

MEMO# 9276

September 26, 1997

REPORT ON EMERGING MARKET CLEARANCE AND SETTLEMENT ISSUES

[9276] September 26, 1997 TO: INTERNATIONAL COMMITTEE No. 34-97 SECURITIES
OPERATIONS SUBCOMMITTEE RE: REPORT ON EMERGING MARKET CLEARANCE AND
SETTLEMENT ISSUES

Enclosed is a copy of a Report titled "Emerging Market Clearance and Settlement Issues for Investment Funds" that was compiled by the Institute. The Institute undertook this initiative, with the support of other mutual associations around the world, to bring attention to the particular problems mutual funds face when trading in emerging markets and to encourage efforts by emerging markets to improve clearance and settlement practices. Part I of the report describes why exposure to clearance and settlement risks in emerging markets creates problems for mutual funds and describes recommended practices that would eliminate or reduce these risks. Part II of the report assesses the current status of clearance and settlement practices in 21 emerging market countries and whether the recommended practices exist in those markets. We have discussed this initiative with emerging market regulators and officials of the International Finance Corporation and the World Bank. The Institute will present the report to the Emerging Market Clearance and Settlement Committee of the International Organization of Securities Commissions on November 2, 1997 and will use the report as a basis for communications and discussions with regulators and market officials in the 21 countries covered by the report. We will keep you informed of developments. Mary S. Podesta Associate Counsel - International

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