

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-54609; File No. SR-FICC-2006-11)

October 16, 2006

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing of a Proposed Rule Change Relating to Establishing New Reporting Processes to Support the Bilateral Comparison of Pool Details Associated with Specified Pool Trade Activity

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ notice is hereby given that on June 15, 2006, the Fixed Income Clearing Corporation (“FICC”) filed with the Securities and Exchange Commission (“Commission”) and on June 30, 2006, amended the proposed rule change as 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 persons.

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

The proposed rule change would add new rules to FICC’s Mortgage Backed Securities Division (“MBSD”) Rulebook that would establish new reporting processes to support the bilateral comparison of pool details associated with specified pool trade (“SPT”) activity.

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. FICC has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.²

¹ 15 U.S.C. 78s(b)(1).

² The Commission has modified the text of the summaries prepared by FICC.

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

The purpose of this filing is to implement in MBS D's Rulebook new reporting processes to support the bilateral comparison of pool details associated with SPT's. This is the first of three new services MBS D plans to offer the mortgage-backed securities industry. The new services will be Real Time Trade Matching ("RTTM") Specified Pool Trade Matching, Electronic Pool Notification Pool Substitution, and Central Counterparty Pool Netting with Guaranteed Settlement.³

Currently, MBS D does not support SPT matching. As a result, members must submit SPT's to MBS D as "to be announced" ("TBA") trades for matching on a trade-for-trade basis. These trades are processed through MBS D's comparison and clearing system as TBA's and are risk managed at the TBA level using par amount.⁴ MBS D reports these trades to members through the MBS Purchase and Sale Report and the Open Commitment Report, which reports provide binding confirmation of these trades to members but do not transmit actual pool level details to the member. Because these original trades must currently be submitted at the TBA level, MBS D members must perform exception processing to convert the SPT data to the associated TBA level. In addition, the selling member must utilize MBS D's EPN service to supplement the original trade submission with pool level details.

³ FICC has published two white papers that discuss its plans to develop central counterparty services for MBS D. Fixed Income Clearing Corporation as Central Counterparty for Mortgage-Backed Securities (June 2003) and A Central Counterparty for Mortgage-Backed Securities: Paving the Way (April 2006), which are available online at <<http://www.ficc.com/mbs/docs/whitepapers/final.ccp.0617.pdf>> and <<http://www.dtcc.com/ThoughtLeadership/whitepapers/ccp.pdf>>, respectively.

⁴ Par amount could be the original face or current face submitted by members.

To make this process more efficient for its members, FICC is proposing to enable MBSB members to submit the pool number and original face for all SPT activity through RTTM. However, this proposal will not change how MBSB currently risk manages these trades at the TBA level. MBSB's rules will continue to stipulate that SPT's may be treated as TBA's in instances of member insolvency.

In addition, FICC proposes to make two new reports available to members: the RTTM Purchase and Sale Report and the RTTM Open Commitment Report.⁵ These reports would reflect the submission of pool number and original face value⁶ as matching criteria submitted by members. Finally, FICC is proposing to include new fees for the submission of SPTs to the Schedule of Charges in the MBSB Rulebook.

FICC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act⁷ and the rules and regulations thereunder because it should improve the reporting of SPT information to members and thereby should improve the accurate reporting, clearance, and settlement of securities.

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.

⁵ These reports will not replace the MBSB's Purchase and Sale Report or the Open Commitment Report, which will continue to reflect specified pool trades as TBA trades.

⁶ In addition to pool number and original face value, existing matching fields (such as TBA CUSIP and price) will continue to be populated by members.

⁷ 15 U.S.C. 78q-1.

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

FICC has not solicited or received written comments relating to the proposed rule change.

FICC will notify the Commission of any written comments it receives.

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

Within thirty-five days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to ninety days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) by order approve such proposed rule change or
- (B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change, as amended, 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 No. SR-FICC-2006-11 on the subject line.

Paper comments:

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

All submissions should refer to File No. SR-FICC-2006-11. 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 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-2006-11 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.⁸

Nancy M. Morris
Secretary

⁸ 17 CFR 200.30-3(a)(12).