

Proposed Rule Change by Fixed Income Clearing Corporation
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial <input type="checkbox"/>	Amendment <input checked="" type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) <input type="checkbox"/>	Section 19(b)(3)(A) <input checked="" type="checkbox"/>	Section 19(b)(3)(B) <input type="checkbox"/>
Pilot <input type="checkbox"/>			Rule		
Extension of Time Period for Commission Action <input type="checkbox"/>		Date Expires <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input checked="" type="checkbox"/> 19b-4(f)(4)	<input type="checkbox"/> 19b-4(f)(5)
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(6)	<input type="checkbox"/> 19b-4(f)(3)

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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Description
Provide a brief description of the proposed rule change (limit 250 characters).

Contact Information
Provide the name, telephone number and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the proposed rule change.

First Name	<input type="text" value="Lisa"/>	Last Name	<input type="text" value="Siebold"/>
Title	<input type="text" value="Director and Assistant Secretary"/>		
E-mail	<input type="text" value="lsiebold@dtcc.com"/>		
Telephone	<input type="text" value="(212) 855-3206"/>	Fax	<input type="text" value="(212) 855-3215"/>

Signature
Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized officer.

Date	<input type="text" value="04/21/2008"/>
By	<input type="text" value="Nikki Poulos"/>
	(Name)
	<input type="text" value="Managing Director and General Counsel"/>
	(Title)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

Nikki Poulos, npoulos@dtcc.com

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

Bold, Underlined text indicates additions to language as filed under SR-FICC-2008-03.

~~Bold, Strike-through~~ text indicates deletions from language as filed under SR-FICC-2008-03.

1. Text of Proposed Rule Change.

(a) The proposed rule change is annexed hereto as Exhibit 5 and consists of modifications to the rules of the Mortgage-Backed Securities Division (“MBSD”) of the Fixed Income Clearing Corporation (“FICC”) with respect to the Participants Fund deposits of MBSD Clearing participants.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization.

(a) The proposed change does not require the approval of FICC’s Board of Directors.

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

(a) The purpose of this filing is to modify FICC’s MBSD rules with respect to the Participants Fund deposits of MBSD Clearing participants, specifically to eliminate the recently approved but not yet implemented Coverage Component and “margin requirement differential” as set forth under Article IV, Rule 1 (Total Required Fund Deposit).

On August 31, 2007, FICC filed with the Securities and Exchange Commission (the “Commission”) and on September 27, 2007, amended proposed rule change SR-FICC–2007–10.¹ The rule change modified FICC’s MBSD rules, replacing the current Participants Fund methodology (which used haircuts and offsets) with a Value-at-Risk (“VaR”) model which was expected to better reflect market volatility and more thoroughly distinguish levels of risk presented by individual securities. Specifically, FICC proposed to replace the existing MBSD margin calculation with a yield-driven VaR model. VaR is defined to be the maximum amount of money that may be lost on a portfolio over a given period of time, within a given level of confidence. With respect to the MBSD, FICC proposed a 99 percent three-day VaR.

As approved by the SEC, the revised Participants Fund calculation included a i) an end of day charge (which is the greater of a VaR based charge and a defined minimum charge), ii) a Coverage Component (an additional charge to bring the Participant’s coverage to a targeted confidence level), iii) an additional payment (“special charge”) as determined by FICC from time to time, and iv) a “margin requirement differential” which considers intra-day portfolio variations and potential for a late margin deficit satisfaction.

¹ Notice of the proposal and the Commission order approving the proposed rule change were published in the Federal Register (*See* Securities Exchange Act Release No. 56837 (November 26, 2007), 72 FR 67770, and Release No. 57586 (March 31, 2008) 73 FR 19537).

FICC has determined not to implement the Coverage Component and the “margin requirement differential”, while it continues to study the methodology. Accordingly, FICC will modify ~~GSD~~ MBSD Article I (Definitions and General Provisions) and Article IV (Participants Fund) to remove these references.

(b) The proposed rule change eliminates two recently approved but not yet implemented components of MBSD’s Total Required Fund Deposit calculation. Therefore the rule change 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 its participants; therefore, the proposed rule change is consistent with the requirements of the Securities Exchange Act of 1934, as amended (the “Act”) and the rules and regulations thereunder.

4. 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.

5. Self-Regulatory Organization’s Statement on Comments on the Proposed Rule Change Received from Participants, 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.

6. Extension of Time Period for Commission Action.

FICC does not consent to an extension of the time period specified in Section 19(b)(2) of the Act for Commission action.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2).

- (a) This filing is made pursuant to paragraph (A) of Section 19(b)(3) of the Act and subparagraph (f) of Securities Exchange Act Rule 19b-4.
- (b) The proposed rule change effects a change in an existing service of that 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 its participants.
- (c) Not applicable.
- (d) Not applicable.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission.

The proposed rule change is not based on the rules of another self-regulatory organization or the Commission.

9. Exhibits

Exhibit 1 - Notice of proposed rule change for publication in the Federal Register **(revised to reflect the amended language set forth above).**

Exhibit 5 - Text of the proposed rule change **(incorporated by reference from SR-FICC-2008-03).**

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-_____ ; File No. SR-FICC-2008-03)

SELF-REGULATORY ORGANIZATIONS

Proposed Rule Change by THE FIXED INCOME CLEARING CORPORATION (“FICC”) relating to modifications to the rules of the Mortgage-Backed Securities Division (“MBSD”) with respect to the Participants Fund deposits of MBSD Clearing participants.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”), 15 U.S.C. 78s(b)(1), notice is hereby given that on _____, 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 text of the proposed rule change is attached hereto as Exhibit 5.

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.

(i) The purpose of this filing is to modify FICC’s MBSD rules with respect to the Participants Fund deposits of MBSD Clearing participants, specifically to eliminate the recently approved but not yet implemented Coverage Component and “margin requirement differential” as set forth under Article IV, Rule 1 (Total Required Fund Deposit).

On August 31, 2007, FICC filed with the Securities and Exchange Commission (the “Commission”) and on September 27, 2007, amended proposed rule change SR-FICC-2007-10.¹ The rule change modified FICC’s MBSD rules, replacing the current Participants Fund methodology (which used haircuts and offsets) with a Value-at-Risk (“VaR”) model which was expected to better reflect market volatility and more thoroughly distinguish levels of risk presented by individual securities. Specifically, FICC proposed to replace the existing MBSD margin calculation with a yield-driven VaR model. VaR is defined to be the maximum amount of money that may be lost on a portfolio over a given period of time, within a given level of confidence. With respect to the MBSD, FICC proposed a 99 percent three-day VaR.

As approved by the SEC, the revised Participants Fund calculation included a i) an end of day charge (which is the greater of a VaR based charge and a defined minimum charge), ii) a Coverage Component (an additional charge to bring the Participant’s coverage to a targeted confidence level), iii) an additional payment (“special charge”) as determined by FICC from time to time, and iv) a “margin requirement differential” which considers intra-day portfolio variations and potential for a late margin deficit satisfaction.

FICC has determined not to implement the Coverage Component and the “margin requirement differential”, while it continues to study the methodology. Accordingly, FICC will modify MBSD Article I (Definitions and General Provisions) and Article IV (Participants Fund) to remove these references.

(ii) The proposed rule change eliminates two recently approved but not yet implemented components of MBSD’s Total Required Fund Deposit calculation. Therefore the rule change 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 its participants; therefore, the proposed rule change is consistent with the requirements of the Securities Exchange Act of 1934, as amended (the “Act”) and the rules and regulations thereunder.

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.

¹ Notice of the proposal and the Commission order approving the proposed rule change were published in the Federal Register (*See* Securities Exchange Act Release No. 56837 (November 26, 2007), 72 FR 67770, and Release No. 57586 (March 31, 2008) 73 FR 19537).

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and paragraph (f) of Rule 19b-4 thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is 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

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 may be submitted by using the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>), or send an e-mail to rule-comment@sec.gov. Please include File No. SR-FICC-2008-03 on the subject line.
- Paper comments should be sent in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington DC 20549-1090.

All submissions should refer to File Number SR-FICC-2008-03. 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 Web site (<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 inspection and copying in the Commission's Public Reference Room Section 100 F Street, NE, Washington DC 20549-1090. Copies of such filing also will be available for inspection and copying at the principal office of FICC. 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 submission should refer to the file number above and should be submitted within _____ days after the date of publication.

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

Nancy M. Morris