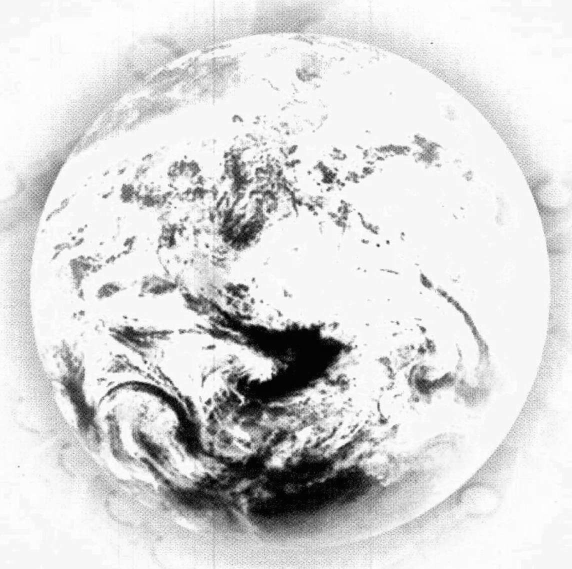
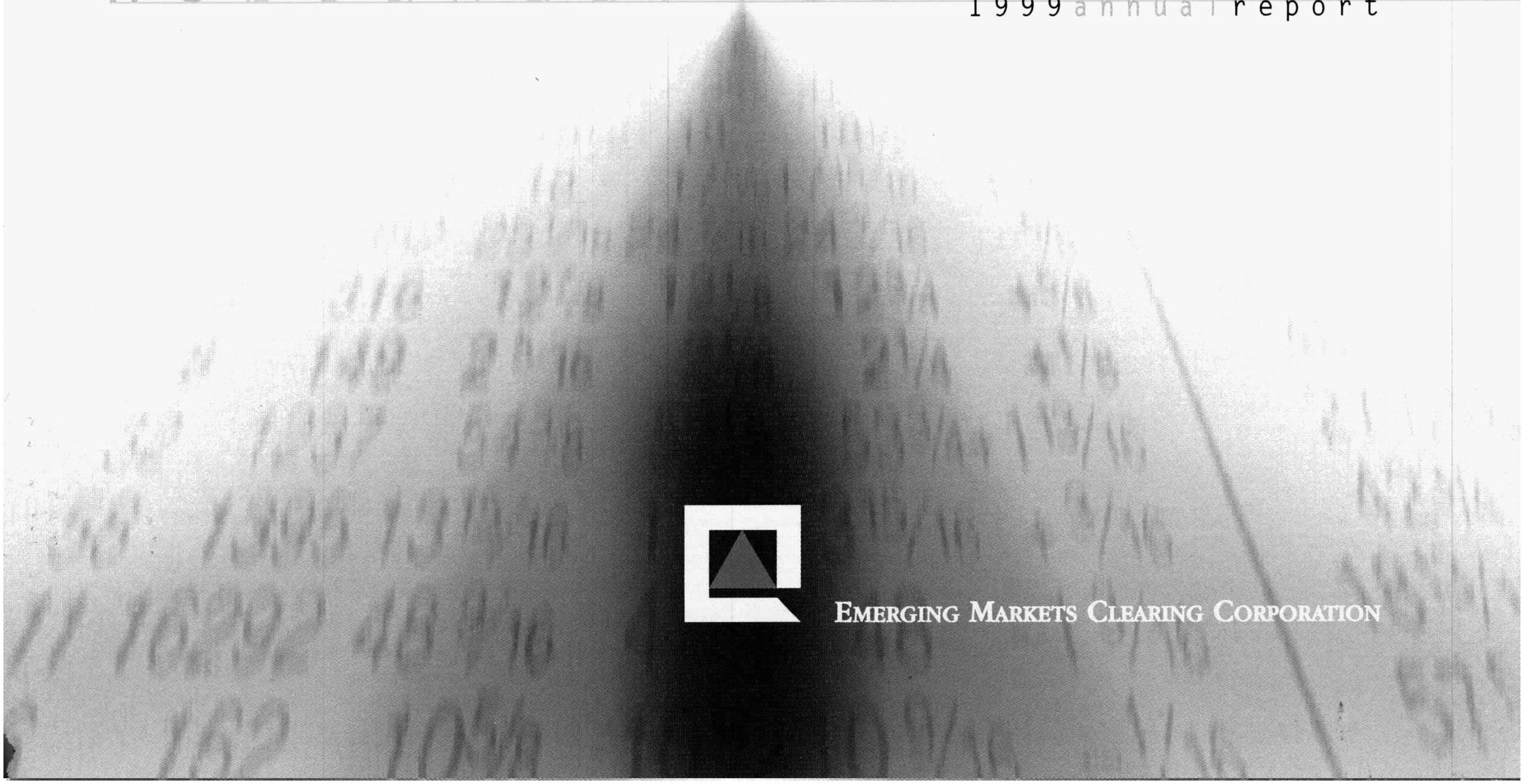


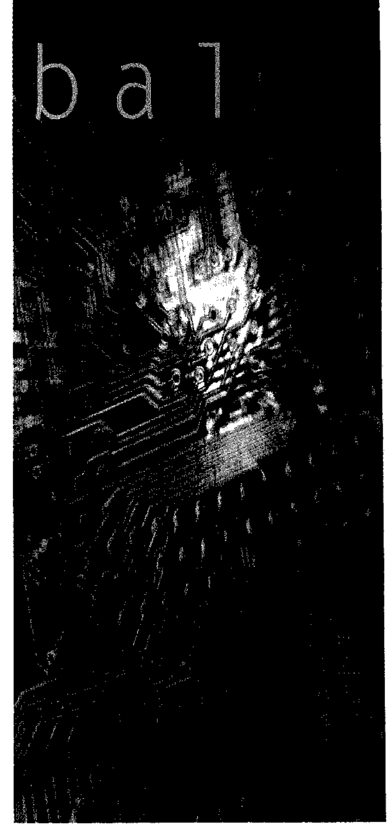
noboundaries

1999 annual report



EMERGING MARKETS CLEARING CORPORATION

contents

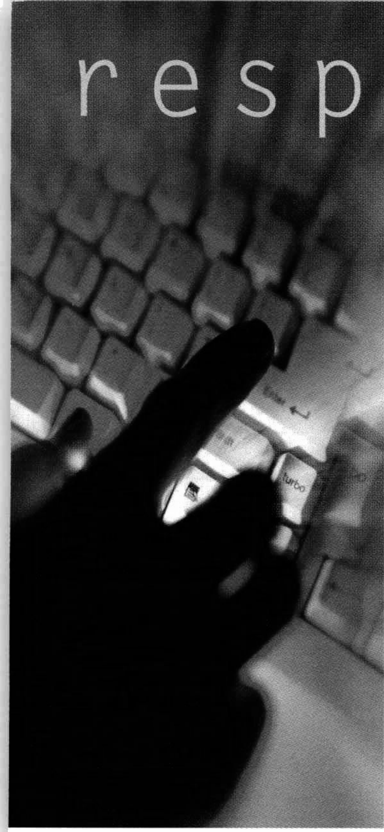


The Emerging Markets Clearing Corporation (EMCC) was established in April 1997 as the first truly global clearing corporation guaranteeing cross-border trading activity.

Founded and financed by firms worldwide that trade emerging markets debt instruments, EMCC is the central resource for the automated trade comparison, settlement and risk management of emerging markets debt transactions. The corporation, which is both industry-owned and directed, serves as a vehicle to reduce counterparty risk, support the continued use of screen-based trading, and reduce dependence on individual commercial clearers.

EMCC is governed by a 21-member Board of Directors, composed of representatives from industry firms. The Board works closely with EMCC management to ensure member firms are well served by EMCC's current and planned services.

EMCC was developed by National Securities Clearing Corporation in coordination with the Emerging Markets Traders Association. EMCC is a U.S.-registered clearing agency. In addition, EMCC is included on the list of Recognised Clearing Houses by the U.K. Securities and Futures Authority.



to our members

Our theme of "No Boundaries" has special significance for EMCC: in April 1999, we celebrated our first anniversary of operation as the first truly global clearing corporation that guarantees cross-border trading activity.

No boundaries, for us, represents a recognition that the world in which we operate is changing at a frenetic pace. At EMCC, we have a unique opportunity to bring operating flexibility, provide reduced risk, and increase efficiency and certainty in emerging markets trading. Our theme is also meant to suggest that our work in serving the market has really only begun.

looking beyond recent trends

While events in emerging markets resulted in disappointing market trends in the past year, we're encouraged that activity in the emerging markets began to improve in late 1999. These low market volumes this past year resulted in lower than anticipated EMCC transaction volumes for most of the year. We anticipate that as the market regains confidence and volume in 2000, EMCC's revenues will also improve.

We look forward to 2000, recognizing that as a rising share of activity comes into EMCC, our responsibility to the industry will increasingly extend throughout the emerging markets debt marketplace. By consistently delivering high levels of service to our members, and by anticipating and responding to their needs, we will continue to demonstrate the value of participation in EMCC.

strong operating performance

In 1999, our members achieved an average trade-date matching rate of over 89 percent via our electronic, real-time comparison system. And to date, we have achieved an average settlement-date success rate of over 92 percent. Our daily operations clearly demonstrate that settling emerging markets debt trades is much safer and more efficient today than it was before EMCC assumed its vital function.

We also successfully obtained permission from the Securities and Exchange Commission in 1999 to expand the types of instruments beyond Brady bonds to now include all eligible sovereign, dollar-denominated emerging markets debt. As a result, we have made eligible 85 additional instruments, for a total of over 200 securities issued by 36 different countries.

responsibility to our members

In 1999, we were very pleased to welcome six additional firms as operational members of EMCC: Bear, Stearns Securities Corp.; HSBC Bank U.S.A., London Branch; ING Bank N.V.; Morgan Stanley & Co. International Limited; Prudential Securities, Inc., and UBS AG. An additional six firms, Cantor Fitzgerald International; Chase Manhattan International Limited; Credit Suisse First Boston (Europe) Limited; Deutsche Bank AG; J.P. Morgan Securities Ltd. and Standard Bank London Limited were approved for membership. These firms will likely become operational members in early 2000.

the challenge of Y2K

Preparing for Y2K required our industry to devote considerable resources during 1999. EMCC's sophisticated systems were built from the start to be Y2K compliant, enabling us to avoid costly remediations. Instead, we were able to assist our members in their Y2K efforts. Early on, we took a leadership role by coordinating a comprehensive testing program for our members and vendors. Over the millennium weekend, our staff monitored our systems around the clock and provided post-millennium testing facilities. We take pride in our contribution to the smooth transition of global markets to the new millennium.

looking to the future

Since its inception, EMCC has been extremely fortunate to have many of our members as active participants on our Board of Directors, our U.K. and U.S. Operations Committees and our Risk Advisory Committee, and we would like to thank them for their guidance. In addition, we'd like to recognize our staff for their hard work and dedication, as well as The Depository Trust & Clearing Corporation and the Emerging Markets Traders Association (EMTA) for their continuing cooperation and support of our objectives. It is this unique combination of foresight and direction that leaves us better positioned to meet both the current and future needs of our members.

No one better represents the industry's leadership of and commitment to EMCC than our outgoing Chairman, Joseph C. Willing. Joe's initial involvement was as Chairman of the EMTA Feasibility Study Group, which recommended the establishment of EMCC. He then served as Co-Chair of the Policy Group, which guided EMCC through its formation. He served as EMCC's first Chairman, since 1997. We have relied on his experience, insights and judgement throughout his involvment with EMCC. We will miss his advice and counsel, and we wish him the best as he leaves for his new assignment in March with J.P. Morgan in London.

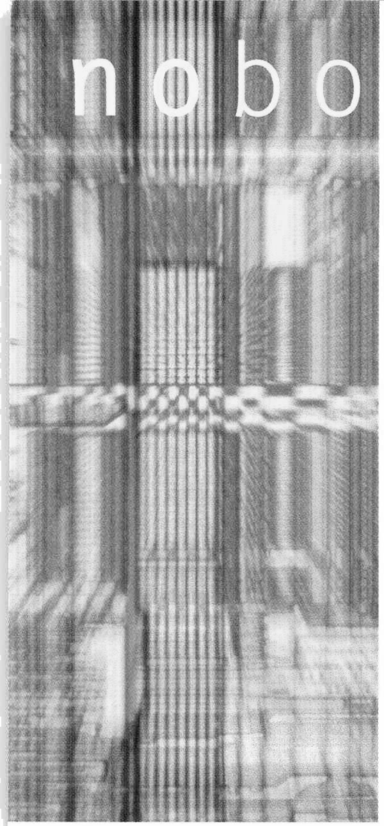
We would also like to extend a special acknowledgement to Dave Kelly, who will retire in February 2000 as President and Chief Executive Officer of National Securities Clearing Corporation. We are grateful for the important role he played in guiding the formation and launch of EMCC. We will certainly miss his experience and expertise.

EMCC is intent on building upon the momentum of the past year, as increasing volumes, new instruments, settlement netting, ECNs and changing cross-border arrangements will pose new challenges and demand new solutions. Looking to 2000 and beyond, we're energized by the unlimited opportunities and the tremendous potential before us.

Paul A. Masco
Chairman

Keith C. Kanaga
Managing Director

February 23, 2000



rising to the challenge

Traditionally, trading in emerging markets debt focused on instruments issued by Latin American countries. But in the 1990s, the market experienced significant growth, in both overall size and in depth, as geographical boundaries expanded to include issues from Asia, Africa, Central and Eastern Europe and Russia.

As the market for emerging markets debt grew, the interdealer market—a global, over-the-counter market of dealers—recognized that the risks inherent in this market involved not only price volatility and liquidity, but also counterparty exposure and settlement risk. In this rapidly evolving financial environment, managing risk while improving operating efficiency became a major challenge.

As a direct response to this challenge, EMCC was launched in April 1998. Founded and financed by firms worldwide that trade emerging markets debt instruments, EMCC provides an essential element in bringing greater liquidity, safety and soundness to the trading of emerging markets securities.

risk and operational benefits for members

EMCC offers members the immediate benefit of comparing and guaranteeing trades on trade date via an electronic, real-time system. Once trades are matched in the system, EMCC provides straight-through processing so that the settlement agents on both sides of the transaction receive detailed instructions, ensuring a smooth settlement process and eliminating time by immediately identifying unmatched trades. And since communication is fully automated, the reduced reliance on manual processing—including telexes, faxes and phone calls—increases efficiency and results in fewer errors.

In 1999, EMCC not only maintained an impressive comparison rate of almost 90 percent on trade date—a rate that rises to 93 percent on the morning of T+1—but also achieved a total of 164,358 matched trade sides in over 200 eligible securities, which equalled over $188 billion in settlement obligations guaranteed. This is particularly significant because prior to EMCC, fewer than 40 percent of trades compared on trade date.

As a further benefit, by interposing itself between counterparties and serving as the central counterparty to each trade, EMCC eliminates the concentration of risk with the correspondent clearer that existed prior to EMCC. EMCC has established a clearing fund, based on a sophisticated daily mark-to-market and margining process, to protect EMCC and its members in the event of a member failure.

protection from changing market conditions

Each day, and especially in periods of high volatility, EMCC provides safe and reliable services that deliver economic benefits to our members, successfully minimizing post-trade counterparty risk while providing straight-through processing efficiencies.

Through ongoing monitoring and market surveillance, EMCC's Risk Management team works proactively to evaluate and reduce risks. This ensures that members are protected at all times from changing market conditions, which can include unpredictable spikes in trading volume and price volatility.

EMCC remains committed to staying at the forefront of efforts to eliminate post-trade settlement and counterparty risk, while simultaneously helping members gain additional benefits, such as reducing balance sheet positions. EMCC's automated warrant fail pair-off and bond fail pair-off systems have played a key role in helping members reduce gross exposure while improving operational efficiency, significantly minimizing outstanding fails on members' books.

providing solutions

Many investors who seek new trading opportunities and diversification beyond their traditional boundaries are drawn by the growth potential and expected high yields of the emerging markets. Providing certainty to the post-trade settlement process is critical in attracting and retaining these investors. At EMCC, we are committed to identifying ways of providing new solutions, researching new enhancements to further streamline processing systems for our members during these periods of fundamental change.

To that end, we develop solutions to our members' processing needs that take into consideration both market changes and current technological developments. Capitalizing on our expertise and sophisticated systems infrastructure, we have pursued efforts this past year that will expand and improve our processing streams, strategically positioning EMCC to accommodate future growth in membership, in types and numbers of transactions, and in market volume.

as of Dec.'99 EMCC eligible instruments are issued from:

Argentina
Brazil
Bulgaria
Chile
China
Colombia
Costa Rica
Croatia
Dominican Republic
Ecuador
Greece
Guatemala
Ivory Coast
Jamaica
Jordan
Kazakhstan
Korea
Lebanon
Macedonia
Malaysia
Mexico
Nigeria
Panama
Peru
Philippines
Poland
Qatar
Russia
Slovakia
South Africa
Thailand
Trinidad & Tobago
Turkey
Uruguay
Vietnam
Venezuela

operational solutions

An important development in 1999 was the launch in April of EMCC's Central Comparison System, allowing members the flexibility to input trades in the manner that best suits their own systems. This new comparison system accepts, processes and reports trade information in a variety of formats selected by members. As well, EMCC's Central Comparison System handles direct trade input from members using the S.W.I.F.T network or NSCC's proprietary communications network. This is a significant development, because for the first time, members are able to trade with each other, submit their trade sides to a single comparison system, in a variety of formats and a variety of communications channels, and still have their trades guaranteed and processed by EMCC.

In 1999, we built a Settlement Netting system, which will "net down" and reduce the total number of positions that require money settlement at the end of the day. As a direct result, members' settlement costs will be reduced. We have completed internal systems work, as well as testing with several members, and plan to initiate settlement netting in mid-2000.

expanding membership base

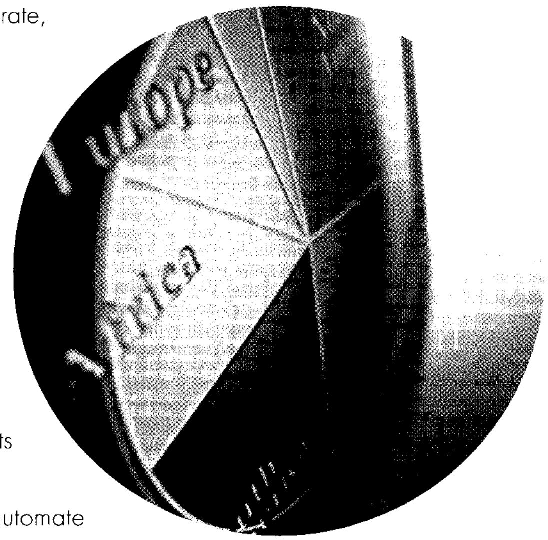
The risk reduction and operational efficiency benefits afforded by EMCC position us to continue to expand our membership base. By encouraging and supporting membership by firms located around the world, EMCC is a uniquely global clearing corporation without boundaries, currently including members from the Netherlands, Switzerland, the U.K. and the U.S. Membership applications have also been received from firms in France and Germany, and we anticipate applications from firms in other nations as well.

This year, six additional firms joined as fully operational members: Bear, Stearns Securities Corp.; HSBC Bank U.S.A., London Branch; ING Bank N.V.; Morgan Stanley & Co. International Limited; Prudential Securities, Inc., and UBS AG. An additional six firms, Cantor Fitzgerald International; Chase Manhattan International Limited; Credit Suisse First Boston (Europe) Limited; Deutsche Bank AG; J.P. Morgan Securities Ltd. and Standard Bank London Limited, have been approved for membership and will likely become operational members in early 2000.

global solutions

At the request of our members, we explored opportunities to expand the types of instruments eligible for processing at EMCC. In 1999, we sought and were granted permission from the U.S. Securities and Exchange Commission to expand beyond Brady bonds to include all eligible sovereign, dollar-denominated emerging markets debt. As a result of this new authority, we have phased in the clearance and settlement of many new instruments over the past months. By the end of 1999, we had made an additional 85 instruments eligible, for a total of over 200 securities issued by 36 different countries.

In 2000, we will look at opportunities to further increase the number and types of instruments eligible at EMCC. Suggestions have included emerging markets corporate bonds, issued in U.S. dollars, as well as emerging markets bonds, sovereign or corporate, denominated in Euros or other currencies.



Another enhancement introduced to members this year was direct access to their EMCC transaction reports via the Internet. This access gives our members extraordinary opportunities to receive their trade status reports and margin information with security and confidence, using digital certificates and multi-layered encryption. This has been of particular benefit in reducing communications cost for our members.

evolution of ECNs

One direct result of EMCC's success in bringing greater operating efficiency and reliability to the clearance and settlement of emerging markets debt is the ability of the market to support screen-based trading by new Electronic Communications Networks (ECNs). The ECNs will further automate the trading process of emerging markets debt.

One proposal is to give the ECNs the ability to take trades from their members and feed them electronically to EMCC as already "locked-in"and confirmed trades in a manner to preserve the anonymity of the trade and the parties involved.

new opportunities, new solutions

EMCC's service philosophy is one of flexibility and durability. Building on the experiences of our two years of operation, EMCC will continue to provide support and leadership, with a solid commitment to developing systems and services that meet the needs of our members in the ever-evolving marketplace for emerging markets debt.

board of directors as of December 31,1999

from left to right:

Mr. Neal H. Ullman
Vice President, Lehman Brothers Inc.

Ms. Valerie A. Gavora
Vice President, Goldman, Sachs & Co.

Mr. Steven R. Vigliotti
Chief Financial Officer, Euro Brokers Inc.

Mr. Jeffrey C. Bernstein
Senior Managing Director, Bear, Stearns Securities Corp.

Mr. Richard W. Myers
Managing Director & Chief Administrative Officer,
National Securities Clearing Corporation

Mr. Keith C. Kanaga**
Managing Director, Emerging Markets Clearing Corporation

Mr. Paul Masco*
Vice Chairman of the Board;
Managing Director, Saloman Smith Barney Inc.

Mr. Joseph C. Willing
Chairman of the Board;
Managing Director, J.P. Morgan Securities Inc.

Mr. Michael M. Chamberlin
Executive Director, Emerging Markets Traders Association

Mr. Dennis J. Dirks
Chief Operating Officer,
The Depository Trust & Clearing Corporation

not pictured:

Mr. Thomas S. Dillon
Executive Vice President, Wexford Clearing Services Corporation

Mr. Ian King
Vice President, Bank of America

Mr. Dean Kuhlkin
Vice President, Deutsche Bank Securities

Mr. John L. Langton
Chief Executive and Secretary General,
International Securities Market Association

Ms. Laura LoCosa
Principal, Morgan Stanley & Co. Inc.

Mr. James N.B. Rucker
Vice President, Chase Manhattan Bank

Ms. Marie Russo
Director, Merrill Lynch, Pierce, Fenner & Smith Inc.

Mr. Clive Triance
Director of Operations, Cantor Fitzgerald International

* Mr. Masco became Chairman on Feb. 23, 2000
** Not a member of the board

EMCC operational members

BankBoston, N.A.
Bank of America
Bear, Stearns Securities Corp.
The Chase Manhattan Bank
Goldman, Sachs & Co.
Goldman, Sachs International
HSBC Bank U.S.A., London Branch
ING Bank N.V.
Lehman Brothers International (Europe)
Merrill Lynch, Pierce, Fenner & Smith Inc.
Morgan Guaranty Trust Company of New York
Morgan Stanley & Co. International Limited
Prudential Securities Incorporated
Salomon Smith Barney Inc.
UBS AG

All of these entities, or one of their affiliates, are EMCC shareholders.

other shareholders or capital contributors

Bankers Trust Company
Cantor Fitzgerald International
Citibank, N.A.
Credit Agricole Indosuez
Credit Suisse First Boston Corporation
Daiwa Securities America, Inc.
Deutsche Morgan Grenfell Inc.
Donaldson, Lufkin & Jenrette Securities Corp.
Emerging Markets Traders Association
Euro Brokers Inc.*
Garantia Banking Limited
Intercapital Securities Corp.*
International Securities Market Association
National Securities Clearing Corporation
Paribas Corporation
Santander Investment Securities Inc.
Tradition Bond Brokers Limited*
Tullet & Tokyo Securities Inc.*

* These firms clear through Prudential Securities Incorporated

Balance Sheets

	December 31, (in thousands) 1999	1998
Assets		
Cash	$117	$649
Clearing fund:		
Members' cash deposits	14,942	15,086
Other member deposits	253,330	383,193
Accounts receivable	81	-
Software, less accumulated amortization of $837,000 and $279,000 at December 31, 1999 and 1998, respectively	835	1,393
Start-up costs, less accumulated amortization	-	1,415
Other assets	15	15
Total assets	$269,320	$401,751
Liabilities and Shareholders' Equity		
Liabilities:		
Accounts payable	$37	$157
Payable to affiliates	257	165
Clearing fund:		
Members' cash deposits	14,942	15,086
Other member deposits	253,330	383,193
Deferred revenue	265	210
Other liabilities	128	96
Total liabilities	268,959	398,907
Commitments and contingent liabilities (Note 6)		
Shareholders' equity:		
Common stock:		
Class A, no par value - 2,000 shares authorized, 1,410 and 877 shares issued and outstanding at December 31,1999 and 1998, respectively	3,875	2,710
Class B, no par value - 4,000 shares authorized, 461 and 250 shares issued and outstanding at December 31,1999 and 1998, respectively	461	250
Paid in capital	1,241	2,240
Accumulated deficit	(5,216)	(2,356)
Total shareholders' equity	361	2,844
Total liabilities and shareholders' equity	$269,320	$401,751

The accompanying notes are an integral part of these statements.

Statements of Operations and Accumulated Deficit

	For the Year Ended December 31, (in thousands) 1999	1998
Revenue:		
Revenue from operations	$1,004	$717
Interest income	678	667
Reimbursed pass through and other charges	576	622
Total revenue	2,258	2,006
Expense:		
Operational services	2,463	1,996
Development costs	664	553
Start-up costs (Note 2)	1,415	75
Pass through and other charges	576	622
Total expense	5,118	3,246
Loss before income taxes	(2,860)	(1,240)
Income tax expense	-	-
Net loss	(2,860)	(1,240)
Accumulated deficit, beginning of period	(2,356)	(1,116)
Accumulated deficit, end of period	($5,216)	($2,356)

The accompanying notes are an integral part of these statements.

Statements of Cash Flows

	For the Year Ended December 31, (in thousands)	
	1999	1998
Cash flows from operating activities:		
Net loss	($2,860)	($1,240)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	558	279
Amortization of start-up costs	1,415	75
Changes in operating assets and liabilities:		
Increase in accounts receivable	(81)	-
Increase in other assets	-	(15)
(Decrease) increase in accounts payable	(120)	147
Increase (decrease) in payable to affiliates	92	(1,786)
Increase in deferred revenue	55	210
Increase (decrease) in other liabilities	32	(422)
Decrease in payable to potential shareholders	-	(1,500)
Net cash used in operating activities	**(909)**	**(4,252)**
Cash flows from investing activities:		
Expenditures for start-up costs	-	(165)
Expenditures for development of software	-	(134)
Net cash used in investing activities		**(299)**
Cash flows from financing activities:		
Issuance of Class A common stock	1,165	1,885
Issuance of Class B common stock	211	250
(Decrease) increase in paid in capital	(999)	2,240
Net cash provided by financing activities	**377**	**4,375**
Net decrease in cash	(532)	(176)
Cash, beginning of period	649	825
Cash, end of period	**$117**	**$649**

The accompanying notes are an integral part of these statements.

notes to financial statements

1 organization and operations:

Emerging Markets Clearing Corporation (EMCC), a clearing agency registered with the U.S. Securities and Exchange Commission, provides automated trade comparison, settlement and risk management services for emerging market debt. EMCC commenced operations on April 6, 1998.

2 summary of significant accounting policies:

Members' Cash Deposits: EMCC invests members' cash deposits in overnight reverse repurchase agreements. These agreements provide for EMCC's delivery of cash in exchange for securities having a market value of at least 102% of the amount of the agreement. An independent custodian designated by EMCC takes possession of the securities. Overnight reverse repurchase agreements are recorded at the contract amounts and totaled $14,940,000 and $15,086,000 at December 31, 1999 and 1998, respectively. At December 31, 1999, one major financial institution was counterparty to this reverse repurchase agreement.

Software: In 1997 and 1998, EMCC capitalized certain costs incurred during the application development stage of its software. Such costs are amortized over the expected useful life of the software, which is three years, commencing when the software is utilized for its intended use. On March 4, 1998, the American Institute of Certified Public Accountants (AICPA) issued Statement of Position No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained For Internal Use," effective for fiscal years beginning after December 15, 1998. During 1999, EMCC adopted this pronouncement prospectively. No amounts were capitalized during 1999.

Start-up Costs: In 1997 and 1998, EMCC capitalized certain costs associated with the start-up of EMCC which were amortized over an estimated useful life of 15 years beginning with the commencement of operations. In 1998, the AICPA issued Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities," which requires the immediate expensing of such costs in 1999 and also requires that any remaining capitalized expenses be written off in 1999. Accordingly, approximately $1,415,000 was written off in 1999 in accordance with this statement.

Pass Through and Other Charges: Pass through and other charges represent fees from service providers related to member transactions. Such amounts are billed to the appropriate members and are included in revenue from reimbursed pass through and other charges.

Income Taxes: Deferred tax assets and liabilities are provided for the expected future tax consequences of temporary differences between the carrying amount and tax basis of assets and liabilities.

EMCC has net operating loss carry forwards of approximately $3,500,000 expiring in the years 2013 and 2014. These carry forwards are available to offset future federal taxable income. For financial reporting purposes, a valuation allowance was deducted from the deferred tax benefit related to the net operating loss carry forwards in an amount equal to the benefit. When EMCC achieves sufficient profitability to make the determination that the realization of this deferred tax asset is more likely than not, the valuation allowance will be reduced through a credit to income.

Financial Instruments: Management believes that the carrying value of all financial instruments approximates market value.

Operational Services: Operational services expenses are principally comprised of amounts paid to the International Securities Clearing Corporation (ISCC) under a service agreement and amounts paid for computer sevices to the National Securities Clearing Corporation (NSCC) in 1999 and the Securities Industry Automation Corporation (SIAC) in 1998. (see Note 4).

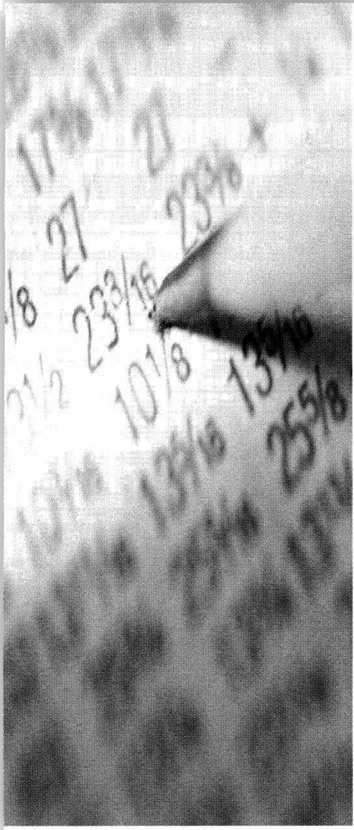
Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications: Certain reclassifications of 1998 amounts have been made in the accompanying financial statements to conform to the 1999 presentation.

3 members' clearing fund deposits:

EMCC's rules require its members to maintain minimum clearing fund deposits based on calculated requirements. These requirements are recorded on EMCC's balance sheet. The clearing fund balance is available to secure members' obligations and certain liabilities of EMCC, should they occur. A summary of the deposits held, including deposits in excess of calculated requirements at December 31, 1999 and 1998, follows:

	1999	1998
Cash	$14,942,000	$15,086,000
Securities issued or guaranteed by the U.S. Government, at market	301,641,000	453,390,000
Letters of credit issued by authorized banks	39,100,000	43,100,000



4 transactions with related parties:

ISCC has provided various services to EMCC through a service agreement. In providing these services, ISCC has used the staff of ISCC and NSCC. NSCC owns 100% of ISCC and 14% of EMCC on a fully-diluted basis. The costs of providing these services are charged to EMCC in accordance with the provisions of the service agreement. Charges to EMCC pursuant to this service agreement during 1999 and 1998 totaled approximately $1,757,000 and $1,470,000, respectively. On December 31, 1999, ISCC ceased operations and NSCC assumed direct responsibility for providing these services.

In 1999, EMCC entered into an arrangement with NSCC whereby NSCC pays for the computer services performed by SIAC for EMCC and charges EMCC a transaction fee based on the number of trades settled. The SIAC charges paid by NSCC and the transaction fees paid by EMCC during 1999 totaled approximately $738,000 and $320,000 respectively. This $320,000 charge is included within operational services on the statement of operations and accumulated deficit. This difference of $418,000 may be recovered by NSCC through future increases in the volume of transactions or through future increases to the transaction fee charged to EMCC.

The Depository Trust Company (DTC) provides marketing services for EMCC through its London office. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation which also owns 100% of the outstanding shares of NSCC. Charges for these services during 1999 and 1998 totaled approximately $41,000 and $20,000, respectively.

The Emerging Markets Traders Association, which owns 14% of EMCC on a fully-diluted basis, was paid certain fees for services related to a comparison system totaling $107,000 in 1999 and $132,000 in 1998. These fees are included in the pass through and other charges. This arrangement was terminated in October 1999.

5 shareholders' equity:

In July 1998, the Board of Directors of EMCC approved the issuance of Class B common stock. Such shares are only issuable to holders of Class A shares and are non-voting. The Class B shares may be redeemed at the discretion of the Board of Directors upon EMCC attaining certain predetermined financial conditions.

Paid in capital represents the capital contribution of 11 firms which have not yet signed the Shareholders' Agreement and/or executed the appropriate documents necessary for the related stock certificates to be issued.

(Dollars in thousands, except share data)	**Class A Common Stock**		**Class B Common Stock**		Paid in Capital	Accumulated Deficit
	Shares	No Par Value	Shares	No Par Value		
Balance at December 31, 1997	500	$825	—	$—	$—	($1,116)
Issuance of shares	377	1,885	250	250	—	—
Receipt of funds	—	—	—	—	2,240	—
Net loss 1998	—	—	—	—	—	($1,240)
Balance at December 31, 1998	877	2,710	250	250	2,240	($2,356)
Issuance of shares	533	1,165	211	211	($1,165)	—
Receipt of funds	—	—	—	—	166	—
Net loss 1999	—	—	—	—	—	(2,860)
Balance at December 31, 1999	1,410	$3,875	461	$461	$1,241	($5,216)

6 commitments and contingent liabilities:

EMCC interposes itself between members for eligible trades that have been guaranteed. The guarantee of the settlement positions by EMCC results in potential liability to EMCC. Guaranteed positions that have not yet settled are margined daily. Margin deposits are held by EMCC. In accordance with the processing margin requirements of Euroclear, EMCC pledges a portion of these deposits. At December 31, 1999, the market value of the deposits pledged totaled approximately $5,153,000. At the close of business on December 31, 1999, guaranteed positions due EMCC from members and guaranteed positions due by EMCC to members approximated $173,969,000 ($347,807,000 at December 31, 1998).

7 off-balance-sheet risk and concentrations of credit risk:

In the normal course of business, because it guarantees certain settlement obligations of its members (see Note 6), EMCC could be exposed to credit risk. EMCC mitigates its exposure to credit risk by requiring such members to meet EMCC's established financial standards for membership, monitoring compliance with other financial standards established by EMCC and by requiring members to provide clearing fund deposits in the form of cash, U.S. Government Securities or acceptable letters of credit (see Note 3).

If a member fails to fulfill its settlement obligations with EMCC and EMCC ceases to act on behalf of the member, EMCC would liquidate that member's guaranteed security receive and deliver obligations and apply the defaulting member's clearing fund deposit to satisfy any net outstanding obligation and/or loss. EMCC has entered into limited cross-guaranty agreements with NSCC and the Government Securities Clearing Corporation pursuant to which EMCC may obtain the benefit of excess resources belonging to a common defaulting member.

In the event that a deficiency still exists, EMCC would satisfy the deficiency by assessing the remaining members according to EMCC Rules.

As discussed in Note 1, EMCC provides automated trade comparison, settlement and risk management services for emerging market debt. As such, EMCC has a significant group concentration of credit risk since its members may be impacted by economic conditions affecting the debt-issuing countries and the securities industry. As described above, such risk is mitigated in a number of ways.

report of independent accountants

PricewaterhouseCoopers

PricewaterhouseCoopers LLP
1177 Avenue of the Americas
New York, NY 10036

To the Board of Directors and Shareholders of **Emerging Markets Clearing Corporation**

In our opinion, the accompanying balance sheets and the related statements of operations and accumulated deficit and of cash flows present fairly, in all material respects, the financial position of Emerging Markets Clearing Corporation at December 31, 1999 and 1998, and the results of its operations and its cash flows for the year and the period then ended, respectively, in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in Note 4 to the financial statements, the Company has a service arrangement with National Securities Clearing Corporation. Because of this relationship, the service charges incurred may not be the same as those which would result from transactions between unrelated parties.

PricewaterhouseCoopers LLP

February 9, 2000

management's report on responsibility for internal control over financial reporting

To the Board of Directors and Shareholders of **Emerging Markets Clearing Corporation**

Emerging Markets Clearing Corporation (EMCC) maintains a system of internal control over financial reporting which is designed to provide reasonable assurance regarding the preparation of reliable published financial statements. The system contains self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified. Even an effective internal control system, no matter how well designed, has inherent limitations—including the possibility of the circumvention or overriding of controls—and therefore can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, internal control system effectiveness may vary over time.

EMCC's management assessed its internal control over financial reporting as of December 31, 1999, in relation to criteria for effective internal control described in "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, EMCC believes that, as of December 31, 1999, its system of internal control over financial reporting met those criteria.

Keith C. Kanaga
Managing Director

James S. Murphy
Chief Financial Officer

February 9, 2000

report of independent accountants on internal control over financial reporting

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
1177 Avenue of the Americas
New York, NY 10036

To the Board of Directors and Shareholders of **Emerging Markets Clearing Corporation**

We have examined management's assertion that Emerging Markets Clearing Corporation (EMCC) maintained effective internal control over financial reporting as of December 31, 1999 which is included in the accompanying Management's Report on Responsibility for Internal Control Over Financial Reporting.

Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included obtaining an understanding of the internal control over financial reporting, testing, and evaluating the design and operating effectiveness of the internal control, and such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Because of inherent limitations in any internal control, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control over financial reporting to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assertion that EMCC maintained effective internal control over financial reporting as of December 31, 1999 is fairly stated, in all material respects, based upon criteria established in "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission.

PricewaterhouseCoopers LLP

February 9, 2000

Corporate Communications: Editorial—Crystal Bueno, Design—David Layton

Photography: © 2000 Steven Borns

EMERGING MARKETS CLEARING CORPORATION

55 Water Street, 31st Floor
New York, NY 10041

212.701.9700
http://www.e-m-c-c.com