

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information

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

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

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 Sent As Paper Document

Exhibit 3 - Form, Report, or Questionnaire

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 Sent As Paper Document

Exhibit 4 - Marked Copies

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

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

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.

1. Text of the Proposed Rule Change.
 - (a) The proposed rule change is annexed hereto as Exhibit 5.
 - (b) Not applicable.
 - (c) Not applicable.
2. Procedures of the Self-Regulatory Organization.
 - a) The Credit and Market Risk Management Committee of FICC's Board of Directors approved the proposed rule filing on August 20, 2008.
3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change.

(a) The GCF Repo® service of FICC's Government Securities Division (the "GSD") is a significant alternative financing vehicle to the delivery versus payment and tri-party repo markets. Currently, most Treasury securities, non-mortgage-backed Agency securities, fixed and adjustable rate mortgage-backed securities and Treasury Inflation-Protected Securities ("TIPS") are eligible for this service.¹ FICC is now proposing to expand the types of securities eligible for the GCF Repo service to include Separate Trading of Registered Interest and Principal Securities ("STRIPS"), which are zero-coupon securities created by the U.S. Treasury by separating the principal and interest cash flows of Treasury notes, bonds and TIPS, which may then be owned and traded separately.

STRIPS, which are Fedwire-eligible securities, are generally accepted as collateral in tri-party repo arrangements. In addition, STRIPS are currently netting eligible for the GSD's delivery versus payment service, and FICC has received requests from members to make STRIPS eligible for the GCF Repo service.² FICC has determined that with respect to its risk management processes, STRIPS will be treated the same as all other GCF Repo-eligible collateral.

FICC would like to clarify that for purposes of GSD Rule 20 ("Special Provisions for GCF Repo Transactions"), general references to U.S. Treasury bills, notes, or bonds

¹ Please see Securities Exchange Act Release No. 40623 (October 30, 1998), 63 FR 59831 (November 5, 1998)[File No. SR-GSCC-98-02], Securities Exchange Act Release No. 42996 (June 30, 2000), 65 FR 42740 [File No. SR-GSCC-00-04] and Securities Exchange Act Release No. 34-51579 (April 26, 2005)[File No. SR-FICC-2005-08] for further information on the Commission's approval of the eligibility of such securities.

² FICC has obtained the Generic CUSIP Number necessary for the inclusion of STRIPS as a "GCF Repo Security" on its master file of eligible securities. Upon effectiveness of this proposal, FICC will effectuate the proposed change by listing this Generic CUSIP Number on the master file. The date of such listing will be announced to members via Important Notice.

do not currently, and will not upon implementation of this proposal, include STRIPS. Therefore, STRIPS could not be used within the GCF Repo service to satisfy obligations to post or return any other type of collateral. However, as is consistent with the existing GCF Repo provisions, U.S. Treasury bills, notes, or bonds (or cash) may generally be used to satisfy obligations to post or return other collateral types, and therefore could be used to satisfy any such obligations involving STRIPS.

(b) 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, because it allows FICC to expand an important service that provides members with a continuing ability to engage in general collateral trading activity in a safe and efficient manner. As such, the proposed rule facilitates the prompt and accurate clearance and settlement of securities transactions, and assures the safeguarding of securities and funds which are in the custody or control of FICC or for which it is responsible.

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 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.

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) or Section 19(b)(7)(D).

(a) The proposed rule change is to take effect pursuant to paragraph A of Section 19(b)(3).

(b) The proposed rule change effects a change in an existing service of FICC that (i) does not adversely affect the safeguarding of securities or funds in the custody or control of FICC or for which it is responsible; and (ii) does not significantly affect the respective rights or obligations of FICC or persons using this service, as it promotes increased liquidity in the marketplace without increasing risk to FICC or its members.

(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.

Exhibit 2 - n/a

Exhibit 3 - n/a

Exhibit 4 - n/a

Exhibit 5 – Proposed Rule Changes

SECURITIES AND EXCHANGE COMMISSION

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

SELF-REGULATORY ORGANIZATIONS

Proposed Rule Change by the Fixed Income Clearing Corporation ("FICC") to amend the rules of the Government Securities Division to expand the types of securities eligible for the GCF Repo service.

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 GCF Repo® service of FICC's Government Securities Division (the "GSD") is a significant alternative financing vehicle to the delivery versus payment and tri-party repo markets. Currently, most Treasury securities, non-mortgage-backed Agency securities, fixed and adjustable rate mortgage-backed securities and Treasury

Inflation-Protected Securities (“TIPS”) are eligible for this service.¹ FICC is now proposing to expand the types of securities eligible for the GCF Repo service to include Separate Trading of Registered Interest and Principal Securities (“STRIPS”), which are zero-coupon securities created by the U.S. Treasury by separating the principal and interest cash flows of Treasury notes, bonds and TIPS, which may then be owned and traded separately.

STRIPS, which are Fedwire-eligible securities, are generally accepted as collateral in tri-party repo arrangements. In addition, STRIPS are currently netting eligible for the GSD’s delivery versus payment service, and FICC has received requests from members to make STRIPS eligible for the GCF Repo service.² FICC has determined that with respect to its risk management processes, STRIPS will be treated the same as all other GCF Repo-eligible collateral.

FICC would like to clarify that for purposes of GSD Rule 20 (“Special Provisions for GCF Repo Transactions”), general references to U.S. Treasury bills, notes, or bonds do not currently, and will not upon implementation of this proposal, include STRIPS. Therefore, STRIPS could not be used within the GCF Repo service to satisfy obligations to post or return any other type of collateral. However, as is consistent with the existing GCF Repo provisions, U.S. Treasury bills, notes, or bonds (or cash) may generally be used to satisfy obligations to post or return other collateral types, and therefore could be used to satisfy any such obligations involving STRIPS.

(ii) 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, because it allows FICC to expand an important service that provides members with a continuing ability to engage in general collateral trading activity in a safe and efficient manner. As such, the proposed rule facilitates the prompt and accurate clearance and settlement of securities transactions, 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 impact, or impose any burden, on competition.

¹ Please see Securities Exchange Act Release No. 40623 (October 30, 1998), 63 FR 59831 (November 5, 1998)[File No. SR-GSCC-98-02], Securities Exchange Act Release No. 42996 (June 30, 2000), 65 FR 42740 [File No. SR-GSCC-00-04] and Securities Exchange Act Release No. 34-51579 (April 26, 2005)[File No. SR-FICC-2005-08] for further information on the Commission’s approval of the eligibility of such securities.

² FICC has obtained the Generic CUSIP Number necessary for the inclusion of STRIPS as a “GCF Repo Security” on its master file of eligible securities. Upon effectiveness of this proposal, FICC will effectuate the proposed change by listing this Generic CUSIP Number on the master file. The date of such listing will be announced to members via Important Notice.

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. [XX] 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 [XX]. 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 NSCC. 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

Bolded, underlined text indicates added language

EXHIBIT 5

RULE 20 - SPECIAL PROVISIONS FOR GCF REPO TRANSACTIONS

Section 3 - Collateral Allocation

On each Business Day, the Corporation shall establish collateral allocation requirements for each of a Netting Member's GCF Net Funds Borrower Positions and GCF Net Funds Lender Positions such that: (a) for every GCF Net Funds Borrower Position, the Netting Member shall have a Collateral Allocation Obligation equal to such Position, and (b) for every GCF Net Funds Lender Position, the Netting Member shall have a Collateral Allocation Entitlement equal to such Position. Collateral Allocation Obligations must be satisfied by a Netting Member within the timeframes established for such by the Corporation by notice to all Members. If a Netting Member in a GCF Net Funds Borrower Position does not satisfy its consequent Collateral Allocation Obligation by the final cutoff for such allocation as set forth in the Schedule of GCF Timeframes, it shall be deemed to have failed on such Position, the consequence of which shall be that the Member shall not be entitled to receive the funds borrowed, but shall owe interest on such funds amount. In addition, the Corporation shall process Collateral Allocation Obligations that are submitted after 6:00 p.m. New York time on a good faith basis only.

A Netting Member that has, on a particular Business Day ("Day 1"), a Collateral Allocation Obligation, may satisfy such Obligation by posting with the Corporation, pursuant to these Rules: (i) Comparable Securities, (ii) Other Acceptable Securities, (iii) U.S. Treasury bills, notes, or bonds maturing in a time frame no greater than that of the securities that have been traded (except where such traded securities are U.S. Treasury bills, such Obligations must be satisfied with the posting of Comparable Securities and/or cash only), and/or (iv) cash.

Every Collateral Allocation Entitlement and Collateral Allocation Obligation that is established by the Corporation on Day 1 shall be reversed on the next Business Day ("Day 2"), within a timeframe for such established by the Corporation.

A Netting Member that had, on Day 1, a Collateral Allocation Entitlement shall have the obligation on Day 2 to return to the Corporation the securities or cash collateral that it received on Day 1 and the right to receive back from the Corporation the funds that it paid on Day 1. Notwithstanding the foregoing, if the Netting Member is not able, due to reasons beyond its control and despite exercising best efforts, to return on Day 2 the securities it received on Day 1, the Netting Member may return: (i) Comparable Securities, (ii) Other Acceptable Securities, (iii) U.S. Treasury bills, notes, or bonds maturing in a time frame no greater than that of the securities that have been traded (except where such traded securities are U.S. Treasury bills, such Obligations must be satisfied with the posting of Comparable Securities and/or cash only), and/or (iv) cash.

The Corporation shall charge such Netting Member for any actual damages directly suffered by the other Netting Member as a result of not receiving back the same securities, and shall remit any amounts received to the other Netting Member. Such damages must be sufficiently demonstrated to the satisfaction of the Corporation and may not include special, consequential or punitive damages. A Netting Member that had, on Day 1, a Collateral Allocation Obligation shall have the obligation on Day 2 to return to the Corporation the funds that it received on Day 1 and the right to receive back from the Corporation the securities or cash collateral that it posted on Day 1 subject to the provisions of the second sentence of this paragraph.

If an Interbank Pledging Member owes a Prorated Interbank Cash Amount to the Corporation on the morning of Day 2, the Interbank Pledging Member, as security for any and all obligations and liabilities of such Interbank Pledging Member in respect of such Member's Prorated Interbank Cash Amount, hereby grants to the Corporation a perfected security interest in all NFE-Related Collateral, subject to no lien created by or through the Interbank Pledging Member except any such lien in favor of the GCF Clearing Agent Bank maintaining any NFE-Related Account. Each Member hereby authorizes each GCF Clearing Agent Bank with which any NFE-Related Collateral is maintained to agree to act on entitlement orders or other instructions of the Corporation or its designee with respect to such NFE-Related Collateral and to monitor such property and its value on behalf of the Corporation pursuant to such arrangements as the Corporation deems advisable.

The Corporation shall be entitled to its rights as a pledgee under common law and as a secured party under Articles 8 of the New York Uniform Commercial Code with respect to the NFE-Related Collateral. The Corporation shall be entitled to create a security interest in the NFE-Related Collateral in favor of a GCF Clearing Agent Bank as security for the Interbank Cash Amount Debit. In addition, the Corporation shall be entitled to (x) engage the services of the bank or other financial institution at which any NFE-Related Account is maintained to (A) manage, monitor and liquidate any NFE-Related Collateral on behalf of the Corporation and (B) obtain from such bank or other financial institution a liquidity facility or other financing arrangement pursuant to which the Corporation can incur indebtedness for the purpose of satisfying the Interbank Cash Amount Debit and (y) create a security interest in any such NFE-Related Collateral in favor of such bank as security for any facility or financing arrangement referred to in the foregoing subclause.

Notwithstanding anything to the contrary in these Rules, on any particular Business Day, the Corporation, in its sole discretion, may increase the amount of a Netting Member's Collateral Allocation Obligation by as much as ten percent of such Obligation.

For purposes of this Rule 20, the reference to "U.S. Treasury bills, notes or bonds" shall not include Treasury Inflation-Protected Securities or **Separate Trading of Registered Interest and Principal Securities.**
