

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-56820; File No. SR-FICC-2007-09)

November 20, 2007

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to the Correspondent Clearing Service

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> notice is hereby given that on August 17, 2007, the Fixed Income Clearing Corporation (“FICC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared primarily by FICC. FICC filed the proposed rule change pursuant to Section 19(b)(3)(A)(i) of the Act<sup>2</sup> and Rule 19b-4(f)(1)<sup>3</sup> thereunder so that the proposal was effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule change enhances FICC’s Government Securities Division’s (“GSD”) correspondent clearing service for netting members submitting transaction data (“Submitting Members”) on behalf of non-member firms (“Executing Firms”).

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, FICC included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 15 U.S.C. 78s(b)(3)(A)(i).

<sup>3</sup> 17 CFR 240.19b-4(f)(1).

FICC has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

Currently, GSD's rules provide that a Submitting Member must submit transaction data to GSD when it acts on behalf of an Executing Firm for comparison-only processing or for both comparison and netting processing. The election made by the Submitting Member to submit Executing Firm transactions for comparison or comparison and netting is done on a firm level for each Executing Firm on whose behalf the Submitting Member acts. For example, when Submitting Member A elects to submit transactions for netting processing on behalf of Executing Firm B, all trades submitted on behalf of Executing Firm B will proceed to netting, and the Submitting Member will incur all resulting settlement and other obligations that arise under GSD's rules with respect to trade data submitted on behalf of Executing Firm B. Conversely, when Submitting Member A elects to submit transactions for Executing Firm C for comparison-only processing, all transactions submitted on behalf of Executing Firm C will only enter the GSD's comparison system with no settlement obligations arising for Submitting Member A with respect to these transactions.

Under the rule change, FICC will allow a Submitting Member to select for each Executing Firm for which it submits trades those trade types (i.e., buy-sell or repurchase agreements) that will be comparison-only transactions and those trade types that will be netting transactions. For example, Submitting Member A may select to submit Executing Firm B's repurchase agreement transactions for comparison-only processing and Executing Firm B's buy-sell transactions for netting. Members will not be permitted to submit trades for either comparison-only or netting processing on a trade-by-trade basis. Elections made with respect to

how transaction types are processed through FICC must be effected through the applicable FICC Executing Firm Agreement. As noted above, settlement obligations will arise for Submitting Member A for each transaction that proceeds to netting.

Under the proposed changes, Submitting Members will be required to notify GSD with respect to each Executing Firm for which they submit data which transactions types that will be processed as comparison-only transactions and which will proceed to netting. Submitting members must notify GSD three business days prior to the commencement of the initial data submission on behalf of an Executing Firm. Any modifications made to an election will require three business days notice to GSD.

FICC will announce to its members by means of an Important Notice the effective date of this enhancement. GSD anticipates implementation to be during the fourth quarter of this year.

FICC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act<sup>4</sup> and the rules thereunder. FICC states that this rule change enhances existing capabilities extended to netting members acting as Submitting Members under GSD's rules. FICC further states that the proposed changes will not affect FICC's ability to safeguard the funds and securities in FICC's control or for which it is responsible.

B. Self-Regulatory Organization's Statement on Burden on Competition

FICC does not believe that the proposed rule change will have any impact or impose any burden on competition.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

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<sup>4</sup> 15 U.S.C. 78q-1.

Written comments relating to the proposed rule change have not yet been solicited or received. FICC will notify the Commission of any written comments received by FICC.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(iii)<sup>5</sup> of the Act and Rule 19b-4(f)(4)<sup>6</sup> thereunder because it effects a change in an existing service of FICC that does not adversely affect the safeguarding of securities or funds in FICC's control or for which FICC is responsible and does not significantly affect FICC's or its participants' respective rights or obligations. At any time within 60 days of the filing of the proposed rule change, the Commission could have summarily abrogated such rule change if it appeared to the Commission that such action was necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File No. SR-FICC-2007-09 on the subject line.

Paper comments:

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<sup>5</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>6</sup> 17 CFR 240.19b-4(f)(4).

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, Station Place, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File No. FICC-2007-09. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C 552, will be available for inspection and copying in the Commission's Public Reference Room, 450 Fifth Street, NW, Washington DC 20549, on official business days between the hours of 10:00 am and 3:00 pm. Copies of such filing also will be available for inspection and copying at FICC's principal office and on FICC's Web site at <http://ficc.com/gov/gov.docs.jsp?NS-query=#rf>. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submission should refer to File No. SR-FICC-2007-09 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission by the Division of Trading and Markets pursuant to delegated authority.<sup>7</sup>

Florence E. Harmon  
Deputy Secretary

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<sup>7</sup> 17 CFR 200.30-3(a)(12).