

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-70831; File No. SR-FICC-2013-09)

November 7, 2013

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing of Proposed Rule Change to Make the U.S. Department of the Treasury's Floating Rate Notes Eligible for Netting Service and GCF Repo® at FICC's Government Securities Division

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that, on October 28, 2013, 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 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 make the U.S. Treasury Department's floating rate notes eligible for the netting service and GCF Repo® service at the 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 such statements.

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

<sup>2</sup> 17 CFR 240.19b-4.

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

(i) The purpose of this rule filing is to make the U.S. Treasury Department's floating rate notes eligible for the netting service and GCF Repo® service at the GSD.

Last year, the U.S. Department of the Treasury (the "Treasury Department") announced its plan to issue Treasury notes with a floating rate coupon (the "Floating Rate Notes").

During the May 1, 2013 Refunding Meeting, the Treasury Department stated that it plans to develop a Floating Rate Notes securities program to complement the existing suite of securities it issues and to support its broader debt management objective. The Floating Rate Notes will be the first added U.S. Treasury debt security since the Treasury Inflation-Protected Securities, known as TIPS, were introduced in 1997. The Treasury Department anticipates that the first auction will occur in January 2014.<sup>3</sup>

From a trading perspective and to ensure that the introduction of the Floating Rate Notes does not result in any increased clearance and settlement risk to the marketplace, FICC believes that these securities should be eligible for comparison, netting, and settlement by GSD. With this in mind, GSD is planning to make Floating Rate Notes eligible for its netting service starting with the January 2014 auction of the two-year Floating Rate Notes (other maturities will be issued later).

With respect to the GCF Repo® service, Floating Rate Notes will be included in GSD's existing Treasury Generic CUSIP Numbers.<sup>4</sup> The inclusion of Floating Rate Notes in the GCF

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<sup>3</sup> See Press Release, U.S. Department of the Treasury *August 2013 Quarterly Refunding Statement of Assistant Secretary Rutherford* (July 31, 2013), available at [www.treasury.gov](http://www.treasury.gov).

<sup>4</sup> Pursuant to the GSD Rules, the term "Generic CUSIP Number" means a Committee on Uniform Securities Identification Procedures identifying number established for a category of securities, as opposed to a specific security. The Corporation shall use separate Generic CUSIP

Repo® service necessities a change to the GSD Rulebook in connection with the collateral allocation provisions which are covered in GSD Rule 20 Section 3. Because of their adjustable coupon, Floating Rate Notes will not be eligible for collateral allocation obligations or substitutions with respect to the GCF Repo Generic CUSIPs representing Treasury inflation-protected securities (“TIPS”), separate trading of registered interest and principal securities (“STRIPS”), or fixed-rate mortgage-backed securities issued by Federal National Mortgage Association (“Fannie Mae”), Federal Home Loan Mortgage Corporation (“Freddie Mac”) and Government National Mortgage Association (“Ginnie Mae”). As a result, GSD Rule 20 Section 3 has been revised to reflect this change.

In order for GSD to process Floating Rate Notes, various enhancements to FICC’s systems and member output have been made in the following areas:

- Creation and maintenance of a historical database of reference indices. This data is necessary for determining coupon, which is used in valuing positions for settlement purposes and for forward margin and clearing fund calculations.
- Modification of the security database in order for it to work in conjunction with the floating rate, reset date, reset rate basis and spread.
- Modifications to member output formats for both messaging and end of day machine readable output in order to accommodate the additional fields.

GSD will test with its membership before the launch of the Floating Rate Notes. This will ensure that members can properly submit and receive transaction data in connection with the Floating Rate Notes. GSD has provided information to member firms about GSD’s proposed

processing of the Floating Rate Notes and will continue to do so prior to allowing Floating Rate Notes eligible for processing.<sup>5</sup>

(ii) The proposed rule changes are consistent with the requirements of Section 17A(b)(3)(F) of the Act and the rules and regulations thereunder, because the processing of Floating Rate Notes allows GSD to provide its beneficial clearance and settlement services to a new set of Government securities transactions in which the GSD members will be engaged. This expansion facilitates the prompt and accurate clearance and settlement of securities transaction and assures the safeguarding of securities and funds which are 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 negative 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 changes have not yet been solicited or received. FICC will notify the Commission of any written comments received by FICC.

**D. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act**

- (a) Not applicable.
- (b) Not applicable.
- (c) Not applicable.
- (d) Not applicable.

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<sup>5</sup> GSD issued Important Notice GOV012.13 on February 23, 2013 and Important Notice GOV056.13 on August 19, 2013. Both Important Notices provide members with data output guidelines and trade messaging changes. The notices are available at [www.dtcc.com](http://www.dtcc.com).

- (e) Not applicable.

**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.

**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-comment@sec.gov](mailto:rule-comment@sec.gov). Please include File Number SR-FICC-2013-09 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- 2013-09. 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 of submission. 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 Room Section located at 100 F Street, NE, Washington DC 20549-1090 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/2013/ficc/SR\\_FICC\\_2013\\_09.pdf](http://www.dtcc.com/downloads/legal/rule_filings/2013/ficc/SR_FICC_2013_09.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-2013-09 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.<sup>6</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>6</sup> 17 CFR 200.30-3(a)(12).