

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-56189; File No. SR-FICC-2007-07)

August 2, 2007

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule To Make Technical Changes to Update and Align Provisions with Current Practice

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> notice is hereby given that on June 21, 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. FICC filed the proposal pursuant to Section 19(b)(3)(A)(i) and (ii) of the Act<sup>2</sup> and Rule 19b-4(f)(1) and (2)<sup>3</sup> thereunder so that the proposal was effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the 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 rule change is to make technical changes to certain provisions of the Government Securities Division (“GSD”) rules and the Mortgage-Backed Securities Division (“MBSD”) rules to update and to align them with current practice.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 15 U.S.C. 78s(b)(3)(A)(i) and (ii).

<sup>3</sup> 17 CFR 240.19b-4(f)(1) and (2).

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.<sup>4</sup>

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

(1) Off-the-Market Transactions

The definition of Off-the-Market Transactions in the GSD rules is outdated and does not allow for adjustments in market conditions. FICC proposes to amend this definition by (i) deleting the reference to "option exercises" so that they are no longer automatically considered to be Off-the-Market Transactions, (ii) establishing a System Price<sup>5</sup> as the basis for determining whether a transaction will be an Off-the-Market Transactions, and (iii) allowing FICC to establish the percentage, based on factors such as market conditions, by which the price of a transaction must exceed or fall short of the System Price in order to constitute an Off-the-Market Transaction.

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<sup>4</sup> The Commission has modified the text of the summaries prepared by FICC.

<sup>5</sup> Rule 1 defines System Price as "the uniform price (expressed in dollars per unit of par value), not including accrued interest, established by [FICC] on each Business Day, based on current market information, for each Eligible Netting Security with a separate CUSIP Number. Notwithstanding the above, the System Price for the Generic CUSIP Number that underlies a GCF Net Settlement Position shall be equal to principal value."

(2) The Bond Market Association

The Bond Market Association (“BMA”) has merged with the Securities Industry Association to form the Securities Industry and Financial Markets Association (“SIFMA”). FICC is proposing to revise the MBSB Clearing Rules and MBSB EPN Rules to replace references to the BMA and BMA Guidelines with references to SIFMA and SIFMA Guidelines.

(3) Omnibus Account Fees and Access Fees

MBSB’s EPN Schedule of Charges currently provides for Omnibus Account fees and for Access fees. These fees no longer exist. FICC is proposing to amend the MBSB EPN Schedule of Charges to delete the reference to Omnibus Account fees and Access fees.

The proposed rule change is consistent with Section 17A of the Act,<sup>6</sup> as amended, because it constitutes technical changes that do not adversely affect the safeguarding of securities or funds in the custody or control of FICC 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

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

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<sup>6</sup> 15 U.S.C. 78q-1.

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

The foregoing proposed rule change has become effective upon filing pursuant to Section 19(b)(3)(A)(i) and (ii) of the Act<sup>7</sup> and Rule 19b-4(f)(1) and (2)<sup>8</sup> thereunder because the proposed rule change constitutes a stated policy and interpretation with respect to the meaning of existing FICC rules and changes a fee imposed by FICC. At any time within sixty days of the filing of the proposed 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](mailto:rule-comments@sec.gov). Please include File Number SR-FICC-2007-07 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.

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<sup>7</sup> 15 U.S.C. 78s(b)(3)(A)(i) and (ii).

<sup>8</sup> 17 CFR 240.19b-4(f)(1) and (2).

All submissions should refer to File Number SR-FICC-2007-07. 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, on official business days between the hours of 10:00 am and 3:00 pm. 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://ficc.com/commondocs/rule filings/rule filing.07-07.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-2007-07 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.<sup>9</sup>

Florence E. Harmon  
Deputy Secretary

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<sup>9</sup> 17 CFR 200.30-3(a)(12).