

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-49463; File No. SR-FICC-2004-04)

March 24, 2004

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Technical Corrections

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ notice is hereby given that on February 19, 2004, 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 primarily 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 proposed rule change will make several technical corrections to FICC’s Mortgage-Backed Securities Division’s (“MBSD”) rules.

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.

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

¹ 15 U.S.C. 78s(b)(1).

FICC proposes to make the following technical corrections to its Mortgage-Backed Securities Division's ("MBSD") rules:

1. Minimum Financial Requirements Applicable to Dealer Participants

In Rule Filing SR-MBSCC-2001-06, FICC inadvertently created a \$5 million minimum net capital or liquid capital requirement for "registered broker-dealers."² This requirement has historically applied only to brokers, which act as intermediaries and present less risk to FICC and its participants. Notwithstanding MBSCC-2001-06, FICC has continued to subject dealers to a \$10 million minimum net worth requirement and this rule filing restores the language in MBSD's rules setting forth the different minimum requirements to the language as it existed prior to Rule Filing SR-MBSCC-2001-06.

2. Reference to FICC's Office

MBSD's current rules refer to MBSCC's Chicago office. FICC no longer maintains this office and wishes to delete the reference to the Chicago office in MBSD's rules.

3. References to EPN User Fund and Basic Deposit

MBSD's rules currently reference the "EPN User Fund" ("Fund") and "Basic Deposit" ("Deposit"). MBSCC initially had planned to supply its participants with equipment for the EPN service and intended to have each EPN user post a Deposit to the Fund for the using the equipment. The purpose of this was to create an incentive for participants to return the equipment upon terminating their MBSCC membership. However, the EPN system was developed without the need to supply users with equipment; therefore, the use of the Fund was never implemented. FICC proposes to delete all references to the Fund and to the Deposit.

² Securities Exchange Act Release No. 49156 (Jan. 30, 2004); 69 FR 5881 (Feb. 6, 2004). FICC's corporate predecessor, MBSCC, submitted this rule filing.

FICC believes that the proposed rule change is consistent with Section 17A of the Act³ and the rules and regulations thereunder as the proposed rule change makes technical corrections to the MBSD's rules.

B. Self-Regulatory Organization's Statement on Burden on Competition

FICC believes that the proposed rule change will not 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

FICC has not solicited or received written comments relating to the proposed rule change. FICC will notify the Commission of any written comments it receives.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act⁴ and Securities Exchange Act Rule 19b-4(f)(4)⁵ because it effects a change in an existing service of FICC that does not adversely affect the safeguarding of securities or funds in the custody or control of FICC or for which FICC is responsible and does not significantly affect the respective rights or obligations of FICC or person using the service. At any time within 60 days of the filing of such proposed rule change, the Commission may summarily abrogate such rule change if it appeared to the Commission that such action was 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

³ 15 U.S.C. 78q-1.

⁴ 15 U.S.C. 78s(b)(3)(A)(iii).

⁵ 17 CFR 240.19b-4(f)(4).

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. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 5th Street NW, Washington, DC, 20549-0069. Comments may also be submitted electronically at the following e-mail address: rule-comments@sec.gov. All comment letters should refer to File No. SR-FICC-2004-04. 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, comments should be sent in hardcopy or by e-mail but not by both methods. Copies of the submission, all subsequent amendments, all written statements with respect to the rule filing that are filed with the Commission, and all written communications relating to the rule filing between the Commission and any person, other than those that may be withheld from the public in accordance with provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room in Washington, DC. Copies of such filing will also be available for inspection and copying at FICC's principal office and on FICC's website at <http://www.ficc.com/mbs/mbs.docs.jsp?NS-query=>. All submissions should refer to File No. SR-FICC-2004-04 and should be submitted by [insert 21 days after the date of this publication in the Federal Register].

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁶

Margaret H. McFarland
Deputy Secretary

⁶ 17 CFR 200.30-3(a)(12).

