

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-67931; File No. SR-FICC-2012-06)

September 26, 2012

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Order Approving Proposed Rule Change to Move the Time at Which the Mortgage-Backed Securities Division Runs its Daily Morning Pass

I. Introduction

On August 6, 2012, the Fixed Income Clearing Corporation (“FICC”) filed with the Securities and Exchange Commission (“Commission”) proposed rule change SR-FICC-2012-06 pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder.² The proposed rule change was published for comment in the Federal Register on August 20, 2012.³ The Commission received no comment letters regarding the proposal. For the reasons discussed below, the Commission is granting approval of the proposed rule change.

II. Description

FICC proposes to move the time at which its Mortgage-Backed Securities Division (“MBSD”) runs its first processing pass of the day from 2:00 p.m. to 4:00 p.m. Eastern Standard Time. The proposed change does not require revisions to MBSD’s rules because those rules do not address the times of MBSD’s processing passes.

MBSD currently runs its first processing pass of the day (historically referred to as the “AM Pass”) at 2:00 p.m. Eastern Standard Time. MBSD also executes an evening

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Securities Exchange Act Release No. 67653 (August 14, 2012), 77 FR 50198 (August 20, 2012).

pass (referred to as the “PM Pass”) at 8:00 p.m. Eastern Standard Time, which will remain unchanged. On days when MBSD executes its to-be-announced netting cycle, this cycle immediately follows the completion of the first pass of the day. The proposed change to 4:00 p.m. for the first pass of the day will allow more trades to be included in the to-be-announced net, which will assist in reducing both the amount of fails in the market and the related operational risk. The proposed change is being made at the request of the Securities Industry and Financial Markets Association (“SIFMA”) MBS Operations Committee. MBSD advised members of the proposed change via an Important Notice dated August 1, 2012.

III. Discussion

Section 19(b)(2)(C) of the Act⁴ directs the Commission to approve a self-regulatory organization’s proposed rule change if it determines that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to such organization. Section 17A(b)(3)(F) of the Act⁵ requires, among other things, that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of security transactions, and to assure the safeguarding of securities and funds that are in the custody or control of such clearing agency, or for which it is responsible.

The Commission concludes that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to FICC. The proposed rule change will help to maximize the number of trades that are included in the to-be-announced netting process. This, in turn, should reduce the number of trades that

⁴ 15 U.S.C. 78s(b)(2)(C).

⁵ 15 U.S.C. 78q-1(b)(3)(F).

ultimately fail, and will temper the attendant operational risk, as well. The proposed change will therefore foster the prompt and accurate clearance and settlement of security transactions, and assure the safeguarding of securities and funds in FICC's custody or control, or for which FICC is responsible.

IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act, in particular with the requirements of Section 17A of the Act⁶ and the rules and regulations thereunder.

⁶ 15 U.S.C. 78q-1.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,⁷ that the proposed rule change (File No. SR-FICC-2012-06) be and hereby is APPROVED.⁸

For the Commission by the Division of Trading and Markets, pursuant to delegated authority.⁹

Kevin M. O'Neill
Deputy Secretary

⁷ 15 U.S.C. 78s(b)(2).

⁸ In approving the proposed rule change, the Commission considered the proposal's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

⁹ 17 CFR 200.30-3(a)(12).