



8011-01p
SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-66856; File No. SR-FICC-2012-02)

April 25, 2012

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

I. Introduction

On February 29, 2012, the Fixed Income Clearing Corporation ("FICC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change SR-FICC-2012-02 pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4² thereunder. The proposed rule change was published for comment in the Federal Register on March 16, 2012.³ The Commission received no comment letters on the proposed rule change. This order approves the proposed rule change.

II. Description

This rule change revises certain rules of the Government Securities Division ("GSD") to eliminate references to functions or classifications that are either technologically obsolete or no longer utilized by GSD's participants.

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,

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Securities Exchange Act Release No. 15822 (March 12, 2012), 77 FR 15822 (March 16, 2012).

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 proposed 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.”

2. Auction Priority Delivery Requests and Customer Delivery Requests (“CDR”s)

Auction Priority Delivery Requests, also known as 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 its 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 proposed to remove references in the rules to Auction Priority Delivery Requests and CDRs.

3. Repo Substitution Criteria

FICC 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, FICC is deleting references to those fields in its rules.

In addition to the above-referenced changes, FICC proposed 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 proposed 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 proposed to remove these references from the rules.

III. Discussion

Section 19(b)(2)(B) of the Act⁴ directs the Commission to approve a proposed rule change of a self-regulatory organization if it finds that such proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to such organization. Section 17A(b)(3)(F) of the Act requires that the rules of a registered clearing agency be designed to promote the prompt and accurate clearance and settlement of securities

⁴ 15 U.S.C. 78s(b)(2)(B).

transactions.⁵ The proposed rule change clarifies GSD's rules by removing references to functions or classifications that are either technologically obsolete or no longer utilized by GSD's participants. The Commission believes that these clarifications will promote the prompt and accurate clearance and settlement of securities transactions for which FICC is responsible by ensuring that GSD's rules describe only functions and classifications that are actually offered by GSD.

IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and in particular with the requirements of Section 17A of the Act⁶ and the rules and regulations thereunder.

⁵ 15 U.S.C. 78a-1(b)(3)(F).

⁶ 15 U.S.C. 78q-1.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2)⁷ of the Act, that the proposed rule change (File No. SR-FICC-2012-02) be, and hereby is, approved.⁸

For the Commission by the Division of Trading and Markets, pursuant to delegated authority.⁹

Kevin M. O'Neill
Deputy Secretary

Publication Date: 04/30/2012]

[FR Doc. 2012-10308 Filed 04/27/2012 at 8:45 am;

⁷ 15 U.S.C. 78s(b)(2).

⁸ In approving this proposed rule change the Commission has considered the proposed rule's impact of efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

⁹ 17 CFR 200.30-3(a)(12).