

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-54899; File No. SR-FICC-2006-11)

December 8, 2006

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

On June 15, 2006, the Fixed Income Clearing Corporation (“FICC”) filed with the Securities and Exchange Commission (“Commission”) a proposed rule change pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and on June 30, 2006, amended the proposed rule change. Notice of the proposed rule change was published in the Federal Register on October 24, 2006.² No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

I. Description

The proposed rule change will add new rules to FICC’s Mortgage Backed Securities Division (“MBSD”) Rulebook to establish new reporting processes to support the bilateral comparison of pool details associated with specified pool trade (“SPT”) activity. Specifically, FICC will enable MBSD members to submit the pool number and original face value for all SPT activity through its real time trade matching (“RTTM”) service. This rule filing will not change how MBSD currently manages risk for these trades at the TBA level in that MBSD’s rules will continue to stipulate that SPT’s may be treated as TBA’s in instances of member insolvency.

In conjunction with establishing this new service, FICC will make two new reports available to members: the RTTM Purchase and Sale Report and the RTTM Open Commitment

¹ 15 U.S.C. 78s(b)(1).

² Securities Exchange Act Release No. 54609 (Oct. 16, 2006), 71 FR 62324.

Report.³ These reports will reflect the submission of pool number and original face value⁴ as matching criteria submitted by members. Finally, FICC will include new fees for the submission of SPTs to the Schedule of Charges in the MBSD Rulebook.

II. Discussion

Section 17A(b)(3)(F) of the Act⁵ requires that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions. The Commission finds that the proposed rule change is consistent with this requirement because it will provide a more efficient process for MBSC members to report and compare SPT transaction information and thereby should promote the prompt and accurate clearance and settlement of such transactions.

III. Conclusion

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

³ These reports will not replace MBSD's Purchase and Sale Report or Open Commitment Report, which will continue to reflect specified pool trades as TBA trades.

⁴ 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.

⁵ 15 U.S.C. 78q-1(b)(3)(F).

⁶ 15 U.S.C. 78q-1.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-FICC-2006-11) be, and hereby is, approved.⁷

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁸

Florence E. Harmon
Deputy Secretary

⁷ 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).

⁸ 17 CFR 200.30-3(a)(12).