

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 2- Members 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 2 section 7 indicates what actions EMCC may take against a Member that fails to maintain the relevant requirements of the Rules. As written, EMCC is required to cease to act for the Member unless the Member requests that it be given an opportunity to remedy the deficiency (if the Corporation determines that it is appropriate to permit this action). EMCC believes that depending upon the nature of the failure it may be more appropriate to impose restrictions or limitations on the Member's use of EMCC (including an obligation to deposit increased Clearing Fund) rather than ceasing to act for the Member. EMCC may not take such action today unless it seeks a waiver of its rules. To avoid having to seek a waiver in such circumstances the proposed rule change will modify section 7 to provide EMCC with this capability.

(b) As the proposed rule change will permit EMCC impose restrictions or limitations on a Member's use of EMCC rather than ceasing to act for the Member, the rules will provide a fair procedure with respect to the prohibition or limitation by EMCC of a Member with respect to access to services offered, therefore 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.

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

EXHIBIT A

Underlined, boldface text indicates additions.

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

Shaded text indicates changes pending approval in SR-EMCC-2004-03 and SR-EMCC-2004-05

MEMBERS

Rule 2. SEC. 1. The Corporation shall provide services to those organizations, entities or persons who qualify as Members under these Rules and who apply to the Corporation to act for them, whose applications are approved by the Corporation and who have contributed to the Clearing Fund as provided in Rule 4. A partnership, corporation, limited liability company or other organization, entity or individual shall be qualified to become a Member if it satisfies at least one of the following qualifications:

(i) it is a broker or dealer registered under the Exchange Act ("Registered Broker-Dealer");

(ii) it is a broker or dealer registered or regulated under the laws of the jurisdiction, other than the U.S., in which it is organized or established ("Non-U.S. Registered Broker-Dealer");

(iii) it is a bank or trust company, including a trust company having limited power, which is a member of the Federal Reserve System or is supervised and examined by state or federal authorities in the U.S. having supervision over banks ("U.S. Bank");

(iv) it is a bank or trust company, which is supervised and examined by the banking regulator in the jurisdiction, other than the U.S., in which it is organized or established ("Non-U.S. Bank"); or

(v) if it does not qualify under paragraphs (i) through (iv) above but is the successor or assigns of any Member and has demonstrated to the Board of Directors that its business and capabilities are such that it could use the Corporation's services without undue risk; provided, however, that if admitted under this section it may become a Member only for the limited purpose of winding up the business of the predecessor Member in an orderly manner.

A partnership, corporation, limited liability company or other organization, entity or individual whose application to become a Member has been approved by the Corporation shall pay to the Corporation its original contribution to the Clearing Fund determined in accordance with the provisions of Rule 4 and shall sign and deliver to the Corporation an instrument in writing whereby such applicant shall agree as provided in Section 2 of this Rule.

Only Members shall be entitled to settle contracts through the Corporation. A Member who settles or carries out through the Corporation any contract or transaction for a partnership, corporation, limited liability company or other organization, entity or individual who is not a Member ("Non-Member"), shall, so far as the rights of the Corporation and all other Members are concerned, be liable as a principal. A Non-Member who compares, settles or carries out transactions through a Member shall not possess or be deemed to possess any of the rights or benefits of a Member.

SEC. 2. (a) Each applicant to become a Member shall sign and deliver to the Corporation an instrument in writing whereby the applicant shall agree:

[(a)](i) to abide by the Rules of the Corporation and to be bound by all the provisions thereof and that the Corporation shall have all the rights and remedies contemplated by the Rules of the Corporation;

[(b)](ii) that the Rules of the Corporation shall be a part of the terms and conditions of every contract or transaction which it may make or have with the Corporation;

[(c)](iii) not to clear or settle through the Corporation any contract or transaction unless the Rules of the Corporation are a part of the terms and conditions of such contract or transaction;

[(d)](iv) to pay to the Corporation the compensation provided for by the Rules of the Corporation for clearing and other services rendered and such fines as may be imposed in accordance with such Rules of the Corporation for the failure to comply therewith;

[(e)](v) to pay to the Corporation any amounts which pursuant to the provisions of the Rules of the Corporation shall become payable by the Member to the Corporation;

[(f)](vi) that its books and records shall at all times be open to inspection by the duly authorized representatives of the Corporation and that the Corporation shall be furnished with all such information in respect of its business and transactions as the Corporation may require, provided that if it shall cease to be a Member, the Corporation shall have no right to inspect its books and records or to require information relating to transactions wholly subsequent to the time when it ceased to be a Member;

[(g)](vii) that the determination of the Corporation by the Board of Directors of all questions affecting the charges to which its contribution to the Clearing Fund are or may be subject shall be final and conclusive;

[(h)](viii) to be bound by any amendment to the Rules of the Corporation with respect to any transaction occurring subsequent to the time such amendment takes effect as fully as though such amendment were now a part of the Rules of the Corporation, provided, however, that no such amendment shall affect its right to cease to be a Member or alter the provisions of Rule 4 of the Corporation unless before such amendment becomes effective it is given an opportunity to give written notice to the Corporation of its election that the Corporation shall cease to act for it; and that its agreement with the Corporation shall inure to the benefit of and be binding upon the parties thereto and their respective successors and assigns;

[(i)](ix) to submit to the jurisdiction of the Courts of the State of New York and the U.S. District Court for the Southern District of New York;

[(j)](x) to appoint a Person acceptable to the Corporation as its agent to receive on its behalf service of process if it is accepted as a Member under Section 1(ii) or (iv) of this Rule;

[(k)](xi) its Membership in the Corporation and its use of the services shall be governed by the laws of the State of New York;

[(l)](xii) that any judgment obtained in an action or proceeding may be enforced in the courts of any jurisdiction where the applicant or any of its property may be found, and the applicant irrevocably submits to the jurisdiction of each such court in respect of any such action or proceeding;

[(m)](xiii) that, to the fullest extent permitted by law, any judgment shall be obtained in the currency in which a default of payment has occurred and that payment of such judgment shall be in such currency. If under the law of the jurisdiction in which judgment is obtained, judgment is not obtainable in the currency in which a default of payment occurred, or if the judgment amount is required to be converted to another currency (which shall be only U.S. dollars) on a date other than the date of payment, then notwithstanding any such judgment or requirement and as a separate obligation, the applicant shall indemnify EMCC against any exchange loss, and EMCC shall remit to the applicant any exchange gain, between such other date and the date of payment. Any exchange loss or exchange gain shall be measured by using the prevailing currency exchange rates on the respective dates, net of premiums and costs of exchange payable in connection with the conversion. Further, that any judgment for

damages shall be in the currency in which the damages is suffered and that payment of such judgment shall be governed by the foregoing provisions.

[(n)](xiv) to waive, to the fullest extent permitted by applicable law, all immunity (whether on the basis of sovereignty or otherwise) from jurisdiction, attachment (both before and after judgment) and execution to which it might otherwise be entitled in any action or proceeding in any county or jurisdiction, relating in any way to the agreement or to any transaction; and

[(e)](xv) to provide, upon the request of and at no charge to the Corporation, research that it provides to any of its customers relating to EMCC Eligible Instruments and events or conditions which might affect the price of EMCC Eligible Instruments.

(b) Each applicant to become a Member shall deliver to the Corporation an opinion of counsel that addresses the points covered in Annex 1 to Addendum D for US registered broker/dealers and US regulated banks and trust companies and the points covered in Annex 2 to Addendum D for non-US registered broker/dealers and non-US regulated banks and trust companies.

(c) Each Non-U.S. Registered Broker-Dealer applicant and each Non-U.S. Bank applicant to become a Member shall deliver to the Corporation a Letter of Representations substantially to the effect of Addendum E to these Rules.

SEC. 3. (a) Each applicant to become a Member shall complete and deliver to the Corporation (i) an Applicant Questionnaire in such form as may be prescribed by the Corporation from time to time and (ii) the financial reports specified in sub-sections (b) through (f) of Section 3 of this Rule. All documentation and financial information shall be provided in the English language and may be required to be provided in U.S. dollar equivalents (indicating the applicable conversion rate and the applicable date used).

(b) For all applicants **which have two or more years of financial statements certified by an independent certified public accountant,** a copy of the applicant's financial statements **or, if the applicant's financial statements are consolidated in a parent holding company or affiliate financial statement, a copy of the applicant's parent holding company or affiliate financial statements in all cases** for the two fiscal years ending immediately preceding the year in which application is made, certified without qualification by independent certified public accountants. **For all applicants which have less than two years of financial statements certified by an independent certified public accountant or, if applicable, whose parent holding company or affiliate, whichever appropriate, has less than two years of financial statements certified by an independent certified public accountant, a copy of the applicant's, parent holding**

company or affiliate, whichever applicable, financial statement for the fiscal year ending immediately preceding the year in which application is made certified without qualification by independent certified public accountants. For all applicants that have not issued financial statements certified by an independent certified public accountant or, if applicable, whose parent holding company or affiliate has not issued financial statements certified by an independent certified public accountant, pro-forma financial statements for such period of time as requested by the

Corporation. To the extent that such audited financial statements are not prepared in accordance with Generally Accepted Accounting Principles, the applicant shall provide the Corporation with a discussion of the material variations of the accounting principles used from Generally Accepted Accounting Principles, unless the Corporation determines that such discussion is unnecessary.¹

(c) For all applicants, if required by the Corporation, a certificate of the chief executive or chief financial officer of the applicant that no material adverse changes have occurred in the financial condition of the applicant since the date of the most recent financial statements, Form X-17A-5 FOCUS Reports ("FOCUS Reports"), Form G-405 Reports on Finances and Operations ("FOGS Reports"), Consolidated Reports of Condition and Income ("Call Reports"), or comparable reports to regulatory authorities, as applicable, filed with the Corporation pursuant to subsections (b), (d), (e), **and** (f) ~~and (g)~~ of this Section 3, and that the applicant has not guaranteed the obligations of any other person, and is not subject to any other contingent liabilities, except as set forth in such financial statements, FOCUS Reports, FOGS Reports, Call Reports, comparable reports to regulatory authorities or the certificate.

(d) If the applicant is a Registered Broker Dealer copies of the applicant's FOCUS Reports, or its FOGS Reports, as the case may be, for the last 24 months (if a monthly filer) or the last 8 quarters (if a quarterly filer) 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~~[-]~~, **unless the applicant has been operational for less than two years, in which case all available FOCUS or FOGS Reports as the case may be, if any, and supplemental reports, if any, must be provided.**

¹ The Corporation has determined that with respect to an applicant's audited financial statements prepared in accordance with either U.K. Generally Accepted Accounting Principles or International Accounting Standards, it will accept such financial statements without requiring a discussion of the material variations of such accounting principles from Generally Accepted Accounting Principles unless, in its sole discretion, the Corporation determines that circumstances warrant the applicant's providing such discussion. In that case, the applicant shall also provide a discussion of the material variations between the applicable financial standards on which its financials are prepared and Generally Accepted Accounting Principles.

(e) If the applicant is a bank or a trust company (i) all quarterly financial statements covered by the last audited financial statement plus all subsequent quarterly financial statements and (ii) (A) if the applicant is a U.S. Bank, copies of the applicant's three most recent 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 for the same periods provided for in (i) above or (B) if the applicant is a Non-U.S. Bank, all material regulatory filings made with its primary regulator in its home country over the prior two years[.], **unless the applicant has been operational for less than two years, in which case each such available document, if any, must be provided for the applicable length of time the applicant has been operational.**

(f) If the applicant is a Non-U.S. Registered Broker-Dealer subject to regulation by the SFA, it shall provide the Corporation with its SFA monthly reports and returns for the prior 24 months **unless the applicant has been operational for less than two years, in which case each report or return, if any, must be provided for the applicable length of time the applicant has been operational** and if necessary and feasible, financial statements prepared in accordance with Generally Accepted Accounting Principles.

SEC. 4. The Corporation shall approve an application to become a Member pursuant to this Rule only upon a determination by the Corporation that the applicant meets the standards of financial responsibility and operational capability as set forth in the Rules.

Notwithstanding that an application to become a Member shall have been approved by the Corporation, if a material change in condition at the applicant occurs which could bring into question the applicant's ability to perform as a clearing member, and such material change becomes known to the Corporation prior to the applicant's commencing use of the Corporation's services, the Corporation shall have the right to stay commencement by the applicant of use of the Corporation's services.

Notwithstanding the foregoing, the Corporation may deny an application to become a Member or to use one or more services of the Corporation upon a determination by the Corporation that the Corporation does not have adequate personnel, space, data processing capacity or other operational capability at such time to perform its services for the applicant or Member without impairing the ability of the Corporation to provide services for its existing Members, to assure the prompt, accurate and orderly processing and settlement of securities transactions or to otherwise carry out its functions; provided, however, that any such

applications which are denied pursuant to this paragraph shall be approved as promptly as the capabilities of the Corporation permit.

An applicant shall submit to such examinations by the Corporation of its financial responsibility and operational capability as the Corporation is authorized to conduct pursuant to Rule 13.

SEC. 5. Before denying an application to become a Member pursuant to Section 4 of this Rule, the Corporation shall furnish the applicant with a concise written statement setting forth the specific grounds under consideration upon which any such denial may be based and shall notify the applicant of its right to request a hearing to determine whether the application should be denied, such request to be filed by the applicant with the Corporation pursuant to Rule 31 within seven business days of the applicant's receipt of such notice from the Corporation.

SEC. 6. Admission Criteria for Members

The Board or the Membership and Risk Committee of the Board may approve an application to become a Member by a Person that is eligible to apply to become a Member pursuant to this Rule upon a determination that such applicant meets the following requirements:

(a) Operational Capability - The applicant must have adequate personnel, physical facilities, books and records, accounting systems, and internal procedures to enable it to satisfactorily handle transactions and communicate with the Corporation, fulfill anticipated commitments to and meet the operational requirements of the Corporation with necessary promptness and accuracy, and conform to any condition and requirement that the Corporation reasonably deems necessary for its protection or that of its Members.

(b) Business History - The applicant must have an established business history of a minimum of 3 years or personnel with sufficient operational background and experience to ensure, in the judgment of the Board, the ability of the firm to conduct its business.

(c) Financial - The applicant agrees to make, and has sufficient financial ability to make, all anticipated payments required to be made to the Corporation that may be set forth in these Rules.

(d) Required Capital - The applicant is in compliance with the capital requirements imposed by its Designated Examining Authority or Appropriate Regulatory Agency, any other Self-Regulatory Organizations and any other regulatory authority or self regulatory authority to which it is subject by statute, regulation or agreement.

(e) No Adverse Order - The applicant shall not be subject to an order of Statutory Disqualification (as defined in Section 3(a)(39) of the Exchange Act), or an order of similar effect issued by a Federal or State banking authority in the U.S. or any non-U.S. regulator.

(f) Disqualification Criteria - The Corporation must have received no substantial information that would reasonably and adversely reflect on the applicant, or any Associated Person, to such an extent that the applicant should be denied membership in the Corporation; provided, however, that no application shall be denied pursuant to this subsection (f) unless the Board shall have reasonable grounds to believe that the applicant or any Associated Person:

(i) is subject to special or closer-than-normal surveillance by its Designated Examining Authority or Appropriate Regulatory Agency, or by another Self-Regulatory Organization or any other regulatory authority or self-regulatory authority of which the applicant is a member (including, if the applicant is a broker or dealer regulated by the SFA, being subject to a Secondary Requirement under Rule 10-74 of the SFA rules);

(ii) is subject to an action or condition, including but not limited to incurring a loss, the existence of which would require the applicant, if already a Member, to be placed on surveillance status by the Corporation pursuant to Rule 4;

(iii) has been responsible for (A) making a misstatement of a material fact or omitting to state a material fact to the Corporation, in connection with its application to become a Member or thereafter, or (B) fraudulent acts or willful violation of the Securities Act, the Exchange Act, the Government Securities Act, or any rule or regulation promulgated thereunder, or any similar law, rule or regulation to which the Member is subject;

(iv) has been convicted within the ten years preceding the filing of the application or at any time thereafter of (A) any criminal offense involving the purchase, sale or delivery of any security, or the taking of a false oath, or the making of a fraudulent statement, or the making of a false report, or bribery, or perjury, or burglary, or conspiracy to commit any offense referred to in this subparagraph (iv), (B) the larceny, theft, robbery embezzlement, extortion, fraudulent conversion, fraudulent concealment, forgery or misappropriation of funds, securities or other property, (C) any violation of Sections 153, 1341 or 1342 or of Chapters 25 or 47 of Title 18, United States Code, or (D) any other criminal offense involving breach of fiduciary obligation, or arising out of the conduct of business as a broker, dealer, bank, trust company, or other financial institution;

(v) has been permanently or temporarily enjoined or prohibited by order, judgment or decree of any court or other governmental authority of competent jurisdiction from acting as, or as a person associated with or as an affiliated person or employee of, a broker, dealer, investment company, advisor or underwriter, bank, trust company, fiduciary, insurance company or other financial institution, or from engaging or in continuing any conduct or practice in connection with any such activity, or in connection with the purchase, sale or delivery of any security, and the enforcement of such injunction or prohibition has not been stayed;

(vi) has been expelled or suspended from or had its participation terminated by a national securities association or exchange registered under the Exchange Act, a Self-Regulatory Organization, a regulatory agency, a self-regulatory organization, or a corporation that engages in clearance and settlement activities or a securities depository, or has been barred or suspended from being associated with any member of such an exchange, association, organization, corporation, or securities depository;

(vii) has recently incurred significant losses or reductions in capital, including for Registered Broker-Dealers and brokers or dealers regulated by the SFA, (A) any pre-tax loss over (1) the last month in excess of 15% if Excess Net Capital or Excess Financial Resources (as the case may be), (2) the last two months in excess of 25% of Excess Net Capital or Excess Financial Resources, or (3) the last three months in excess of 30% of Excess Net Capital or Excess Financial Resources or (B) any reduction in Excess Net Capital or Excess Financial Resources (as the case may be) in any of the last three months of 25% or more; or

(viii) has business practices, internal risk management controls or is subject to any other fact or condition that would create undue risk for the Corporation or its Members;

provided further that the Corporation shall not be required to reject any applicant which is subject to any condition specified in subsections (f) (i) through (vii), above unless the applicant itself, rather than an Associated Person, is subject to any condition specified in subsection (v) or (vi) above. The Corporation shall notify the SEC of acceptance of any applicant, to which subsections (f) (i) through (vii) applies.

In addition, if the applicant is a Bank, it must have net worth as of the end of the quarter prior to the effective date of its membership, determined in accordance with generally accepted accounting principles, of at least U.S. \$500 million, provided, however, that it may have net worth of as low as U.S. \$200 million if the Corporation makes a determination that becomes a part of the Corporation 's books and records to the effect that other credit factors of the applicant compensate for the lower net worth. In making such a determination, the Corporation will consider the following financial ratios to the extent available (or roughly

equivalent ratios to the extent available) over the same periods for which the applicant is required to provide financial statements: (i) return on average assets, (ii) capital to total assets, (iii) non-performing assets (plus owned real estate) to total assets, and (iv) liquid assets to total assets. If (i) return on average assets is negative, (ii) the ratio of non-performing assets (plus owned real estate) to total assets is greater than 2%, or (iii) the ratio of liquid assets to total assets is less than 10%, then the Corporation will obtain an explanation from the applicant and consider such explanation when determining the applicant's suitability for membership. The Corporation will also consider any ratings assigned to the applicant by a Nationally Recognized Statistical Rating Organization as well as any significant adverse off-balance sheet items noted in the financial statements received as part of the admissions process. The Corporation will also consider the applicant's risk management controls with respect to its business in EMCC Eligible Instruments and other instruments and transactions related to issuers of EMCC Eligible Instruments or issuers domiciled in countries which have issued EMCC Eligible Instruments. The records of the Corporation shall also include any other determinations it makes as to the applicant's internal risk management controls, the regulatory regime and practice in the relevant jurisdictions and whether the capital of the applicant is sufficient to support its business lines, in each case as represented to the Corporation by the applicant, it being understood that an exhaustive analysis of any of these factors may not be practicable. The Corporation may ask an applicant for specific representations and back-up documentation relating to the above, including representations and documentation relating to, among other things, the applicant's customer base, asset composition, revenue sources, transaction sizes, experience of managerial personnel and counterparty, customer or instrument concentrations, on both an historical and current basis. This provision shall not be construed to limit the Corporation's rights to obtain information with respect to the applicant or to view the applicant's books and records set forth elsewhere in these Rules.

If the applicant is a Registered Broker-Dealer (a) its aggregate indebtedness/Net Capital must be less than 950% or its Net Capital/Aggregate Debit Items must be in excess of 5.25%, and (b)(i) its Excess Net Capital must equal at least U.S. \$100 million provided, however, that it may have excess net capital as low as U.S. \$50 million if the Corporation makes a determination that becomes a part of the Corporation's books and records to the effect that other credit factors of the applicant compensate for the lower excess net capital. In making such a determination, the Board will consider any ratings assigned to the applicant by a Nationally Recognized Statistical Rating Organization as well as any significant adverse off-balance sheet items noted in the financial statements received as part of the admissions process. The Corporation will also consider the applicant's significant business lines and internal risk management controls and short term funding arrangements, in each case as represented to the Corporation by the applicant, and make a determination that the risk management controls and short term funding arrangements, as so represented, are appropriate for the business lines. Any applicant admitted under such a determination will not be permitted to add business lines without the approval of the Corporation. The Corporation

may ask an applicant for specific representations and back-up documentation relating to the above, including representations and documentation relating to, among other things, the applicant's customer base, asset composition, revenue sources, transaction sizes, experience of managerial personnel and counterparty, customer or instrument concentrations, on both an historical and current basis. It should be understood that an exhaustive examination of any of these matters may not be practicable. This provision shall not be construed to limit the Corporation's rights to obtain information with respect to the applicant or to view the applicant's books and records set forth elsewhere in these Rules.

If the applicant is a broker or dealer regulated by the SFA (a) its Financial Resources must be at least 120% of its Financial Resources requirement, and (b)(i) its Excess Financial Resources must equal at least U.S. \$100 million **(or equivalent currency using the currency conversion rate in effect as of the date of the financials)** (ii) provided, however that its Excess Financial Resources may be as low as \$50 million **(or equivalent currency using the currency conversion rate in effect as of the date of the financials)** if the Corporation makes a determination that will become part of the Corporation's books and records to the effect that other credit factors of the applicant compensate for the lower Excess Financial Resources. In making such a determination, the Committee will consider any ratings assigned to the applicant by a Nationally Recognized Statistical Rating Organization as well as any significant adverse off-balance sheet items noted in the financial statements received as part of the admissions process. The Corporation will also consider the applicant's significant business lines and internal risk management controls and short term funding arrangements, in each case as represented to the Corporation by the applicant, and make a determination that the risk management controls and short term funding arrangements, as so represented, are appropriate for the business lines. Any applicant admitted under such a determination will not be permitted to add business lines without the approval of the Corporation. The Corporation may ask an applicant for specific representations and back-up documentation relating to the above, including representations and back-up documentation relating to, among other things, the applicant's customer base, asset composition, revenue sources, transaction sizes, experience of managerial personnel and counterparty, customer or instrument concentrations, on both an historical and current basis. It should be understood that an exhaustive examination of any of these matters may not be practicable. This provision shall not be construed to limit the Corporation's rights to obtain information with respect to the applicant or to view the applicant's books and records set forth elsewhere in these Rules.

If the applicant is applying to become an Inter-Dealer Broker Member, it must have excess net capital of at least \$10 million if it is a Registered Broker Dealer or \$10 million **(or equivalent currency using the currency conversion rate in effect as of the date of the financials)** in Excess Financial Resources if it is a broker or dealer regulated by the SFA and must agree to submit trading data to the Corporation in such instruments as requested by the

Corporation from time to time. If such applicant has between \$10,000,000 **(or if applicable, equivalent currency using the currency conversion rate in effect as of the date of the financials)** and \$20,000,000 **(or, if applicable, equivalent currency using the currency conversion rate in effect as of the date of the financials)** excess net capital or Excess Financial Resources, as applicable, it will be margined by the Corporation under Rule 4 at an Event Factor of 1.5, or such higher factor as determined by the Corporation as provided in rule 4, Section 5(A)III. If such applicant has more than \$20,000,000 **(or, if applicable, equivalent currency using the currency conversion rate in effect as of the date of the financials)** excess net capital or Excess Financial Resources, as applicable, it will be margined by the Corporation at an Event Factor as provided in Rule 4, Section 5(A)III.

The foregoing financial responsibility standards are only minimum requirements, and the Board, based upon the level of the anticipated positions and obligations of the applicant, the anticipated risk associated with the volume and types of transactions the applicant proposes to process through the Corporation, and the overall financial condition of the applicant, may impose greater standards. If an applicant does not itself satisfy the above minimum capital requirements, the Board may include for such purposes the capital of an Affiliate of the applicant, if the Affiliate has delivered to the Corporation a guaranty, satisfactory in form and substance to the Board, of the obligations of the applicant to the Corporation.

SEC. 7. General Continuance Standards

A Member shall promptly inform the Corporation, both orally and in writing, if (i) it no longer is in compliance with any of the relevant qualifications and standards for admission to membership set forth in Section 6 of this Rule, (ii) any bankruptcy, insolvency, moratorium or similar proceeding is instituted against the Member, (iii) the Member becomes the subject of any investigation or inquiry by any governmental, regulatory or self-regulatory body, (iv) any investigation covered in (iii) above is concluded or settled (stating the results of such conclusion or settlement), (v) any development which would materially change the answers provided in the EMCC Questionnaire; or (vi) any material adverse change, including the occurrence of a circumstance referred to in Rules 15 or 17, which could bring into question the Member's ability to perform as a clearing member, has occurred. If, with respect to any type of Member: (a) it fails to maintain the relevant standards and qualifications for admission to membership, including but not limited to minimum capital standards; (b) it violates any Rule of the Corporation or other agreement with the Corporation; (c) it fails to satisfy in a timely manner any obligation to the Corporation; (d) there is a material change in control or financial condition of such Member; or (e) the Board otherwise deems it necessary or advisable, in order to protect the Corporation, its other Members, or its creditors or investors, to safeguard securities and funds in the custody or control of the Corporation, or to promote the prompt and accurate processing, clearance or settlement of securities transactions, the Board may

review the financial responsibility and operational capability of the Member to the extent provided in this Rule for such review of an applicant for membership, and otherwise require from the Member additional reporting of its financial or operational condition at such intervals and in such detail as the Board shall determine, and shall make a determination as to whether such Member should be placed on surveillance status by the Corporation consistent with the provisions of Section 7 of Rule 4.

In addition, if the Corporation has reason to believe that a Member may fail to comply with any of these Rules, it may require the Member to provide it, within such time frame, in such detail, and pursuant to such manner as the Corporation shall determine, with assurances in writing of a credible nature that the Member shall not, in fact, violate any of these Rules.

In the event that a Member fails to maintain the relevant requirements of any of these Rules, the Corporation shall ~~], pursuant to Rule 15,]: (i) cease to act for the Member in respect of any service provided by the Corporation either with regard to a particular transaction or transactions, or with regard to transactions generally, pursuant to the provisions of Rule 15; (ii) condition the Member's participation in one or more services available to the Member, including but not limited to increasing the Member's required Clearing Fund deposit; [unless the Member requests that such action not be taken and](iii) [the Corporation determines that, depending upon the specific circumstances and the record of the Member, it is appropriate instead to] establish for such Member a time period (the "Noncompliance Time Period"), which shall be determined either by the Board or by the Membership and Risk Committee of the Board and which shall be no longer than 30 calendar days unless otherwise determined by the Board or by the Membership and Risk Committee of the Board, during which the Member must resume compliance with such requirements; and/or, (i) if if the failure is caused by the Member no longer fulfilling the capital requirements set forth in Section 6, require the Member to provide s a guaranty, satisfactory in form and substance to the Board, of an Affiliate of the Member. With regard to clause (iii) above, [I] in the event that the Member is unable to satisfy such requirements within the Noncompliance Time Period, the Corporation shall, pursuant to these Rules, cease to act for the Member in respect of any service provided by the Corporation either with regard to a particular transaction or transactions, or with regard to transactions generally.~~

Notwithstanding anything to the contrary in this Section, if the Corporation, in its sole discretion, determines that a Member's financial condition has significantly deteriorated during a Noncompliance Time Period, the Corporation immediately may, pursuant to these Rules, either cease to act for the Member in respect of any service provided by the Corporation either with regard to a particular transaction or transactions, or with regard to transactions generally.

SEC. 8. Notification to the SEC

If the Corporation takes any action pursuant to Section 7 of this Rule, it shall promptly file with its records and with the SEC a full report of such actions, and the reasons therefor.

SEC. 9. Guaranty

If an applicant proposes to satisfy any financial requirements imposed by the Corporation pursuant to the Rules by means of a guaranty of its obligations by its parent company or an Affiliate, the parent company or Affiliate shall be required to comply with all provisions of these Rules as if it were an Applicant or Member.

SEC. 10. Inactive Status

At any time a Member may request that it become an Inactive Member. The Corporation will place a Member on Inactive Status only if the Member has no open pending or fail positions and all money obligations have been paid.

A Member which is placed on Inactive Status may receive back its clearing fund deposit 30 calendar days after it is placed on Inactive Status. Notwithstanding this delay, at such time as the Member requests that it be placed on Inactive Status, it will no longer have liability pursuant to Section 11(c) of Rule 4 for losses arising from the default of other Members subsequent to receipt of the request.

An Inactive Member will continue to be required to file with the Corporation all financial and other reports as are required of active Members and will be required to pay all applicable fees as set forth in the fee schedule. Inactive Members which fail to comply with these obligations will be subject to the same terms and conditions as Members including fines.

An Inactive Member may request that its membership be activated at any time and any such request shall be treated as an application for membership and all applicable rules and procedures relevant to an applicant shall apply to the Member at such time; provided, however, that the Corporation may waive the requirement to provide one or more documents or information required of applicants if it determines that the information or documents available to the Corporation (e.g. Member's Agreement, financials) are sufficient to make a determination on the reactivation request. Notwithstanding the foregoing, if the request occurs 18 or more months after Inactive Status is granted, the Inactive Member will be required to provide an opinion of counsel in form satisfactory to the Corporation. If approved for reactivation, the Member will be required to fulfill its clearing fund requirement which shall be calculated in the same manner as the Initial Required Fund Deposit.

EXHIBIT B

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34- ; File No. SR-EMCC-2004-08)

Proposed rule change by EMERGING MARKETS CLEARING CORPORATION ("EMCC")
Relating to Rule 2 (Members), Section 7 (General Continuance Standards). 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 2- Members 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 2 section 7 indicates what actions EMCC may take against a Member that fails to maintain the relevant requirements of the Rules. As written, EMCC is required to cease to act for the Member unless the Member requests that it be given an opportunity to remedy the deficiency (if the Corporation determines that it is appropriate to permit this action). EMCC believes that depending upon the nature of the failure it may be more appropriate to impose restrictions or limitations on the Member's use of EMCC (including an obligation to deposit increased Clearing Fund) rather than ceasing to act for the Member. EMCC may not take such action today unless it seeks a waiver of its rules. To avoid having to seek a waiver in such circumstances the proposed rule change will modify section 7 to provide EMCC with this capability.

(b) As the proposed rule change will permit EMCC impose restrictions or limitations on a Member's use of EMCC rather than ceasing to act for the Member, the rules will provide a fair procedure with respect to the prohibition or limitation by EMCC of a Member with respect to access to services offered, therefore 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 or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) by order approve such proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change 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: