

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-54819; File No. SR-FICC-2006-17)

November 27, 2006

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing of a Proposed Rule Change Relating to Clearing Fund Deficiency Calls

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ notice is hereby given that on October 16, 2006, the Fixed Income Clearing Corporation (“FICC”) filed with the Securities and Exchange Commission (“Commission”) 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 adjust the deadline for satisfying a clearing fund deficiency call from 10:30 a.m. to 9:30 a.m. in the Schedule of Timeframes in FICC’s Government Securities Division (“GSD”) rulebook.

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 rule filing is to amend GSD's rules to change the time when clearing fund deficiency calls are due from netting members. In 2005, the Commission approved a FICC rule filing that established the Federal Reserve's National Settlement System ("NSS") as the method by which GSD netting members could satisfy their funds-only settlement amounts.³ FICC believes that this rule filing improved GSD's funds-only settlement process because it created a more automated and centralized payment system for the satisfaction of funds-only settlement debits and credits. Through NSS, the GSD funds-only settlement debit and credit process is run by 10 a.m.⁴ each business day.

Currently, clearing fund deficiency call payments are due from GSD netting members at 10:30 a.m. In addition, clearing fund deficiencies due to FICC from netting members must be satisfied prior to the release of funds-only settlement credits. When a netting member has not satisfied its clearing fund deficiency payment by approximately 9:50 a.m., GSD must remove that member from the automated NSS process and settle with them manually outside the NSS system. Such manual processing results in administrative burdens for FICC staff and undermines the efficiencies FICC sought to achieve by using the NSS system.

For this reason, FICC proposes to change the timing of GSD clearing fund deficiency calls to 9:30 a.m. from 10:30 a.m.⁵ Doing so would enable GSD to resolve any unsatisfied deficiencies with netting members well in advance of the 10 a.m. funds-only settlement process

³ Securities Exchange Act Release No. 52853 (Nov. 29, 2005), 70 FR 72682 (Dec. 6, 2005) [SR-FICC-2005-14].

⁴ All times referenced herein are New York times.

⁵ This rule filing does not affect a netting member's obligation to make its funds-only settlement payment to FICC on time.

that takes place through NSS and would allow GSD to better utilize the automated NSS process. GSD intends to implement the new timeframe for clearing fund deficiency calls on January 1, 2007.

As is currently the case in its rules, FICC will reserve the right to extend this deadline on days on which there are operational or systems difficulties that would reasonably prevent members from satisfying a deficiency call by 9:30 a.m.

FICC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act⁶ and the rules and regulations thereunder because it will improve the efficiency of FICC's margining and settlement processes and therefore will help FICC to safeguard securities and funds in its possession or for which it is responsible.

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.

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:

⁶ 15 U.S.C. 78q-1.

- (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-2006-17 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-2006-17. 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-2006-17 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.⁷

Nancy M. Morris
Secretary

⁷ 17 CFR 200.30-3(a)(12).