

File No. SR-EMCC-2002-01

Securities and Exchange Commission
Washington, D.C. 20549

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 change to Emerging Markets Clearing Corporation's ("EMCC" or the "Corporation") Rules is set forth on Exhibit A.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization.

(a) The proposed rule change has been approved by the Board of Directors of EMCC.

(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) The purpose of the proposed rule change is to expand the types of instruments eligible for processing by EMCC to include emerging market corporate debt that meets certain criteria. This is being accomplished by adding a new definition of Eligible Corporate Debt, and modifying Section 1 of Rule 3. Specifically, EMCC Eligible Instruments will include debt (other than Eligible Sovereign Debt) which:

- (1) is issued by or on behalf of an issuer domiciled in an emerging markets jurisdiction;
- (2) the minimum amount of the debt issue outstanding or to be issued at the time of determination is \$200,000,000, and the issuer has cumulatively issued at least \$750,000,000 (or equivalent currency) of debt securities, and

- (3) the Corporation does or would include the sovereign debt of the jurisdiction where the issuer is domiciled in the list of EMCC Eligible Instruments.

As with all instruments which are EMCC eligible, such instruments must also meet the existing criteria set forth in Rule 3: they must be eligible for settlement at a Qualified Securities Depository and be U.S. dollar denominated.

EMCC believes that the inclusion of dollar denominated debt meeting the foregoing criteria will be beneficial to its Members, because it will help eliminate counterparty risk in these instruments when EMCC becomes the central counterparty. EMCC also believes that its current Clearing Fund formula will allow us to collect appropriate amounts of collateral to cover the risks posed by this class of securities.

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

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) Not applicable.

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

The proposed rule change is not based on a rule either of another self-regulatory organization or of the Commission.

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, striked out]~~ text indicates deletions.

DEFINITIONS AND DESCRIPTIONS

Rule 1. Unless the context requires otherwise, the terms defined in this Rule shall, for all purposes of these Rules, have the meanings herein specified.

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Eligible Corporate Debt

The term “Eligible Corporate Debt” shall mean those instruments, other than Eligible Sovereign Debt, which:

- (1) are issued by or on behalf of an issuer domiciled in an emerging markets jurisdiction;**
- (2) the minimum amount of the debt issue outstanding or to be issued at the time of determination is \$200,000,000, and the issuer has cumulatively issued at least \$750,000,000 (or equivalent currency) of debt securities, and**
- (3) the Corporation does or would include the sovereign debt of the jurisdiction where the issuer is domiciled in the list of EMCC Eligible Instruments.**

Eligible Sovereign Debt

The term “Eligible Sovereign Debt” shall mean those instruments which either:

- (1) are issued by or on behalf of an emerging markets sovereign issuer or an agency or instrumentality thereof (including, without limitation, any central bank thereof); provided that, in the case of any instrument issued by an agency or instrumentality, the credit quality of those instruments is judged by one or more NRSROs or by market participants generally on the basis of the credit quality of the related sovereign issuer; or
- (2) have the timely payment of principal and interest guaranteed by an issuer who meets the criteria set forth in (1).

Eligible Treasury Security

The term "Eligible Treasury Security" means an unmatured, marketable debt security in book_entry form that is a direct obligation of the United States Government.

EMCC

The term "EMCC" means Emerging Markets Clearing Corporation, a New York corporation.

EMCC Eligible Instrument

The term "EMCC Eligible Instrument" means instruments included in the list for which provision is made in Section 1 of Rule 3.

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LISTS TO BE MAINTAINED

Rule 3. SEC. 1. The Corporation shall maintain a list of the instruments which may be the subject of contracts cleared through the Corporation ("EMCC Eligible Instruments"), and may from time to time add instruments to such list or remove instruments therefrom. EMCC Eligible Instruments may only be those instruments which are (i) eligible for settlement at a Qualified Securities Depository, (ii) **either** Brady Bonds, **and** Eligible Sovereign Debt, **or Eligible Corporate Debt**, and (iii) U.S. dollar denominated. The Corporation shall accept an instrument as an EMCC Eligible Instrument only upon a determination by the Corporation that it has the existing operational capability to do so and to continue successfully to provide its services to Members.

An EMCC Eligible Instrument that the Corporation in its discretion determines no longer meets the requirements imposed pursuant to this Section 1 shall cease to be an EMCC Eligible Instrument. Debt issued by a sovereign issuer that fails to continue to meet one of the requirements set forth in the definition of eligible Sovereign Debt, for a period of one consecutive year, shall be reviewed by the Corporation and the Corporation shall consider if such instrument shall be excluded from eligibility. In addition, the Corporation may determine that an EMCC Eligible Instrument shall cease to be an EMCC Eligible Instrument in the event that: (1) the Corporation finds that the level of activity in the instrument during the period of three consecutive months preceding that determination is insufficient to produce benefits commensurate with the costs to the Members arising from its continued inclusion as an EMCC Eligible

Instrument; or (2) the Corporation determines that there may exist a legal impediment to the validity or legality of the issuance or continued transfer or delivery of the instrument; or (3) the Corporation determines, after discussion with the appropriate regulators, where possible, that continued clearance and settlement by the Corporation presents unacceptable risks to the Corporation and/or its participants.

If the Corporation makes a determination that an instrument fails to qualify as an EMCC Eligible Instrument, transactions in such instrument that were accepted by the Corporation prior to such determination shall continue to be processed and shall be deemed to be transactions in EMCC Eligible Instruments.

SEC. 2. The Corporation shall maintain a list of those banks, trust companies and U.S. branches or agencies of foreign banks that have been approved by the Corporation to issue letters of credit in favor of the Corporation.