

SECURITIES AND EXCHANGE COMMISSION
[Release No. 34-49952; File No. SR-EMCC-2004-04]

June 30, 2004

Self-Regulatory Organizations; Emerging Markets Clearing Corporation; Order Granting Accelerated Approval of a Proposed Rule Change Relating to Buy-In and Sell-Out Procedures

On April 2, 2004, the Emerging Markets Clearing Corporation (“EMCC”) filed with the Securities and Exchange Commission (“Commission”) a proposed rule change pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ (File No. SR-EMCC-2004-04). Notice of the proposal was published in the Federal Register on June 21, 2004.² No comment letters have been received to date. For the reasons discussed below, the Commission is approving the proposed rule change on an accelerated basis.

I. Description

The proposed rule change will (a) revise EMCC Rule 7, Sections 18 (Buy-Ins) and 19 (Sell-Outs) to shorten the time period when a buy-in and sell-out may be initiated and when it may be executed and (b) make conforming, technical changes to EMCC Rule 1 (Definitions and Descriptions) and Rule 7.

In December 2003, EMCC learned that effective January 1, 2004, ISMA was changing its buy-in and sell-out time frames for non-EMCC transactions. ISMA’s changes had the effect of shortening the time period when a buy-in or sell-out could be initiated and when it could be executed. If EMCC had not made a corresponding change to its buy-in and sell-out rules at that time, it was possible that many EMCC members would have stopped submitting transactions to EMCC because they potentially could face buy-in and sell-out exposure due to the differences in

¹ 15 U.S.C. 78s(b)(1).

² Securities Exchange Act Release No. 49851 (June 10, 2004), 69 FR 34410.

EMCC's and ISMA's time frames. Accordingly, in order not to jeopardize the usage of EMCC for trade processing or expose its members to risk, EMCC filed a proposed rule change with the Commission to conform its buy-in and sell-out time frames to those of ISMA.

On December 30, 2003, the Commission approved on a temporary basis through June 30, 2004, EMCC's proposed rule change.³ Because the industry has not taken any action to date to rescind the changes ISMA made effective on January 1, 2004, EMCC is now seeking to have its buy-in and sell-out rules approved on a permanent basis.

In addition to these proposed rule changes, EMCC is also making technical corrections to Rule 1 and Rule 7 regarding several rule and section references regarding its buy-in and sell-out provisions that inadvertently were not made in the past.

II. Discussion

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder and particularly with the requirements of Section 17A(b)(3)(F)⁴ of the Act, which requires that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions. Because this proposed rule change aligns EMCC's buy-in and sell-out procedures with those of ISMA, EMCC should avoid any abrupt stoppage of the use of its services by members concerned with potential exposure from having two different buy-in and sell-out time frames. As a result, EMCC will be able to continue to provide for the prompt and accurate clearance and settlement of transactions in emerging markets securities.

³ Securities Exchange Act Release No. 49011 (Dec. 30, 2003), 69 FR 711 (Jan. 6, 2004) [File No. SR-EMCC-2003-07].

⁴ 15 U.S.C. 78q-1(b)(3)(F).

EMCC has requested that the Commission find good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice of filing. The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice of filing because such approval will allow EMCC to have permanent buy-in and sell-out procedures that conform to the industry guidelines generally used in transactions cleared outside EMCC. This will help to avoid confusion and other adverse consequences to EMCC and its participants.

The Commission also believes that there is good cause for approving the proposed rule change before the end of the comment period because such approval will allow EMCC to have permanent buy-in and sell-out procedures that conform to the industry guidelines generally used in transactions cleared outside EMCC. This will help to avoid confusion and other adverse consequences to EMCC and its participants.

III. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and in particular with the requirements of Section 17A of the Act⁵ and the rules and regulations thereunder.

⁵ 15 U.S.C. 78q-1.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-EMCC-2004-04) be, and hereby is, approved on an accelerated basis.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁶

Margaret H. McFarland
Deputy Secretary

⁶ 17 CFR 200.30-3(a)(12).