

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-55616; File No. SR-FICC-2007-03)

April 11, 2007

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing and Order Granting Accelerated Approval of a Proposed Rule Change to Clarify the Government Securities Division Rules with Respect to Repo Collateral Substitution Requests

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ notice is hereby given that on March 23, 2007, 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. The Commission is publishing this notice and order to solicit comments from interested parties and to grant accelerated approval of the proposal.

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 add a final deadline to the repo collateral substitution process of FICC’s Government Securities Division (“GSD”).

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.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

Currently, the GSD's rules provide that repo collateral substitution requests for which the notification itself or the information regarding new securities collateral is received after 12:30 pm will be processed by the GSD on a good faith basis only.³ FICC is proposing to impose a final deadline for this process after which FICC will not process a repo collateral substitution until the following business day. This final deadline will be 1:00 pm and will be extended by one hour on days that FICC or the Securities Industry and Financial Markets Association ("SIFMA") determine are "high volume" days. In situations where FICC receives a notification or information regarding the new securities collateral information after the 1:00 pm deadline, the submitting member will be required to resubmit its substitution information on the following business day for processing.⁴ FICC will continue to process substitution requests when notification or new securities collateral information is received between 12:30 pm and 1:00 pm on a good faith basis only. In situations where FICC has been notified of a substitution but the new securities collateral has not yet been reported to FICC, FICC will continue to employ the risk management measures that were instituted by FICC in prior rule filings.⁵

³ All times referred to herein are New York times. This deadline is extended by one hour on "high volume" days as described in the GSD's rules.

⁴ In situations where FICC receives a notification but not the new securities collateral information before the 1:00 pm deadline, the submitting member will be required to resubmit its substitution information on the following business day for processing.

⁵ Securities Exchange Act Release No. 53534 (March 21, 2006), 71 FR 15781 (March 29, 2006) [File No. SR-FICC-2005-18], as amended by Securities Exchange Act Release No. 55217 (January 31, 2007), 72 FR 5774 (February 7, 2007) [File No. SR-FICC-2006-16].

FICC believes that imposition of the final deadline will encourage members to submit their repo collateral substitution notification requests and required information on a timely basis and will alleviate the operational burdens associated with late receipt of this information.

The proposed rule change is consistent with Section 17A of the Act,⁶ as amended, because it encourages members to submit repo collateral substitution requests and required information associated therewith on a timely basis. As such, it will support the prompt and accurate 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

Section 17A(b)(3)(F)⁷ of the Act requires that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions. The Commission finds that FICC's proposed rule change is consistent with FICC's obligation under the Act because it encourages FICC's members to submit repo collateral substitution requests and required information associated therewith on a timely basis.⁸

⁶ 15 U.S.C. 78q-1.

⁷ 15 U.S.C. 78q-1(b)(3)(F).

⁸ In approving the proposed rule change, the Commission considered the proposal's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice of filing in the Federal Register because doing so will allow FICC to implement the proposed rule change in April in accordance with its system change implementation schedule.

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-2007-03 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-2007-03. 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 filings also will be available for inspection and copying at the principal office of FICC and on FICC's Web site at <http://www.ficc.com/commondocs/rule.filings/rule.filing.07-03.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-2007-03 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

V. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,⁹ that the proposed rule change (File No. SR-FICC-2007-03) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.¹⁰

Florence E. Harmon
Deputy Secretary

⁹ 15 U.S.C. 78s(b)(2).

¹⁰ 17 CFR 200.30-3(a)(12).