

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

Initial <input checked="" type="checkbox"/>	Amendment <input 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"/>
			Rule		
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action <input type="checkbox"/>	<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)		

Description
 Provide a brief description of the proposed rule change (limit 250 characters).

To amend the rules of FICC to amend the appendix of a cross margining agreement, delete an inactive cross margining agreement and to make technical changes and corrections.

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 Last Name
 Title
 E-mail
 Telephone Fax

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
 By Managing Director and FICC General Counsel
 (Name) (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.

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 Proposed Rule Change.

(a) The text of the proposed change to the rules of the Government Securities Division (the "GSD") and the Mortgage-Backed Securities Division of the Fixed Income Clearing Corporation ("FICC") is attached hereto as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization.

Board of Directors approval is not required for this rule change.

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

(a) FICC is proposing to amend the rules of its Divisions as follows:

Deletion of the Cross-Margining Agreement between FICC and The Clearing Corporation

FICC is proposing to remove its cross-margining agreement with The Clearing Corporation ("TCC") from the GSD's rules as that agreement is no longer in effect.

Revisions to Appendix A of the Cross-Margining Agreement with the Chicago Mercantile Exchange Inc. (the "CME")

Through the GSD, FICC is currently participating in a cross-margining arrangement with the CME. The cross-margining agreement (the "FICC/CME Agreement") governing the arrangement contains Appendix A, where the parties are required to list other cross-margining or loss sharing arrangements to which they are parties and the order in which they will be considered when the parties calculate their available resources under the Agreement. The FICC/CME Agreement provides that the parties may amend Appendix A without prior approval of the other party and by giving notice to the other party.¹

FICC has notified the CME that it has amended Appendix A of the Agreement to: (1) remove references to the cross-margining agreement with TCC, (2) change the priority of the multilateral cross-guaranty agreement in which FICC participates, and (3) make reference to the upcoming portfolio margining between the GSD and the MBS Division. This rule change incorporates these changes into the FICC/CME Agreement, which is a part of the GSD's rules.

¹ See recitals F and G of the FICC/CME Agreement.

Correction to the MBSD Rules

FICC is also correcting a reference in the MBSD's clearing rules to reflect actual practice. The MBSD fee schedule correctly provides that FICC imposes a fee for non-compliance with MBSD trade input requirements; the Rules incorrectly note this as a fine. The proposed rule change corrects the fine reference.

Clarifications to the GSD Schedule of Timeframes

FICC is updating certain timeframes in its Schedule of Timeframes to correct the time during which netting output is provided to members and to make clear that the funds-only settlement process occurs via the Federal Reserve's National Settlement Service.

(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 will make certain rule corrections and address the cross-margining agreements and therefore will support the prompt and accurate clearance and settlement of securities transactions.

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.

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

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

(b) The proposed rule change reflects a change in a service of FICC that does not adversely affect the safeguarding of securities or funds in the custody or control of FICC or for which it is responsible.

(c) Not applicable.

(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 5 - Text of the proposed rule change

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-_____ ; File No. SR-FICC-2009-01

SELF-REGULATORY ORGANIZATIONS

Proposed Rule Change by THE FIXED INCOME CLEARING CORPORATION ("FICC") relating to modifications to the appendix in the GSD-CME cross-margining agreement, deletion of the GSD-TCC cross-margining arrangement and technical changes and corrections.

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.

(a) (i) FICC is proposing to amend the rules of its Divisions as follows:

Deletion of the Cross-Margining Agreement between FICC and The Clearing Corporation

FICC is proposing to remove its cross-margining agreement with The Clearing Corporation (“TCC”) from the GSD’s rules as that agreement is no longer in effect.

Revisions to Appendix A of the Cross-Margining Agreement with the Chicago Mercantile Exchange Inc. (the “CME”)

Through the GSD, FICC is currently participating in a cross-margining arrangement with the CME. The cross-margining agreement (the “FICC/CME Agreement”) governing the arrangement contains Appendix A, where the parties are required to list other cross-margining or loss sharing arrangements to which they are parties and the order in which they will be considered when the parties calculate their available resources under the Agreement. The FICC/CME Agreement provides that the parties may amend Appendix A without prior approval of the other party and by giving notice to the other party.¹

FICC has notified the CME that it has amended Appendix A of the Agreement to: (1) remove references to the cross-margining agreement with TCC, (2) change the priority of the multilateral cross-guaranty agreement in which FICC participates, and (3) make reference to the upcoming portfolio margining between the GSD and the MBSD. This rule change incorporates these changes into the FICC/CME Agreement, which is a part of the GSD’s rules.

Correction to the MBSD Rules

FICC is also correcting a reference in the MBSD’s clearing rules to reflect actual practice. The MBSD fee schedule correctly provides that FICC imposes a fee for non-compliance with MBSD trade input requirements; the Rules incorrectly note this as a fine. The proposed rule change corrects the fine reference.

Clarifications to the GSD Schedule of Timeframes

FICC is updating certain timeframes in its Schedule of Timeframes to correct the time during which netting output is provided to members and to make clear that the funds-only settlement process occurs via the Federal Reserve’s National Settlement Service.

(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 will make certain rule corrections and address the cross-margining agreements and therefore will support the prompt and accurate clearance and settlement of securities transactions.

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

¹ See recitals F and G of the FICC/CME Agreement.

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 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 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-2008-07 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-2008-07. 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

Underlined, boldface text indicates additional language
[Bracketed, boldface text] indicates deleted language

The following is Appendix A of the Cross-Margining Agreement between FICC and the CME.

APPENDIX A

Cross-Margining or Other Loss Sharing Arrangements of CME:

* * *

Cross-Margining or Other Loss Sharing Arrangements of FICC:

Agreement	With or Without Priority Over this Agreement After Guaranty Payment is Made
DTC/[EMCC/]FICC/NSCC/OCC Multilateral Netting Contract and Limited Cross Guaranty Agreement dated January 1, 2003, <u>as amended</u>	[Not with] <u>With</u> priority
<u>[FICC/TCC Cross-Margining Agreement dated November 8, 2004] Portfolio margining arrangement between the FICC Government Securities Division and the FICC Mortgage-Backed Securities Division (upon SEC approval)</u>	[Not with] <u>With</u> priority

MBSD CLEARING RULEBOOK

ARTICLE II - TRANSACTIONS PROCESSED BY THE CORPORATION

* * *

Rule 3. Trade Comparison

* * *

Sec. 2. Trade Input.

* * *

Any Participant or Limited Purpose Participant which fails to submit to the Corporation trade input at the time, in the form, and containing the information required in the Procedures shall be subject to the imposition of **the fee set forth in the Corporation's fee schedule** [fines by the Corporation, and for purposes of computing fines each Processing Pass that such failure continues shall be deemed a separate offense].

GOVERNMENT SECURITIES DIVISION RULEBOOK

SCHEDULE OF TIMEFRAMES (all times are New York City times)

8:00 p.m. – deadline for final input by members to FICC of trade data.

[8:00 p.m.] 10:30 p.m. to 2:00 a.m. – time during which FICC's comparison, netting, settlement and margining output normally is made available to members.

8:30 a.m. – the securities Fedwire opens, and securities settlements begin

9:15 a.m. – netting-eligible auction purchases are received by FICC from the Federal Reserve Banks (and are immediately redelivered to members in a long position)

9:30 a.m. – deadline for satisfaction of a Clearing Fund deficiency call (this deadline may be extended by the Corporation on days on which there are operational or systems difficulties that would reasonably prevent members from satisfying the deadline)

10:00 a.m. – funds-only settlement [payments are due to FICC from members in a net funds-only debit position] **is executed via the Federal Reserve's National Settlement Service**

* * *