

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-58696; File No. SR-FICC-2008-04)

September 30, 2008

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend the Rules of the Government Securities Division to Expand the Types of Securities Eligible for the GCF Repo Service

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> notice is hereby given that on September 9, 2008, the Fixed Income Clearing Corporation (“FICC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change 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)(iii) of the Act<sup>2</sup> and Rule 19b-4(f)(4) thereunder<sup>3</sup> 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 parties.

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

The purpose of the proposed rule change is to amend the rules of FICC’s Government Securities Division (“GSD”) to expand the types of securities eligible for the GCF Repo service to include Separate Trading of Registered Interest and Principal Securities (“STRIPS”).

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

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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)(ii).

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

rule change. The text of these statements may be examined at the places specified in Item IV below. FICC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.<sup>4</sup>

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

The GCF Repo service of FICC's GSD is a significant alternative financing vehicle to the delivery versus payment and tri-party repo markets. Currently, most Treasury securities, non-mortgage-backed Agency securities, fixed and adjustable rate mortgage-backed securities, and Treasury Inflation-Protected Securities ("TIPS") are eligible for this service.<sup>5</sup> FICC is now proposing to expand the types of securities eligible for the GCF Repo service to include STRIPS. STRIPS are zero-coupon securities created by the U.S. Treasury by separating the principal and interest cash flows of Treasury notes, bonds, and TIPS. The principal and interest cash flows may then be owned and traded separately.

STRIPS, which are Fedwire-eligible securities, are generally accepted as collateral in tri-party repo arrangements. In addition, STRIPS are currently netting eligible for the GSD's delivery versus payment service.<sup>6</sup> FICC has received requests from members to make STRIPS eligible for the GCF Repo service. FICC has determined that with respect to its risk

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<sup>4</sup> The Commission has modified the text of the summaries prepared by FICC.

<sup>5</sup> Securities Exchange Act Release Nos. 40623 (October 30, 1998), 63 FR 59831 (November 5, 1998) [File No. SR-GSCC-98-02], 42996 (June 30, 2000), 65 FR 42740 (July 11, 2000) [File No. SR-GSCC-00-04], and 51579 (April 20, 2005), 70 FR 21480 (April 26, 2005) [File No. SR-FICC-2005-08] for further information on the Commission's approval of the eligibility of such securities.

<sup>6</sup> FICC has obtained the Generic CUSIP Number necessary for the inclusion of STRIPS as a "GCF Repo Security" on its master file of eligible securities. Upon implementation of this proposal, FICC will effectuate the proposed change by listing this Generic CUSIP Number on the master file. The date of such listing will be announced to members by Important Notice.

management processes STRIPS will be treated the same as all other GCF Repo-eligible collateral.

FICC would like to clarify that for purposes of GSD Rule 20, “Special Provisions for GCF Repo Transactions,” general references to U.S. Treasury bills, notes, or bonds do not currently and will not upon implementation of this proposal include STRIPS. Therefore, STRIPS could not be used within the GCF Repo service to satisfy obligations to post or return any other type of collateral. However, as is consistent with the existing GCF Repo provisions, U.S. Treasury bills, notes, bonds or cash may generally be used to satisfy obligations to post or return other collateral types, and therefore could be used to satisfy any such obligations involving STRIPS.

The proposed rule change is consistent with the requirements of Section 17A of the Act<sup>7</sup> and the rules and regulations thereunder applicable to FICC because it allows FICC to expand an important service that provides members with a continuing ability to engage in general collateral trading activity in a safe and efficient manner. As such, the proposed rule facilitates the prompt and accurate clearance and settlement of securities transactions and assures the safeguarding of securities and funds which are in the custody or control of FICC 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

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.

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<sup>7</sup> 15 U.S.C. 78q-1.

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

The foregoing rule change has become effective upon filing pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>8</sup> and Rule 19b-4(f)(4)<sup>9</sup> thereunder because the proposal effects a change in an existing service of FICC that does not adversely affect the safeguarding of securities or funds in the custody or control of FICC or for which it is responsible and does not significantly affect the respective rights or obligations of FICC or persons using the service. At any time within sixty days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is 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 Number SR-FICC-2008-04 on the subject line.

#### Paper comments:

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

All submissions should refer to File Number SR-FICC-2008-04. This file number should be

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<sup>8</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>9</sup> 17 CFR 240.19b-4(f)(4).

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, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 am and 3:00 pm. The text of the proposed rule change is available at FICC, the Commission's Public Reference Room, and [http://www.dtcc.com/downloads/legal/rule\\_filings/2008/ficc/2008-04.pdf](http://www.dtcc.com/downloads/legal/rule_filings/2008/ficc/2008-04.pdf). 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 submissions should refer to File Number SR-FICC-2008-04 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>10</sup>

Florence E. Harmon  
Acting Secretary

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<sup>10</sup> 17 CFR 200.30-3(a)(12).