



GOV #:	GOV087.14
Date:	November 4, 2014
To:	Government Securities Division Members
Category:	Service Updates
Subject:	Submission of Rule Filing SR-FICC-2014-09—to Amend the GSD Rule 22B (“Corporation Default”)

On November 4, 2014, Fixed Income Clearing Corporation (“FICC”) filed a proposed rule change (SR-FICC-2014-09) with the Securities and Exchange Commission (the “Commission”) pursuant to Section 19(b)(2) of the Securities Exchange Act of 1934. The purpose of the proposed rule change is to amend the Government Securities Division (“GSD”) Rule 22B (the “GSD Corporation Default Rule”) in order to more closely align it with similar rules of FICC’s peer central counterparties and to facilitate the participation of market participants, including registered investment companies, in FICC’s services by providing members with further legal certainty regarding their close-out netting rights in the event that FICC becomes insolvent or otherwise defaults in its obligations to its members.

With respect to involuntary proceedings defaults, the proposed rule change would eliminate the 90 calendar day grace period such that FICC would be considered in default immediately upon the judgment of insolvency or bankruptcy or the entry of an order for relief (or similar order) for FICC’s winding up or liquidation, or the appointment of a receiver, trustee or other similar official for FICC or substantially all of FICC’s assets, provided that such receiver, trustee or other similar official is appointed pursuant to the federal securities laws or Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

With respect to non-insolvency related defaults, the proposed rule change would also reduce the grace period from 90 to 7 calendar days such that FICC would, as a general matter, be considered in a non-insolvency related default on the 8th calendar day after it receives notice from a member of its failure to make an undisputed payment or delivery to such member that is required under the GSD Rules.

The full text of this rule filing (SR-FICC-2014-09) may be obtained by visiting The Depository Trust & Clearing Corporation’s website at <http://www.dtcc.com/legal/sec-rule-filings.aspx>. Written comments on the filing may be addressed to Nikki Poulos, Managing Director and General Counsel, Fixed Income Clearing Corporation at 55 Water Street, New York, NY 10041; any such comments will be forwarded to the Commission. Written comments may also be addressed to the Secretary of the Commission, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549. We request that you provide a copy of any such comments to FICC.

If you have any questions regarding the rule change or would like to discuss the impact this change will have on your firm, please contact your Relationship Manager. If you have any questions regarding the

rule filing, please contact Laura Klimpel, Vice President and Assistant General Counsel, at 212-855-5230.

Nikki Poulos
Managing Director and General Counsel