

Nikki M. Poulos
Managing Director
General Counsel FICC and
Chief Privacy Officer

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Tel: 212 855 7633
Fax: 212 855 3215
npoulos@dtcc.com



**The Depository Trust &
Clearing Corporation**
55 Water Street
New York, NY 10041-0099

November 7, 2008

Mr. Jerry Carpenter
Associate Director
Division of Trading and Markets
U.S. Securities and Exchange Commission
100 F Street N.E.
Washington, D.C. 20549

Re: Rule Filing FICC 2007-04

Dear Mr. Carpenter:

The purpose of this letter is to respond to a recent comment letter submitted to the Commission by Susanne Trimboth, Ph.D., of STP Advisory Services, LLC. Ms. Trimboth's letter was submitted to the Commission in response to Fixed Income Clearing Corporation ("FICC") rule filing 2007-04, which seeks to modify certain disqualification criteria for FICC applicants and members at both the Government Securities Division ("GSD") and the Mortgage-Backed Securities Division ("MBSD").

In her letter, Ms. Trimboth states that, in addition to the enumerated disqualification criteria in FICC's rules, an additional disqualification criterion to be considered by FICC should include a participant's failure to deliver securities to FICC for settlement.

FICC agrees that the topic of "fails" is a serious issue for the industry as a whole. FICC, over the last several years, has taken steps to reduce the risks posed by fails by modifying its rules to provide enhanced processing in this regard. For example, in FICC rule filing 2005-11, FICC modified its rules to institute its fail netting process on a daily basis. This fail netting processing allows participants to net outstanding fail obligations with current settlement activity in order to reduce risk exposure among FICC participants. Also, from the inception of the blind broker service at the GSD, FICC has had processing in place in order to assume fails in blind brokered repo transactions, in order to reduce risks posed to the market. In rule filing 2005-17, FICC clarified its position on the assumption of blind brokered fails.

Subsidiaries:
The Depository Trust Company
National Securities Clearing Corporation
Fixed Income Clearing Corporation
DTCC Deriv/SERV LLC
DTCC Solutions LLC

FICC believes that including a participant's fails as a criterion on which FICC would have to assess participation in the clearing corporation would only create more risks in that these open obligations would be processed (or not) outside of FICC, without the benefit of, i.e., re-netting. Denying membership to entities which experience fails only enhances risks to market participants; processing put in place by FICC seeks to mitigate those risks.

Sincerely,

A handwritten signature in black ink, appearing to read "Nikki Poulos", with a long horizontal flourish extending to the right.

Nikki Poulos
Managing Director & General Counsel, FICC