

# Fixed Income Clearing Corporation

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

# **FIXED INCOME CLEARING CORPORATION**

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# FIXED INCOME CLEARING CORPORATION

## STATEMENTS OF FINANCIAL CONDITION (UNAUDITED)

<b>(In thousands, except share data)</b>	<b>As of March 31, 2024</b>	<b>As of December 31, 2023</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 432,830	\$ 440,196
Accounts receivable - net of allowance for credit losses	22,306	20,821
Clearing Fund	62,359,601	68,845,589
Other Participants' assets	2,651	25,136
Other current assets	30,974	14,862
Total current assets	<u>62,848,362</u>	<u>69,346,604</u>
<b>NON-CURRENT ASSETS:</b>		
Premises and equipment - net of accumulated depreciation of \$391 and \$386 as of March 31, 2024 and December 31, 2023, respectively	573	578
Intangible assets - net of accumulated amortization of \$69,828 and \$65,690 as of March 31, 2024 and December 31, 2023, respectively	41,201	40,571
Other non-current assets	1,150	—
Total non-current assets	<u>42,924</u>	<u>41,149</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 62,891,286</u></u>	<u><u>\$ 69,387,753</u></u>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 103,629	\$ 111,452
Clearing Fund	62,359,601	68,845,589
Payable to Participants	2,651	25,136
Other current liabilities	17,165	11,338
Total current liabilities	<u>62,483,046</u>	<u>68,993,515</u>
<b>OTHER NON-CURRENT LIABILITIES:</b>		
Other non-current liabilities	1,168	1,153
Total liabilities	<u>62,484,214</u>	<u>68,994,668</u>
<b>COMMITMENTS AND CONTINGENCIES (Note 2)</b>		
<b>SHAREHOLDER'S EQUITY</b>		
Common stock, \$0.50 par value - 105,000 shares authorized; 20,400 shares issued and outstanding	10	10
Additional paid-in capital	86,617	86,617
Retained earnings	320,445	306,458
Total shareholder's equity	<u>407,072</u>	<u>393,085</u>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<u><u>\$ 62,891,286</u></u>	<u><u>\$ 69,387,753</u></u>

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

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

<b>(In thousands)</b>	<b>For the three months ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>REVENUES</b>		
Clearing services	\$ 110,553	\$ 92,931
Other services	403	289
Total revenues	<u>110,956</u>	<u>93,220</u>
<b>EXPENSES</b>		
Employee compensation and related benefits	40,365	34,904
Information technology	8,025	7,179
Professional and other services	38,558	29,797
Occupancy	2,077	1,953
Depreciation and amortization	4,143	4,846
General and administrative	4,132	3,623
Total expenses	<u>97,300</u>	<u>82,302</u>
Total operating income	<u>13,656</u>	<u>10,918</u>
<b>NON-OPERATING INCOME (EXPENSE)</b>		
Interest income	247,681	219,208
Refunds to Participants	(242,342)	(215,613)
Interest expense	(1,189)	(1,281)
Other non-operating income, net	1,354	1,378
Total non-operating income	<u>5,504</u>	<u>3,692</u>
Income before taxes	19,160	14,610
Provision for income taxes	5,173	4,130
Net income	<u>\$ 13,987</u>	<u>\$ 10,480</u>

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

## FIXED INCOME CLEARING CORPORATION

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

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

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

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

# FIXED INCOME CLEARING CORPORATION

## STATEMENTS OF CASH FLOWS (UNAUDITED)

<b>(In thousands)</b>	<b>For the three months ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 13,987	\$ 10,480
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Depreciation and amortization	4,143	4,846
Deferred income taxes	(1,219)	(1,471)
Other	—	11
Net change in:		
Accounts receivable	(1,485)	(4,621)
Other assets	(16,112)	(17,861)
Accounts payable and accrued expenses	(7,823)	13,297
Other liabilities	5,911	5,459
Clearing Fund liabilities	(4,635,652)	2,851,165
Payable to Participants	(22,485)	(70,127)
Net cash (used in)/provided by operating activities	<u>(4,660,735)</u>	<u>2,791,178</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capitalized software development costs	(4,768)	(3,660)
Cash used in investing activities	<u>(4,768)</u>	<u>(3,660)</u>
Net (decrease)/increase in Cash and cash equivalents, Clearing Fund cash deposits, Cash in Other Participants' assets	(4,665,503)	2,787,518
Cash and cash equivalents, Clearing Fund cash deposits, Cash in Other Participants' assets - Beginning of period	<u>22,479,225</u>	<u>19,202,097</u>
Cash and cash equivalents, Clearing Fund cash deposits, Cash in Other Participants' assets - End of period	<u>\$ 17,813,722</u>	<u>\$ 21,989,615</u>
<b>SUPPLEMENTAL DISCLOSURES:</b>		
Interest paid	<u>\$ 1,272</u>	<u>\$ 1,122</u>

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

# FIXED INCOME CLEARING CORPORATION

## NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2024 AND DECEMBER 31, 2023 AND FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023

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### 1. BUSINESS AND OWNERSHIP

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

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

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

### 2. SIGNIFICANT ACCOUNTING POLICIES

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

The interim financial statements reflect all adjustments of a normal recurring nature that are, in the opinion of management, necessary for the fair presentation of the results for the interim period. The results of operations for interim periods are not necessarily indicative of results for the entire year.

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

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

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

# FIXED INCOME CLEARING CORPORATION

## NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2024 AND DECEMBER 31, 2023 AND FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

*Deferred revenue.* Deferred revenue represents the Company's liability to perform services in the future related to payments received in advance of those services. Deferred revenue as of March 31, 2024 and December 31, 2023 was \$978,000 and \$1,458,000, respectively, and is included in Other current liabilities on the accompanying Statements of Financial Condition. Of the \$1,458,000 as of December 31, 2023, \$479,000 was recognized as revenue during the three months ended March 31, 2024.

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

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

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

	<b>March 31, 2024</b>	<b>December 31, 2023</b>	<b>March 31, 2023</b>
Cash and cash equivalents	\$ 432,830	\$ 440,196	\$ 364,930
Clearing Fund cash deposits (see Note 4)	17,378,241	22,013,893	21,618,243
Cash in Other Participants' assets	2,651	25,136	6,442
Total Cash and cash equivalents, Clearing Fund cash deposits and Cash in Other Participants' assets shown on the Statements of Cash Flows	<u>\$ 17,813,722</u>	<u>\$ 22,479,225</u>	<u>\$ 21,989,615</u>

**Global Events and Crises.** Global pandemics, sanctions, war, or natural disasters may have an adverse impact on market, economic and geopolitical conditions and trigger a period of global economic slowdown. Such a slowdown may have a material impact on the Company's financial results including changes in revenue, interest rates, liquidity/credit, and government and regulatory policy. At this time, the Company has not experienced any material adverse financial impacts from these events and crises.



# FIXED INCOME CLEARING CORPORATION

## NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2024 AND DECEMBER 31, 2023 AND FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023

### 3. ACCOUNTING AND REPORTING DEVELOPMENTS

Standard	Description	Impact on the financial statements or other significant matters
<i>Financial Accounting Standards Board Standard Issued, but not yet Adopted</i>		
ASU 2023-09 - Income Taxes (Topic 740): Improvements to Income Tax Disclosures <i>Issued December 2023</i>	<ul style="list-style-type: none"> <li>Enhances disclosures related to the rate reconciliation and income taxes paid. The amendment requires consistent categories and greater disaggregation of information in the rate reconciliation and income taxes paid disaggregated by jurisdiction.</li> <li>The amendment requires disclosures of pretax income (or loss) and income tax expense (or benefit) to be consistent with the SEC Regulation S-X 210.4-08(h), Rules of General Application—General Notes to Financial Statements: Income Tax Expense, and eliminates disclosures that no longer are considered cost beneficial or relevant.</li> </ul>	<ul style="list-style-type: none"> <li>Effective January 1, 2025.</li> <li>The adoption of the standard will not have a material impact on the Company's financial statements and related disclosures.</li> </ul>

### 4. CLEARING FUND

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

	2024			2023		
	GS Division	MBS Division	Total	GS Division	MBS Division	Total
Total deposits	\$51,612,526	\$10,747,075	\$62,359,601	\$57,999,997	\$10,845,592	\$68,845,589
Less: Required deposits	42,955,969	8,766,102	51,722,071	48,118,973	8,481,038	56,600,011
Excess deposits	<u>\$ 8,656,557</u>	<u>\$ 1,980,973</u>	<u>\$10,637,530</u>	<u>\$ 9,881,024</u>	<u>\$ 2,364,554</u>	<u>\$12,245,578</u>

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

	2024			2023		
	GS Division	MBS Division	Total	GS Division	MBS Division	Total
Cash and cash equivalents <sup>(1)</sup>	\$13,979,000	\$ 3,399,241	\$17,378,241	\$18,029,680	\$ 3,984,213	\$22,013,893
U.S. Treasury Securities	30,918,529	6,674,073	37,592,602	32,561,960	5,915,790	38,477,750
U.S. Agency Residential Mortgage-Backed Securities	6,310,153	597,343	6,907,496	6,766,776	734,857	7,501,633
U.S. Agency Issued Debt Securities	404,844	76,418	481,262	641,581	210,732	852,313
Total	<u>\$51,612,526</u>	<u>\$10,747,075</u>	<u>\$62,359,601</u>	<u>\$57,999,997</u>	<u>\$10,845,592</u>	<u>\$68,845,589</u>

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

# FIXED INCOME CLEARING CORPORATION

## NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2024 AND DECEMBER 31, 2023 AND FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023

### 5. CREDIT RATINGS

The Company is rated by Moody's Investors Service, Inc. (Moody's) and S&P Global Inc. (S&P). Details for issuer credit ratings and ratings outlooks for the Company as of March 31, 2024 follow:

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

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

### 6. FAIR VALUE MEASUREMENTS

See Note 8 in FICC's Audited Financial Statements for the years ended December 31, 2023 and 2022, for the Company's valuation basis, including valuation techniques and inputs, as well as the fair value hierarchy used in measuring the Company's financial assets and liabilities that are both accounted for at fair value and at other than fair value.

#### Financial assets and liabilities measured at fair value on a recurring basis.

Fair value measurements for those items measured on a recurring basis as of March 31, 2024 and December 31, 2023 are summarized below (in thousands):

	2024			
	Level 1	Level 2	Level 3	Total
<b>Assets - Clearing Fund</b>				
U.S. Treasury Securities	\$ 37,592,602	\$ —	\$ —	\$ 37,592,602
U.S. Agency Issued Debt Securities	245,854	235,408	—	481,262
U.S. Agency Residential Mortgage-Backed Securities	—	6,907,496	—	6,907,496
<b>Total</b>	<b>\$ 37,838,456</b>	<b>\$ 7,142,904</b>	<b>\$ —</b>	<b>\$ 44,981,360</b>
<b>Liabilities - Clearing Fund</b>				
Securities liabilities	\$ 37,838,456	\$ 7,142,904	\$ —	\$ 44,981,360
<b>Total</b>	<b>\$ 37,838,456</b>	<b>\$ 7,142,904</b>	<b>\$ —</b>	<b>\$ 44,981,360</b>
<b>2023</b>				
<b>Assets - Clearing Fund</b>				
U.S. Treasury Securities	\$ 38,477,750	\$ —	\$ —	\$ 38,477,750
U.S. Agency Issued Debt Securities	615,495	236,818	—	852,313
U.S. Agency Residential Mortgage-Backed Securities	—	7,501,633	—	7,501,633
<b>Total</b>	<b>\$ 39,093,245</b>	<b>\$ 7,738,451</b>	<b>\$ —</b>	<b>\$ 46,831,696</b>
<b>Liabilities - Clearing Fund</b>				
Securities liabilities	\$ 39,093,245	\$ 7,738,451	\$ —	\$ 46,831,696
<b>Total</b>	<b>\$ 39,093,245</b>	<b>\$ 7,738,451</b>	<b>\$ —</b>	<b>\$ 46,831,696</b>

# FIXED INCOME CLEARING CORPORATION

## NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2024 AND DECEMBER 31, 2023 AND FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023

### 6. FAIR VALUE MEASUREMENTS (CONTINUED)

**Financial assets and liabilities measured at other than fair value.** The carrying values, fair values and fair value hierarchy levels of all financial instruments measured at other than fair value on the accompanying Statements of Financial Condition as of March 31, 2024 and December 31, 2023 follow (in thousands):

	<b>2024</b>				
	<b>Carrying Amount</b>	<b>Total Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Assets:					
Cash and cash equivalents	\$ 432,830	\$ 432,830	\$ 432,830	\$ —	\$ —
Clearing Fund:					
Cash deposits - Bank deposits	17,378,241	17,378,241	17,378,241	—	—
Other Participants' assets	2,651	2,651	2,651	—	—
<b>Total</b>	<b>\$ 17,813,722</b>	<b>\$ 17,813,722</b>	<b>\$ 17,813,722</b>	<b>\$ —</b>	<b>\$ —</b>
Liabilities:					
Clearing Fund:					
Cash deposits - Bank deposits	\$ 17,378,241	\$ 17,378,241	\$ 17,378,241	\$ —	\$ —
Payable to Participants	2,651	2,651	2,651	—	—
<b>Total</b>	<b>\$ 17,380,892</b>	<b>\$ 17,380,892</b>	<b>\$ 17,380,892</b>	<b>\$ —</b>	<b>\$ —</b>

	<b>2023</b>				
	<b>Carrying Amount</b>	<b>Total Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Assets:					
Cash and cash equivalents	\$ 440,196	\$ 440,196	\$ 440,196	\$ —	\$ —
Clearing Fund:					
Cash deposits - Bank deposits	22,013,893	22,013,893	22,013,893	—	—
Other Participants' assets	25,136	25,136	25,136	—	—
<b>Total</b>	<b>\$ 22,479,225</b>	<b>\$ 22,479,225</b>	<b>\$ 22,479,225</b>	<b>\$ —</b>	<b>\$ —</b>
Liabilities:					
Clearing Fund:					
Cash deposits - Bank deposits	\$ 22,013,893	\$ 22,013,893	\$ 22,013,893	\$ —	\$ —
Payable to Participants	25,136	25,136	25,136	—	—
<b>Total</b>	<b>\$ 22,039,029</b>	<b>\$ 22,039,029</b>	<b>\$ 22,039,029</b>	<b>\$ —</b>	<b>\$ —</b>

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

### 7. RETIREMENT PLANS

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

# FIXED INCOME CLEARING CORPORATION

## NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2024 AND DECEMBER 31, 2023 AND FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023

### 7. RETIREMENT PLANS (CONTINUED)

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

**Cost allocation.** DTCC allocates the cost of these plans to its subsidiaries based primarily upon the estimated proportion of each subsidiary's salary cost relative to DTCC's total salary cost. The defined contribution retirement plans costs allocated to FICC were expense of \$2,064,000 and \$1,691,000 for the three months ended March 31, 2024 and 2023, respectively, and are included in Employee compensation and related benefits in the accompanying Statements of Income. The defined benefit pension and other postretirement benefit plans costs allocated to FICC were income of \$54,000 and expense of \$128,000 for the three months ended March 31, 2024 and 2023, respectively, and are included in Employee compensation and related benefits, Interest expense, and Other non-operating income, net, in the accompanying Statements of Income.

### 8. INCOME TAXES

Rollforward of unrecognized tax benefits for the three months ended March 31, 2024 and 2023 follow (in thousands):

	2024	2023
Beginning balance	\$ 986	\$ 316
Increases:		
Current period tax positions	44	—
Unrecognized tax benefit	1,030	316
Accrued interest	138	64
Ending balance	<u>\$ 1,168</u>	<u>\$ 380</u>

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

### 9. CAPITAL REQUIREMENTS

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

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

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

# FIXED INCOME CLEARING CORPORATION

## NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2024 AND DECEMBER 31, 2023 AND FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023

### 9. CAPITAL REQUIREMENTS (CONTINUED)

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

	<u>2024</u>	<u>2023</u>
General business risk capital requirement	\$ 171,219	\$ 163,369
Corporate contribution	85,610	81,684
Total requirement	256,829	245,053
Liquid net assets funded by equity	408,437	393,085
Excess	<u>\$ 151,608</u>	<u>\$ 148,032</u>

### 10. GUARANTEES

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

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

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

<u>Division</u>	<u>2024</u>	<u>2023</u>
GSD	\$ 2,057	\$ 2,231
MBSD	374	360
	<u>\$ 2,431</u>	<u>\$ 2,591</u>

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

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

### 11. SUBSEQUENT EVENTS

The Company evaluated events and transactions occurring after March 31, 2024 through April 26, 2024, the date these financial statements were available to be issued, for potential recognition or disclosure. No events or transactions occurred during such period that would require recognition or disclosure in these financial statements.