

IMPORTANT NOTICE

National Securities Clearing Corporation



The Depository Trust &
Clearing Corporation

A#6530

P&S #6100

DATE: November 19, 2007

TO: ALL PARTICIPANTS

ATTENTION: MANAGING PARTNER/OFFICER, OPERATIONS
PARTNER/OFFICER, COMPLIANCE OFFICER

FROM: General Counsel's Office

SUBJECT: RULE CHANGE – SR-NSCC-2007-15 (Policy Statement
Regarding the Admission of Foreign Entities as NSCC
Members)

On November 16, 2007, National Securities Clearing Corporation (“NSCC”) filed a rule change with the Securities and Exchange Commission (“SEC”), pursuant to Section 19(b)(2) of the Securities Exchange Act of 1934. The rule filing proposes to establish a policy statement regarding the admission as NSCC Member, entities that are organized in a foreign country and are not subject to U.S. federal or state regulation (“foreign entities”).

The purpose of the proposed policy is to establish, admissions criteria that will permit a well-qualified foreign entity to obtain direct access to NSCC’s services while assuring that the unique risks associated with the admission of foreign entities are adequately addressed.¹

The admission of foreign entities as Members raises a number of unique risks and issues, including: (1) that the entity is not subject to federal or state regulation; (2) that the operation of the laws of the entity’s home country and time zone differences² may impede the successful exercise of NSCC’s rights and remedies, particularly in the event of the entity’s failure to settle; and (3) that financial information about the foreign entity made available to NSCC for monitoring purposes may be less adequate than information about U.S.-based entities.

The proposed policy would require that, in addition to executing the standard NSCC Membership Agreement, the foreign entity enter into a series of undertakings and agreements that are designed to address jurisdictional concerns and to assure that NSCC is provided with audited financial information that is acceptable to NSCC.

¹ Certain of these criteria may be waived where inappropriate to a particular applicant or class of applicants (e.g., a foreign government, international or national central securities depositories).

² Time zone differences could complicate communications between the foreign Member and its U.S. Settling Bank with respect to the timely payment of the Member’s net debit to NSCC, including intraday demands for payment. These differences could also delay NSCC’s receipt of information available in the Member’s home country to others (including its other creditors) about the Member’s financial condition on the basis of which NSCC would have taken steps to protect the interests of NSCC and its Members.

The proposed policy would also require that the foreign entity; (1) be subject to regulation in its home country; and (2) be in good standing with its home country regulator.

The full text of this rule change (SR-NSCC-2007-115) may be obtained by visiting NSCC's website at www.nsc.com. Written comments on the proposed rule filing may be addressed to Lisa T. Siebold, Assistant Secretary, National Securities Clearing Corporation, 55 Water Street, New York, New York 10041, and your comments will be forwarded to the SEC. You may also address your written comments to the Secretary of the Commission, Securities and Exchange Commission, 100 F Street NE, Washington, D.C. 20549. We request that you provide NSCC with a copy of your comments.

Questions regarding the rule filing may be directed to Diane L. Brennan, Director, at (212) 855-3320.