

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-69362; File No. 600-23)

April 11, 2013

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing of Amended Application for Registration as a Clearing Agency

I. INTRODUCTION

On April 5, 2013, the Fixed Income Clearing Corporation (“FICC”) filed with the Securities and Exchange Commission (“Commission”) an amended Form CA-1¹ seeking permanent registration as a clearing agency under Section 17A of the Securities Exchange Act of 1934² (“Act”) and Rule 17Ab2-1 thereunder.³ The Commission is publishing this notice to solicit comments from interested persons regarding this amended Form CA-1.⁴ The Commission will consider any comments it receives in making its determination whether to grant FICC’s request for permanent registration as a clearing agency. The Commission will grant FICC permanent registration only if it concludes that FICC has satisfied all requirements of the Act.⁵

¹ See Letter from Donaldine Temple, Senior Associate Counsel and Corporate Secretary, FICC, to Joseph P. Kamnik, Assistant Director, Division of Trading and Markets (April 4, 2013). The amendment filed by FICC updates all of the information required by Form CA-1 and incorporates by reference all information submitted in connection with FICC’s prior application and amendments thereto, to the extent this previously submitted information remains accurate.

² 15 U.S.C. 78q-1.

³ 17 CFR 240.17Ab2-1(a).

⁴ The descriptions set forth in this notice regarding the structure and operations of FICC have been largely derived from information contained in FICC’s amended Form CA-1 application and publicly available sources. The application and non-confidential exhibits thereto are available on the Commission’s Web site.

⁵ See 15 U.S.C. 78q-1(b)(3).

II. BACKGROUND

On December 13, 1986, the Mortgage Backed Securities Clearing Corporation (“MBSCC”) filed with the Commission a Form CA-1⁶ seeking registration as a clearing agency. The Commission granted MBSCC a temporary registration on February 2, 1987,⁷ and extended this temporary registration on several occasions thereafter.⁸ On October 16, 1987, the Government Securities Clearing Corporation (“GSCC”), filed with the Commission a Form CA-1⁹ seeking registration as a clearing agency. The Commission granted GSCC a temporary

⁶ Securities Exchange Act Release No. 23929 (December 23, 1986), 52 FR 373-01 (January 5, 1987) (File No. 600-22).

⁷ Securities Exchange Act Release No. 24046 (February 2, 1987), 52 FR 4218-01 (February 10, 1987) (File No. 600-22).

⁸ Securities Exchange Act Release No. 25957 (August 2, 1988), 53 FR 29537-01 (August 2, 1988) (File No. 600-19); Securities Exchange Act Release No. 27079 (July 31, 1989), 54 FR 32412-01 (August 7, 1989) (File No. 600-22); Securities Exchange Act Release No. 28492 (September 28, 1990), 55 FR 41148-03 (October 9, 1990) (File No. 600-19); Securities Exchange Act Release No. 29751 (September 27, 1991), 56 FR 50602-01 (October 7, 1991) (File Nos. 600-19 and 600-22); Securities Exchange Act Release No. 31750 (January 21, 1993), 58 FR 6424-02 (January 28, 1993) (File Nos. 600-19 and 600-22) (noting that, “[d]ue to an inadvertent administrative error by MBSCC,” MBSCC failed to request an extension of its temporary registration prior to the expiration of its last extension on September 30, 1992); Securities Exchange Act Release No. 33348 (December 15, 1993), 58 FR 68183-01 (December 23, 1993) (File Nos. 600-19 and 600-22); Securities Exchange Act Release No. 35132 (December 21, 1994), 59 FR 67743-01 (December 30, 1994) (File Nos. 600-19 and 600-22); Securities Exchange Act Release No. 37372 (June 26, 1996), 61 FR 35281-02 (July 5, 1996) (File No. 600-22); Securities Exchange Act Release No. 38784 (June 27, 1997), 62 FR 36587-01 (July 8, 1997) (File No. 600-22); Securities Exchange Act Release No. 39776 (March 20, 1998), 63 FR 14740-02 (March 26, 1998) (File No. 600-22); Securities Exchange Act Release No. 42568 (March 23, 2000), 65 FR 16980-01 (March 30, 2000) (File No. 600-22); Securities Exchange Act Release No. 44089 (March 21, 2001), 66 FR 16961-02 (March 28, 2001) (File No. 600-22); Securities Exchange Act Release No. 44831 (September 21, 2001), 66 FR 49728-01 (September 28, 2001) (File No. 600-22); Securities Exchange Act Release No. 45607 (March 20, 2002), 67 FR 14755-01 (March 27, 2002) (File No. 600-22); Securities Exchange Act Release No. 46136 (June 27, 2002), 67 FR 44655-01 (July 3, 2002) (File No. 600-22).

⁹ Securities Exchange Act Release No. 25129 (November 16, 1987), 52 FR 44659-01 (November 20, 1987) (File No. 600-23).

registration on May 24, 1988,¹⁰ and extended this temporary registration on several occasions thereafter.¹¹ GSCC filed an amended Form CA-1 on November 15, 2002, in which it explained that it intended to acquire MBSCC.¹² On January 1, 2003, GSCC acquired MBSCC and named the resulting entity FICC.¹³ At the time of the merger, both GSCC and MBSCC were operating under temporary registrations with the Commission, and FICC has operated under a temporary registration since that time. The temporary registrations granted to MBSCC and GSCC exempted them from certain requirements imposed by Section 17A of the Act.¹⁴ Specifically,

¹⁰ Securities Exchange Act Release No. 25740 (May 24, 1988), 53 FR 19839 (May 24, 1987) (File No. 600-23).

¹¹ Securities Exchange Act Release No. 29236 (May 24, 1991), 56 FR 24852 (May 31, 1991) (File No. 600-23); Securities Exchange Act Release No. 32385 (June 3, 1993), 58 FR 32405 (June 9, 1993) (File No. 600-23); Securities Exchange Act Release No. 35787 (May 31, 1995), 60 FR 30324 (June 8, 1995) (File No. 600-23); Securities Exchange Act Release No. 36508 (November 27, 1995), 60 FR 61719 (December 1, 1995) (File No. 600-23); Securities Exchange Act Release No. 37983 (November 25, 1996), 61 FR 64183 (December 3, 1996) (File No. 600-23); Securities Exchange Act Release No. 38698 (May 30, 1997), 62 FR 30911 (June 5, 1997) (File No. 600-23); Securities Exchange Act Release No. 39696 (February 24, 1998), 63 FR 10253 (March 2, 1998) (File No. 600-23); Securities Exchange Act Release No. 41104 (February 24, 1999), 64 FR 10510 (March 4, 1999) (File No. 600-23); Securities Exchange Act Release No. 41805 (August 27, 1999), 64 FR 48682 (September 7, 1999) (File No. 600-23); Securities Exchange Act Release No. 42335 (January 12, 2000), 65 FR 3509 (January 21, 2000) (File No. 600-23); Securities Exchange Act Release No. 43089 (July 28, 2000), 65 FR 48032 (August 4, 2000) (File No. 600-23); Securities Exchange Act Release No. 43900 (January 29, 2001), 66 FR 8988 (February 5, 2001) (File No. 600-23); Securities Exchange Act Release No. 44553 (July 13, 2001), 66 FR 37714 (July 19, 2001) (File No. 600-23); Securities Exchange Act Release No. 45164 (December 18, 2001), 66 FR 66957 (December 27, 2001) (File No. 600-23); and Securities Exchange Act Release No. 46135 (June 27, 2002), 67 FR 44655 (July 3, 2002) (File No. 600-23).

¹² See Letter from Jeffrey F. Ingber, Managing Director, General Counsel and Secretary, FICC (Nov. 15, 2002).

¹³ Securities Exchange Act Release No. 47015 (December 17, 2002), 67 FR 78531 (December 24, 2002) (File Nos. SR-GSCC-2002-07 and SR-MBSCC-2002-01).

¹⁴ Pursuant to Rule 17Ab2-1(c)(1), the Commission may grant registration to a clearing agency while exempting it from one or more of the requirements of paragraphs (A) through (I) of section 17A(b)(3) of the Act. See 17 C.F.R. 240.17Ab2-1(c)(1).

both MBSCC and GSCC were exempted from compliance with the Act's fair representation requirement,¹⁵ and GSCC was further exempted from the Act's participation requirements.¹⁶ The exemptions granted to MBSCC and GSCC have since been removed because the Commission determined that both clearing agencies satisfied the statutory requirements from which the entities were previously exempted.¹⁷ Thus, FICC is now subject to all requirements applicable to registered clearing agencies.

Following GSCC's acquisition of MBSCC, the Commission extended FICC's temporary registration on several occasions.¹⁸ The Commission most recently extended FICC's temporary registration on June 20, 2011.¹⁹ At that time, the Commission explained that it would consider whether to grant FICC permanent registration after the Commission acted upon FICC's proposal to introduce central counterparty and guarantee settlement services to FICC's Mortgage-Backed

¹⁵ Securities Exchange Act Release No. 24046 (February 2, 1987), 52 FR 4218-01 (February 10, 1987) (File No. 600-22); Securities Exchange Act Release No. 25740 (May 24, 1988), 53 FR 19839-01 (May 31, 1988) (File No. 600-23).

¹⁶ Securities Exchange Act Release No. 25740 (May 24, 1988), 53 FR 19839-01 (May 31, 1988) (File No. 600-23).

¹⁷ Securities Exchange Act Release No. 26729 (April 14, 1989), 54 FR 16438-G-01 (April 24, 1989) (SR-MBSS-89-2) (lifting MBSCC's exemption from the Act's fair representation requirements); Securities Exchange Act Release No. 36508 (November 27, 1995), 60 FR 61719-02 (December 1, 1995) (File No. 600-23) (lifting GSCC's exemption from the Act's participation requirements); Securities Exchange Act Release No. 39372 (November 28, 1997), 62 FR 64415 (December 5, 1997) (SR-GSCC-97-01) (lifting GSCC's exemption from the Act's fair representation requirements).

¹⁸ Securities Exchange Act Release No. 48116 (July 1, 2003), 68 FR 41031 (July 9, 2003) (File No. 600-23); Securities Exchange Act Release No. 49940 (June 29, 2004), 69 FR 40695 (July 5, 2004) (File No. 600-23); Securities Exchange Act Release No. 51911 (June 23, 2005), 70 FR 37878 (June 30, 2005) (File No. 600-23); Securities Exchange Act Release No. 54056 (June 28, 2006), 71 FR 38193 (July 5, 2006) (File No. 600-23); Securities Exchange Act Release No. 55920 (June 18, 2007), 72 FR 35270 (June 27, 2007) (File No. 600-23); and Securities Exchange Act Release No. 57949 (June 11, 2008), 73 FR 34808 (June 18, 2008) (File No. 600-23).

¹⁹ Securities Exchange Act Release No. 64707 (June 20, 2011), 76 FR 37165 (June 24, 2011) (File No. 600-23).

Securities Division. The Commission approved FICC's request to allow its Mortgage-Backed Securities Division to act as a central counterparty and settlement guarantor on March 9, 2012.²⁰ FICC's temporary registration expires on June 30, 2013.²¹

III. Overview of FICC

FICC is a wholly owned subsidiary of the Depository Trust & Clearing Corporation ("DTCC"), and is generally administered as an industry-owned utility on an at-cost basis. FICC is comprised of two separate divisions, the Government Securities Division ("FICC/GSD") and the Mortgage-Backed Securities Division ("FICC/MBSD"). Each Division has its own set of rules and membership.

FICC/GSD is the sole clearing agency in the United States acting as a central counterparty for cash-settled U.S. Government and agency securities. FICC/GSD provides clearing, netting, settlement, risk management, central counterparty services and a guarantee of trade completion for the following securities: (i) U.S. Treasury bills, notes, bonds, Treasury inflation-protected securities (TIPS), and Separate Trading of Registered Interest and Principal Securities (STRIPS), and (ii) Federal agency notes, bonds and zero-coupon securities that are book-entry, Fedwire eligible and non-mortgage backed. FICC/GSD accepts buy-sell transactions, repurchase and reverse repurchase agreement transactions (repos), and Treasury auction purchases in several types of U.S. Government securities.

FICC/MBSD is the only centralized clearing facility in the non-private label mortgage-backed securities market. FICC/MBSD provides clearing, netting, settlement, risk management, pool notification, central counterparty services and a guarantee of trade completion for pass-

²⁰ Securities Exchange Act Release No. 66550 (March 9, 2012), 77 FR 15155 (March 14, 2012) (File No. 600-23).

²¹ Securities Exchange Act Release No. 64707 (June 20, 2011), 76 FR 37165 (June 24, 2011) (File No. 600-23).

through mortgage-backed securities issued by the Government National Mortgage Association (“Ginnie Mae”), the Federal Home Loan Mortgage Corporation (“Freddie Mac”) and the Federal National Mortgage Association (“Fannie Mae”). FICC/MBSD also processes options trades for “to-be-announced” transactions.

Additional information concerning FICC and its operations may be found in the schedule and non-confidential exhibits appended to FICC’s amended Form CA-1.²² Schedule A to FICC’s amended Form CA-1 includes a description of the risk management procedures utilized by FICC/GSD and FICC/MBSD. Exhibits A and B provide a list of FICC’s Board of Directors and its officers and senior managers, respectively. Exhibit C includes both a narrative and graphical depiction of FICC’s organizational structure, and Exhibit E includes copies of the current rulebooks for both FICC/GSD and FICC/MBSD, along with copies of FICC’s governing documents. Finally, Exhibit J provides a description of FICC’s services and functions.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning FICC’s amended Form CA-1, including whether FICC has satisfied the Act’s requirements for registration. 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 600-23 on the subject line.

Paper Comments:

²² FICC’s amended Form CA-1, including the exhibits, attachments and the schedule referenced above, is available online at www.sec.gov/rules/other.shtml, as well as at the Commission’s Public Reference Room.

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

All submissions should refer to File Number 600-23. 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 of submission. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the amended Form CA-1, all subsequent amendments, all written statements with respect to FICC's amended Form CA-1 that are filed with the Commission, and all written communications relating to the amended Form CA-1 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 website viewing and printing in the Commission's Public Reference Room, 100 F Street, N.E., Washington, D.C. 20549, on official business days between the hours of 10:00 a.m. and 3:00 pm.

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 600-23 and should be submitted on or before [insert date 45 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²³

Kevin M. O'Neill
Deputy Secretary

²³ 17 CFR 200.30-3(a)(12).