\$ —
Accounts payable and accrued expenses	104,013	104,013	—	104,013	—
Participants' and Clearing Funds Cash deposit liabilities	16,332,668	16,332,668	16,332,668	—	—
Payable to Participants	596,103	596,103	596,103	—	—
Long-term debt	36,375	36,035	—	36,035	—
Total	\$24,505,300	\$24,504,960	\$16,928,771	\$ 7,576,189	\$ —

13. FAIR VALUE MEASUREMENTS (CONTINUED)

Financial Assets measured at fair value on a non-recurring basis. Certain 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.

The Company's primary level 3 financial asset, the valuation techniques used to measure the fair value of the financial asset and the significant unobservable inputs as of March 31, 2019 follow (in thousands):

Financial Instruments Owned	Fair Value (in thousands)	Valuation Technique	Unobservable Inputs	Input Range	Weighted Average
Equity Investments	\$11,750	Last Round of Financing	Price Per Share ⁽¹⁾	\$15 - \$107 ⁽²⁾	\$71 ⁽²⁾

(1) Price is determined using the latest valuation from the most recent round of financing of equity investments.

(2) The unobservable input range and weighted-average are driven by the individual equity investments.

There were no purchases, sales, unrealized gains, or unrealized losses of the Company's Equity investments categorized within Level 3 in the fair value hierarchy for the three months ended March 31, 2019.

14. PENSION AND POSTRETIREMENT BENEFITS

Defined contribution retirement plans. Total expense for the defined contribution retirement plans included in Employee compensation and related benefits in the accompanying Condensed Consolidated Statements of Income was \$10,397,000 and \$9,769,000 for the three months ended March 31, 2019 and 2018, respectively.

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 in the accompanying Condensed Consolidated Statements of Income, for the three months ended March 31, 2019 and 2018 follow (in thousands):

	Pension Benefits		Other Benefits	
	2019	2018	2019	2018
Components of net periodic benefit expense (income):				
Expected return on plan assets	\$ (10,102)	\$ (9,896)	\$ —	\$ —
Interest cost	10,023	9,384	611	558
Service cost	1,051	1,641	167	223
Amortizations:				
Prior service cost (credit)	234	234	(1,482)	(1,482)
Actuarial loss	1,318	2,244	318	620
Settlement loss	23	56	—	—
Net periodic benefit expense (income)	<u>\$ 2,547</u>	<u>\$ 3,663</u>	<u>\$ (386)</u>	<u>\$ (81)</u>

See Note 16 in DTCC's Audited Consolidated Financial Statements for the years ended December 31, 2018 and 2017 for additional information.

15. INCOME TAXES

Details for unrecognized tax benefits, included in Other non-current liabilities on the accompanying Condensed Consolidated Statements of Financial Condition, as of March 31, 2019 and 2018 follow (in thousands):

	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 28,692	\$ 53,008
Accrued interest	12,637	30,926
Ending balance	<u>\$ 41,329</u>	<u>\$ 83,934</u>

See Note 17 in DTCC's Audited Consolidated Financial Statements for the years ended December 31, 2018 and 2017 for additional information.

16. 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 C Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred stock. DTCC issued 1,600 shares of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred stock, Series C, \$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 C Preferred stock are payable in arrears on June 15 and December 15 of each year through June 15, 2020 at a fixed rate of 4.875% per annum. From June 15, 2020 onward, dividends will accrue at a floating rate equal to three-month LIBOR plus 3.167% per annum. DTCC may redeem the Series C Preferred Stock at its option, for cash, i) in whole or in part, from time to time, on any dividend payment date on or after June 15, 2020 at a redemption price equal to \$250,000 per share, plus any declared and unpaid dividends to, but excluding the redemption date, or ii) in whole but not in part, at any time within 90 days following a Regulatory Capital Treatment Event, as defined in the Series C Preferred Stock Offering Memorandum, at a redemption price equal to \$250,000 per share, plus any declared and unpaid dividends to, but excluding, the redemption date.

On April 22, 2019, in accordance with the Amended Certificate of Incorporation of DTCC, the Board of Directors approved and declared dividends in the amount of \$6,093.75 per share on 1,600 shares outstanding of its Series C Preferred Stock. The aggregate dividend of \$9,750,000 will be payable on June 15, 2019, to the holders of the Series C Preferred Stock as of record date May 31, 2019.

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. 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, 2019 and December 31, 2018. Annual dividends are accrued 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. The 2018 annual dividend amount of \$2,340,000 was approved and declared by the Board of Directors in February 2019, and was paid in April 2019, to the holders of DTC Series A Preferred stock during 2018.

THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2019 AND DECEMBER 31, 2018 AND FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

17. CAPITAL REQUIREMENTS

The 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. The clearing agencies must meet the capital requirements by holding liquid net assets funded by equity, as described in rule 17Ad-22(e)(15) of the CCAS and the Clearing Agency Policy on Capital Requirements.

General Business Risk Capital Requirement. The general business risk capital requirement is determined according to Rule 17Ad-22(e)(15) of the CCAS and the Clearing Agency Policy on Capital Requirements. The 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 clearing agencies maintain an amount referred to as the corporate contribution, to be 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 of the general business risk capital requirement, corporate contribution and liquid net assets funded by equity for the clearing agencies as of March 31, 2019 and December 31, 2018 follow (in thousands):

	2019		
	DTC	NSCC	FICC
General business risk capital requirement	\$ 168,194	\$ 159,218	\$ 108,307
Corporate contribution	84,097	79,609	54,154
Total requirement	<u>252,291</u>	<u>238,827</u>	<u>162,461</u>
Liquid net assets funded by equity	568,409	495,916	282,817
Excess	<u>\$ 316,118</u>	<u>\$ 257,089</u>	<u>\$ 120,356</u>
	2018		
	DTC	NSCC	FICC
General business risk capital requirement	\$ 169,119	\$ 153,054	\$ 107,845
Corporate contribution	84,559	76,527	53,922
Total requirement	<u>253,678</u>	<u>229,581</u>	<u>161,767</u>
Liquid net assets funded by equity	529,478	445,732	265,724
Excess	<u>\$ 275,800</u>	<u>\$ 216,151</u>	<u>\$ 103,957</u>

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 Commodity Futures Trading Commission in the United States; Ontario Securities Commission in Canada; and the Monetary Authority of Singapore in Singapore.

17. CAPITAL REQUIREMENTS (CONTINUED)

Capital adequacy. Certain DTCC subsidiaries are subject to capital guidelines issued by United States federal and state banking regulators. During the year DTCC engaged in banking activities under DTC.

DTC capital ratios filed with the FRBNY and the NYSDFS, and included in DTC's Financial Statements submitted to the SEC as of March 31, 2019 follow:

	DTC	Minimum Capital Ratio ^(a)	Well Capitalized Ratio ^(a)
Tier 1 capital ratio ⁽¹⁾	88.64%	6.00%	8.00%
Total capital ratio ⁽¹⁾	88.64%	8.00%	10.00%
Tier 1 leverage ratio ⁽²⁾	19.50%	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) Tier 1 capital ratio primarily includes preferred stock, common stock and retained earnings. 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.

18. 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 guarantee risk, FICC (through GSD and MBSD) and NSCC use risk-based margining to collect cash and securities collateral through their Clearing Funds. NSCC's trade guaranty attaches at the point of validation for locked-in submissions, or at the point of comparison and validation for bilateral submissions.

Details for open CCP positions for which a trade guaranty applied as of March 31, 2019 and December 31, 2018 follow (in billions):

	2019	2018
FICC		
GSD	\$ 1,078	\$ 1,160
MBSD	428	333
NSCC	176	176

There were no defaults by Participants to these obligations.

See Note 22 in DTCC's Audited Consolidated Financial Statements for the years ended December 31, 2018 and 2017 for additional information.

19. SUBSEQUENT EVENTS

The Company evaluated events and transactions occurring after March 31, 2019 through May 13, 2019, for potential recognition or disclosure in these accompanying Condensed Consolidated Financial Statements. Other than previously disclosed in Note 16, Shareholders' Equity, no events or transactions occurred during such period that would require recognition or disclosure in these accompanying Condensed Consolidated Financial Statements.