

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-54787; File No. SR-FICC-2006-14)

November 20, 2006

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing of a Proposed Rule Change Relating To Returning Excess Clearing Fund Collateral

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ notice is hereby given that on September 22, 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 purpose of this rule filing is to amend FICC’s Government Securities Division’s (“GSD”) rules to permit GSD members to request the return of their excess clearing fund collateral held on deposit with FICC on a more frequent basis than is currently allowed under GSD’s rules.

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.

¹ 15 U.S.C. 78s(b)(1).

FICC has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.²

A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

Currently, GSD members generally are permitted to request the return of excess clearing fund collateral once per month.³ In addition, on any business day, if a GSD member has an excess clearing fund deposit in the amount of \$5 million or more, the member may request the return of the excess deposit provided, among other requirements, that the member retain on deposit with GSD the greater of at least 110 percent of its calculated required clearing fund deposit or \$1 million more than its calculated required clearing fund deposit.

In an effort to harmonize GSD’s process with respect to the return of excess collateral with the processes of other Depository Trust & Clearing Corporation (“DTCC”) subsidiary clearing agencies, FICC proposes to change GSD’s rules to give GSD the discretion to return excess clearing fund more frequently whether or not the excess reaches 110 percent of the required clearing fund deposit or \$5 million.⁴ Under the proposal, GSD members would be able to request the return of excess clearing fund on a daily basis. GSD would retain the right, however, to deny the return of some or all of a member’s excess collateral in the following

² The Commission has modified the text of the summaries prepared by FICC.

³ Excess clearing fund is the amount of collateral held on deposit at GSD that is greater than a member’s required clearing fund deposit as set forth in GSD Rule 4 (Clearing Fund, Watch List and Loss Allocation).

⁴ The rules of the National Securities Clearing Corporation (“NSCC”) and FICC’s Mortgage Backed Securities Division (“MBSD”) permit their respective members to request (under normal circumstances) the return of their excess clearing fund more frequently than once per month. Currently, NSCC’s and MBSD’s procedures allow members to request the return of excess collateral on a daily basis.

instances: (i) if, the member has an outstanding payment obligation to FICC; (ii) if a member's funds-only settlement amounts or net settlement positions over the upcoming 90 days may reasonably be expected to be materially different than those of the preceding 90 days; (iii) if the member is on the watch list; or (iv) when the return of excess clearing fund will cause the member to be in violation of another GSD rule. In addition, excess clearing fund would not be returned to a member if doing so would reduce a member's cross-guaranty repayment deposit or cross-margining repayment deposit to the clearing fund below the required amount.⁵

FICC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act and the rules thereunder because by enabling FICC members to request and receive an earlier return of excess clearing fund collateral held on deposit at FICC while maintaining the GSD's ability to deny the return of excess collateral in order to protect FICC from undue risk, the proposed rule change should not adversely affect FICC's ability to safeguard securities and funds in its possession or control or for which it is responsible and at the same time should enhance member liquidity.

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.

⁵ Under GSD's rules, a "cross-guaranty repayment deposit" is a deposit to the clearing fund required to be made by a cross-guaranty beneficiary member pursuant to Rule 41, Section 4 of GSD's rules. A "cross-margining repayment deposit" is a deposit to the clearing fund required to be made by a cross-margining beneficiary participant pursuant to Rule 43, Section 6 of GSD's rules.

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

FICC has not solicited 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 35 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 90 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:

- (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-2006-14 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-2006-14. 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-2006-14 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.⁶

Nancy M. Morris
Secretary

⁶ 17 CFR 200.30-3(a)(12).