

File No. SR-EMCC-00-7

Securities and Exchange Commission  
Washington, D.C. 20549

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Form 19b-4

Proposed Rule Change

By

EMERGING MARKETS CLEARING CORPORATION

Pursuant to Rule 19b-4 under the  
Securities Exchange Act of 1934

1. Text of Proposed Rule Change.

(a) The text of the proposed rule change provides that in certain circumstances, Emerging Markets Clearing Corporation (“EMCC” or the “Corporation”) may remove a security from its list of EMCC Eligible Instruments and exit open transactions in that security from its clearance system, to be settled between members. The text of the proposed rule change is set forth on Exhibit A.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization.

(a) The proposed rule change will be presented to EMCC’s Board for approval at the next regularly scheduled Board meeting.

(b) Contact regarding questions and comments:

Merrie Faye Witkin (212) 855-3208

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

(a) EMCC’s Rules permit the Corporation to remove a security from its list of those securities eligible for processing through EMCC’s system (i.e., “EMCC Eligible Instruments”) in certain circumstances. However, the Rules do not permit the exiting of any pending trades in such a security from its system for any reason other than where the security is no longer deliverable through a Qualified Securities Depository. Without such a mechanism, there may be circumstances where a member may lose important rights in a security by virtue of its continued inclusion in EMCC’s processing system.

The proposed rule change therefore would permit EMCC to make a security ineligible for processing in its system, and exit pending trades in that security by issuing appropriate instructions to its affected members if, in EMCC’s judgment, a member may lose important rights by reason of the security’s continued status as an EMCC Eligible Instrument. In that event, EMCC would notify all members of the security’s removal and, in

the manner it determines is appropriate, issue instructions to the affected members and to the extent applicable, the relevant Qualified Securities Depository, naming Members as the contra parties to the affected transactions. EMCC would issue such instructions with a view towards minimizing the number of such instructions issued in a given instance.

(b) Because the rule change will facilitate the prompt and accurate clearance and settlement of emerging market securities transactions, it is consistent with the requirements of the Securities Exchange Act of 1934, as amended (the “Act”), and the rules and regulations thereunder.

4. Self-Regulatory Organization’s Statement on Burden on Competition.

EMCC does not believe that the proposed rule change will have an impact on or impose a burden on competition.

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

No written comments relating to the proposed rule change have been solicited or received. EMCC will notify the Securities and Exchange Commission (the “Commission”) of any written comments received by EMCC.

6. Extension of Time Period for Commission Action.

EMCC does not consent to an extension of the time period specified in Section 19(b)(2) of the Act for Commission action.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2).

- (a) Not applicable.
- (b) Not applicable.
- (c) Not applicable.

(d) EMCC requests accelerated approval of the filing. Accelerated approval will facilitate the processing of emerging market debt securities which are subject to restructurings or other similar actions.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission.

The proposed rule change is similar to provisions included in the rules of other clearing corporations that allow them to remove certain securities from processing eligibility, and to exit transactions in these securities from their systems for subsequent settlement on a member-to-member basis.

9. Exhibits.

Exhibit A

Text of the proposed change to EMCC's Rules.

Exhibit B

Notice of the proposed rule change for publication in the Federal Register.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the self-regulatory organization has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

EMERGING MARKETS CLEARING CORPORATION

BY: \_\_\_\_\_  
Karen L. Saperstein  
General Counsel

**Underlined, boldface** text indicates additions.

~~[Bracketed, strikeout]~~ text indicates deletions.

## RULE 7

### NOVATION AND GUARANTY OF OBLIGATIONS AND RECEIVE, DELIVER AND SETTLEMENT OBLIGATIONS

#### Rule 7. SEC. 1. Novation and Guaranty of Obligations.

All transactions reflected on an Accepted Trade Report are guaranteed as follows: (i) transactions in respect of which a Preliminary Margin Report has been issued are guaranteed at the later of (a) midnight New York time and (b) one-half hour after such Preliminary Margin Report has been issued, and (ii) transactions in respect of which a Final Margin Report has been issued, are guaranteed at the later of (a) 1:00 p.m. New York time and (b) 2 ½ hours after such Final Margin Report has been issued, unless, in either case, the Corporation notifies the Members or has made information available to Members, prior to the deadlines specified above that it has ceased to act for the original contra party as identified on the applicable Accepted Trade Report; provided, however, that if an EMCC Eligible Instrument Transaction (the "Original Transaction") is changed or deleted and reflected as such on an Accepted Trade Report (for the purposes of this Rule the "Modified Accepted Trade Report"), at the time the Modified Accepted Trade Report is made available to Members, the Corporation's guarantee (i) in respect of the Original Transaction shall be terminated, and (ii) in respect of a changed transaction, shall be effective with respect to the changed transaction as reflected in the Modified Accepted Trade Report in accordance with the time frames set forth above.

At the time an Accepted Trade Report is made available, all deliver, receive, and related payment obligations in respect of transactions reflected on the Accepted Trade Report are terminated and replaced by obligations to the Corporation and obligations from the Corporation. The novation of these transactions places the Corporation between the original counterparties to the transaction.

#### SEC. 2. Receive and Deliver Obligations

(a) With respect to all EMCC Eligible Instrument transactions which have been reported on the Accepted Trade Report, Deliver and Receive Obligations of a Member shall be fixed at the time the Accepted Trade Report is made available by the Corporation to the Member; provided, however, that if the originally accepted EMCC Eligible Instrument transaction is reported as changed on a subsequent Accepted Trade Report, the Receive or Deliver Obligation that was previously fixed is terminated and a new Receive and Deliver Obligation relating to such changed transaction shall be fixed at the time such

subsequent Accepted Trade Report is made available by the Corporation to the Member; provided, further, that if the originally accepted EMCC Eligible Instrument transaction is reported as deleted or canceled on a subsequent Accepted Trade Report, the Receive or Deliver Obligation that was previously fixed shall be extinguished.

(b) On the Scheduled Settlement Date to which a Netting Detail Report relates, the previously established Receive and Deliver Obligations relating to the transactions underlying the Netting Trades reflected on such Netting Detail Report shall be extinguished and replaced with one or more new Receive and/or Deliver Obligations with respect to each net position reflected on such Netting Detail Report.

(c) On Settlement Day, each Deliver Obligation and Receive Obligation relating to a non-Netting Trade shall be settled at the Settlement Value reported on the Accepted Trade Report for such obligation and each Receive and Deliver Obligation relating to a Netting Trade shall be settled at the Settlement Value indicated on the Netting Detail Report.

### SEC. 3. Transaction Adjustment Payment

The Corporation will instruct each Netting Member's Qualified Securities Depository to debit and/or credit, as the case may be, such Netting Member's account on the Scheduled Settlement Date with an amount equal to the difference between the net consideration for the transactions underlying each net position reflected on the Netting Detail Report for such Scheduled Settlement Date and the Settlement Value of the Receive and Deliver Obligations relating to such net positions. Such difference shall be known as the "Transaction Adjustment Payment."

### SEC. 4. Delivery by the Corporation

The Corporation shall be obligated to deliver EMCC Eligible Instruments to a Member with a Receive Obligation as required by this Rule in order to settle such Receive Obligation; however, the Corporation shall not be obligated to attempt to make any such delivery or deliveries until the day on which the Corporation has received, as the result of a delivery to it from a Member with a Deliver Obligation, EMCC Eligible Instruments.

### SEC. 5. Obligation to Make Settlement

Each Member shall be obligated to satisfy all of its EMCC Eligible Instruments settlement obligations pursuant to these Rules on each day on which a Qualified Securities Depository is open for business for each such EMCC Eligible Instrument, regardless of the days on which any third party, including a clearing bank or depository institution acting on behalf of such Member, is open for business.

### SEC. 6. Receipt of Output

On each Business Day, Reports shall be deemed to have been made available by

the Corporation to a Member at the time at which the Corporation has both completed its processing cycle for the preparation of such Reports and has released such Reports to the Corporation's data output facility or facilities, unless the Corporation has notified such Member on such Business Day of a delay in the Corporation's making available such Reports or output to the Member.

The inability of a Member, because of automation problems that it incurs or for any other reason, to receive a Report that has been made available to it by the Corporation shall not excuse or otherwise affect such Member's obligations pursuant to these Rules. A Member shall be obligated to accept Reports from the Corporation in any format and in any medium usable by such Member, including, but not limited to, print copy, facsimile, magnetic tape, video display terminal, and electronic transmission.

#### SEC. 7. Responsibility for Third Party Actions

No improper or unauthorized action, or failure to act, of a third party acting on behalf of a Member (including, but not limited to, a service bureau) shall excuse or otherwise affect such Member's obligations pursuant to this Rule.

#### SEC. 8. Obligation to Inform the Corporation

Each Member shall be obligated to promptly inform the Corporation of the following:

- (a) difficulty in receiving, or inability to receive, Reports from the Corporation, in the manner, or within the time frames, that such Member ordinarily receives such information;
- (b) the receipt by such Member from the Corporation of a Report that it believes either contains erroneous information or omits material information; and
- (c) potential difficulty in satisfying, or inability to satisfy, in a timely manner any of its obligations with respect to the delivery or receipt of EMCC Eligible Instruments, or the payment of monies, that arise pursuant to these Rules.

SEC. 9. The Corporation will instruct the Qualified Securities Depository designated by the Member in the manner prescribed by the Corporation to (i) deliver to the Corporation's account at a Qualified Securities Depository on each Settlement Day EMCC Eligible Instruments credited to the Member's account for the purpose of satisfying the Deliver Obligation(s) of the Member; and (ii) the Corporation will instruct a Qualified Securities Depository to deliver from the Corporation's account at a Qualified Securities Depository, EMCC Eligible Instruments so received into the Corporation's account at a Qualified Securities Depository to the Member necessary to satisfy the Receive Obligation(s) of the Member.

All deliveries of EMCC Eligible Instruments in satisfaction of Deliver Obligations and all receipts of EMCC Eligible Instruments in satisfaction of Receive Obligations, shall be processed in accordance with the rules of the applicable Qualified Securities

Depository.

SEC. 10. A trade in an EMCC Eligible Instrument may be designated a Special Trade by the Corporation in which case the Corporation will notify affected Members and such trade will be cleared and settled on a Member-to-Member basis based on instructions submitted by the Corporation to a Qualified Securities Depository.

SEC. 11. In the event an EMCC Eligible Instrument is removed from the list of EMCC Eligible Instruments because it is no longer deliverable through a Qualified Securities Depository, any such determination shall be communicated to all Members by the Corporation after receipt of such notification from the Qualified Securities Depository. In such event, the Corporation shall identify to Members affected transactions. Each affected Member shall be obligated to settle such affected trade directly with their original counter party, which settlement shall not be subject to the Rules of the Corporation.

**SEC. 12. An EMCC Eligible Instrument may be made ineligible for transaction processing if, in the judgment of the Corporation, Members may lose important rights by reason of its continued status as an EMCC Eligible Instrument. In such event, the Corporation shall issue instructions to Members with affected transactions and, to the extent applicable, to a Qualified Securities Depository, which instructions shall name Members as the contra parties to such transactions, the settlement of which shall not be subject to the Rules of the corporation.**

SEC. [42] 13. Fail Settlement Positions

Each Fail Settlement Position shall be maintained by the Corporation on each Business Day subsequent to its Scheduled Settlement Date until and including the actual settlement day for such Fail Settlement Position.

SEC. [43] 14. Partial Deliveries

In its sole discretion, the Corporation may accept a delivery from a Member with a Short Position of only a portion of the EMCC Eligible Instruments that comprise such Short Position. The Corporation will do so only upon obtaining the consent of a Member with a Long Position or Positions comprised of EMCC Eligible Instruments with the same ISIN number. If a partial delivery of EMCC Eligible Instruments by a Member is accepted by the Corporation, the remaining EMCC Eligible Instruments that were not delivered to the Corporation will constitute a Fail Settlement Position.

**SEC. [44] 15. Financing Costs/Obligation to Receive Securities**

If a Member with a Deliver Obligation has sufficient EMCC Eligible Instruments available to complete such Delivery Obligation or if the Corporation has sufficient EMCC Eligible Instruments available to complete a Delivery Obligation and the Corporation is unable to deliver such securities to the Member with the Long Position, because the Member with the Receive Obligation has insufficient cash or credit facilities necessary to make payment for the delivery or for any other reason prevented its delivery, (hereinafter referred to as the "Late Receiving Member") such Member with the Receive Obligation, shall be obligated to pay an amount determined by multiplying the Settlement Value by the Compensation Interest Rate by the number of days divided by 360 (the "Compensation Amount"), and the Corporation shall pay the Compensation Amount to the Member with the Deliver Obligation which was not completed or retain such payment, whichever the case may be. Such payments shall be made on such day as determined by the Corporation through the facilities of a Qualified Securities Depository. A Late Receiving Member also may be subject to fine by the Corporation, if the Board determines that such is appropriate.

If the Member with the Receive Obligation fails to accept delivery for reasons other than having insufficient cash or credit facilities at the Qualified Securities Depository, it shall be obligated to pay, or to reimburse the Corporation for, all costs, expenses, and charges incurred by the Corporation as the result thereof, and it may also be subject to a fine by the Corporation if the Board, in its sole discretion, determines that such failure to accept EMCC Eligible Instruments was done without good cause.

If a Member fails to make a Transaction Adjustment Payment, because the Member has insufficient cash or credit facilities necessary to make such Transaction Adjustment Payment or for any other reason did not make such payment, such Member shall be obligated to pay an amount determined by multiplying the unpaid Transaction Adjustment Payment amount by the Compensation Interest Rate by the number of days divided by 360. Such payments shall be made on such day as determined by the Corporation through the facilities of a Qualified Securities Depository. Any such Member also may be subject to fine by the Corporation, if the Board determines that such is appropriate.

As used in this Rule, "good cause" means a causal event or occurrence that the Board, in its sole discretion, determines to have been beyond the reasonable control of a Member.

**SEC. [45] 16. Obligation to Facilitate Financing**

If the Corporation deems it appropriate, in its sole discretion, in order to obtain financing necessary for the provision of the settlement services contemplated by these Rules, including, without limitation, financing of positions arising out of the delivery by Members to the Corporation of EMCC Eligible Instruments, the Corporation may create, and each Member shall not take any action to adversely affect the creation of, such security interests in EMCC Eligible Instruments in favor of any entity or entities, including any depository institution, from which the Corporation, in its sole discretion, deems it necessary or desirable to obtain and maintain such financing. Any such financing obtained by the

Corporation may be on terms and conditions deemed necessary or advisable by the Corporation in its sole discretion. Any such security interests created by the Corporation in any EMCC Eligible Instruments may be to secure an amount greater, and may extend for a period of time longer, than the obligation of any Member to the Corporation relating to such EMCC Eligible Instruments. Notwithstanding the above, the Corporation shall remain obligated to make delivery to Members of EMCC Eligible Instruments under the circumstances and within the time frames specified in these Rules.

SEC. [46] 17. Warrant Processing.

(a) Except as otherwise indicated by these Rules warrants shall be processed by the Corporation in the same manner as bonds and notes.

(b) (i) After receipt of notice by the Corporation that an issuer of a warrant has declared a money distribution on such warrant, the Corporation shall issue one or more reports, within such time frame as it shall determine (each, a "Record Date Report"), to each Member with an outstanding Fail Deliver or Fail Receive Obligation in the warrant, indicating the Member's record date obligation(s) in respect of the warrant. The Corporation shall transmit instructions to the Qualified Securities Depository for each such Member to appropriately debit and/or credit each Member's account at the Qualified Securities Depository on the date specified in subsection (ii) below, with the amount(s) specified on the Record Date Report.

(ii) On the payable date for a money distribution (or, if the payable date is not a business day at the Qualified Securities Depository on the business day immediately following such payable date) each Member with a Fail Deliver Obligation ("FDO Member") shall be obligated to pay the amount(s) indicated on the Record Date Report. In addition, provided that the Corporation receives the payment from the applicable FDO Member, each Member with a Fail Receive Obligation ("FRO Member") shall be entitled to receive the amount(s) indicated on the Record Date Report. Notwithstanding the forgoing, if the Corporation fails to receive an amount due from a FDO Member, and payment has been made to a FRO Member, the Corporation, in its discretion, may reverse in whole or in part the payment made to the FRO Member who was the original contra side to the transaction underlying the Fail Deliver Obligation of an FDO Member who has not made payment.

(iii) If an FDO Member does not make timely payment of a money distribution amount, such Member (i) shall have an additional payment obligation equal to the product of the amount not paid multiplied by the Compensation Interest Rate multiplied by the number of days during which such obligation remained unpaid divided by 360 ("Warrant Distribution Compensation Amount"), and (ii) may be subject to fine by the Corporation, if the Board determines that such is appropriate. Such payment shall be made on such day as determined by the Corporation through the facilities of a Qualified Securities Depository.

(iv) If an FRO Member does not receive timely payment of a money distribution amount, such Member shall be entitled to receive an amount equal to the product of the amount of the money distribution not received multiplied by the

Compensation Interest Rate multiplied by the number of days during which such obligation remained unpaid divided by 360; provided, however, that the Corporation's obligation to pay such amount shall be contingent on the Corporation collecting an amount equal to or greater than such amount from the FDO Member whose failure to pay the money distribution amount was the cause of such Member's failure to receive timely payment of a money distribution amount and any such payment shall be made on such day as determined by the Corporation through the facilities of a Qualified Securities Depository.

(v) In the event that the Corporation ceases to act for an FDO Member with an outstanding payment obligation(s) in respect of a money distribution, the Corporation shall submit, at the request and sole cost and expense of the FRO Member who did not receive such money distribution, the appropriate claim for such amount. To the extent the Corporation receives any payments in respect of such claim, on such day as determined by the Corporation, it shall pay such Member through the facilities of a Qualified Securities Depository the amount so received, less any costs and expenses related to such claim incurred by the Corporation.

(c) (i) From time to time as determined by the Corporation, the Corporation shall provide a service which shall pair-off eligible Fail Deliver Obligations in warrants within one ISIN with eligible Fail Receive Obligations within the same ISIN, in accordance with the provisions of this Rule. Only Receive and Deliver Obligations with a net consideration of \$0 in ISIN's determined by the Corporation from time to time shall be eligible.

(ii) At such time as determined by the Corporation, the Corporation shall pair-off eligible warrant Fail Deliver Obligations with eligible warrant Fail Receive Obligations if the quantity of warrants in respect of one or more eligible Fail Receive Obligations (either singly or in the aggregate) equals the quantity of warrants in respect of one or more eligible Fail Deliver Obligations (either singly or in the aggregate).

(iii) Upon completion of the pair-off process, the Corporation shall (a) issue a Report to each Member identifying the Fail Deliver and Fail Receive Obligations that were paired-off, and (b) transmit instructions to the Member's Qualified Securities Depository canceling the receive and/or deliver instruction(s) in respect of the paired-off transactions. Upon the distribution of the report, the Corporation shall extinguish the rights and obligations of the Members in respect of the item(s) listed in the report.

(iv) If the pair-off process results in the elimination of the obligation of one of the original contra parties to a transaction underlying a Fail Deliver Obligation or Fail Receive Obligation, then the Corporation shall allocate warrants received based upon the age of the Fail Receive Obligation and quantity of warrants underlying the Fail Receive Obligation, with priority being given first to the oldest fail and next to the largest fail which can be eliminated based on the quantity of warrants received. No partial allocations shall be made. If the number of warrants is insufficient to fully satisfy any Fail Receive Obligation, no allocation shall be made until the Corporation receives a sufficient quantity of warrants to fully satisfy a Fail Receive Obligation.

**SEC. [47] 18. Buy-In**

(a) In the event a Member has Receive Obligation which has not been completed by Scheduled Settlement Date+5, the Member (the “originator”) may demand delivery thereof on any day thereafter, by filing, at or before the time specified by the Corporation, a Buy-In Pre-Advice Notice, in the form prescribed by the Corporation.

(b) Based on such Buy-In Pre-Advice Notice, the Corporation may demand delivery of the EMCC Eligible Instruments specified in the notice by transmitting a Buy-In Pre-Advice Notice to the Member with the Fail Deliver Obligation in the form prescribed by the Corporation. In the event that all the EMCC Eligible Instruments covered by the Buy-In Pre-Advice Notices are not received by the originator prior to the time specified by the Corporation two Business Days after the date of the Buy-In Pre-Advice Notice the Member shall deliver to the Corporation a Buy-In Notice no later than 5 Business Days after issuance of the Buy-In Pre-Advice Notice, in such form and by such time as specified by the Corporation which notice shall indicate that the buy-in will be executed on the fifth Business Day following such notice. If the Member fails to issue a Buy-In Notice within 5 days from issuance of the Buy-In Pre-Advice Notice, the Member must reinitiate the Buy-In.

Upon receipt of a Buy-In Notice, the Corporation shall transmit a Buy-In Notice in such form and by such time as specified by the Corporation to the Member with the Fail Deliver Obligation which notice shall specify that the Buy-In will be executed on the fifth Business Day following such notice and shall specify the executing agent as determined by the Corporation.

A Member with a Fail Deliver Obligation who desires to make a partial delivery of the EMCC eligible Instruments must notify the Corporation 24 hours in advance of execution date of its intention to deliver such instruments on execution date. In such event, the Corporation will notify the originator of the amount of EMCC Eligible Instruments that will be delivered on execution date.

Notwithstanding the foregoing, in the event that either (i) prior to the date on which the Buy-In Pre-Advice Notice is received or (ii) subsequent to the date on which the Buy-In Pre-Advice Notice is received, but prior to the execution of the Buy-In, the Corporation has ceased to act for the Member with the Fail Deliver Obligation, and the Fail Deliver Obligation was in respect of a warrant, the Corporation shall follow the procedures set forth in sub-section (f) of this Section 17.

(c) Prior to the execution of a Buy-In, the originator must accept and pay for any portion or all of the remaining EMCC Eligible Instruments delivered to the originator by the times specified by the Corporation and, if the originator does not receive all the remaining securities by such time as specified by the Corporation, the originator may order the Corporation to purchase the portion remaining undelivered.

(d) Notwithstanding the foregoing provisions of this Section 17, the Corporation may initiate a Buy-In Pre-Advice Notice at any time that it determines in its sole discretion that such action is necessary in order to protect the Corporation, Members, creditors or

investors, to safeguard securities and funds in the custody or control of the Corporation and for which the Corporation is responsible, or to promote the prompt and accurate clearance, settlement and processing of securities transactions.

(e) Upon the request of the Corporation the originator must be able to prove to the Corporation's satisfaction that it had the financial resources available to pay for the Receive Obligation.

(f) In the event that the Corporation has ceased to act for the Member with the Fail Deliver Obligation prior to the date on which the Buy-In Pre-Advice Notice was received by the Corporation, upon receipt of the Buy-In Pre-Advice Notice, the Corporation shall take such actions as are practicable, at the sole cost and expense of the Member with the Fail Receive Obligation, to obtain the warrants.

In the event that the Corporation has ceased to act for the Member with the Fail Deliver Obligation subsequent to the date on which the Buy-In Pre-Advice Notice is received, but prior to the execution of the Buy-In, the Corporation shall only take such actions as are practicable, at the sole cost and expense of the Member with the Fail Receive Obligation, to obtain the warrants, upon confirmation by the originator to proceed with the Buy-In.

#### SEC. [48] 19. Sell-Out

(a) In the event a Member has Deliver Obligation which has not been completed by Scheduled Settlement Date+5, the Member (the "Deliver originator") may demand the right to sell-out on any day thereafter, by filing, at or before the time specified by the Corporation, a Sell-out Pre-Advice Notice, in the form prescribed by the Corporation.

(b) Based on such Sell-Out Pre-Advice Notice, the Corporation may indicate its intention to sell-out the EMCC Eligible Instruments specified in the notice by transmitting a Sell-Out Pre-Advice Notice to the Member with the Fail Receive Obligation in the form prescribed by the Corporation. In the event that all the EMCC Eligible Instruments covered by the Sell-Out Pre-Advice Notice are not eligible to be delivered by the Deliver originator prior to the time specified by the Corporation two Business days after the date of the Sell-Out Pre-Advice Notice the Member shall deliver to the Corporation a Sell-Out Notice no later than 5 Business Days after issuance of the Sell-Out Pre-Advice Notice in such form and by such time as specified by the Corporation which notice shall indicate that the Sell-Out will be executed on the fifth Business Day following such notice. If the Member fails to issue a Sell-Out Notice within 5 Business Days after issuance of the Sell-Out pre-Advice Notice the Member must reinitiate the Sell-Out.

Upon receipt of a Sell-Out Notice, the Corporation shall transmit a Sell-Out Notice in such form and by such time as specified by the Corporation to the Member with the Fail Receive Obligation which notice shall specify that the Sell-Out will be executed on the fifth Business day following such notice and shall specify the executing agent as determined by the Corporation.

Notwithstanding the foregoing, in the event that either (i) prior to the date on which the Sell-Out Pre-Advice Notice is received or (ii) subsequent to the date on which the Sell-Out Pre-Advice Notice is received, but prior to the execution of the Sell-Out, the Corporation has ceased to act for the Member with the Fail Receive Obligation, and the Fail Receive Obligation was in respect of a warrant, the Corporation shall follow the procedures set forth in sub-section (f) of this Section 18.

(c) Prior to the execution of a Sell-Out, if the Deliver originator has not received payment or been unable to complete delivery by such time as specified by the Corporation the Deliver originator may order the Corporation to close-out the portion remaining undelivered.

(d) Notwithstanding the foregoing provisions of this Section 18, the Corporation may initiate a Sell-out Pre-Advice Notice at any time that it determines in its sole discretion that such action is necessary in order to protect the Corporation, Members, creditors or investors, to safeguard securities and funds in the custody or control of the Corporation and for which the Corporation is responsible, or to promote the prompt and accurate clearance, settlement and processing of securities transactions.

(e) Upon the request of the Corporation a Deliver originator must provide to the Corporation the records of the Qualified Securities Depository demonstrating that the EMCC Eligible Instruments were available for delivery.

(f) In the event that the Corporation has ceased to act for the Member with the Fail Receive Obligation prior to the date on which the Sell-Out Pre-Advice Notice was received by the Corporation, upon receipt of the Sell-Out Pre-Advice Notice, the Corporation shall take such actions as are practicable, at the sole cost and expense of the Member with the Fail Deliver Obligation, to sell out the warrants.

In the event that the Corporation has ceased to act for the Member with the Fail Receive Obligation subsequent to the date on which the Sell-Out Pre-Advice Notice is received, but prior to the execution of the Sell-Out, the Corporation shall only take such actions as are practicable, at the sole cost and expense of the Member with the Fail Deliver Obligation, to sell out the warrants, upon confirmation by the Deliver originator to proceed with the Sell-Out.

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**Exhibit B**

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34- ; File No. SR-EMCC-00-7)

Proposed rule change by EMERGING MARKETS CLEARING CORPORATION (“EMCC”)  
Comments requested within days after the date of this publication.

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Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”), 15 U.S.C. 78s(b)(1), notice is hereby given that on , Emerging Markets Clearing Corporation (“EMCC” or the “Corporation”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by EMCC. 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 text of the proposed rule change provides that in certain circumstances, EMCC may remove a security from its list of EMCC Eligible Instruments and exit open transactions in that security from its clearance system, to be settled between members.

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

In its filing with the Commission, EMCC 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. EMCC 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) EMCC's Rules permit the Corporation to remove a security from its list of those securities eligible for processing through EMCC's system (i.e., "EMCC Eligible Instruments") in certain circumstances. However, the Rules do not permit the exiting of any pending trades in such a security from its system for any reason other than where the security is no longer deliverable through a Qualified Securities Depository. Without such a mechanism, there may be circumstances where a member may lose important rights in a security by virtue of its continued inclusion in EMCC's processing system.

The proposed rule change therefore would permit EMCC to make a security ineligible for processing in its system, and exit pending trades in that security by issuing appropriate instructions to its affected members if, in EMCC's judgment, a member may lose important rights by reason of the security's continued status as an EMCC Eligible Instrument. In that event, EMCC would notify all members of the security's removal and, in the manner it determines is appropriate, issue instructions to the affected members and to the extent applicable, the relevant Qualified Securities Depository, naming Members as the contra parties to the affected transactions. EMCC would issue such instructions with a view towards minimizing the number of such instructions issued in a given instance.

(b) Because the rule change will facilitate the prompt and accurate clearance and settlement of emerging market securities transactions, it is consistent with the requirements of the Securities Exchange Act of 1934, as amended (the "Act"), and the rules and regulations thereunder.

(B) Self-Regulatory Organization's Statement on Burden on Competition.

EMCC does not believe that the proposed rule change will have an impact on or impose a burden on competition.

(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others.

No written comments relating to the proposed rule change have been solicited or received. EMCC will notify the Commission of any written comments received by EMCC.

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

Within 35 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding of (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve such rule filing, or

(B) institute proceedings to determine whether the rule filing should be disapproved.

IV. Solicitation of Comments.

Interested persons are invited to submit written data, views and arguments concerning the foregoing. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street N.W., Washington, D.C. 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the rule filing that are filed with the Commission, and all written communications relating to the rule filing between the Commission and any person,

other than those that may be withheld from the public in accordance with provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room in Washington, D.C. Copies of such filing will also be available for inspection and copying at the principal office of the above-mentioned self-regulatory organization. All submissions should refer to the file number in the caption above and should be submitted within     days after the date of this publication.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.

Jonathan G. Katz

Secretary

Dated: