

IMPORTANT NOTICE

National Securities Clearing Corporation



A#6681

P&S #6251

DATE: August 25, 2008

TO: ALL PARTICIPANTS

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

FROM: General Counsel's Office

SUBJECT: RULE CHANGE APPROVAL – 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 and on August 12, 2008 the Securities and Exchange Commission (“SEC”) approved¹ NSCC Rule Filing SR-NSCC-2007-15 which proposed 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”).

This policy establishes 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.²

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 differences³ 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 policy requires 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

¹ See Federal Register: August 19, 2008 (Volume 73, Number 161); Release No. 34-58344.

² 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).

³ 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.

acceptable to NSCC. The policy also requires 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.

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