



December 19, 2011

Via e-mail to rule-comments@sec.gov

Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street NE., Washington, DC
20549-1090

RE: *File Number SR-FICC-2008-01 / Notice of Filing of Proposed Rule Change To Allow the Mortgage-Backed Securities Division To Provide Guaranteed Settlement and Central Counterparty Services*

Ladies and Gentlemen,

The SEC is considering a rule filing by Fixed Income Clearing Corporation ("**FICC**") that permits FICC to implement a Central Counterparty Service ("**CCP**") for certain mortgage-backed security ("**MBS**") transactions. The Securities Industry and Financial Markets Association ("**SIFMA**")¹ strongly supports FICC's efforts to implement a CCP for MBS transactions and urges the SEC to move forward in approving the rule filing. SIFMA believes that once the CCP is implemented risk will be reduced significantly and MBS markets will become more efficient.

Background

SIFMA's members include a diverse group of MBS market participants representing the primary users of the FICC's CCP service. Many SIFMA members participate in the services offered by FICC or its parent DTCC for MBS and/or other fixed income products and equity securities. Other members, including our buy-side members, are exploring ways in which they can become direct participants of DTCC to take advantage more fully of these services (currently, many buy-side firms gain indirect access to DTCC through a clearing broker). FICC and DTCC's services provide essential mechanisms to manage risk, increase efficiency and liquidity, and decrease operational risk. In the market for MBS issued and/or guaranteed by Fannie Mae, Freddie Mac, and Ginnie Mae ("**Agency MBS**"), FICC provides a number of important services, including trade comparison, netting, and pool notification.

¹ The Securities Industry and Financial Markets Association (SIFMA) brings together the shared interests of hundreds of securities firms, banks and asset managers. SIFMA's mission is to support a strong financial industry, investor opportunity, capital formation, job creation and economic growth, while building trust and confidence in the financial markets. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit www.sifma.org.



Our dealer members have dedicated significant time, staff resources, and undertaken significant expenditures as a CCP service has been developed over the last number of years, and they look forward to its implementation because they believe that this development will materially reduce risk and contribute to overall efficiency.

Risk Reduction

Risk will be reduced most significantly by a decrease in the number of settlements that are required because of enhanced netting capabilities. Agency MBS are often traded on a To-Be-Announced ("TBA") basis; that is, they are traded on a forward basis where the specific identity of the pools that will be delivered at settlement is not known at the time of trade. Pools are later allocated to each TBA trade according to market practices maintained by SIFMA. Currently, FICC performs a netting of positions of its participants at the TBA level. This reduces the number of settlements. With the implementation of CCP, FICC will be able to perform another netting process, this time at the level of the pools that are allocated to the trades. This should significantly reduce the number of settlements for eligible products and will reduce the risk of fails. A reduction in failed trades will reduce counterparty risk across the market. It will also provide for a less risky, cleaner process for the liquidation of the positions of a failed firm; the importance of this was highlighted during the fall of 2008 and once again in 2011.

Efficiency

Agency MBS markets will also become more operationally efficient because of CCP. Market makers in Agency MBS currently dedicate significant time and resources to trade settlement and related issues. Settlement issues include pool notifications, resolution of disputes, and fails. As the total number of settlements is reduced, the number of these issues will be reduced. Therefore, the costs related to these issues will decrease, and resources will be able to be redeployed into areas where they are more useful.

Conclusion

SIFMA strongly supports the implementation of FICC's CCP service for MBS and urges the SEC to approve this rule filing. We would be pleased to discuss these issues as needed. Please do not hesitate to contact Chris Killian for more information at 212-313-1126 or ckillian@sifma.org.

Regards,

A handwritten signature in blue ink, appearing to read "Chris Killian", is written over a light blue horizontal line.

Christopher Killian
Managing Director