SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-52654; File No. SR-FICC-2005-16)

October 21, 2005

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Clarify Maturity Periods Set Forth in Margin Factor Tables

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),[1] notice is hereby given that on September 19, 2005, 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. 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

FICC is making a technical change to the rules of its Government Securities Division ("GSD") to clarify the remaining maturity periods set forth in its margin factor tables.[2]

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

1 15 U.S.C. 78s(b)(1).

2 This clarification also necessitates a similar technical change to Appendix B in each of FICC's cross-margining agreements.

below. FICC has prepared summaries, set forth in Sections (A), (B), and (C) below, of the most significant aspects of these statements.[3]

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

The GSD uses its margin factor tables to assign haircuts and offsets on member net settlement positions based on a security's remaining maturity period. The GSD's current clearing fund application properly takes into account the when-issued period of each security with respect to remaining maturity periods. However, this is not clearly reflected in the margin factor tables in the rules.[4] GSD is amending its margin factor tables by adding 15 days to each remaining maturity category to reflect current practice and avoid confusion to members.[5] GSD also is making the same technical changes to its cross-margining agreements.[6]

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3 The Commission has modified the text of the summaries prepared by FICC.

4 During the one to two week period between the time a new Treasury note or bond issue is auctioned and the time the securities sold are issued, securities that have been auctioned but not yet issued trade actively on a when-issued basis. They also trade when-issued during the period between the announcement and the auction. The changes to the margin factor tables are designed to account for the when-issued period. For example, on July 24 the Treasury may announce the issuance of a two-year note to be issued on July 31. FICC members may trade the security during the time period between July 24 and July 31. Though the appropriate maturity period for assigning haircuts and offsets for this two-year note should be "1 year + 1 day to 2 years," the note would fall into the "2 years + 1 day to 4 years" category if the remaining maturity were measured from the beginning of when-issued trading. A footnote in the current margin factor tables, which reads "As regards a Forward Net Settlement Position, remaining maturity is measured from the date of issuance of the Eligible Netting Securities that underlie the Position," clarifies that remaining maturity periods are to be measured from the date of issuance. The GSD is proposing to delete this footnote and reflect the proper starting point for measuring remaining maturity periods in each margin factor table.

5 FICC has vetted the length of time between announcement and issue date and has determined that no when-issued period lasted longer than 15 days.

6 The amendment to Appendix B of the FICC-The Clearing Corporation cross-margining agreement also requires a technical change to the maturity ranges of Offset classes "e" and "f" to reflect actual practice.

FICC believes the proposed rule change is consistent with the requirements of Section 17A of the Act[7] and the rules and regulations thereunder applicable to FICC because it enables FICC to amend its margin factor tables to reflect the current practice of factoring in the when-issued date of securities with respect to assigning remaining maturity periods. As such, the rule facilitates the prompt and accurate clearance and settlement of securities transactions.

(B) Self-Regulatory Organization's Statement on Burden on Competition

FICC does not believe that the proposed rule change will have an 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.

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

The foregoing proposed rule change has become effective upon filing pursuant to Section 19(b)(3)(A)(iii) of the Act[8] and Rule 19b-4(f)(4)[9] thereunder because the rule effects a change in an existing service that: (i) does not adversely affect the safeguarding of securities or funds in the custody or control of the clearing agency or for which it is responsible; and (ii) does not significantly affect the respective rights or obligations of the clearing agency or persons using the service. At any time within sixty days of the filing of the proposed rule change, the Commission

7 15 U.S.C. 78q-1.

8 15 U.S.C. 78s(b)(3)(A)(iii).

9 17 CFR 240.19b-4(f)(4).

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. Please include File Number SR-FICC-2005-16 on the subject line.

Paper comments:

- Send paper comments in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-9303.

All submissions should refer to File Number SR-FICC-2005-16. 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 Section, 100 F

Street, NE, Washington, DC 20549. Copies of such filings also will be available for inspection and copying at the principal office of FICC and on FICC's Web site at www.ficc.com. 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-2005-16 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission by the Division of Market Regulation, pursuant to delegated authority.[10]

Jonathan G. Katz
Secretary

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[10] 17 CFR 200.30-3(a)(12).