

File No. SR-EMCC-2004-07

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 rule change consists of revisions to Emerging Markets Clearing Corporation's ("EMCC" or the "Corporation") Rule 13 – Financial Responsibility and Operational Capability and is attached hereto as Exhibit A.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization.

(a) The proposed rule change was approved by the Membership and Risk Management Committee pursuant to authority delegated by the Board of Directors.

(b) Contact regarding questions and comments:

Karen L. Saperstein (212) 855-3203.

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

(a) EMCC's Rule 13 provides that the Corporation has the authority to examine the financial responsibility of any Member or applicant to become a Member. In connection with an application EMCC is able, in part, to examine the financial responsibility by requiring that the following documents be provided:

(i) financial statements, audited and unaudited;

(ii) if the applicant is a US Registered Broker Dealer copies of the applicant's FOCUS Reports, or its FOGS Reports, as the case may be, submitted to its

Designated Examining Authority and any supplemental reports required to be filed with the SEC pursuant to SEC Rule 17a-11 or 17 C.F.R. Section 405.3, or any successor rules or regulations thereto;

(iii) if the applicant is a U.S. Bank, copies of Call Reports (if any) submitted to the applicant's Appropriate Regulatory Agency and, to the extent not contained within such Call Reports (or to the extent that Call Reports are not required to be filed), information containing each of the applicant's capital levels and ratios, as such levels and ratios are required to be provided to the applicant's Appropriate Regulatory Agency;

(iv) if the applicant is a Non-U.S. Registered Broker-Dealer subject to regulation by the SFA, SFA monthly reports and returns.

In order to assess the continuing financial responsibility of Members, pursuant to Rule 13, EMCC has generally requested that Members provide, as applicable, FOCUS, Call or SFA reports and returns on an ongoing basis. To ensure that Members are fully aware of the requirements imposed upon them, EMCC has determined to modify Rule 13 in order to specifically reference the Member's ongoing financial reporting obligations.

(b) As the proposed rule change will clarify what is expected from Members it will enable the Corporation to enforce compliance with its rules and is therefore 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.

6. Extension of Time Period for Commission Action.

Not applicable.

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

(a) The proposed rule change is to take effect pursuant to paragraph (A) of Section 19(b)(3) of the Act.

(b) As the proposed rule change clarifies the existing requirements imposed on Members without changing the requirements, it makes a change to an existing rule that does not substantially affect the rights or obligations of Members.

(c) Not applicable.

(d) Not applicable.

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

The obligation for Members to provide financial reports on an ongoing basis may also be found in the Rules & Procedures of National Securities Clearing Corporation.

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: /s/ Karen L. Saperstein
Karen L. Saperstein
General Counsel

EXHIBIT A

Underlined, boldface text indicates additions.

~~[Strikethrough and Bracketed]~~ text indicates deletions.

FINANCIAL RESPONSIBILITY AND OPERATIONAL CAPABILITY

Rule 13. SEC. 1. The Corporation shall establish, as it deems necessary or appropriate, standards of financial responsibility, operational capability, experience and competence for membership. The Corporation shall also establish guidelines for the application of such membership standards.

SEC. 2. The Corporation shall have the authority to examine the financial responsibility and operational capability of any Member, or applicant to become a Member. In conducting such examinations, the Corporation may require a Member, or applicant to furnish such information, to make its books and records available and to provide sworn or unsworn testimony, as will be sufficient, in the opinion of the Corporation, to demonstrate the financial responsibility and operational capability of the Member, or applicant. **With respect to the foregoing but not in limitation thereof, the Corporation shall require (i) all applicable Members to file with the Corporation a copy of Form X-17-A-5 (Financial and Operational Combined Uniform Single (“FOCUS”) Report) and/or Form G-405 (Reports on Finances and Operations (“Fogs”) Report), any supplemental reports required to be filed with the SEC pursuant to SEC Rule 17a-11 or 17 C.F.R. Section 405.3, or any successor rules or regulations thereto, within the same time period as such report(s) are required to be filed with the Member’s Designated Examining Authority or the Securities and Exchange Commission, whichever later or supplemental report is required to be filed with the Securities and Exchange Commission, (ii) all applicable Members to file with the Corporation a copy of Consolidated Reports of Condition and Income (“Call Reports”) within the same time period as such Call Report is required to be filed with the Member’s state or federal regulatory authority, whichever later or, to the extent not contained within such Call Reports (or to the extent that Call Reports are not required to be filed), information containing each of the Member’s capital levels and ratios, as such levels and ratios are required to be provided to the Member’s Appropriate Regulatory Agency, (iii) all U.S. broker/dealer Members to provide copies of their most recent audited financial statements within 60 days after their fiscal year end and all other Members to provide copies of their most recent audited financial statements within such period of time as**

determined by the Corporation after their fiscal year end, (iv) all applicable Members to provide SFA monthly reports and returns, within the same time period as such reports and returns are required to be filed with the Member's regulatory authority, (v) all applicable Members to provide Form BSD3 – Capital Adequacy Return within the same time period as such reports are required to be filed with the Member's regulatory authority, and (vi) all applicable Members to provide quarterly interim financial data. Any information furnished to the Corporation pursuant to these Rules shall, except as otherwise provided for in these Rules, be held in the same degree of confidence as may be required by law or the rules and regulations of the appropriate regulatory body having jurisdiction over the Member or applicant. In connection with such examinations, the Corporation may also require testimony from the employees of the Member, or applicant under examination or from any other person and may receive records, reports or other information as may be relevant to the matter under examination from any other Self-Regulatory Organization or similar regulatory entity to which the Member may be subject.

SEC. 3. A Member, shall furnish to the Corporation such adequate assurances of its financial responsibility and operational capability as the Corporation may at any time or from time to time deem necessary or advisable 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. Upon the request of a Member, or otherwise, the Corporation may choose to confer with a Member before or after requiring the Member to furnish adequate assurances pursuant to this Rule.

SEC. 4. Adequate assurances of the financial responsibility or operational capability of a Member, as may be required pursuant to Sections 2 and 3 of this Rule and Rule 2, and Rule 4 may include, but shall not be limited to:

- (a) additional reporting by a Member of its financial or operational condition at such intervals and in such detail as the Corporation shall determine;
- (b) increased Clearing Fund deposits of the Member; and
- (c) other assurances as may be required by the Corporation.

EXHIBIT B

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34- ; File No. SR-EMCC-2004-07)

Proposed rule change by EMERGING MARKETS CLEARING CORPORATION ("EMCC") to modify Rule 13 in order to specifically reference the Member's ongoing financial reporting obligations.

Comments requested within days after the date of this publication.

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 , EMCC 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 consists of revisions to Emerging Markets Clearing Corporation's ("EMCC" or the "Corporation") Rule 13 – Financial Responsibility and Operational Capability and is attached hereto as Exhibit A.

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 Rule 13 provides that the Corporation has the authority to examine the financial responsibility of any Member or applicant to become a Member. In connection with an application EMCC is able, in part, to examine the financial responsibility by requiring that the following documents be provided:

(i) financial statements, audited and unaudited;

(ii) if the applicant is a US Registered Broker Dealer copies of the applicant's FOCUS Reports, or its FOGS Reports, as the case may be, submitted to its Designated Examining Authority and any supplemental reports required to be filed with the SEC pursuant to SEC Rule 17a-11 or 17 C.F.R. Section 405.3, or any successor rules or regulations thereto;

(iii) if the applicant is a U.S. Bank, copies of Call Reports (if any) submitted to the applicant's Appropriate Regulatory Agency and, to the extent not contained within such Call Reports (or to the extent that Call Reports are not required to be filed), information containing each of the applicant's capital levels and ratios, as such levels and ratios are required to be provided to the applicant's Appropriate Regulatory Agency;

(iv) if the applicant is a Non-U.S. Registered Broker-Dealer subject to regulation by the SFA, SFA monthly reports and returns.

In order to assess the continuing financial responsibility of Members, pursuant to Rule 13, EMCC has generally requested that Members provide, as applicable, FOCUS, Call or SFA reports and returns on an ongoing basis. To ensure that Members are fully aware of the requirements imposed upon them, EMCC has determined to modify Rule 13 in order to specifically reference the Member's ongoing financial reporting obligations.

(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 [Karen to add].

(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.

The foregoing rule change has become effective pursuant to Section 19(b)(3) of the Act and subparagraph (f)(4) of the Securities Exchange Act Rule 19b-4. At any time within sixty days of the filing of such 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. 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: