

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-65902; File No. SR-EDGA-2011-39]

### Self-Regulatory Organizations; EDGA Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule To Amend EDGA Rule 11.9

December 6, 2011.

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 December 2, 2011, the EDGA Exchange, Inc. (“Exchange” or “EDGA”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. 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 proposes to introduce an additional routing option to Rule 11.9 and amend existing routing options. The text of the proposed rule change is attached as Exhibit 5 and is available on the Exchange’s Web site at [www.directedge.com](http://www.directedge.com), at the Exchange’s principal office, and at the Public Reference Room of the Commission.

#### 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, 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. The self-regulatory organization 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

###### 1. Purpose

The Exchange’s current list of routing options are codified in Rule 11.9(b)(3). In this filing, the Exchange proposes to amend several routing options contained in Rule 11.9(b)(3)(c) to allow

Users more discretion if shares remain unexecuted after routing. In particular, Rules 11.9(b)(3)(c)(i)–(iii) are proposed to be amended to provide Users with the added option of posting any remainder of an order to another destination on the System routing table.

Currently, Rules 11.9(b)(3)(c)(i)–(iii) provide that the ROUE, ROUT and ROUX routing strategies check the System for available shares and then are sent to destinations on the System routing table. If shares remain unexecuted after routing, they are posted on the Exchange’s book, unless otherwise instructed by the User. The Exchange proposes to modify this strategy to add the option that any remainder of an order can be posted to another destination on the System routing table or the Exchange’s book. This User instruction would consequently allow the User added discretion to post the remainder to a destination other than the EDGA book.

The Exchange believes the proposed modification of the routing options described above will provide market participants with greater flexibility in routing orders without having to develop their own complicated routing strategies.

The Exchange will notify its Members in an information circular of the exact implementation date of this rule change, which will be no later than March 31, 2012.

###### 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b)(5) of the Act,<sup>3</sup> which requires the rules of an exchange to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest. The proposed change to introduce the routing options described above will provide market participants with greater flexibility in routing orders without having to develop their own order routing strategies.

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

The proposed rule change does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

##### C. Self-Regulatory Organization’s Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any unsolicited written comments from members or other interested parties.

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

Because the foregoing proposed rule change does not: (i) Significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>4</sup> and Rule 19b-4(f)(6) thereunder.<sup>5</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend 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 email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File No. SR-EDGA-2011-39 on the subject line.

##### Paper Comments

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090.

<sup>4</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>5</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

<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. 78f(b)(5).

All submissions should refer to File Number SR-EDGA-2011-39. This file number should be included on the subject line if email 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 Web site viewing and printing in the Commission's Public Reference Room on official business days between the hours of 10 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of the Exchange. 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 Number SR-EDGA-2011-39 and should be submitted on or before January 3, 2012.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>6</sup>

**Kevin M. O'Neill,**  
Deputy Secretary.

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**BILLING CODE 8011-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-65899; File No. SR-FICC-2008-01]

### Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing of Proposed Rule Change To Allow the Mortgage-Backed Securities Division To Provide Guaranteed Settlement and Central Counterparty Services

December 6, 2011.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4<sup>2</sup> thereunder, notice is hereby given that on March 12,

2008, the Fixed Income Clearing Corporation ("FICC") filed with the Securities and Exchange Commission ("Commission"), and on November 21, 2011, amended the proposed rule change as described in Items I, II, and III below, which Items have been prepared primarily by FICC. The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

#### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule changes consist of modifications to the rules of FICC's MBSB to allow MBSB to provide guaranteed settlement and central counterparty ("CCP") services.

#### 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) The purpose of this rule filing is to introduce CCP and guaranteed settlement services for the MBSB. Establishment of these processes for the MBSB has necessitated the drafting of a new MBSB rulebook. Therefore, the existing MBSB clearing rulebook will be replaced, in its entirety, by a new rulebook.<sup>3</sup> Certain provisions in the current MBSB rules which reflect processes that will continue upon the introduction of the CCP services have been retained in the proposed MBSB rulebook, where applicable. In order to promote uniformity between FICC's two Divisions and to create transparency for common members, the new MBSB rulebook follows the structure of the Government Securities Division (the "GSD") rulebook. In addition, where possible and/or applicable, the new MBSB provisions mirror the equivalent GSD provisions. It should be noted that under the current MBSB Clearing Rules,

member firms are referred to as "Participants." In the new MBSB CCP rulebook, which is proposed by this filing, member firms shall be referred to as "Clearing Members."

#### I. Overview

With the introduction of CCP services and guaranteed settlement for transactions submitted to the MBSB, FICC will provide a trade guarantee for all existing types of trades upon comparison of trade details submitted by members.<sup>4</sup> Additionally, a new pool netting system will perform a daily net of pool allocations for those TBA trades that according to the MBSB rules and procedures are eligible for pool netting.<sup>5</sup> It should be noted that not all guaranteed trades will be included in the pool netting system. A determination of which trades are included will be determined by netting percentages. FICC will become CCP to those obligations, and settlement will occur versus FICC. For all other obligations, settlement will occur outside of FICC, with original settlement counterparties.

##### A. Current Processing

At no time during the current MBSB processing does FICC guarantee settlement, or act as a CCP for submitted transactions. Under the current MBSB processing model, the majority of the trading activity submitted to the MBSB for processing, is submitted as Settlement Balance Order Destined ("SBOD"). SBOD trades are eligible for comparison, risk management services and the TBA Netting cycle. Firms can submit TBA trades as Trade-For-Trade ("TFTD") transactions, which are TBA trades that are eligible for comparison and risk management services but ineligible for the TBA Netting cycle. SPTs are not considered TBAs because the actual pool number is part of the trade terms; SPTs are eligible for comparison and risk management services but ineligible for the TBA Netting cycle.

<sup>4</sup> Currently, the MBSB recognizes two types of trades. Those are "to be announced" ("TBA") trades and specified pool trades ("SPTs"). TBA trades may proceed through the Settlement Balance Order engine for netting or may settle on a trade-for-trade basis. A TBA is a contract for the purchase or sale of agency mortgage-backed securities to be delivered at a future agreed-upon date; however, the actual pool identities or the number of pools that will be delivered to fulfill the trade obligation or terms of the contract are unknown at the time of the trade. The difference between TBAs and SPTs is that for an SPT all required pool data, including the pool number to be delivered on settlement date, are agreed upon by Clearing Members at the time of execution.

<sup>5</sup> SPTs are not eligible for pool netting under this proposal.

<sup>6</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> The MBSB's Electronic Pool Notification Service rulebook will remain unchanged.