

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

DTC 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*

DTC has not solicited or received written comments relating to the proposed rule change.

### **III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action**

The foregoing rule change has become effective upon filing pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>5</sup> and Rule 19b-4(f)(4)<sup>6</sup> thereunder because the proposed rule effects a change in an existing service of DTC that (i) does not adversely affect the safeguarding of securities or funds in the custody or control of DTC or for which it is responsible and (ii) does not significantly affect the respective rights or obligations of DTC or persons using the Regular Custody Services. 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*

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>) or
- Send an e-mail to [rule-comment@sec.gov](mailto:rule-comment@sec.gov). Please include File No. SR-DTC-2008-02 on the subject line.

#### *Paper Comments*

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE., Washington, DC 20549-1090. All submissions should refer to File No. SR-DTC-2008-02. 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, 100 F Street, NE., Washington, DC 20549, on official business days between the hours of 10 a.m. to 3 p.m. Copies of such filing also will be available for inspection and copying at DTC's principal office and on DTC's Web site at ([http://www.dtcc.com/legal/rule\\_filings/dtc/2008.php](http://www.dtcc.com/legal/rule_filings/dtc/2008.php)). 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 File No. DTC-2008-02 and should be submitted on or before July 23, 2008.

For the Commission by the Division of Trading and Markets, pursuant to delegated authority.<sup>7</sup>

**Florence E. Harmon,**

*Acting Secretary.*

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### **SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 34-58025; File No. SR-FICC-2008-02]**

#### **Self-Regulatory Organizations; Fixed Income Clearing Corporation; Order Approving Proposed Rule Change To Require Demand Processing for Blind-Brokered Repo Trades**

June 25, 2008.

### **I. Introduction**

On April 9, 2008, the Fixed Income Clearing Corporation ("FICC") filed with the Securities and Exchange Commission ("Commission") proposed rule change SR-FICC-2008-02 pursuant to Section 19(b)(1) of the Securities

Exchange Act of 1934 ("Act").<sup>1</sup> On May 14, 2008, the Commission published notice of the proposed rule change to solicit comments from interested parties.<sup>2</sup> The Commission received no comment letters in response to the proposed rule change as filed. For the reasons discussed below, the Commission is approving the proposed rule change.

### **II. Description**

#### *1. Background*

In 2001, the Government Securities Clearing Corporation ("GSCC"), the GSD's predecessor, redesigned its comparison rules and procedures soon after the introduction of the real-time trade matching system. At that time, GSCC also moved the timing of its settlement guaranty from the point of netting to the point of comparison, which was much earlier in the day. In designing these changes, GSCC's goal was to provide straight through processing by providing for easy identification and resolution of uncomparated trades intraday in order to achieve 100 percent comparison. These changes reduced risk by ensuring that more transactions were compared and guaranteed by the clearing corporation earlier in the day so that intraday credit exposure to counterparties was minimized.

As part of the redesign of the GSCC comparison rules, GSCC introduced Demand Comparison, which was a new type of comparison that was created to provide members with flexibility and control over the comparison process for trades executed via intermediaries.<sup>3</sup> Demand Comparison strikes a balance between "bilateral comparison" (the traditional form of comparison), where each member is required to submit trade data to the clearing agency in order for the clearing agency to compare the trade, and "locked-in comparison," where the trade is submitted as a compared trade to the clearing agency by one side or by one intermediary.<sup>4</sup>

Demand Comparison entails submission of trade data by approved intermediaries (e.g., brokers) called "Demand Trade Sources." FICC deems a trade submitted for Demand Comparison to be compared upon FICC's receipt of the trade data from the Demand Trade Source. However, if a

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> Securities Exchange Act Release No. 57802 (May 8, 2008), 73 FR 27873.

<sup>3</sup> Securities Exchange Act Release No. 44946 (October 17, 2001), 66 FR 53816 [File No. SR-GSCC-2001-01].

<sup>4</sup> A Treasury auction take-down trade is a typical example of a trade submitted for Locked-In Comparison.

<sup>5</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>6</sup> 17 CFR 240.19b-4(f)(4).

<sup>7</sup> 17 CFR 200.30-3(a)(12).

dealer “does not know” a trade submitted on its behalf by a Demand Trade Source, the dealer is able to submit a DK (*i.e.*, “don’t know”) to the GSD. The receipt of a DK by FICC causes the demand comparison trade to no longer be deemed compared. In order to effect comparison for a demand comparison trade that has been DKed, the DK must be removed. If the member that sent the DK determines that it did so erroneously, the member is able to remove the DK so that the trade is compared.<sup>5</sup> Modification of a DKed trade by the Demand Trade Source also removes the DK so that the trade is compared.<sup>6</sup> The removal of the DK and modification of a DKed trade are subject to the prescribed timeframes for Demand DK processing.

## 2. Proposal

FICC’s current proposal is to mandate Demand Comparison for all blind-brokered repo trades that are submitted by 4 p.m. New York time. The GSD’s members acting as inter-dealer brokers for repos will be designated as approved Demand Trade Sources. Members on whose behalf the brokers submit trades will not need to separately authorize the brokers as their Demand Trade Sources for GSD’s purposes because GSD’s rules will do so. After approval of the rule change, counterparties to blind-brokered repo trades will still need to submit their trade data as they do currently. Dealers will need to monitor the broker submissions against them in order to submit DKs where necessary to block any further processing of the submission. In order to provide the dealer counterparties with adequate time by which to submit their DKs, especially for trades submitted close to the 4 p.m. deadline, GSD will create a 30 minute DK window following the 4 p.m. Demand Comparison submission deadline (until 4:30 p.m.) during which time the dealer counterparties can DK previously received demand trades; however, dealer counterparties will be able to submit DKs at any time during the Demand Comparison submission processing timeframe. Under Demand Comparison processing, a dealer counterparty that does not submit a DK with respect to a blind-brokered repo trade submitted against it will be responsible for that trade. Blind-

brokered repo trades submitted after the 4 p.m. deadline will be treated as trades submitted for “bilateral comparison” requiring two-sided submission and matching for comparison to occur.

FICC believes that requiring Demand Comparison for blind-brokered repo trades as described above will reduce risk by promoting earlier comparison and a higher rate of comparison. Demand Comparison trade entry will also encourage members to reconcile differences on a timely basis.

FICC plans to implement the proposed changes four months after submission of this filing to the Commission (*i.e.*, early August), subject to approval by the Commission, in order to provide members with the opportunity to make any necessary system changes.

## III. Discussion

Section 19(b) of the Act directs the Commission to approve a proposed rule change of a self-regulatory organization if it finds that such proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to such organization. Section 17A(b)(3)(F) of the Act requires that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions.<sup>7</sup> The Commission believes that FICC’s proposed rule change is consistent with this Section because it should facilitate the prompt and accurate clearance and settlement of securities by enabling earlier comparison and a higher rate of comparison of blind-brokered repo transactions.

## IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act and in particular Section 17A of the Act and the rules and regulations thereunder. In approving the proposed rule change, the Commission considered the proposal’s impact on efficiency, competition and capital formation.<sup>8</sup>

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-FICC-2008-02) be and hereby is approved.

For the Commission by the Division of Trading and Markets, pursuant to delegated authority.<sup>9</sup>

**Florence E. Harmon,**

*Acting Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-58019; File No. SR-ISE-2008-49]

### Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Extend the Quarterly Options Series Pilot Program

June 25, 2008.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”) <sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on June 23, 2008, the International Securities Exchange, LLC (“Exchange” or “ISE”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been substantially prepared by the Exchange. The Exchange has designated this proposal as non-controversial under Section 19(b)(3)(A)(iii) of the Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder,<sup>4</sup> which renders the proposed rule change effective upon filing with the Commission. 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 Exchange is proposing to extend, until July 10, 2009, its quarterly options series pilot program. The text of the proposed rule change is available on the Exchange’s Web site (<http://www.ise.com>), at the principal office of the Exchange, and at the Commission’s Public Reference Room.

#### II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of, and basis for,

<sup>5</sup> Under this proposal to require Demand Comparison processing of blind-brokered repo trades, the cut-off time for removing DKs will be 8 p.m. New York time.

<sup>6</sup> Under this proposal to require Demand Comparison processing of blind-brokered repo trades, the cut-off time for modifications by Demand Trade Sources will be 8 p.m. New York time.

<sup>7</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>8</sup> 15 U.S.C. 78c(f).

<sup>9</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>4</sup> 17 CFR 240.19b-4(f)(6).