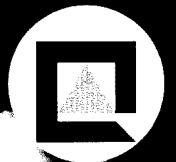


EMERGING MARKETS CLEARING CORPORATION

*strong
foundation*

*strong
possibilities*

2000
ANNUAL
REPORT



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The Emerging Markets Clearing Corporation (EMCC), a clearing corporation guaranteeing cross-border trading activity, began operations on April 6, 1998.



EMCC brings substantial benefit to the financial community as the central resource for the automated trade comparison, settlement and risk management of emerging markets debt transactions, including Brady bonds and other sovereign debt. EMCC also serves as a vehicle to reduce counterparty risk, support the continued use of screen-based trading, and provides an enhanced risk and operational environment supporting the use of individual commercial clearers.

The corporation, which is both industry-owned and directed, is governed by a Board of Directors that reflects the organization's membership; it includes representatives from interdealer brokers, clearing agents, broker-dealers and banks that trade in or clear emerging markets debt instruments. Founded and financed by firms worldwide that trade emerging markets debt instruments, EMCC was developed by the National Securities Clearing Corporation (NSCC), a subsidiary of The Depository Trust & Clearing Corporation (DTCC), in coordination with the Emerging Markets Traders Association (EMTA). EMCC is registered with and regulated by the U.S. Securities and Exchange Commission.

to our members

2

Since EMCC began operations on April 6, 1998 as one of the first clearing corporations guaranteeing cross-border trading activity, we have made extraordinary progress. In less than three years we have more than doubled our membership, increased the number of eligible securities by 160% to 322, representing issues from 43 countries, and increased the dollar value of trades guaranteed to \$324 billion, up from \$197 billion in 1998. In fact, these measures of growth experienced in 2000 have brought us to a major milestone — we achieved our first full year of profitability.

Our theme this year is both a celebration of the strong foundation we have built, and a forward view of our unlimited potential: EMCC now has the opportunity to build on this solid framework of reliable, flexible and efficient global solutions to reach for new possibilities.

A year of successes

At EMCC, 2000 was a year filled with significant achievements — a 40% increase in total transaction trading volume, to 229,000 from 164,000 matched sides, and an increased number of eligible securities, from 322 to 215 securities over 1999, were seamlessly handled by EMCC. In 2000, EMCC processed a record number of emerging markets securities transactions, valued at more than



\$324 billion in settlement obligations guaranteed for our members, up from \$189 billion over the prior year.

Growth in membership

The risk reduction and operational efficiency benefits afforded by EMCC positioned us to continue to expand our membership base. In 2000, we welcomed five major new participants to EMCC, bringing to 21 the number of member firms. We now have members based in France, the Netherlands, Switzerland, the U.K. and the U.S., and we have benefited greatly from the wealth of experience our global firms bring to EMCC. It is a significant measure that the firms representing the vast majority of the emerging markets debt trading volume in the interdealer market are now members of EMCC.

Strength of leadership

In 2000, we welcomed new board members Jean-Patrick Kaiser of BNP Paribas, London, and Neil Martin of Credit Suisse First Boston, London. Their presence further broadens the

geographical representation of firms on EMCC's board, and reflects both the cross-border characteristics of our market and the clearing corporation. Since our inception, EMCC has been fortunate to have the active participation of many member firms on our board. With their continued vision and direction, we are confident we will achieve our long-range plans and expand our excellent record of service to this important financial market.

Exploring new opportunities

As part of our ongoing commitment to deliver cost-effective clearance and settlement services, we have been exploring various alternatives to ensure we can provide the best processing solutions for the emerging markets community and our member firms. Since mid-year, members of the respective boards of EMCC, DTCC, Government Securities Clearing Corporation, and MBS Clearing Corporation have been meeting as part of a "Synergy Committee" to look at the options available to increase our current level of efficiencies.

In January 2001, these four respective boards designated a steering committee to explore various options related to synergy opportunities. We look forward to the results of the committee's review, and the opportunities generated by them.

Looking to the future

In just three years, we have become the central resource for the automated trade comparison, settlement and risk management of emerging

markets debt products. The very strength and reliability of the framework we have established at EMCC position us to meet both the current and future needs of our participants. In the coming year, we are planning to concentrate our efforts to further increase membership, to explore making additional securities eligible and to implement settlement netting.

As EMCC continues to build on this strong foundation established in our initial years, we look forward to a productive and rewarding future as we pursue the strong possibilities of the years ahead.



Paul Masco, Chairman



Valerie Gavora, Vice Chairman



Keith Kanaga, Managing Director



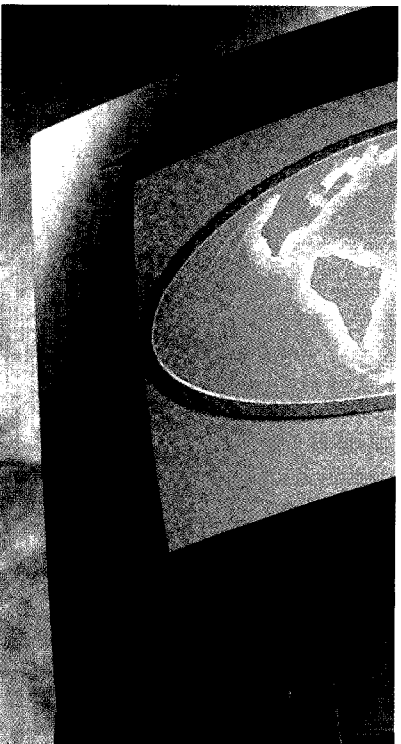


Strong foundation,

Strength of our foundation

In the demanding environment of emerging markets debt trading, managing risk while improving operating capacity and efficiency — particularly during times of acute market stress and changing conditions — is an ongoing challenge. Since beginning operations in 1998, EMCC's mission has been to work closely with our members to understand industry trends, and deliver cost-effective clearance and settlement services to reduce counterparty risk and facilitate market growth.

In 2000 — despite rising interest rate levels and concerns about the implications of several sovereign defaults — the transition into the new millennium in the industry was generally characterized by returning investor confidence



in the emerging markets. This was inspired, in part, by Brazil's rapid economic recovery after the devaluation of the real in 1999, Mexico's sovereign debt upgrade to investment-grade status, Russia's proposed London Club debt restructuring, as well as by the activity gener-

ated among investors by the gradual replacement of Brady bonds in favor of global sovereign bonds and issues in the new euro.

Through all these changes, and especially in the resulting periods of high volume and volatility, EMCC provided safe and reliable services to members, bringing greater liquidity, safety and soundness to the trading of emerging markets debt. Through our unique cross-border trade guarantee and risk management services for members, EMCC works to ensure orderly global settlement for our members in the emerging markets debt marketplace.

Operational benefits for members

EMCC is committed to developing flexible systems solutions that encompass both market changes and current technological developments. Capitalizing on our expertise and sophisticated systems infrastructure, EMCC offers members the immediate benefit of comparing and guaranteeing trades on trade date via an electronic, online, real-time Central Comparison System. Once trades are matched in EMCC's Central Comparison System, we provide straight through processing so that the settlement agents on both sides of the transaction receive detailed instructions, ensuring a smooth settlement process. And since communication is fully



automated, the reduced reliance on manual processing increases efficiency and results in fewer errors, as well as eliminates delays by immediately identifying unmatched trades.

Since EMCC's inception, we have remained steadfast in our delivery of reliable service, maintaining a comparison rate of over 89% on trade date, reaching 99% prior to settlement date. This is particularly significant because prior to EMCC, fewer than 40% of trades compared on trade date.

Another operational benefit EMCC instituted is the reduction of fails in Value Recovery Rights (VRRs) for members. For a variety of reasons, settlement of VRRs has historically taken an extended period of time. By instituting warrant fail pair-offs, which match failed deliveries and receives between each member and EMCC, we are able to eliminate many aged fails. This year, we conducted a regular series of scheduled monthly fail pair-offs, helping members reduce gross exposure while improving operational efficiency. In 2000, we significantly minimized outstanding fails on members' books by eliminating more than 3,200 VRR fails.

Effective risk management

EMCC is one of the first clearing corporations in the world to guarantee cross-border trading activity, and at the cornerstone of this unique

service to our members is the ongoing process of understanding and effectively managing risk. By maintaining high standards for current and future membership, and by closely monitoring a diverse range of measures — such as price volatility and liquidity, cross-border legal and regulatory concerns, foreign exchange fluctuations and restrictions, potential currency devaluations and changes in government, as well as counterparty exposure and settlement risk — EMCC's Risk Management team works proactively to evaluate and manage risk to appropriate levels in a volatile environment.

At the time of trade guarantee, EMCC effectively becomes the counterparty to the trade, eliminating the concentration of risk for members with correspondent clearers, and reducing members' exposure to interdealer brokers. This ensures that members are protected at all times from counterparty risk, even in the face of changing market conditions. EMCC has also established a clearing fund, based on a sophisticated daily mark-to-market and margining process, to protect EMCC and our members in the event of a failure. We are pleased that in three years of operations, there have been no failures.



AS OF DEC. '00

EMCC

ELIGIBLE INSTRUMENTS
ARE ISSUED FROM:

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

Reliable operational performance

In this year of dynamic growth for the clearing corporation, EMCC experienced a significant 40% increase in total clearing transaction volume over 1999, processing a record 229,000 emerging markets securities transactions valued at more than \$324 billion in settlement obligations guaranteed for our members — an average of almost \$1.3 billion every trading day.

EMCC's success in creating a solid operational structure is also apparent in the performance of our systems, particularly on peak trading days. While volume throughout the year averaged almost 1,000 sides per day, in October EMCC set a new record by settling more than 1,896 bond and warrant sides in one day.

New technology, enhanced service

While EMCC has concentrated efforts in these early years on building a strong foundation, we have also aggressively pursued efforts to expand and improve the processing streams that will facilitate trades coming in to EMCC. In addition to the sharp increase in volume, expansion in membership and number of eligible securities, we have continued our introduction of new services to meet member requirements.

In 2000, we further enhanced EMCC's systems to accommodate trade submissions from members via new Electronic Communications Networks (ECNs). ECNs will facilitate the trading of emerging markets debt, including the ability to feed executed trades electronically to EMCC as already "locked-in" and confirmed. Similar to the way trades are currently processed through EMCC's real-time Central Comparison System, once ECN trades are guaranteed, EMCC will be interposed as the central counterparty. This will expand EMCC's straight through processing to the point of trade.

In 1999, EMCC began work on developing a Settlement Netting system, to net down and reduce the total number of positions that

require trade settlement. As a direct result, members' settlement costs will be reduced. EMCC completed internal systems work in 1999, and continued testing with several more members in 2000, with a target for implementation in 2001.

Growth in membership

In 2000, five major new participants joined EMCC. With the addition of these new members — BNP Paribas, Credit Suisse First Boston (Europe) Limited, Standard Bank London Limited, Chase Manhattan International Limited and Cantor Fitzgerald International — we have continued our commitment to support membership from firms located around the world. EMCC now has member firms based in France, the Netherlands, Switzerland, the U.K. and the U.S., and it is a testament to EMCC's global reach that European and U.K.-based firms now represent almost 50% of EMCC's trading volume.

Global solutions

Responding to the needs of our members, we have explored opportunities to expand the types of instruments eligible for processing at EMCC. Continuing the work begun in 1999, we were granted permission from the U.S. Securities and Exchange Commission to expand our eligible securities to include not only Brady bonds, but also all eligible, dollar-denominated emerging markets sovereign debt. By the end of 2000, we had made an additional 107 instruments eligible, for a total of 322 securities issued by 43 different countries.

Strong possibilities for the future

As we work to further integrate emerging markets debt trading more deeply and durably into the world's marketplace, EMCC has the opportunity to build on this solid foundation of reliable, flexible and efficient global solutions to reach for new possibilities and exciting prospects of the future. With the opportunities afforded by the Synergy Committee, we are in a position to offer shared technology solutions to enhance service delivery and to share our unique experience in cross-border risk management and netting with other organizations.

Truly, the strength of our early foundation presents strong possibilities for our future in continuing to serve the industry.



board of directors

as of December 31, 2000

LONDON

BACK ROW, LEFT TO RIGHT:

Mr. Fred Gonfiantini
Principal, Morgan Stanley Dean Witter

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

Mr. Paul C. Masco
Chairman of the Board; Managing Director,
Salomon Smith Barney Inc.

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

Ms. Valerie A. Gavora
Vice Chairman of the Board; Vice President,
Goldman, Sachs & Co.

Mr. Angel M. Rios
Vice President, J.P. Morgan Securities Inc.

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

SEATED, LEFT TO RIGHT:

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

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

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



STANDING:

Mr. Ian C. King
Vice President,
Bank of America (London)

Mr. Jean-Patrick Kaiser
Head, BNP Paribas

SEATED:

Mr. Clive Triance
Director,
Cantor Fitzgerald International

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

NOT PICTURED:

Ms. Rachelle Keller
Managing Director,
Chase Securities Inc.

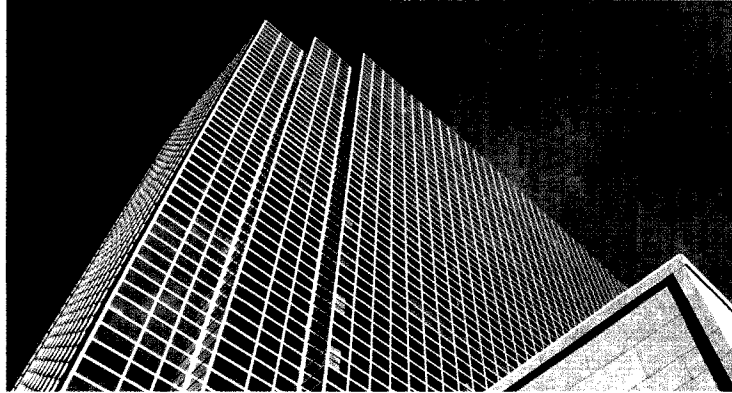
Mr. John L. Langton
Chief Executive and Secretary General,
Chief Administrative Officer,
International Securities Market Association

Mr. Neil Martin
Director,
Credit Suisse First Boston (Europe) Limited

*Mr. Kanaga was elected to the board on Jan. 24, 2001.



NEW YORK



emcc members

as of December 31, 2000

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

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

other shareholders or capital contributors

Bankers Trust Company	Garban Corporates LLC*
Citibank, N.A.	International Securities Market Association
Credit Agricole Indosuez	National Securities Clearing Corporation
Deutsche Morgan Grenfell Inc.	Santander Investment Securities Inc.
Emerging Markets Traders Association	Tradition Bond Brokers Limited*
Euro Brokers Inc.*	Tullett & Tokyo Liberty Securities, Inc.*

**These firms clear through Prudential Securities Incorporated*

E m e r g i n g M a r k e t s C l e a r i n g C o r p o r a t i o n

December 31, (in thousands)

	2000	1999
ASSETS		
Cash	\$2,274	\$117
Clearing fund:		
Members' cash deposits	78,103	14,942
Other member deposits	336,770	253,330
Accounts receivable	410	81
Software, less accumulated amortization of \$1,396,000 and \$837,000 at December 31, 2000 and 1999, respectively	276	835
Other assets	39	15
Total assets	\$417,872	\$269,320

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities:

Accounts payable and other liabilities	\$220	\$165
Payable to affiliates	246	257
Clearing fund:		
Members' cash deposits	78,103	14,942
Other member deposits	336,770	253,330
Deferred revenue	453	265
Total liabilities	415,792	268,959

Commitments and contingent liabilities (Note 7)

Shareholders' equity:

Common stock:		
Class A, no par value — 2,000 shares authorized, 1,487 and 1,410 shares issued and outstanding at December 31, 2000 and 1999, respectively	4,260	3,875
Class B, no par value — 4,000 shares authorized, 462 and 461 shares issued and outstanding at December 31, 2000 and 1999, respectively	462	461
Paid in capital	910	1,241
Accumulated deficit	(3,552)	(5,216)
Total shareholders' equity	2,080	361
Total liabilities and shareholders' equity	\$417,872	\$269,320

The accompanying notes are an integral part of these statements.

E m e r g i n g M a r k e t s C l e a r i n g C o r p o r a t i o n

For the Year Ended December 31, (in thousands)

	2000	1999
Revenue:		
Revenue from operations	\$1,735	\$1,004
Interest income	2,964	678
Reimbursed pass through charges	373	576
Total revenue	5,072	2,258
Expense:		
Operational services	2,757	2,462
Development costs	262	664
Start-up costs (Note 2)	—	1,415
Pass through charges	373	576
Total expense	3,392	5,117
Income (loss) before income taxes	1,680	(2,859)
Income tax expense	(16)	(1)
Net income (loss)	1,664	(2,860)
Accumulated deficit, beginning of year	(5,216)	(2,356)
Accumulated deficit, end of year	(\$3,552)	(\$5,216)

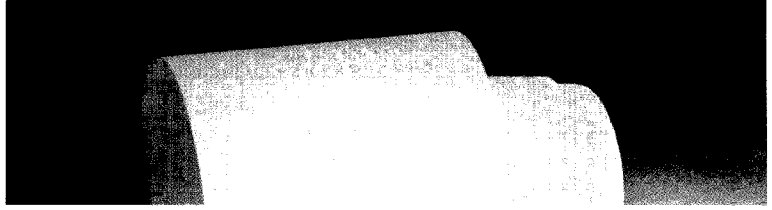
The accompanying notes are an integral part of these statements.

E m e r g i n g M a r k e t s C l e a r i n g C o r p o r a t i o n

For the Year Ended December 31, (in thousands)

	2000	1999
Cash flows from operating activities:		
Net income (loss)	\$1,664	(\$2,860)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	559	558
Amortization of start-up costs	—	1,415
Changes in operating assets and liabilities:		
Increase in accounts receivable	(329)	(81)
Increase in other assets	(24)	—
Increase (decrease) in accounts payable and other liabilities	55	(88)
(Decrease) increase in payable to affiliates	(11)	92
Increase in deferred revenue	188	55
Net cash provided by (used in) operating activities	2,102	(909)
Cash flows from financing activities:		
Issuance of Class A common stock	385	1,165
Issuance of Class B common stock	1	211
Decrease in paid in capital	(331)	(999)
Net cash provided by financing activities	55	377
Net increase (decrease) in cash	2,157	(532)
Cash, beginning of year	117	649
Cash, end of year	\$2,274	\$117
Supplemental disclosure — income taxes paid	\$4	\$10

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 markets debt.

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 \$68,148,000 and \$14,940,000 at December 31, 2000 and 1999, respectively. At December 31, 2000, 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 and 2000.

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, \$1,415,000 was written off in 1999 in accordance with this statement.

Pass Through Charges: Pass through 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 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.

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 National Securities Clearing Corporation (NSCC) in 2000 or its wholly-owned subsidiary in 1999 under a service agreement and an arrangement for computer and manpower services. (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 1999 amounts have been made in the accompanying financial statements to conform to the 2000 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, 2000 and 1999, follows:

	2000	1999
Cash	\$78,103,000	\$14,942,000
Securities issued or guaranteed by the U.S. Government, at market	469,656,000	301,641,000
Letters of credit issued by authorized banks	52,100,000	39,100,000

4 transactions with related parties:

In 2000, NSCC provided various services to EMCC through a service agreement. These services were provided by NSCC's wholly-owned subsidiary in 1999. NSCC owns 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 2000 and 1999 totaled approximately \$1,634,000 and \$1,757,000, respectively.

In 1999, EMCC entered into an arrangement with NSCC whereby NSCC pays for the computer services performed by the Securities Industry Automation Corporation (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 2000 totaled approximately \$948,000 and \$451,000, respectively. The comparable amounts in 1999 were \$738,000 and \$320,000, respectively. These transaction fees of \$451,000 in 2000 and \$320,000 in 1999 are included within operational services on the statement of operations and accumulated deficit. The cumulative difference of \$915,000 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 2000 and 1999 totaled approximately \$41,000 in each year.

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. These fees are included in the pass through and other charges. This arrangement was ended in October 1999.

5 income taxes:

EMCC files Federal, New York State and New York City income tax returns. The difference between the 34% Federal statutory rate and EMCC's 1% effective tax rate for the year ended December 31, 2000 is primarily attributed to the utilization of net operating loss carry forwards. The provision for income taxes for the year ended December 31, 2000 represents the minimum income taxes due to New York State and New York City.

EMCC has net operating loss carry forwards of approximately \$1,884,000 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 determines that the realization of this deferred tax asset is more likely than not, the valuation allowance will be reduced through a credit to income.

6 shareholders' equity:

The Board of Directors of EMCC has 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 eight firms which have not yet signed the Shareholders' Agreement and/or executed the appropriate documents necessary for the related stock certificates to be issued.

7 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, 2000, the market value of the deposits pledged totaled approximately \$5,632,000. At the close of business on December 31, 2000, guaranteed positions due EMCC from members and guaranteed positions due by EMCC to members approximated \$978,754,000 (\$173,969,000 at December 31, 1999).

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

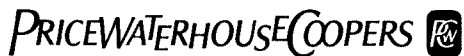
In the normal course of business, because it guarantees certain settlement obligations of its members (see Note 7), EMCC could be exposed to credit risk. EMCC mitigates its exposure to credit risk by requiring such members to meet EMCC's established financial standards for membership, monitoring compliance 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 and/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 separately with NSCC and the Government Securities Clearing Corporation under which these clearing agencies have agreed to make payment to each other for any remaining unsatisfied obligations of a common defaulting member to the extent that these agencies have excess resources belonging to the 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.

(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, 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)
Issuance of shares	77	385	1	1	(331)	—
Net Income 2000	—	—	—	—	—	1,664
Balance at December 31, 2000	1,487	\$4,260	462	\$462	\$ 910	(\$3,552)



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, 2000 and 1999, and the results of its operations and its cash flows for the years then ended, respectively, in conformity with accounting principles generally accepted in the United States of America. 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 of America 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.

February 9, 2001

management's report on
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, 2000, 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, 2000, its system of internal control over financial reporting met those criteria.

Keith C. Kanaga
Managing Director

James S. Murphy
Chief Financial Officer

February 9, 2001

report of independent accountants
on internal control over financial reporting



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, 2000 which is included in the accompanying Management's Report on Internal Control Over Financial Reporting.

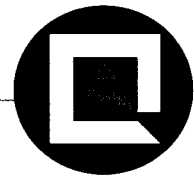
Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included obtaining an understanding of the internal control over financial reporting, testing, and evaluating the design and operating effectiveness of the internal 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, 2000 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.


February 9, 2001





Emerging Markets Clearing Corporation

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