



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**

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**

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**

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 1 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 changes to the Rules & Procedures (the "Rules") of the Mortgage-Backed Securities Division ("MBSD") and Government Securities Division ("GSD") of FICC and are attached hereto as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization.

(a) The proposed rule change was approved by the FICC Credit & Market Risk Management Committee at its meeting held on June 17, 2009.

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 the range of haircuts currently applied to Eligible Clearing Fund Securities by the Government Securities Division ("GSD") and Eligible Participants Fund Securities by the Mortgage-Backed Securities Division ("MBSD").

Under the Rules of the GSD and MBSD (the "Rules"), GSD Members and MBSD Participants are required to make deposits to the GSD Clearing Fund and MBSD Participants Fund, respectively, with the amount of each Member's required deposit being fixed by FICC in accordance with formulas as specified in the Rules (the "Required Deposit").

A Member may satisfy its Required Deposit with a cash deposit, and FICC may permit a portion of the Member's/Participant's deposit to be evidenced by an open account indebtedness, secured by Eligible Clearing Fund Securities (for the GSD) and Eligible Participants Fund Securities (for the MBSD). Eligible Clearing Fund Securities and Eligible Participants Fund Securities consist of certain agency, Treasury, and mortgage-backed securities.

For reasons set forth in a companion rule filing, FICC's affiliate, National Securities Clearing Corporation ("NSCC"), has increased haircuts on Clearing Fund collateral. Given that the haircuts are applied to NSCC and FICC systemically and on a harmonized basis, these changes are also proposed to be applied to FICC.

Therefore, FICC proposes to modify the GSD's Schedule of Haircuts for Eligible Clearing Fund Securities and the MBSD's Schedule of Haircuts for Eligible Participants Fund Securities to update the correlating range of haircuts applied to the types of Eligible Clearing Fund Securities and Eligible Participants Fund Securities. Specifically, FICC

proposes to increase the haircut to: (i) interest bearing Treasuries with terms greater than 10 years but less than 15 years from a current 5 percent to a proposed 6 percent, and (ii) zero coupon obligations of U.S. Treasury and Agency Securities from the current 2 to 10 percent based on term to a proposed 5 to 12 percent based on term. A complete listing of the haircut schedule and the proposed changes is set forth in the attached Exhibit 5.

These changes will become effective as of August 3, 2009

(b) The proposed rule change facilitates the prompt and accurate clearance and settlement of securities transactions by adjusting FICC's haircut levels on Clearing Fund collateral and facilitating FICC's ability to ensure adequate collateral levels are maintained to facilitate settlement in the event of a participant default; and is therefore consistent with the requirements of the Securities Exchange Act of 1934 and the rules and regulations thereunder applicable to FICC. For the same reasons, the proposal is consistent with the CPSS/IOSCO Recommendations for Central Counterparties regarding margin requirements as the proposed revisions to the Clearing Fund limit FICC's exposure to potential losses from defaults by its Members.

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

(b) The proposed rule establishes or changes a due, fee, or other charge applicable only to a member.

(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 based on similar rule filing proposals made by NSCC.

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 - Text of the proposed rule change

**EXHIBIT 1**

**SECURITIES AND EXCHANGE COMMISSION**

(Release No. 34-\_\_\_\_\_ ; File No. SR-FICC-2009-07)

**SELF-REGULATORY ORGANIZATIONS**

Proposed Rule Change by FIXED INCOME CLEARING CORPORATION ("FICC") to update the range of haircuts to be applied to Eligible Clearing Fund Securities.

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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 the range of haircuts currently applied to Eligible Clearing Fund Securities by the Government Securities Division ("GSD") and Eligible Participants Fund Securities by the Mortgage-Backed Securities Division ("MBSD").

Under the Rules of the GSD and MBSD (the "Rules"), GSD Members and MBSD Participants are required to make deposits to the GSD Clearing Fund and MBSD Participants Fund, respectively, with the amount of each Member's required deposit

being fixed by FICC in accordance with formulas as specified in the Rules (the "Required Deposit").

A Member may satisfy its Required Deposit with a cash deposit, and FICC may permit a portion of the Member's/Participant's deposit to be evidenced by an open account indebtedness, secured by Eligible Clearing Fund Securities (for the GSD) and Eligible Participants Fund Securities (for the MBSD). Eligible Clearing Fund Securities and Eligible Participants Fund Securities consist of certain agency, Treasury, and mortgage-backed securities.

For reasons set forth in a companion rule filing, FICC's affiliate, National Securities Clearing Corporation ("NSCC"), has increased haircuts on Clearing Fund collateral. Given that the haircuts are applied to NSCC and FICC systemically and on a harmonized basis, these changes are also proposed to be applied to FICC.

Therefore, FICC proposes to modify the GSD's Schedule of Haircuts for Eligible Clearing Fund Securities and the MBSD's Schedule of Haircuts for Eligible Participants Fund Securities to update the correlating range of haircuts applied to the types of Eligible Clearing Fund Securities and Eligible Participants Fund Securities. Specifically, FICC proposes to increase the haircut to: (i) interest bearing Treasuries with terms greater than 10 years but less than 15 years from a current 5 percent to a proposed 6 percent, and (ii) zero coupon obligations of U.S. Treasury and Agency Securities from the current 2 to 10 percent based on term to a proposed 5 to 12 percent based on term. A complete listing of the haircut schedule and the proposed changes is set forth in the attached Exhibit 5.

These changes will become effective as of August 3, 2009

(ii) The proposed rule change facilitates the prompt and accurate clearance and settlement of securities transactions by adjusting FICC's haircut levels on Clearing Fund collateral and facilitating FICC's ability to ensure adequate collateral levels are maintained to facilitate settlement in the event of a participant default; and is therefore consistent with the requirements of the Securities Exchange Act of 1934 and the rules and regulations thereunder applicable to FICC. For the same reasons, the proposal is consistent with the CPSS/IOSCO Recommendations for Central Counterparties regarding margin requirements as the proposed revisions to the Clearing Fund limit FICC's exposure to potential losses from defaults by its 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 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 sending an e-mail to [rule-comment@sec.gov](mailto:rule-comment@sec.gov). Please include File No. SR-FICC-2009-07 on the subject line.
- Paper comments should be sent in triplicate to Florence E. Harmon, Deputy Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington DC 20549-1090.

All submissions should refer to File Number SR-FICC-2009-07. 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 submissions 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.

Florence E. Harmon

Underlined, boldface text indicates additions.

~~Bracketed, struck-through boldface~~ text indicates deletions

FIXED INCOME CLEARING CORPORATON  
GOVERNMENT SECURITIES DIVISION RULEBOOK

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SCHEDULE OF HAIRCUTS FOR ELIGIBLE CLEARING FUND SECURITIES

Security Type	Remaining Maturity	Haircut
1. Treasury		
Bills, Notes, Bonds, TIPS	Zero to 1 year	2.0%
	1 year to 2 years	2.0%
	2 years to 5 years	3.0%
	5 years to 10 years	4.0%
	10 years to 15 years	<del>{5.0%}</del> <b>6.0%</b>
	15 years or greater	6.0%
Zero Coupon	Zero to 1 year	<del>{2.0%}</del> <b>5.0%</b>
	1 year to 2 years	<del>{2.0%}</del> <b>5.0%</b>
	2 years to 5 years	<del>{4.0%}</del> <b>5.0%</b>
	5 years to 10 years	<del>{6.0%}</del> <b>12.0%</b>
	10 years to 15 years	<del>{7.0%}</del> <b>12.0%</b>
	15 years or greater	<del>{9.0%}</del> <b>12.0%</b>
2. Agency*		
Notes, Bonds	Zero to 1 year	2.0%
	1 year to 2 years	3.0%
	2 years to 5 years	4.0%
	5 years to 10 years	5.0%
	10 years to 15 years	6.0%
	15 years or greater	7.0%
Zero Coupon	Zero to 1 year	<del>{2.0%}</del> <b>5.0%</b>
	1 year to 2 years	<del>{3.0%}</del> <b>5.0%</b>
	2 years to 5 years	5.0%
	5 years to 10 years	<del>{7.0%}</del> <b>12.0%</b>
	10 years to 15 years	<del>{8.0%}</del> <b>12.0%</b>
	15 years or greater	<del>{10.0%}</del> <b>12.0%</b>
3. MBS Pass-Throughs*		
	Ginnie Mae	6.0%

Fannie Mae/Freddie Mac 7.0%

4. Self-issued MBS\*\* 14% (or 21% if 25% concentration limit is exceeded).

\* Any deposits of Eligible Clearing Fund Agency Securities or Eligible Clearing Fund Mortgage-Backed Securities in excess of 25 percent of a Member's Required Fund deposit will be subject to a haircut that is twice the amount of the percentage noted in the haircut schedule. Eligibility requirements will be announced by the Corporation from time to time.

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FIXED INCOME CLEARING CORPORATON

MORTGAGE-BACKED SECURITIES DIVISION RULEBOOK

**Mortgage-Backed Securities Division  
Schedule of Haircuts for Eligible Participants Fund Securities**

Security Type	Remaining Maturity Haircut	
1. Treasury		
Bills, Notes, Bonds, TIPS	Zero to 1 year	2.0%
	1 year to 2 years	2.0%
	2 years to 5 years	3.0%
	5 years to 10 years	4.0%
	10 years to 15 years	<del>5.0%</del> <u>6.0%</u>
	15 years or greater	6.0%
Zero Coupon	Zero to 1 year	<del>2.0%</del> <u>5.0%</u>
	1 year to 2 years	<del>2.0%</del> <u>5.0%</u>
	2 years to 5 years	<del>4.0%</del> <u>5.0%</u>
	5 years to 10 years	<del>6.0%</del> <u>12.0%</u>
	10 years to 15 years	<del>7.0%</del> <u>12.0%</u>
	15 years or greater	<del>9.0%</del> <u>12.0%</u>
2. Agency*		
Notes, Bonds	Zero to 1 year	2.0%
	1 year to 2 years	3.0%
	2 years to 5 years	4.0%
	5 years to 10 years	5.0%

	10 years to 15 years	6.0%
	15 years or greater	7.0%
Zero Coupon	Zero to 1 year	<del>[2.0%]</del> <u>5.0%</u>
	1 year to 2 years	<del>[3.0%]</del> <u>5.0%</u>
	2 years to 5 years	5.0%
	5 years to 10 years	<del>[7.0%]</del> <u>12.0%</u>
	10 years to 15 years	<del>[8.0%]</del> <u>12.0%</u>
	15 years or greater	<del>[10.0%]</del> <u>12.0%</u>
3. MBS Pass-Throughs*	Ginnie Mae	6.0%
	Fannie Mae/Freddie Mac	7.0%
4. Self-issued MBS** if limit is exceeded).		14% (or 21% 25% concentration

\* Any deposits of Eligible Participants Fund Agency Securities or Eligible Participants Fund