

MBS #:	MBS034.15
Date:	March 10, 2015
To:	Mortgage-Backed Securities Division Members
Category:	Service Updates
Subject:	Notice of Rule Filing Approval — SR-FICC-2014-09 — to Amend the MBSD Rule 17A (“Corporation Default”)

On March 3, 2015, the Securities and Exchange Commission approved proposed rule change SR-FICC-2014-09 of Fixed Income Clearing Corporation (“FICC”) pursuant to Section 19(b)(2) of the Securities Exchange Act of 1934, as amended.

The approved rule change amends the Mortgage-Backed Securities Division (“MBSD”) Rule 17A (the “MBSD 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 approved rule change eliminates 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 approved change reduces 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 MBSD Rules.

Please be advised that this change to the MBSD Rules will become effective immediately.

This rule filing (SR-FICC-2014-09) was described in Important Notice MBS164-14 dated November 4, 2014. The full text of the filing may be obtained by visiting The Depository Trust & Clearing Corporation’s website at www.dtcc.com.

Questions regarding the rule filing should be addressed to me at (212) 855-7633 or npoulos@dtcc.com.

Nikki Poulos
Managing Director and General Counsel

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