

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-55164; File No. SR-FICC-2006-20)

January 24, 2007

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Modify the EPN Rules of its Mortgage-Backed Securities Division to Implement New Messaging Capabilities and Establish a Fee Structure

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ notice is hereby given that on December 28, 2006, the Fixed Income Clearing Corporation (“FICC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change described in Items I, II, and III below, which items have been prepared primarily by FICC. FICC filed the proposed rule change pursuant to Section 19(b)(3)(A)(ii) and (iii) of the Act² and Rules 19b-4(f)(2) and 19b-4(f)(4) thereunder³ so that the proposal was effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested parties.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The purpose of the proposed rule change is to modify the Electronic Pool Notification (“EPN”) rules of FICC’s Mortgage-Backed Securities Division (“MBSD”) to implement new messaging capabilities for participants using the EPN service and to establish a fee structure for the new messaging capabilities.⁴

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78s(b)(3)(A)(ii) and (iii).

³ 17 CFR 240.19b-4(f)(2) and 240.19b-4(f)(4).

⁴ The text of the proposed rule change is available at the FICC, at <http://www.ficc.com/commondocs/rule.filings/rule.filing.06-20.pdf>, and at the Commission’s Public Reference Room.

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 these statements.⁵

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

The purpose of the proposed rule filing is to modify the EPN Rules of the MBSB to implement new messaging capabilities for participants using the EPN service and to establish a fee structure for the new messaging capabilities. Currently, MBSB participants who wish to effect a pool substitution through the EPN service must submit two separate messages to the MBSB to effect the substitution – one to cancel the originally allocated pool and one to submit the substituted pool. In the alternative, participants may manually cancel the originally allocated pool and specify the substituted pool to a contra-party through phone or fax messages. Either process is cumbersome and inefficient for members.

To remedy this, the MBSB has created a new EPN message type called the “Cancel/Correct Pool Substitution” (“Cancel/Correct”) to support the simultaneous cancellation of previously allocated pools and notification of substituted pools. By introducing the Cancel/Correct message, FICC will provide MBSB participants with an efficient method of transmitting pool substitutions to their allocation counterparties.⁶

⁵ The Commission has modified the text of the summaries prepared by FICC.

⁶ Existing EPN messages and processes will continue to be supported without change.

FICC will amend the EPN fee schedule to incorporate related charges for the new Cancel/Correct message types. The proposed billing structure takes into account the Securities Industry and Financial Markets Association's cut-off times for delivering substitution and replacement pool information.

The proposed rule change is consistent with the requirements of Section 17A of the Act and the rules and regulations thereunder because it will enable FICC to improve messaging capabilities in the EPN system, leading to an increase in efficiencies for FICC and its members. This will enable FICC to better ensure the accurate reporting, clearance, and settlement of securities transactions.

(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

Written comments relating to the proposed rule change have not yet 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

The foregoing rule change has become effective upon filing pursuant to Section 19(b)(3)(A)(iii) of the Act⁷ and Rule 19b-4(f)(4)⁸ thereunder because the proposed rule change effects a change in an existing service of FICC that (i) does not adversely affect the safeguarding of securities or funds in the custody or control of FICC and (ii) does not significantly affect the

⁷ 15 U.S.C. 78s(b)(3)(A)(iii).

⁸ 17 CFR 240.19b-4(f)(4).

respective rights or obligations of FICC or those members using the service. The foregoing rule change has also become effective pursuant to Section 19(b)(3)(A)(ii) of the Act⁹ and Rule 19b-4(f)(2)¹⁰ thereunder because the proposed rule establishes or changes a due, fee, or other charge applicable only to participants. At any time within sixty days of the filing of such rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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-2006-20 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 Number SR-FICC-2006-20. 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

⁹ 15 U.S.C. 78s(b)(3)(A)(ii).

¹⁰ 17 CFR 240.19b-4(f)(2).

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. The text of the proposed rule change is available at FICC, the Commission's Public Reference Room, and <http://www.ficc.com/commondocs/rule.filings/rule.filing.06-20.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-2006-20 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.¹¹

Florence E. Harmon
Deputy Secretary

¹¹ 17 CFR 200.30-3(a)(12).