Proven Track Record

1981

DTC launches municipal bond program to make outstanding muni issues and new issuances eligible for book-entry services.

1982

DTC distributes first paperless Book-Entry-Only (BEO) municipal bond issues and certificates of deposit — another step toward eliminating paperwork in securities processing.

DTC and NSCC complete absorption of Boston Stock Exchange's clearance, settlement and depository operations.

1983

NSCC achieves record low cost of 35 cents per side to clear a trade.

1984

NSCC and DTC's National System for Municipal Bond Processing, providing automated comparison, clearing, settlement and asset servicing for municipal bond trades, goes live. By year-end, more than 1,000 executing and clearing brokers are using the new automated services for state and local bonds.

Link established with the Canadian Depository for Securities to create the first cross-border clearance and settlement mechanism.

1985

1,500 accounts are transferred daily as Automated Customer Account Transfer Service (ACATS) begins operation; 100 firms participating at year-end.

1986

An NSCC affiliate, Government Securities Clearing Corporation (GSCC), is formed to bring automated trade comparison and netting to settlement of U.S. Government securities.

NSCC launches Fund/SERV, its ground-breaking mutual fund order processing system linking broker/dealers to mutual fund families. Fund/SERV begins with 23 broker/dealers and 13 funds as participants.

1987

DTC inaugurates Same-Day Funds Settlement system, making securities that settle in Federal funds depository-eligible.

DTC and NSCC absorb Pacific Stock Exchange clearing and depository operations.

NSCC clears record volumes during October market crash.

DTCC Board of Directors

BACK ROW:

Art Certosimo
Senior Executive Vice President
Bank of New York Mellon

Stephen P. Casper
Partner
Vastardis Capital Services

Louis G. Pastina
Executive Vice President
NYSE Operations
NYSE Euronext

William B. Aimetti
President and Chief Operating Officer
The Depository Trust & Clearing Corporation

FRONT ROW:

Norman Malo
President and CEO
National Financial Services LLC
Fidelity Investments

Gerald A. Beeson
Senior Managing Director & Chief Operating Officer
Citadel Investment Group, LLC

Donald F. Donahue
Chairman and Chief Executive Officer
The Depository Trust & Clearing Corporation

J. Charles Cardona
CEO, BNY Mellon
Cash Investment Strategies
President,
The Dreyfus Corporation

2003

DTCC achieves a historic milestone by settling more than $1 quadrillion in securities transactions – an amount considered unimaginable just three years prior.

DTCC scores overall customer satisfaction rating of 90% in its annual industry-wide survey.

Deriv/SERV experiences a break-out first year in providing an automated post-trade processing solution for the OTC derivatives market by quadrupling its customer base and breaking even financially.

GSCC and MBSCC merge to become the Fixed Income Clearing Corporation (FICC), DTCC's newest clearing corporation, to capitalize on synergies for the fixed income market.

NSCC launches real-time trade interface with Nasdaq.

DTCC launches the Global Corporate Actions Validation Service, providing outsourced announcement scrubbing services for global markets.

DTC and NSCC receive S&P's top credit/debt rating (AAA/A-1+) for the third consecutive year.

2004

FICC attains the highest credit/debt rating of AAA/A-1+ from Standard and Poor's to join two other DTCC subsidiaries, DTC and NSCC.

DTCC implements a nationally-recognized, award-winning initiative to ensure full data recovery in the event of a catastrophic act as part of its aggressive business continuity efforts following the attacks of 9/11.

DTCC opens a service center in Shanghai to accommodate demand for its rapidly-growing Global Corporate Action (GCA) Validation Service.

2005

DTCC's operational efficiencies and economies of scale yield the highest-ever rebate in the company history – $528 million is returned to customers, a 141% increase over 2004.

DTCC intensifies its risk management practices by implementing quarterly stress and back testing for all its clearing corporations.

DTC demonstrates its global reach by enhancing its two-decade old relationship with the Canadian Depository for Securities (CDS) to settle transactions in Canadian dollars.

FICC, DTC and NSCC all receive S&P's top credit/debt rating (AAA/A-1+).

2006

DTCC sets a new record by settling more than $1.5 quadrillion in transactions.

DTCC attains its highest-ever customer satisfaction score of 91%.

DTCC builds on the success of its Deriv/SERV confirmation service with the launch of its Trade Information Warehouse to automate reconciliation and processing of OTC derivatives.

DTCC unveils its Managed Accounts Service to eliminate inefficiencies and risk associated with opening and maintaining managed accounts.

DTCC expands its global reach as it begins to sign a series of information-sharing and collaboration agreements with clearing and depository organizations in Brazil, China, India and Pakistan.

DTCC increases its capacity for processing equity transactions to more than three times peak volume, or 160 million sides per day.

DTC, NSCC and FICC are again awarded S&P's top credit/debt rating (AAA/A-1+).

2007

DTCC's tight management controls and enhanced efficiency produce the largest-ever fee reduction of $198 million for 2008.

EuroCCP wins bid to provide clearance and settlement for the new pan-European trading platform, Turquoise.

Deriv/SERV continues remarkable growth and becomes electronic matching and confirmation platform serving the OTC derivatives market.

DTCC signs five Memorandums of Understanding (MOU) to enhance new opportunities with clearing and depository organizations in China, India and Pakistan.

DTC, NSCC and FICC receive S&P's top credit/debt rating (AAA/A-1+).

2008

DTCC closes out more than $500 billion in market participants' exposure from the Lehman bankruptcy – the largest and most complex in its history – with no impact on the clearing fund deposits of customers or DTCC's funds.

Trade Information Warehouse manages the centralized and automated processing of 11 credit events, including Lehman Brothers Holdings Inc., Fannie Mae, Freddie Mac and Washington Mutual, completing settlement of $12 billion in net funds transfers from net sellers to net buyers of protection on approximately $285 billion (aggregate gross notional value) of CDS contracts written on these entities.

To enhance transparency in the CDS market, DTCC works with regulators and market participants to disclose summary data on the outstanding notional values (gross and net) on the top 1,000 underlying CDS single-name reference entities and CDS indices registered in the Trade Information Warehouse.

DTCC and OCC implement changes to the Accord governing the sharing of resources in the event of a participant default that eliminates duplicative margining requirements for dual members on expiration Fridays.

EuroCCP successfully launches and achieves a peak daily record of more than 500,000 transactions in just its second month of operations.

NSCC reduces the cost per transaction to clear a trade to about one-third of a U.S. penny – the lowest ever in the company's history.

DTCC boosts its equity clearing processing capacity to an unprecedented 500 million transactions per day.

DTCC and Markit announce plans to form a new company that will provide a single gateway for confirming OTC derivative transactions globally.

DTCC enacts its deepest fee cuts ever, totaling more than $260 million.

DTCC successfully receives permission from the SEC to admit non-U.S. members to DTC and NSCC.

DTCC becomes the only U.S.-based financial services organization to obtain an enterprise-wide CMMI Level 3 certification for Applications Development and Maintenance processes.

DTC, NSCC and FICC are again awarded S&P's top credit/debt rating (AAA/A-1+).

DTCC launches Loan/SERV to help automate and streamline the processing of syndicated commercial loans.

DTCC receives SEC approval to launch the Alternative Investment Product (AIP) suite of services to provide end-to-end processing of investor-level transactions for hedge funds, funds of funds, private equity and other investments.

DTCC receives overall customer satisfaction rating of 91% for third consecutive year in survey conducted by independent research firm.

2009

DTCC announces it will support all CCP solutions for credit default swaps to bring greater certainty and safety to the market.

DTCC announces plan to implement a real-time trade date guarantee for all Continuous Net Settlement (CNS) eligible trades, including equity, corporate bond and municipal bond transactions, pending regulatory approval.

FICC announces plans to have its new central counterparty for mortgaged-backed securities operational in third quarter of 2009.

EuroCCP begins clearing for the NYSE Arca Europe multilateral trading platform, NYSE Euronext's SmartPool platform and for trades in Spain.

FICC's Government Securities Division receives approval to extend membership and risk management services to include direct participation by non-U.S. broker/dealers and banks.

DTCC seeks SEC approval to expand central counterparty clearing and risk management services for tri-party repurchase agreements (repos).

DTCC's Board is made up of 20 directors, representing participants who include international broker/dealers, correspondent and clearing banks, mutual fund companies and investment banks. Two directors are designated by DTCC's preferred shareholders: the New York Stock Exchange and FINRA; the chairman and chief executive officer, and the president and chief operating officer of DTCC also serve as directors. Individuals are nominated for election as directors based on their ability to represent DTCC's diverse base of participants, and Board committees are specifically structured to help achieve this objective. In addition, to ensure broad industry representation and expertise on key industry subjects, non-Board members serve on a number of DTCC Board committees as full voting members.

NOT PICTURED:

Michele Trogni
Managing Director
Global Head of Operations
UBS Investment Bank

Ian Lowitt
Co-Chief
Administrative Officer
Lehman Brothers

Randolph L. Cowen
Co-Chief Administrative Officer
The Goldman Sachs Group, Inc.

Timothy J. Theriault
President
Corporate & Institutional Services
Northern Trust Company

Gerard LaRocca
Chief Administrative
Officer, Americas
Barclays Capital

Stephen Luparello
Vice Chairman and
Senior Executive Vice President
Regulatory Operations
FINRA

Ronald Purpora
President
ICAP Securities USA LLC

Norman Eaker
Chief Administrative Officer
Edward Jones

Neeraj Sahai
Managing Director
Global Business Head –
Securities and Fund Services
Citi

David A. Weisbrod
Managing Director
Risk Executive
JPMorgan Chase Bank, N.A.

Mark Alexander
Managing Director, Global Wealth &
Investment Management,
Bank of America Merrill Lynch
Head of Technology, Operations &
Broadcort Clearing

Robert Kaplan
Executive Vice President
State Street Bank & Trust Co.

Consolidated Balance Sheets

December 31, (in thousands, except share data)	2008	2007
Assets		
Cash and cash equivalents	$19,661,270	$11,394,147
Investments in marketable securities	234,173	211,372
Accounts receivable	163,018	288,748
Participants' fund	29,946,200	17,495,930
Fixed assets, less accumulated depreciation and amortization of $483,346 and $407,830 at December 31, 2008 and 2007	256,993	251,726
Deferred income taxes, net	222,364	129,111
Other assets	459,551	451,706
Total assets	$50,943,569	$30,222,740
Liabilities and Shareholders' Equity		
Liabilities:		
Accounts payable and other liabilities	$ 1,134,740	$ 652,493
Payable to participants	1,932,736	2,479,865
Long-term debt and other borrowings	262,143	300,800
Clearing fund:		
Cash deposits	17,319,625	8,925,732
Other deposits	29,946,200	17,495,930
Total liabilities	50,595,444	29,854,820
Commitments and contingent liabilities (Note 10)		
Minority interests (Note 1)	125,000	125,000
Shareholders' equity:		
Preferred stock		
Series A, $ .50 par value – 10,000 shares authorized, issued and outstanding	300	300
Series B, $ .50 par value – 10,000 shares authorized, issued and outstanding	300	300
Common stock, $100 par value – 23,655 shares authorized, issued and outstanding	2,366	2,366
Paid in capital	12,671	12,671
Retained earnings:		
Appropriated	94,067	112,782
Unappropriated	315,031	168,715
Treasury stock	(42)	(42)
	424,693	297,092
Accumulated other comprehensive (loss) income, net of tax:		
Defined benefit pension and other plans (Note 9)	(196,006)	(55,186)
Net unrealized gain on derivative instruments (Note 9)	(143)	191
Foreign currency translation adjustment (Note 9)	(5,419)	823
Accumulated other comprehensive net loss	(201,568)	(54,172)
Total shareholders' equity	223,125	242,920
Total liabilities and shareholders' equity	$50,943,569	$30,222,740

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Income and Comprehensive Income

For the Year Ended December 31,	2008	2007
(in thousands)		
Revenues:		
Trading services	$ 739,105	$ 805,626
Custody services	241,244	235,768
Network services	14,203	48,793
Other services	44,715	43,401
Interest income	300,255	484,810
Equity in net income of Omgeo LLC	67,384	72,319
Total revenues	1,406,906	1,690,717
Discounts and other refunds to participants	(379,631)	(984,475)
Net revenues	1,027,275	706,242
Expenses:		
Employee compensation and related benefits	487,201	429,429
Information technology	97,271	92,092
Professional, clearance and other services	144,068	106,238
Occupancy	53,347	56,608
Interest expense	20,499	21,996
Other general and administrative	25,019	20,754
Reimbursement from affiliates	(33,423)	(34,692)
Total expenses	793,982	692,425
Income before income taxes and minority interests	233,293	13,817
Provision for income taxes	104,290	5,255
Income before minority interests	129,003	8,562
Minority interests – preferred stock dividend	(1,402)	(4,187)
Net income	127,601	4,375
Other comprehensive (loss) income, net of tax:		
DTCC's defined benefit pension and other plans	(140,820)	27,066
Foreign currency translation adjustments		
DTCC	(5,197)	47
DTCC's share of Omgeo LLC	(1,045)	163
DTCC's share of Omgeo LLC's net unrealized gain on derivative instruments	(334)	191
Other comprehensive (loss) income	(147,396)	27,467
Comprehensive (loss) income	($ 19,795)	$ 31,842

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

For the Year Ended December 31, (in thousands)	2008	2007
Cash flows from operating activities:		
Net income	$ 127,601	$ 4,375
Adjustments to reconcile net income to net cash provided by operating activities:		
DTCC's share of Omgeo LLC's distributions, net of earnings	(8,884)	5,181
Depreciation and amortization of fixed assets	81,830	62,865
Impairment of internally developed software	11,744	—
Loss on fixed asset disposals	737	1,610
Net premium amortized (discount accreted) on securities owned	4,529	(743)
Deferred income (benefit) taxes	(589)	752
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	125,730	(65,110)
Decrease (increase) in other assets	705	(26,279)
Increase in accounts payable and other liabilities	248,763	81,096
Decrease in payable to participants	(547,129)	(134,894)
Increase in participants' fund cash deposits	8,393,893	4,883,022
Net cash provided by operating activities	8,438,930	4,811,875
Cash flows from investing activities:		
Maturities of investments in marketable securities	231,000	153,000
Purchases of investments in marketable securities	(258,330)	(231,145)
Purchases of fixed assets	(99,578)	(101,672)
Net cash used in investing activities	(126,908)	(179,817)
Cash flows from financing activities:		
Principal payments on debt and capital lease obligations	(38,657)	(24,489)
Capitalized leases	—	8,222
Net cash used in financing activities	(38,657)	(16,267)
Effect of foreign exchange rate changes on cash	(6,242)	210
Net increase in cash and cash equivalents	8,267,123	4,616,001
Cash and cash equivalents, beginning of year	11,394,147	6,778,146
Cash and cash equivalents, end of year	$19,661,270	$11,394,147
Supplemental disclosures:		
Income taxes paid, net of refunds	$ 22,817	$ 36,878
Interest paid	$ 20,592	$ 20,629

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

December 31, 2008 and 2007

1 Business and Ownership:

The Depository Trust & Clearing Corporation (DTCC) is a holding company that supports six principal operating subsidiaries, The Depository Trust Company (DTC), National Securities Clearing Corporation (NSCC), Fixed Income Clearing Corporation (FICC), DTCC Deriv/SERV LLC, DTCC Solutions LLC, and European Central Counterparty Limited (EuroCCP), collectively the "Companies."

The persons elected to serve on the Board of Directors of DTCC also serve as directors on the boards of each of its subsidiaries, with the exception of EuroCCP, which elects its own board members.

DTC provides central securities depository and related services to members of the securities, banking and other financial industries. NSCC provides various services to members of the financial community, consisting principally of securities trade comparison, netting, clearance, settlement and risk management services. FICC, which consists of the Government Securities (GSD) and Mortgage-Backed Securities divisions (MBSD), provides various services to members of the government and mortgage-backed securities markets, consisting principally of automated real-time trade comparison, netting, settlement, trade confirmation, risk management and electronic pool notification. DTCC Deriv/SERV LLC provides matching, confirmation and payment processing services and a global contracts repository to perform netting and money settlement services for the over-the-counter derivatives market. DTCC Solutions LLC provides sophisticated technology services that help financial institutions manage the rapid growth, high risk and mounting costs of corporate action transactions. EuroCCP is a central counterparty organized to support pan-European securities trading. By offering reduced costs, simplified operations, and cost-effective risk management, EuroCCP seeks to provide efficient and secure trade clearing and settlement. DTC, NSCC, and FICC are registered clearing agencies with the U.S. Securities and Exchange Commission (SEC). DTC is also a member of the Federal Reserve System and a limited-purpose trust company under New York State banking law. EuroCCP is a Recognized Clearing House (RCH) in the U.K., headquartered in London. The members of DTCC's subsidiaries are collectively referred to as participants.

Omgeo LLC (Omgeo), a joint venture with Thomson Reuters Corporation ("Thomson"), uses the institutional trade-processing infrastructures of DTCC and Thomson to provide for seamless global trade management and a securities industry solution for straight-through processing.

On October 20, 2000, DTC issued 750,000 shares of Series A preferred stock at the par value of $100 per share, increasing its capital by $75 million under a plan adopted by the Board of Directors. On December 29, 2006, DTC issued an additional 500,000 shares of Series A preferred stock at the par value of $100 per share, thereby increasing the amount of its preferred stock to $125 million. Pursuant to this plan, which does not reduce the funds available in the event of a participant's failure to settle, each participant was required to purchase shares of the preferred stock. Dividends are paid quarterly based on the earnings of those funds. The participants' ownership in DTC is reflected as minority interests on the consolidated balance sheets.

2 Summary of Significant Accounting Policies:

Basis of Presentation: The consolidated financial statements include the accounts of DTCC and its subsidiaries (the Companies). Intercompany accounts are eliminated in consolidation.

The carrying value of DTCC's investment in Omgeo included in other assets totaling $43,556,000 and $36,052,000 at December 31, 2008 and 2007, respectively, represents 50% of Omgeo's net book value.

Omgeo's total revenue and net income in 2008 are $343,461,000 and $134,710,000, respectively. The comparable amounts in 2007 were $339,487,000 and $144,637,000, respectively. Omgeo has elected to be treated in a manner similar to a partnership for federal and state income tax purposes. As a result of this election, Omgeo's federal and state taxable income is allocated proportionately to DTCC and Thomson.

Cash and Cash Equivalents: The Companies invest funds in overnight reverse repurchase agreements, commercial paper and money market accounts, which are considered cash equivalents. Reverse repurchase agreements provide for the Companies' delivery of cash in exchange for securities having a market value which is at least 102% of the amount of the agreements. Custodians designated by the Companies that are participants take possession of the securities. Overnight reverse repurchase agreements are recorded at the contract amounts and totaled $14,252,545,000 and $9,476,682,000 at December 31, 2008 and 2007, respectively. At December 31, 2008, the counterparties to these agreements were 14 major financial institutions that are also participants.

Overnight investments made in commercial paper totaling $3,619,360,000 and $169,806,000 are included in cash and cash equivalents at December 31, 2008 and 2007, respectively. At December 31, 2008, the issuer of the commercial paper was a major U.S. bank holding company that is also a participant. Money market accounts with participants are used to sweep any remaining funds available. At December 31, 2008, the money market balance was with the same participant. Overnight investments made in money market accounts totaling $1,789,365,000 and $1,747,659,000, including $34,196,000 and $181,715,000 representing deposits received from participants to facilitate their compliance with customer protection rules of the SEC, are also included in cash equivalents at December 31, 2008 and 2007, respectively.

Investments in Marketable Securities: These investments, which include U.S. Treasury securities and investment grade corporate notes, are recorded at amortized cost and are considered to be held-to-maturity securities. The contractual maturities, carrying value and market value of these securities at December 31, 2008 and 2007, are as follows:

	Carrying Value			Market Value		
(Dollars in thousands)	U.S. Treasury Securities	Corporate Notes	Total	U.S. Treasury Securities	Corporate Notes	Total
2008						
Due in one year or less	$233,159	$ —	$233,159	$234,718	$ —	$234,718
Due in more than one year	—	1,014	1,014	—	1,058	1,058
Total	$233,159	$1,014	$234,173	$234,718	$1,058	$235,776
2007						
Due in one year or less	$210,378	$ 994	$211,372	$211,309	$ 995	$212,304

Accounts Receivable: Accounts receivable consist of the following at December 31, 2008 and 2007:

(Dollars in thousands)	2008	2007
Due from the Companies' participants for services	$ 62,398	$ 23,840
Cash dividends, interest and related receivables	60,276	195,607
Taxes receivable and other	40,344	69,301
Total	$163,018	$288,748

Stock dividends receivable are not recorded in the consolidated financial statements.

Fixed Assets: Fixed assets consist of the following at December 31, 2008 and 2007:

(Dollars in thousands)	2008	2007
Leasehold improvements	$151,179	$151,965
Furniture and equipment	183,963	170,762
Software	335,080	270,553
Leased property under capital leases	34,549	31,186
Buildings and improvements	31,346	30,869
Land	4,221	4,221
Total cost	740,338	659,556
Less accumulated depreciation and amortization	483,345	407,830
Net book value	$256,993	$251,726

Leasehold improvements are amortized using the straight-line method over their useful lives or the remaining term of the related lease, whichever is shorter. Furniture and equipment are depreciated over estimated useful lives ranging from five to seven years, principally using accelerated methods. Software is amortized using the straight-line method over an estimated useful life of three years. Buildings and improvements are primarily amortized over 39 years using the straight-line method.

DTCC capitalized costs related to software that was developed for internal use or purchased totaling $66,496,000 and $70,110,000 in 2008 and 2007, respectively. The amortization of capitalized software costs was $50,665,000 in 2008 and $32,111,000 in 2007. The depreciation of other assets was $31,165,000 in 2008 and $30,754,000 in 2007.

During 2008, fixed asset disposals resulted in a charge of $737,000 and the removal of $7,052,000 and $6,315,000, respectively, from the related cost and accumulated depreciation and amortization accounts. The comparable amounts in 2007 were $1,610,000, $4,399,000 and $2,789,000, respectively.

In 2008, DTCC recognized a $11,744,000 pre-tax impairment charge on internally developed software.

Income Taxes: Deferred tax assets and liabilities represent the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities. The net deferred tax asset is expected to be fully realized and, accordingly, no valuation allowance was established.

Discounts and Other Refunds to Participants: The Companies provide discounts on their billing to participants based on the amount of earnings to be retained in a given year with due regard to current and anticipated needs, as approved by their Boards of Directors. Such discounts amounted to $117,772,000 in 2008 and $582,559,000 in 2007. DTC also has a policy to provide participants a monthly refund of interest earned from the overnight investment of unallocated cash dividends, interest and reorganization funds payable to participants. Such monthly refunds totaled $20,334,000 in 2008 and $42,382,000 in 2007.

The Companies invest available participants' fund cash deposits principally in overnight reverse repurchase agreements. The earnings on these investments are passed through to the applicable participants and are included in interest income and discounts and other refunds to participants. Such earnings totaled $241,525,000 and $359,534,000 in 2008 and 2007, respectively.

Securities on Deposit: Securities held in custody by DTC for participants are not reported in the consolidated financial statements. Cash dividends and interest received by DTC or due on such securities and in the process of distribution or awaiting claim are included in payable to participants. Short positions occasionally exist in participants' securities balances. Such short positions are valued and collateralized daily by participants' cash, aggregating 130% of the short position. DTC's obligation to return such amounts to participants is reflected in payable to participants. At December 31, 2008 and 2007, short positions amounted to $34,715,000 and $3,766,000, respectively.

Financial Instruments: Management believes that the carrying value of all financial instruments which are short-term in nature approximates current market value. Due to the fixed term nature of long-term debt, if the company was to seek the same financing at December 31, 2008, the fixed rates assigned to these loans would be current borrowing rates available to companies with similar credit ratings.

Revenue Recognition: Revenue is recognized as services are rendered. Activities are captured daily and billed on a monthly basis.

Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Foreign Currency Translation: Assets and liabilities denominated in foreign currencies are translated at rates of exchange prevailing on the date of the consolidated balance sheet, and revenues and expenses are translated at average rates of exchange for the year. Gains or losses on foreign currency transactions are included in the consolidated statement of income.

Gains or losses on translation of the financial statements of subsidiaries, when the functional currency is other than the U.S. Dollar, are reflected as a separate component of equity and included in comprehensive income.

FAS 157: SFAS No. 157, "Fair Value Measurements," establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). DTCC primarily holds positions at level 1. Level 1 are unadjusted quoted prices in active markets that are accessible at the measurement date for identical and unrestricted assets or liabilities. DTCC holds treasuries, securities, and long-term debt that are all traded in active markets.

3 Participants' Funds:

The Companies' rules require participants to maintain deposits related to their respective activities based on calculated requirements, which were $36,440,192,000 and $19,631,218,000 at December 31, 2008 and 2007, respectively. The deposits are available to secure participants' obligations and certain liabilities of the Companies, should they occur. All deposits of cash and securities are recorded on the consolidated balance sheet. A summary of the total deposits held at December 31, 2008 and 2007, including $10,825,633,000 and $6,989,444,000 respectively, in excess of the calculated requirements follows:

(Dollars in thousands)	2008	2007
Cash	$17,319,625	$ 8,925,732
U.S. Treasury and Agency securities, at market	29,946,200	17,495,930
Letters of credit issued by authorized banks	—	199,000
Total	$47,265,825	$26,620,662

4 Transactions with Related Parties:

Omgeo: DTCC has an agreement with Omgeo to provide various support services and office facilities. Charges under these agreements totaled $32,818,000 in 2008 and $34,139,000 in 2007 and are included in reimbursement from affiliates. Amounts receivable from Omgeo at December 31, 2008 and 2007 were $8,439,000 and $2,797,000, respectively. In addition, DTCC has an agreement with Omgeo whereby, if Omgeo reduces or terminates certain services it receives from DTCC or its affiliates, Omgeo will pay certain extraction costs as specified in the agreement.

5 Payable to Participants:

DTC receives cash and stock dividends, interest and reorganization and redemption proceeds on securities registered in the name of its nominee and interest and redemption proceeds on bearer securities, which it distributes to its participants. Amounts received on registered securities withdrawn before the record date but not transferred from the name of DTC's nominee cannot be distributed unless claimed by the owners of the securities. Cash dividends, interest, reorganization and redemption payables of $1,814,735,000 at December 31, 2008 and $1,718,012,000 at December 31, 2007 are included in payable to participants. Unclaimed balances are remitted to the appropriate authority when required by abandoned property laws. Stock dividends payable and unclaimed are not reported in the consolidated financial statements.

Payable to participants also includes settlement accounts payable of $34,196,000 at December 31, 2008 and $316,468,000 at December 31, 2007, which primarily represents deposits received from NSCC participants to facilitate their compliance with customer protection rules of the SEC.

The remainder of the balance included in payable to participants primarily represents unpaid discounts.

6 Pension and Other Postretirement Benefits:

DTCC has a non-contributory defined benefit pension plan covering substantially all full-time employees of the Companies. The pension plan is qualified under section 401(a) of the Internal Revenue Code. Pension benefits under the plan are determined on the basis of an employee's length of service and earnings. The funding policy is to make contributions to the plan that meet or exceed the minimum funding standards under the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code of 1986, as amended. DTCC also maintains a 401(h) account to fund the retiree medical plans.

Retirement benefits are also provided under supplemental non-qualified pension plans for eligible officers of the Companies. The cost of non-qualified defined benefits is determined based on substantially the same actuarial methods and economic assumptions as those for the qualified pension plan. The Companies maintain certain assets in trust for non-qualified retirement benefit obligations. DTCC also provides health care and life insurance benefits to eligible retired employees.

In accordance with Financial Accounting Standards Board Statement No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans," DTCC recorded a charge of $233,484,000 on a pre-tax basis offset by a deferred tax benefit of $92,664,000 resulting in a net charge of $140,820,000 to the accumulated other comprehensive loss account to report the funded status of the defined benefit pension and other postretirement benefit plans, thereby decreasing shareholders' equity in 2008. The increase in the obligation was primarily the result of a decrease in the value of the plan's assets and a decrease in the interest rate used to discount the projected benefit obligation to its present settlement amount. The net charge in shareholders' equity represents an amount not yet recognized as pension expense.

The effect of this standard in 2007 was a credit of $45,613,000 on a pre-tax basis offset by a deferred tax reversal of $18,547,000 resulting in a net credit of $27,066,000 to the accumulated other comprehensive loss account, thereby increasing shareholders equity. The reduction in the obligation was primarily the result of an increase in the interest rate used to discount the projected benefit obligation to its present settlement amount.

Following are the components of the funded status as of December 31, 2008 and 2007:

	Pension Benefits		Other Benefits	
(Dollars in thousands)	2008	2007	2008	2007
The estimated transition obligation, actuarial loss and prior service cost that will be amortized from accumulated other comprehensive loss into net periodic benefit cost over the next fiscal year are as follows:				
Transition obligation	$ —	$ —	$ 524	$ 524
Actuarial loss	7,731	2,219	903	230
Prior service cost	1,637	1,718	273	306
Benefit obligation at end of year:				
Qualified plan	$604,963	$512,562	$ —	$ —
Other plans	123,509	115,632	106,644	92,983
Total benefit obligation at end of year	728,472	628,194	106,644	92,983
Fair value of plan assets at end of year	357,209	482,071	8,444	11,351
Funded status	($371,263)	($146,123)	($ 98,200)	($81,632)
Amount not yet reflected in net periodic benefit cost and included in accumulated other comprehensive loss:				
Prior service cost	($ 8,797)	($ 10,515)	($ 293)	($ 599)
Accumulated loss	(291,352)	(63,329)	(16,532)	(8,521)
Transition obligation	—	—	(2,098)	(2,622)
Accumulated other comprehensive loss	(300,149)	(73,844)	(18,923)	(11,742)
Cumulative net periodic benefit cost in excess of employer contributions	(71,114)	(72,279)	(79,277)	(69,890)
Net amount recognized at year-end	($371,263)	($146,123)	($ 98,200)	($81,632)
The accumulated benefit obligation for all defined benefit plans was $615,218,000 at December 31, 2008.				
Weighted-average assumptions used to determine benefit obligations at December 31:				
Discount rate	6.19%	6.54%	6.08%	6.54%
Rate of compensation increase	4.25%	4.25%	n/a	n/a
Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31:				
Discount rate	6.54%	5.93%	6.54%	5.93%
Expected long-term rate of return on plan assets	8.00%	8.00%	8.00%	8.00%
Rate of compensation increase	4.25%	4.25%	n/a	n/a
Assumed health care cost trend rates at December 31:				
Health care cost trend rate assumed for next year			8.75%	9.50%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)			5.00%	5.00%
Year that the rate reaches the ultimate trend rate			2015	2015

DTCC's actual pension plan weighted-average asset allocations at December 31, 2008 and 2007, by asset category are as follows:

	2008	2007
Equity securities	59%	62%
Debt securities	39%	33%
Alternative investments	2%	5%
Total	100%	100%

To develop the expected long-term rate of return on assets assumption, DTCC considered the historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio. This resulted in the selection of the 8.0% long-term rate of return on assets assumption. The actual historical rate of return achieved by these assets exceeded the 8.0% assumption. Based on DTCC's target asset allocation guidelines, 57% to 63% of the plan assets are to be invested in equity securities, 32% to 38% in fixed income securities (including guaranteed investment contracts) and up to 10% in alternative investments.

Details of the components of net periodic benefit cost and other changes recognized in other comprehensive income (loss) are as follows:

	Pension Benefits		Other Benefits	
(Dollars in thousands)	2008	2007	2008	2007
Components of net periodic benefit cost				
Service cost	$ 27,519	$ 29,279	$ 4,170	$ 4,156
Interest cost	40,694	37,008	6,203	5,206
Expected return on plan assets	(37,651)	(34,133)	(768)	(794)
Amortizations				
Prior service cost	1,718	1,822	306	306
Transition obligation	n/a	n/a	524	524
Actuarial loss	2,471	6,557	508	587
Settlement loss	4,631	1,879	—	—
Net periodic benefit cost	39,382	42,412	10,943	9,985
Other changes recognized in other comprehensive income				
Net gain arising during the period	235,124	(20,042)	8,518	(13,896)
Amortizations				
Transition obligation	n/a	n/a	(524)	(524)
Prior service cost	(1,718)	(1,822)	(306)	(306)
Actuarial and settlement loss	(7,102)	(8,436)	(508)	(587)
Total recognized in other comprehensive income	226,304	(30,300)	7,180	(15,313)
Total recognized in other comprehensive income (loss)	$265,686	$ 12,112	$18,123	($ 5,328)

Settlements relate to the early retirement of executives who elected lump sum and periodic payments.

DTCC expects to contribute $25 million to its pension plan and $3 million to its retiree medical plan during 2009.

The following estimated future payments are expected to be paid/(received) in the years indicated:

		Other Benefits	
(Dollars in thousands)	Pension	Employer Benefit Payments	Medicare Subsidy Receipts
2009	$ 41,158	$ 3,213	($177)
2010	29,082	3,536	(47)
2011	30,662	3,991	(46)
2012	57,031	4,353	(46)
2013	35,574	4,785	(44)
2014-2018	217,818	31,686	(186)

7 INCOME TAXES:

DTCC and its subsidiaries file a consolidated federal income tax return. New York State, New York City and other state and local income tax returns are filed either on a combined, consolidated or stand alone basis. The provision for income taxes for the years ended December 31, 2008 and 2007 consists of the following:

(Dollars in thousands)	2008	2007
Current income taxes (benefit):		
Federal	$ 72,436	$3,159
State and local	34,610	1,346
Deferred income tax (benefit):		
Federal	486	1,061
State and local	(3,242)	(311)
Provision (benefit) for income taxes	$104,290	$5,255

The 2008 provision for income taxes is mostly due to pension and other employee related benefits. The effective tax rate is greater than the 35% federal statutory rate primarily due to the rate differential applied to the increase in deferred taxes primarily related to pension and other employee benefits.

The major temporary differences that give rise to the deferred tax assets (liabilities) at December 31, 2008 and 2007 are as follows:

(Dollars in thousands)	2008	2007
Employee benefit related	$262,651	$150,513
Rent	6,787	7,681
Depreciation and amortization	13,651	15,950
Lease abandonment costs	—	3,056
Capitalization of software developed for internal use	(44,507)	(39,802)
Sale and leaseback costs	(15,969)	(11,073)
Other	(249)	2,786
Net deferred income tax asset	$222,364	$129,111

On December 30, 2008, the Financial Accounting Standards Board issued a Staff position permitting all non-public companies to defer implementing Interpretation No. 48, "Accounting for Uncertainty in Income Taxes," until the fiscal years beginning after December 15, 2008. FIN 48 establishes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The impact of applying this interpretation beginning in 2009 is not expected to have a material effect on the financial condition, results of operations and cash flows of the company.

8 LONG-TERM DEBT AND LINES OF CREDIT:

Long-term debt at December 31, 2008 and 2007 consists of the following:

(Dollars in thousands)	2008	2007
Industrial Development Agency Bonds	$205,302	$205,302
Sale-leaseback obligation	19,440	47,070
Notes payable	30,484	33,763
Capital lease obligations	6,917	14,665
Total	$262,143	$300,800

As of December 31, 2008 and 2007, DTC had a payable to the New York City Industrial Development Agency (IDA) and a matching investment in IDA bonds included in other assets. Interest expense related to the IDA payable was $15,398,000 in both 2008 and 2007. These bonds mature in 2012.

In March 2003, DTC and NSCC entered into a sale-leaseback transaction covering certain assets aggregating $63,400,000. During 2008, DTC and NSCC exercised an early payment option on $24,031,000 and $1,262,000 of its obligation, bringing total principal payments to $42,160,000 and $1,800,000, respectively. At December 31, 2008, DTC's sale-leaseback obligation was $19,440,000. DTC has an early payment option on the remainder of its obligation in 2009.

Notes payable include secured borrowings totaling $6,800,000 from two insurance companies at a fixed rate of 4.62%. The notes are secured by property, plant and equipment. Principal and interest payments are due semi-annually on March 15 and September 15 of each year through 2012. Interest expense related to these notes totaled $350,000 in 2008 and $429,000 in 2007. In addition, notes payable include unsecured borrowings totaling $23,684,000 from an insurance company to finance the acquisition of real estate, at a fixed rate of 5.03%. Principal payments are due annually on December 15 of each year through 2023. Interest payments are due semi-annually on June 15 and December 15 of each year through the same period. Interest expense related to these notes totaled $1,268,000 in 2008 and $1,348,000 in 2007.

Leased property meeting certain criteria is capitalized and the present value of the related lease payments is recorded as a liability. At December 31, 2008, future minimum payments including interest, which are due through 2010, totaled $7,517,000. Payments over the next two years are $6,918,000 and $599,000, respectively.

At December 31, 2008, DTC maintained a committed line of credit of $1,900,000,000 with 22 major banks that are primarily participants to support settlement. In addition, to support processing of principal and income payments, DTC maintains a $50,000,000 committed line of credit with a participant. DTC also maintains credit lines totaling CAD250,000,000 to support Canadian settlement.

At December 31, 2008, NSCC maintained a committed line of credit of $4,150,000,000 with 22 major banks that are primarily participants to provide for potential liquidity needs. Further, a $50,000,000 shared credit line between DTCC, DTC and NSCC is maintained with a participant to support potential short-term operating cash requirements. During 2008 and 2007, there was no borrowing under any of the credit facilities.

9 SHAREHOLDERS' EQUITY:

	Preferred Stock		Common	Paid in	Retained Earnings		Treasury	Accumulated Other Comprehensive Income (Loss), Net of Tax			Total
(Dollars in thousands)	Series A	Series B	Stock	Capital	Appropriated	Unappropriated	Stock	Defined Benefit Pension and Other Plans	Foreign Currency Translation Adjustment	Net Unrealized Gain on Derivative Instrument	Shareholders' Equity
Balance at December 31, 2006	$300	$300	$2,366	$12,671	$112,782	$164,340	($42)	($ 82,252)	$ 613	$ —	$211,078
Net Income 2007	—	—	—	—	—	4,375	—	—	—	—	4,375
Defined benefit pension and other plans (net of taxes of $18,547)	—	—	—	—	—	—	—	27,066	—	—	27,066
DTCC's share of Omgeo LLC net unrealized gain on derivative instruments	—	—	—	—	—	—	—	—	—	191	191
Foreign currency translation adjustment											
DTCC	—	—	—	—	—	—	—	—	47	—	47
DTCC's share of Omgeo LLC	—	—	—	—	—	—	—	—	163	—	163
Balance at December 31, 2007	300	300	2,366	12,671	112,782	168,715	(42)	(55,186)	823	191	242,920
Net Income 2008	—	—	—	—	(18,715)	146,316	—	—	—	—	127,601
Defined benefit pension and other plans (net of taxes of $92,664)	—	—	—	—	—	—	—	(140,820)	—	—	(140,820)
DTCC's share of Omgeo LLC net unrealized loss on derivative instruments	—	—	—	—	—	—	—	—	—	(334)	(334)
Foreign currency translation adjustment											
DTCC	—	—	—	—	—	—	—	—	(5,197)	—	(5,197)
DTCC's share of Omgeo LLC	—	—	—	—	—	—	—	—	(1,045)	—	(1,045)
Balance at December 31, 2008	$300	$300	$2,366	$12,671	$ 94,067	$315,031	($42)	($196,006)	($5,419)	($143)	$223,125

The following table summarizes the changes in the components of accumulated other comprehensive (loss) income in 2008, net of tax:

(Dollars in thousands)	2008	2007
Other postemployment benefit plans		
Net (loss) gain arising during period	($146,947)	$20,138
Amortizations:		
Transition asset	316	311
Prior service credit	1,221	1,262
Actuarial loss	4,590	5,355
Total recognized in other comprehensive (loss) income	(140,820)	27,066
Foreign currency translation adjustment		
DTCC	(5,197)	47
DTCC's share of Omgeo LLC	(1,045)	163
Net unrealized (loss) gain on derivative instruments	(334)	191
Comprehensive (loss) income	($147,396)	$27,467

Appropriated retained earnings represent an amount that is available for the satisfaction of losses rising out of the clearance and settlement of transactions, should they arise (see Note 10). Such amount of retained earnings is excluded from the calculation of book value per share for purposes of capital stock transactions of DTCC.

Treasury stock, representing NSCC's former common share ownership in DTCC, was repurchased by DTCC in March 2004 at the historical value and no gain or loss was recognized. As a result of the reallocation of DTCC's common shares in March 2007, treasury shares were reissued at the adjusted book value resulting in a gain of $1,022,000 thereby increasing paid in capital. At December 31, 2008 and 2007, there were 11 shares in treasury stock.

10 Commitments and Contingent Liabilities:

NSCC's CNS system interposes NSCC between participants in securities clearance and settlement. CNS transactions are generally guaranteed as of the later of midnight of T+1 or midnight of the day they are reported to the membership as compared/recorded. Since all trades submitted to NSCC are matched, the failure of participants to deliver securities to NSCC on settlement date, and the corresponding failure of NSCC to redeliver the securities, results in open positions. Open positions are marked-to-market daily. Such marks are debited or credited to the responsible participants through the settlement process. At the close of business on December 31, 2008, open positions due to NSCC aggregated $1,057,099,000 ($7,454,648,000 at December 31, 2007). When a participant does not deliver securities due to NSCC on the settlement date, NSCC, in accordance with its SEC-approved rules, utilizes the Stock Borrow Program (SBP) to complete its delivery obligations to the extent that participants have made available for loan to the system shares of that issue. As of December 31, 2008, NSCC completed delivery of $171,050,000 in securities through the SBP ($1,693,456,000 at December 31, 2007), leaving $886,049,000 in open delivery obligations due to participants ($5,761,192,000 at December 31, 2007). NSCC's borrowing from the SBP does not relieve a participant's obligation to deliver the securities to NSCC. In addition, the settlement of trades is generally scheduled to occur 3 days after the trade date. As of December 31, 2008, trades totaling $39.4 billion were scheduled to settle over the next three settlement days.

The GSD's netting system interposes FICC between netting GSD participants for eligible trades that have been netted. The guarantee of net settlement positions by FICC results in potential liability to FICC. Guaranteed positions that have not yet settled are margined and marked-to-market daily. Margin deposits are held by FICC and marks are debited from and credited to the responsible participants through the funds-only settlement process. At December 31, 2008, the gross amount of guaranteed positions due from netting GSD participants to FICC, which are scheduled to settle on or before January 2, 2009, approximated $332,509,078,000 and the amount scheduled to settle after January 2, 2009 approximated $184,583,878,000. There is an equal amount due from FICC to certain other GSD participants after consideration of deliveries pending to FICC. The equivalent amounts at December 31, 2007 were $520,766,232,000 and $255,034,843,000, respectively.

The Companies lease office space and data processing and other equipment. The leases for office space provide for rent escalations subsequent to 2008. Rent expense under these leases was $35,207,000 in 2008 and $37,640,000 in 2007. At December 31, 2008, future minimum rental payments under all non-cancelable leases are as follows:

(Dollars in thousands)	Amount
2009	$18,320
2010	19,943
2011	20,157
2012	20,558
2013	2,741
Thereafter	6,928
Total minimum rental payments	$88,647

The Companies are 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 DTCC's consolidated financial position.

11 Off Balance-Sheet Risk and Concentrations of Credit Risk:

In the normal course of business, because NSCC and FICC guarantee certain obligations of their participants under specified circumstances (see Note 10), these subsidiaries are exposed to credit risk. All trading activities handled by DTC are settled through its end-of-day net settlement process. If a participant fails to fulfill its settlement obligation, DTC is also exposed to credit risk. Exposure to credit risk is mitigated by requiring participants to meet established financial standards for membership, verifying their compliance with other financial standards, monitoring their financial status and trading activity, requiring participants to meet daily mark-to-market obligations and requiring participants to provide participant fund deposits in the form of cash, marketable securities and eligible letters of credit securities (see Note 3).

Collateralization controls and net debit caps are employed by DTC to protect participants against the inability of one or more participants to pay for their settlement obligations.

DTC's collateralization controls prevent the completion of transactions that would cause a participant's net debit to exceed the total available collateral in its account. This assures that a participant that fails to pay for its settlement obligation will have sufficient collateral in its account to liquidate in the event it was insolvent. DTC's net debit cap controls limit the net settlement debit that each participant can incur to an amount, based upon activity level, which is less than DTC's total liquidity. This helps ensure that DTC will have sufficient liquidity to complete settlement should any single participant fail to settle.

If a participant fails to fulfill its settlement obligations to NSCC and/or FICC and these subsidiaries cease to act on behalf of the participant, that participant's guaranteed security receive and deliver obligations would be liquidated and that defaulting participant's margin and mark-to-market deposits, including participant fund deposits, would be applied to satisfy any outstanding obligation and/or loss. NSCC, FICC and DTC have a multilateral netting contract and limited cross-guaranty agreement with OCC under which these clearing agencies have agreed to make payment to each other for any remaining unsatisfied obligations of a common defaulting participant to the extent that they have excess resources of the defaulting participant. NSCC and OCC also have an agreement providing for payments to each other relating to the settlement of certain option exercises and assignments in the event of a mutual participant's failure. Further, DTC and NSCC have a netting contract and limited cross-guaranty agreement which includes certain arrangements and financial guarantees to ensure that securities delivered by DTC to NSCC to cover CNS allocations are fully collateralized. Finally, if a deficiency still remains, the companies would then assess the balance of the deficiency in accordance with their Rules.

As discussed in Note 1, NSCC, FICC and DTC provide various services to members of the financial community. As such, these subsidiaries have a significant group concentration of credit risk since their participants may be impacted by economic conditions affecting the securities industry and the debt-issuing countries. As described above, such risk is mitigated in a number of ways.

12 Other Matters:

DTCC incurred relocation and severance expenses totaling $6,150,000 in 2008 that are included in employee compensation and related benefits. In 2007, there was a similar provision of $4,336,000. In 2007, the Company entered into an agreement to surrender leased office space at one of its facilities prior to the expiration of the remaining lease term and recorded a provision of $1,993,000 to reflect the net cost of surrendering the space, including the impairment in the carrying value of leasehold improvements. In 2008, there was no similar provision.

On September 19, 2008, a Trustee was appointed, under the Securities Investor Protection Act ("SIPA"), to administer and liquidate the business of Lehman Brothers Inc. ("LBI"). As part of the liquidation of LBI, certain of its assets were sold to Barclays Capital Inc. ("Barclays"), which assets did not, however, include the accounts that LBI maintained at National Securities Clearing Corporation ("NSCC"), Fixed Income Clearing Corporation ("FICC") and The Depository Trust Company ("DTC").

As a result, the Trustee, Barclays and DTCC, on behalf and for the benefit of NSCC, FICC and DTC (collectively, the "Clearing Agency Subsidiaries") entered into an agreement that provided for the Clearing Agency Subsidiaries to wind down their respective LBI accounts, including the close out of pending transactions and the use of the proceeds in accordance with their respective rules and procedures, in the same manner in which they close out positions of participants for whom they cease to act. On September 24, 2008, the Clearing Agency Subsidiaries formally ceased to act for LBI.

In addition, Barclays agreed to guarantee, indemnify and hold harmless DTCC, each of NSCC, FICC and DTC, and their officers, directors, employees, owners, agents and representatives against any and all losses, claims, damages, expenses (including legal fees) or liabilities that any of them may incur as a result of winding down and closing out the respective accounts, which guaranty is limited to a $250,000,000 cash deposit (the "Cash Deposit") it provided for that purpose.

Any losses will first be satisfied from the Cash Deposit. If there are losses in excess of the Cash Deposit, they will be satisfied in accordance with the rules and procedures of NSCC, FICC and DTC, respectively (including through application of LBI's Clearing or Participant Fund deposits and any Clearing Agency cross guaranty agreements). If any portion of such funds remain after the closeout of the LBI accounts and satisfaction of all obligations of NSCC, FICC, and DTC, they will be remitted to the Trustee.

The Cash Deposit is held at DTCC to facilitate its investment pending application against losses or its turnover to the Trustee.

At year-end, DTCC and its subsidiaries held aggregate funds of $1,707,230,000 and securities of $149,093,000 including the Cash Deposit, Clearing and Participant Fund balances, and proceeds from winding down and closing out the respective accounts. Payments of $1,749,825,000 have already been remitted to the Trustee.

At present, management is not expecting to need to assess losses against retained earnings or to the participants of the Clearing Agency Subsidiaries as a result of the liquidation of the LBI accounts.

Report of Independent Auditors

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To the Board of Directors and Shareholders of
The Depository Trust & Clearing Corporation:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income and comprehensive income, and of cash flows present fairly, in all material respects, the financial position of The Depository Trust & Clearing Corporation and their subsidiaries (the "Company") at December 31, 2008 and 2007, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

February 27, 2009

Senior Management

Executive Leadership Team

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Chairman and Chief Executive Officer

William B. Aimetti
President and Chief Operating Officer

Michael C. Bodson
Executive Managing Director, Business Management and Strategy Chairman, EuroCCP

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Ellen Fine Levine
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We'd love to hear from you to discuss how DTCC can help your business be more efficient and effective:

Your Name:

Company:

Phone:

1. Is there a service or operation at your firm that DTCC can help streamline, standardize and/or centralize?

2. Would you like to meet with DTCC to discuss how you can use DTCC services more effectively?

3. Are there additional trading parties you wish to link to via DTCC?

4. Are there any other areas of interest you would like to discuss with DTCC?

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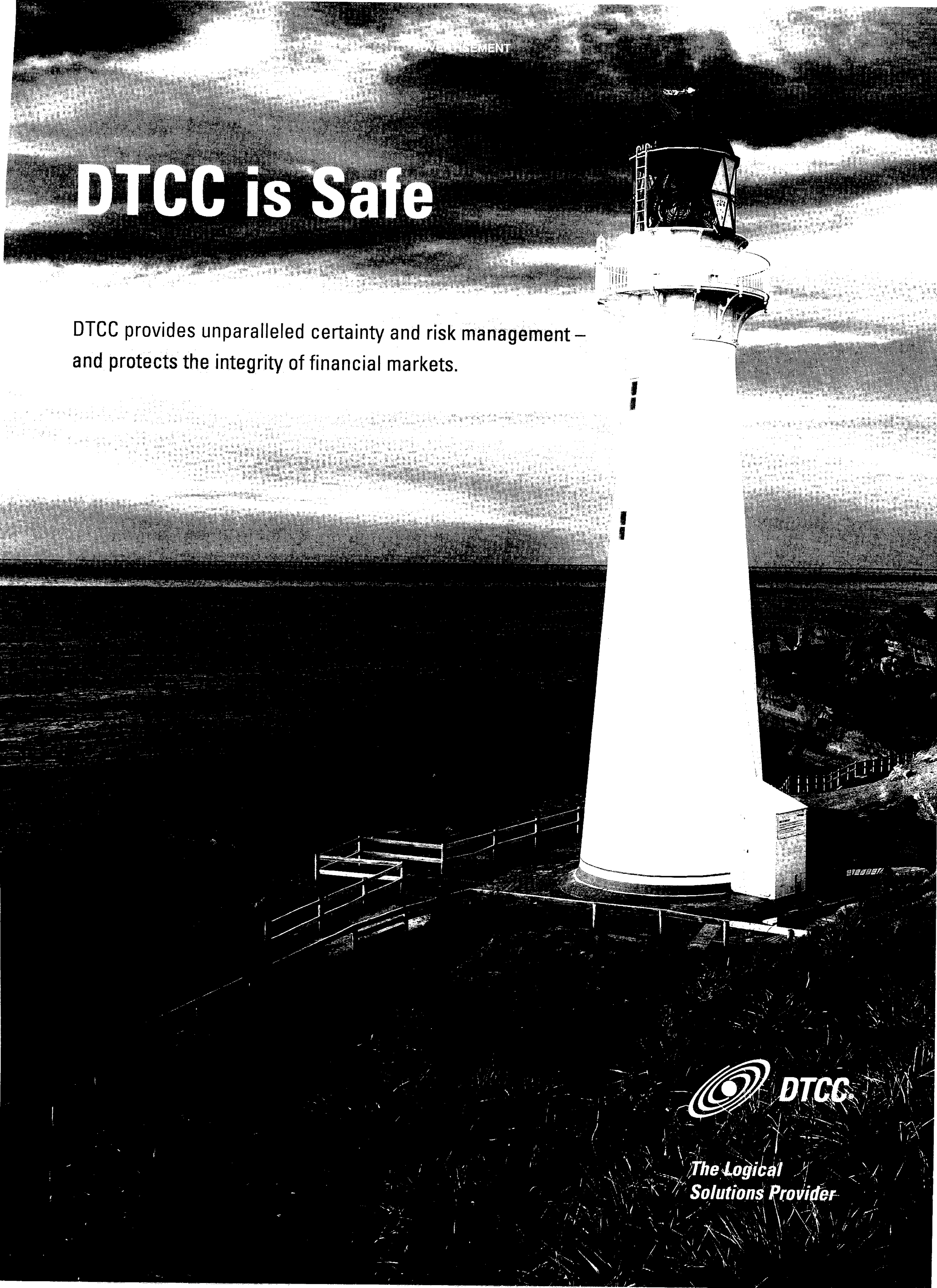
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