

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-54957; File No. SR-FICC-2006-07)

December 18, 2006

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Order Approving a Proposed Rule Change Relating to Providing Certain Reports to its Members

On April 21, 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 Notice of the proposal was published in the Federal Register on October 4, 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 clarifies the frequency of certain reports that FICC will provide to its members. FICC conforms the rules of both its divisions, the Government Securities Division and the Mortgage Backed Securities Division (“MBSD”), regarding FICC’s providing financial reports to members to the equivalent rule of FICC’s affiliated clearing agency, The Depository Trust Company (“DTC”).³ FICC’s revised rules will state that quarterly unaudited financial statements will only be provided to members/participants for the first three quarters of the calendar year.⁴ In addition, in conformity to DTC’s rules, FICC is deleting the time frames from its rules for providing the financial reports to its members/participants. Nevertheless, FICC will attempt to continue to make its annual audited financial statements available to its members

¹ 15 U.S.C. 78s(b)(1).

² Securities Exchange Act Release No. 54570 (Oct. 4, 2006), 71 FR 60591.

³ DTC Rule 15.

⁴ An annual audited financial statement is provided to members after the last calendar quarter of each year.

within 60 days of the fiscal year end and will attempt to continue to make its quarterly unaudited financial statements available within 30 days of the quarter end.

FICC is also changing the time frame in Article V, Rule 5, Section 3 of MBSD's Clearing Rulebook and EPN Rulebook regarding providing its participants with the independent auditors' annual study and evaluation of MBSD's internal accounting controls. While FICC will delete these rule provisions in their entirety, FICC will make this study and evaluation available to its members within a reasonable time after it receives it from its independent accountants, which is DTC's practice.

II. Discussion

Section 17A(b)(3)(F) of the Act⁵ requires that the rules of a clearing agency to remove impediments to and perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions. The Commission finds that the proposed rule change is consistent with this obligation because the proposed rule change conforms FICC's rules regarding providing unaudited quarterly financial statements and the independent auditor's annual study of internal controls with those of DTC and as such should promote the national clearance and settlement system.

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.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act, that the

⁵ 15 U.S.C. 78q-1(b)(3)(F).

⁶ 15 U.S.C. 78q-1.

proposed rule change (File No. SR-FICC-2006-07) 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).