

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-63301; File No. SR-FICC-2010-08)

November 10, 2010

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing of Proposed Rule Change to Eliminate Certain Cash Adjustments Currently Processed by the MBSB

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 October 28, 2010, the Fixed Income Clearing Corporation (“FICC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule 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 rule change from interested persons.

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 eliminate cash adjustments that are currently processed by the Mortgage-Backed Securities Division (“MBSB”).

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.³

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 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

FICC is proposing to eliminate the cash adjustments that are currently processed by the MBSD.⁴ FICC is proposing to eliminate the cash adjustments because they have low monetary impact and were originally designed to address a clearance event (“significant variance”) that no longer applies. Variance was originally established when mortgage-backed securities were physically settled, and it was difficult to organize physical pools into \$1 million par amounts for delivery.

As a result of the netting of To Be Announced (“TBA”) transactions, a participant may have a settlement obligation to another participant with which it did not trade (“SBON Obligations”). SBON Obligations are created in multiples of \$1 million par amounts and are assigned a uniform delivery price. Since the delivery price will differ from the participant’s original trade price, an adjustment is calculated for the difference between the delivery price and the trade price. This adjustment is referred to as the Settlement Balance Order Market Differential (“SBOMD”).

Participants notify the MBSD when they have settled their SBON Obligations with their assigned counterparties through the Notification of Settlement (“NOS”) process. From the information supplied by both the delivering and receiving participants in their respective NOS, the MBSD determines whether the securities delivered were in \$1 million par amounts or in a par amount within acceptable variance (plus or minus \$100 per million). In instances where the delivery was completed in \$1 million par amounts, the MBSD takes no additional steps.

⁴ The specific language of the proposed provision can be found at http://www.dtcc.com/downloads/legal/rule_filings/2010/ficc/2010-08.pdf.

If the delivery was cleared for a par amount within acceptable variance, the MBSB will calculate a cash adjustment to reconcile the difference between the original SBOMD (based on a \$1 million par amount) and what the SBOMD should have been (based on the par amount delivered). As mortgage-backed securities migrated from physical to electronic settlement, acceptable variance has been reduced from an initial \$50,000 per million to the current amount of \$100 per million.

FICC believes the proposed rule change is consistent with the requirements of Section 17A of the Act⁵ and the rules and regulations thereunder applicable to FICC because it is a deletion of a rule that covers a process that is no longer needed and as such it provides certainty and clarity of the clearance process at MBSB to members.

(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 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-

⁵ 15 U.S.C. 78q-1.

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-comments@sec.gov. Please include File Number SR-FICC-2010-08 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-2010-08. 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. 20549-1090, on official business days between the hours of 10:00 am and 3:00 pm. Copies of such filings will also be available for inspection and copying at the principal office of FICC and on FICC's website at http://dtcc.com/downloads/legal/rule_filings/2010/ficc/2010-08.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-2010-08 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.⁶

Florence E. Harmon
Deputy Secretary

⁶ 17 CFR 200.30-3(a)(12).