

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-65198; File No. SR-FICC-2011-06)

August 25, 2011

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing of Proposed Rule Change to Eliminate Two Rules of the Mortgage-Backed Securities Division That FICC Believes Are No Longer Utilized or Necessary

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder² notice is hereby given that on August 17, 2011, the Fixed Income Clearing Corporation (“FICC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II 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 eliminate two rules of the Mortgage-Backed Securities Division (“MBSD”) that FICC believes are no longer utilized or necessary.

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

significant aspects of these statements.³

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

The purpose of the proposed rule change is to eliminate two MBSD rules which FICC believes are no longer utilized or necessary. The first rule proposed to be eliminated is Article II, Rule 1, Section 3, which was put in place to stem certain abuses of cash adjustments taking place in the mid to late 1990s (specifically, traders were manipulating pricing on their submission of trades in order to maximize their cash adjustments). Because cash adjustments were deleted from the rules via the approved rule filing FICC 2010-08,⁴ FICC believes the rule imposing trade restrictions between accounts is no longer necessary.

The second rule proposed to be eliminated relates to the “match modes” currently referenced in the MBSD rules. Currently, the rules provide that dealers may elect to have the comparison of their transactions governed in either “Exact Match Mode” or “Net Position Match Mode.” In Exact Match Mode, trade input that matches in all other respects will be compared only if the par amount of the eligible securities reported to have been sold or purchased by the dealer for a particular transaction is identical to the par amount for a particular transaction reported by the broker. In a Net Position Match Mode, trade input that matches in all other respects will be compared only if the aggregate par amount for one or more transactions in eligible securities reported to have been sold or purchased by the dealer equals the aggregate par amount for one or more transactions reported by the broker. Currently, no participants have elected to have their transactions governed in Exact Match Mode. FICC believes there is no

³ The Commission has modified the text of the summaries prepared by FICC.

⁴ See Securities Exchange Act Release No. 34-63611 (December 28, 2010), 76 FR 408 (January 4, 2011) (SR-FICC-2010-08).

need to provide participants with a choice of match mode because MBSB's system already attempts to find an exact match for trade input and, only if an exact match is not found, will the system revert to Net Position Match Mode. This change would require the deletion of subpart (a) of Article II, Rule 3, Section 4 and conforming changes to the definitions (in Article I) and in Article II, Rule 3, Sections 3 and 4 to reflect that Net Position Match Mode will be the only available match mode.

Given that FICC believes these rules have no utility for MBSB's participants, MBSB proposes to eliminate these rules. FICC believes elimination of these rules would also promote efficiency. MBSB is currently undertaking a rewrite of its internal software applications and operating systems to promote efficiency and streamline its operations. Approval of the elimination of these rules will allow MBSB to avoid writing unnecessary coding during the rewrite process.

The effective date of this change will be announced to MBSB participants via Important Notice.

FICC believes the proposed rule change is consistent with the requirements of Section 17A of the Act⁵ and the rules and regulations thereunder because it would facilitate the prompt and accurate clearance and settlement of securities transactions by eliminating rules that no longer have utility for participants. FICC believes this would promote efficiency because the rules would be more clear and easier to understand once they are revised to remove these outdated and unnecessary rules and resources would be conserved by avoiding writing unnecessary code during MBSB's software rewrite process.

⁵ 15 U.S.C. 78q-1.

Self-Regulatory Organization's Statement on Burden on Competition

FICC does not believe that the proposed rule change would impose any burden on competition.

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

Written comments relating to the proposed rule change have not been solicited or received. FICC will notify the Commission of any written comments received by FICC.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate 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 or disapprove the 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 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 Number SR-FICC-2011-06 on the subject line.

Paper Comments:

- 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 SR-FICC-2011-06. 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 website (<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 website viewing and printing in the Commission's Public Reference Section, 100 F Street, N.E., Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filings will also be available for inspection and copying at the principal office of FICC and on FICC's website at http://www.dtcc.com/downloads/legal/rule_filings/2011/ficc/2011-06.pdf.

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 SR-FICC-2011-06 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission by the Division of Trading and Markets, pursuant to delegated authority.⁶

Elizabeth M. Murphy
Secretary

⁶ 17 CFR 200.30-3(a)(12).