

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-66574; File No. SR-FICC-2012-02)

March 12, 2012

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing of Proposed Rule Change to Remove Functionality in the Government Securities Division's Rules That Is No Longer Utilized by Participants

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 February 29, 2012, the Fixed Income Clearing Corporation ("FICC") filed with the Securities and Exchange Commission ("Commission") the proposed 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 change from interested persons.

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

The proposed rule change consists of modifications to certain rules of the Government Securities Division ("GSD") of the Fixed Income Clearing Corporation ("FICC") that refer to functions or classifications that are either technologically obsolete or no longer used by participants.

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 this filing is to revise the GSD rules to eliminate references to functions or classifications that are either technologically obsolete or no longer utilized by GSD's participants. Reflected below are descriptions of the proposed changes to the rules.

1. "Non-Conversion Participants"/ "Conversion Participants"

When first implemented, the DVP System required all participants that submitted when issued trades to resubmit those trades with final money calculations on the night of Auction Date, after the Treasury Auction results were announced. Subsequent to the initial implementation, enhancements were incorporated such that the DVP System recalculated trades (repriced) based on auction results. FICC also incorporated an option whereby participants could decide if they wanted to resubmit their trades (participants who elected this option were known as "Non-Conversion Participants") or take FICC's repricing notification (participants who elected this option were known as "Conversion Participants"). With the implementation of Interactive Messaging in 2000, the few remaining Non-Conversion Participants agreed to take FICC's calculations, rather than resubmit their trades to FICC. As such, FICC proposes to remove references in the rules to Non-Conversion Participants. Given that all participants who submit when-issued transactions for matching/netting are subject to accepting FICC's calculations for their trades based on Treasury Auction Results, the proposed rule changes replace references to "Conversion Participants" with "Participants."

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

2. Auction Priority Delivery Requests and Customer Delivery Requests (CDRs)

Auction Priority Delivery Requests, also known as Customer Delivery Request (CDRs), were originally built for FICC's batch file transfer, which was the initial proprietary method that participants used to submit trade activity to FICC. This functionality allowed the dealer to instruct FICC to withhold certain auction trades from the net to ensure that a priority client received their auction allotment so the trade could not be netted out during FICC's end of day netting process. However, when Interactive Messaging was implemented in 2000, this instruction type was not supported as it was no longer used. As a result, FICC proposes to remove references in the rules to Auction Priority Delivery Requests and Customer Delivery Requests (CDRs).

3. Repo Substitution Criteria

GSD initially provided optional fields for Repo Substitution Criteria for trade submissions. However, over the years, participants generally have not used these fields. Because the fields were provided as an informational courtesy that has not been used by participants, the new system will not contain them. From a rules perspective this entails the deletion of references to those fields in related schedule.

In addition to the above-referenced changes which relate to the DVP System, FICC proposes to make the following additional technical corrections to the GSD rules:

- Terminal interfaces and video display terminals are currently referenced in the rules. The terminals became obsolete when FICC replaced them with a web browser interface. Because the terminals are no longer in existence, FICC proposes to remove references to these methods from the GSD rules.

- Currently, the “Schedule of Required and Other Data Submission Items from GCF Repo Transactions” refers to “Reverse dealer Exec. Id” and a “Repo dealer Exec Id.” When FICC began using the GSD RTTM web format, these fields were eliminated because they did not have any significance for GCF repo trades. As a result, FICC proposes to remove these references from the rules.

FICC believes the proposed change is consistent with Section 17A of the Act and the rules and regulations thereunder because it facilitates the prompt and accurate clearance and settlement of securities by ensuring that FICC’s rules are accurate.

(B) 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 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

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.

Electronic Comments:

- Use the Commissions 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-2012-02 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-2012-02. 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, D.C. 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will 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/2012/ficc/SR_FICC_2012_02.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-2012-02 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.⁴

Kevin M. O'Neill
Deputy Secretary

⁴ 17 CFR 200.30-3(a)(12).