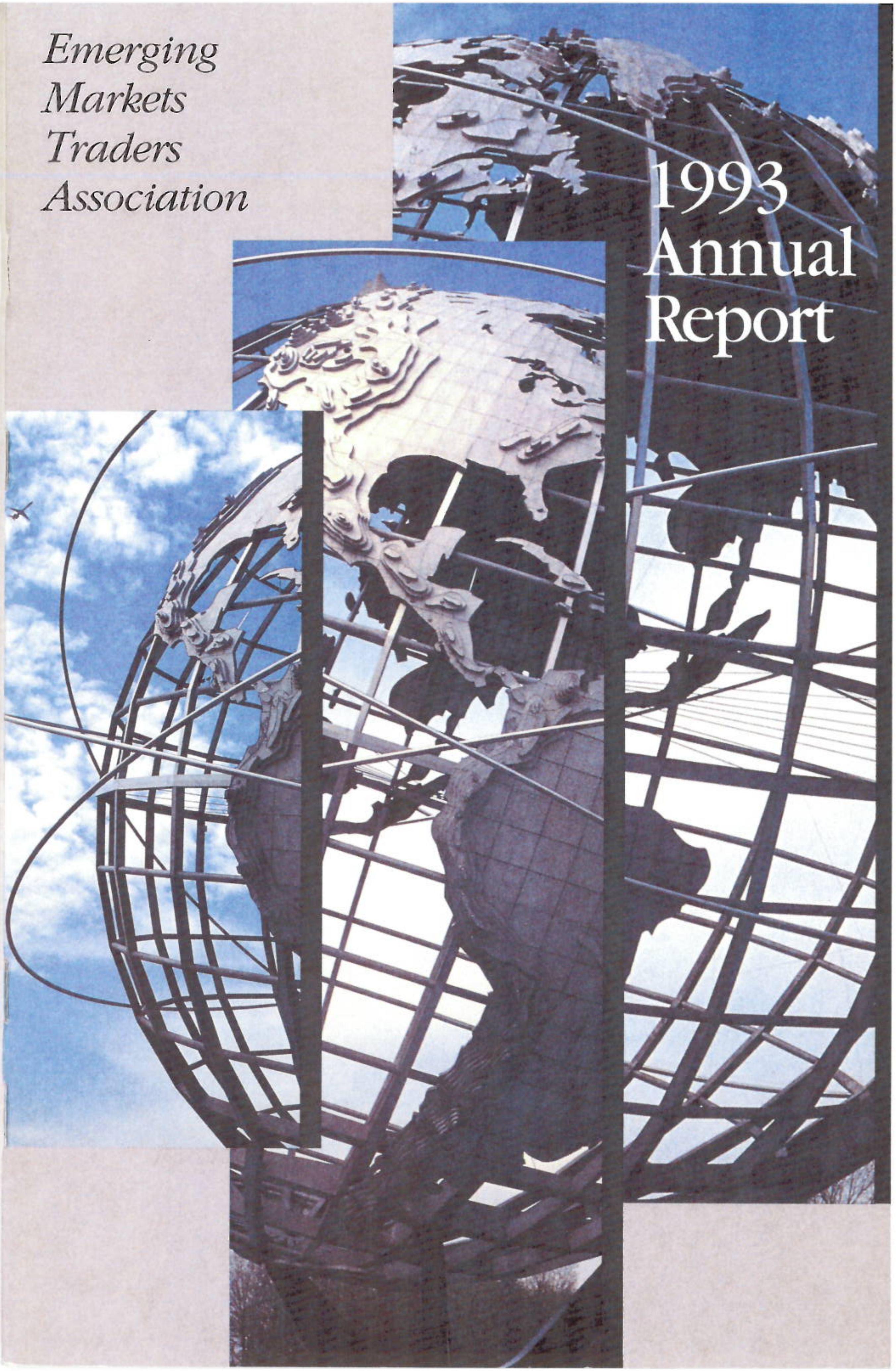
Emerging Markets Traders Association



1993 Annual Report

EMTA
1993 Annual Report

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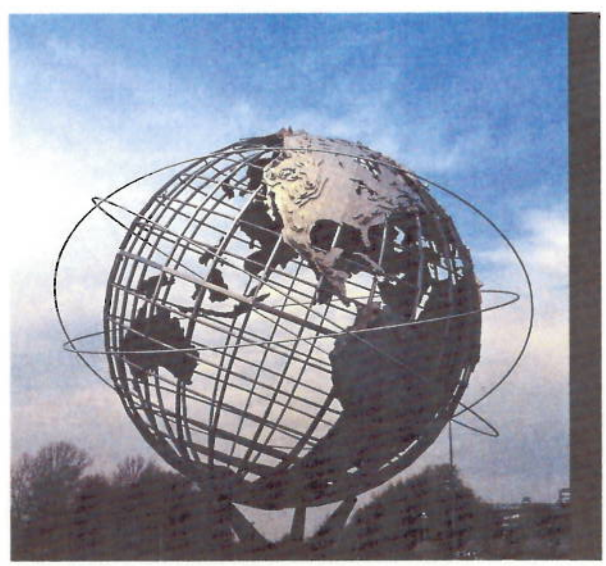
Mission Statement

Headquartered in New York City, the Emerging Markets Traders Association (EMTA) is a not-for-profit corporation dedicated to promoting the orderly development of a fair, efficient and transparent trading market for Emerging Markets instruments and to supporting the globalization and integration of the emerging capital markets.



This, EMTA's first, Annual Report describes EMTA and its activities in the context of a collection of visual images and quotations, that reflect the diversity, complexity and global significance of today's Emerging Markets.

Letter from the 1993 Chairman

1993, EMTA's third year and my final year as EMTA's Chairman, was an important period of growth and maturity for both EMTA and the Emerging Markets trading industry. We have already made much progress toward our goals of promoting industry integrity and the development of a transparent [illegible] efficient trading market for Emerging Markets instruments.

One of EMTA's most important achievements [illegible] year was the publication of our first annual survey of trading volume [illegible] Emerging Markets instruments, which revealed [illegible] ll debt [illegible] 1992 exceeded [illegible] 30 billion. Our industry was becoming an increasingly important [illegible] in the United [illegible] and in other nations. Previously, our industry had [illegible] [illegible] about the size of our marketplace. In 1993, our market continued its rapid growth with debt trading volumes exceeding [illegible] according to our 1993 Volume Survey.

[illegible] accomplishment was the adoption of EMTA's Code of [illegible] which [illegible] become an important resource in educating our [illegible] the continued integrity of the industry.

In [illegible] developing market practices and standard documentation such as confirmations and bilateral netting agreements for [illegible] issued bond trading, EMTA also acted as an advocate for the [illegible] in the important decision by the U.S. Congress to approve the North American Free Trade Agreement (NAFTA).

The past year was also a year of transition for EMTA. We added 40 new Members, bringing total membership to nearly 120 institutions, reflecting the growing diversity of our industry. 1993 also marked EMTA's search for a permanent Executive Director to replace Thomas Winslade, who returned to J.P. Morgan at the conclusion of my [illegible] as Chairman. As EMTA's first Executive Director, Tom consistently steered us in the right direction, and we are all grateful for his excellent leadership at such a critical time in our development. We all welcome Michael Chamberlin from Shearman [illegible] as our new Executive Director, and support his leadership in expanding EMTA's activities and creating a fully independent headquarters and staff.

Looking forward, it is clear that the volatility which our markets experienced in the first quarter of 1994 underscore the continuing importance of EMTA's mission [illegible] providing leadership to ensure that our market develops responsibly, consistent with high standards of integrity [illegible] all participants while promoting growth in the [illegible] and increasing transparency for the benefit of both [illegible] experience and knowledge of these [illegible] to lead these developments.

Nicolas Rohatyn

Nicolas S. Rohatyn

Nicolas S. Rohatyn, [illegible] Director and Head of [illegible] Markets Sales, Trading and Research at J.P. Morgan, was Chairman of EMTA from its formation in [illegible] [illegible] currently serves as a Vice Chairman of EMTA [illegible]

"[illegible] year of growth and maturity for both EMTA and the Emerging Markets trading industry. [illegible] made [illegible]"

Letter from the 1993 Chairman

Nicolas S. Rohatyn, a Managing Director and Head of Emerging Markets Sales, Trading and Research at J.P. Morgan, was Chairman of EMTA from its formation in late 1990 to December 1993. He currently serves as a Vice Chairman of EMTA and heads its Technology Working Group.

"1993 was an important year of growth and maturity for both EMTA and the Emerging Markets trading industry. We have... made much progress..."

1993, EMTA's third year and my final year as EMTA's Chairman, was an important period of growth and maturity for both EMTA and the Emerging Markets trading industry. We have already made much progress toward our goals of promoting industry integrity and the development of a transparent, fair and efficient trading market for Emerging Markets instruments.

One of EMTA's most important achievements last year was the publication of our first annual survey of trading volumes for Emerging Markets instruments, which revealed that overall debt trading volumes in 1992 exceeded U.S.$730 billion. Our industry was becoming an increasingly important creator of jobs in the United States and in other nations. Previously, our industry had lacked reliable data about the size of our marketplace. In 1993, our marketplace continued its rapid growth with debt trading volumes exceeding U.S.$1.9 trillion, according to our 1993 Volume Survey.

Another key accomplishment was the adoption of EMTA's Code of Conduct, which has become an important resource in educating our personnel and ensuring the continued integrity of the industry.

In addition to developing market practices and standard documentation such as confirmations and bilateral netting agreements for when-issued bond trading, EMTA also acted as an advocate for the industry in the important decision by the U.S. Congress to approve the North American Free Trade Agreement (NAFTA).

The past year was also a year of transition for EMTA. We added 40 new Members, bringing total membership to nearly 120 institutions, reflecting the growing diversity of our industry. 1993 also marked EMTA's search for a permanent Executive Director to replace Thomas Winslade, who returned to J.P. Morgan at the conclusion of my tenure as Chairman. As EMTA's first Executive Director, Tom consistently steered us in the right direction, and we are all grateful for his excellent leadership at such a critical time in our development. We all welcome Michael Chamberlin from Shearman & Sterling as our new Executive Director, and support his leadership in expanding EMTA's activities and creating a fully independent headquarters and staff.

Looking forward, it is clear that the volatility which our markets experienced in the first quarter of 1994 underscore the continuing importance of EMTA's mission — providing leadership to ensure that our market develops responsibly, consistent with high standards of integrity, open to all participants while promoting growth in the capital markets and increasing transparency for the benefit of both investors and issuers. Our experience and knowledge of these markets uniquely positions EMTA to lead these developments.

Nicolas Rohatyn

Nicolas S. Rohatyn

companies, have benefited from these inflows. To date, overall equity returns in many Emerging Markets have outpaced most established markets even after the sharp correction in early 1994.

Better Risk Management

As the Emerging Markets have grown, they have diversified beyond Latin America to include Russia/Eastern Europe, Africa and Asia. Investors now have a broader selection of geographically diversified investment opportunities than ever before. This diversity is reflected in Emerging Markets debt trading volumes. In 1992, Latin America represented more than 90% of all debt traded. The comparable figure for 1993 was 81%, with turnover represented by Russia/Eastern Europe increasing from U.S.$25.8 billion in 1992 to U.S.$86.3 billion in 1993.

As trading volumes for most instruments have increased, options and other risk-hedging mechanisms have become more widely available, giving investors more sophisticated methods for hedging their risk.

More Transparency

The rapid dissemination of accurate information is critical to investment decision-making. In the past, information from the Emerging Markets was often sketchy and distributed erratically. Media coverage was haphazard. The timeliness, availability and quality of information about the Emerging Markets continues to improve as electronic coverage of markets and a regular stream of statistical data is increasingly made available.

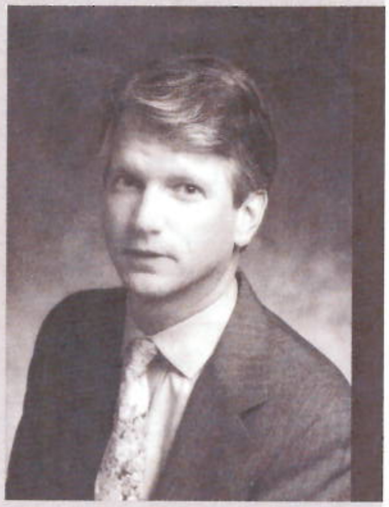
Globalization

After several years of large gains, prices for Emerging Markets debt declined sharply in early 1994. This market correction, however, should not be confused with the fundamental story of economic reform and increased investment in many developing countries. The integration of the Emerging Markets into the global marketplace has caused greater synchronization and increased the impact of external events, such as changes in interest and foreign exchange rates, on the Emerging Markets. This globalization has facilitated investment and expanded the investor base in these Markets which, over the past several years, have outperformed developed country markets. In the long-term, capital flows will react to changes in countries' economic performance and reflect investor perceptions of the investment climate. Market dynamics will ensure that sound economic performance is complemented by increased investment.

The rapid speed with which capital moves compels clearer communication channels. EMTA can facilitate these developments by ensuring that our market continues to develop in an orderly way, promoting growth in the capital markets and increasing market transparency.

Alexis O. Rodzianko

Alexis O. Rodzianko



Michael M. Chamberlin joined EMTA as Executive Director in January 1994. Previously, he was a Partner of Shearman & Sterling, where he concentrated on international financings, including Mexico's Financing Package under the Brady Plan and global debt offerings for Petróleos de Venezuela.

"Our industry has expanded rapidly and profited accordingly. For all the progress we have made toward greater efficiency and integrity, . . . [any] lack of discipline and professionalism . . . is simply not acceptable. The stakes are too high now."

Letter from the 1994 Executive Director

The Emerging Market nations, from Latin America to Eastern Europe, have made bold strides toward greater democracy and freer markets. As investors have reacted to these developments, our industry has expanded rapidly and profited accordingly. Even the recent decline in market values is best interpreted as a necessary correction that will bring a more stable platform for future market growth.

EMTA has been very effective in helping our industry keep up with these remarkable developments. Our market practices and standard documents have enabled the market to absorb ever-increasing trading volumes. New projects, most notably a multilateral netting facility, standard terms for loan assignments and an electronic trade confirmation system, should soon be completed and will make loan trading much more efficient.

EMTA will continue to help its members pool resources and increase market efficiency, particularly in response to major trends such as growing securitization and interest in local and equities markets. EMTA will also expand its efforts to enhance market transparency, largely by improving the flow of timely market price and volume data.

Despite its relative youth and rapid growth, we can be proud that our marketplace is as efficient and professional as any other OTC financial market.

For all the progress we have made toward greater efficiency and integrity, there is still much to be done. As our market continues to expand and mature, we must move beyond some of the practices that could be tolerated in the past. If we succeed, the industry will be better able to direct its energies and resources toward the continued growth of the Emerging Markets as an integral part of the global marketplace. If we are unable to look beyond vested interests, our industry will lose credibility with its investor base and with its regulators.

Impressed as I am by the vitality of our marketplace, I am sometimes troubled by lapses of discipline and professionalism. The main criticism of EMTA's work is that, as a voluntary association, its market practices are not binding and too often disregarded. Sometimes, this is justifiable in the interest of competition. Other times, it reflects a lack of discipline and professionalism which, as a marketplace seeking greater credibility with the investment community, is simply not acceptable. The stakes are too high now.

The continued growth of our industry depends on many factors that we cannot control, but also upon the credibility that investors place in the efficiency and integrity of the marketplace. It is in our self-interest to promote this credibility by aggressively striving toward greater professionalism. You will see EMTA leading this effort.

M Chamberlin

Michael M. Chamberlin

About EMTA

The Emerging Markets Traders [illegible] established in 1990, is a not-for-profit organization dedicated to promoting the orderly development of a fair and efficient trading market for Emerging Markets instruments and to supporting the global[illegible]ization and integration of emerging capital markets.

EMTA's Origins

EMTA was formed largely in response to the Mexican and Venezuelan debt re[illegible] [illegible] the Brady [illegible] time, the ma[illegible] almost entire[illegible] the [illegible] of the sovere[illegible] loans [illegible] Latin American countries [illegible] Argentina, Brazil, Mexico and Venezuela. The completion of the two Brady deals for Mexico and Venezuela had created nearly U.S.$50 billion of new debt [illegible] [illegible] welcomed these new [illegible] despite [illegible] concern about how they would be traded. EMTA was then formed by a relatively small group of debt traders who [illegible] to pool their resources and energies to help develop mechanisms to trade these new instruments more efficiently.

Membership/Structure

Today, EMTA has approximately 150* member institutions, including leading broker-dealers, commercial banks and other major financial institutions world-wide. The Association's approximately 90* Primary Members are institutions that actively trade Emerging Markets instruments. EMTA [illegible] approximately [illegible] Associate Members [illegible] institutions that have a strong interest in the Emerging Markets [illegible] Board of Directors [illegible] leaders in Emerging Markets trading who, together with [illegible] Executive Director and other staff, actively identify and address key industry issues through their participation in various EMTA Committees and Working Groups.

EMTA's Board includes representatives from ANZ Grindlays Bank, Banco Santander, Bear Stearns, Chase Manhattan Bank, First National Bank of Chicago, Lazard Frères, Chemical Bank, [illegible] Continental Bank, Goldman Sachs, ING Securities, Merrill Lynch, Morgan Grenfell, J.P. Morgan, Salomon Brothers and Samuel Montagu.

Headquartered in New York City, EMTA has a full-time staff of [illegible] professional and support personnel.

Activities

With the continued expansion of trading activities beyond Latin America, and the number and [illegible] of trading instruments and volumes reaching new levels, EMTA plays [illegible] increasingly [illegible] [illegible] orderly development and continued integrity of Emerging Markets trading.

Debt [illegible]

Much of our industry's [illegible] [illegible] had been fueled by a series of country debt reschedulings under the Brady Plan which since 1990 have converted over [illegible] billion of commercial bank loans [illegible] more liquid [illegible] securities. EMTA has actively supported the reschedulings of Venezuela, Argentina, Brazil, Bulgaria, Poland and Ecuador by assisting in the difficult reconciliation of principal and interest claims that must be completed before the conversion can occur. In addition, EMTA has promoted more liquid and efficient trading markets for both loans and bonds by [illegible] market practices and standard [illegible]. EMTA also helped pioneer the development of the when-issued trading market for Brady Bonds by preparing and distributing confirmation forms that enable market participants to trade in compliance with requirements of the countries' financing plans.

*Members as of June 30, 199[illegible]

About EMTA

The Emerging Markets Traders Association, established in 1990, is a not-for-profit organization dedicated to promoting the orderly development of a fair and efficient trading market for Emerging Markets instruments and to supporting the globalization and integration of emerging capital markets.

EMTA's Origins

EMTA was formed largely in response to the Mexican and Venezuelan debt reschedulings under the Brady Plan. At that time, the marketplace consisted almost entirely of the trading of the sovereign loans of four Latin American countries — Argentina, Brazil, Mexico and Venezuela. The completion of the two Brady deals for Mexico and Venezuela had created nearly U.S.$50 billion of new debt securities. The LDC debt markets welcomed these new instruments, despite some concern about how they would be traded. EMTA was then formed by a relatively small group of debt traders who wanted to pool their resources and energies to help develop mechanisms to trade these new instruments more efficiently.

Membership/Structure

Today, EMTA has approximately 150* member institutions, including leading broker-dealers, commercial banks and other major financial institutions worldwide. The Association's approximately 90* Primary Members are institutions that actively trade Emerging Markets instruments. EMTA's approximately 60* Associate Members are other institutions that have a strong interest in the Emerging Markets.

EMTA's Board of Directors is comprised of leaders in Emerging Markets trading who, together with its Executive Director and other staff, actively identify and address key industry issues through their participation in various EMTA Committees and Working Groups.

EMTA's Board includes representatives from ANZ Grindlays Bank, Banco Santander, Bear Stearns, Chase Manhattan Bank, First National Bank of Chicago, Lazard Frères, Chemical Bank, Citicorp, Continental Bank, Goldman Sachs, ING Securities, Merrill Lynch, Morgan Grenfell, J.P. Morgan, Salomon Brothers and Samuel Montagu.

Headquartered in New York City, EMTA has a full-time staff of 13 professional and support personnel.

Activities

With the continued expansion of trading activities beyond Latin America, and the number and diversity of trading instruments and volumes reaching new levels, EMTA plays an increasingly important role in promoting the orderly development and continued integrity of Emerging Markets trading.

Debt Securitization

Much of our industry's recent growth had been fueled by a series of country debt reschedulings under the Brady Plan, which since 1990 have converted over U.S.$150 billion of commercial bank loans into more liquid debt securities. EMTA has actively supported the reschedulings of Venezuela, Argentina, Brazil, Bulgaria, Poland and Ecuador by assisting in the difficult reconciliation of principal and interest claims that must be completed before the conversion can occur. In addition, EMTA has promoted more liquid and efficient trading markets for both loans and bonds by developing market practices and standard documentation. EMTA also helped pioneer the development of the when-issued trading market for Brady Bonds by preparing and distributing confirmation forms that enable market participants to trade in compliance with requirements of the countries' financing plans.

**Members as of June 30, 1994*

Rapid Growth of the Marketplace for Debt Instruments

Until EMTA published its first annual survey of debt trading volumes in 1993, there was no authoritative source of reliable statistical information about the size and diversity of the Emerging Markets trading marketplace. Armed with this information, investors and other market participants are better able to locate and take advantage of trading opportunities. More accurate market data has also helped EMTA and industry experts to identify future projects that will facilitate the continued expansion of the marketplace.

Better Risk Management

One of our industry's greatest challenges has been to manage the increased risk inherent in a rapidly expanding trading business. EMTA's efforts to improve market efficiency have helped reduce risk by ensuring that trading transactions settle more quickly and, in the case of its standard netting agreements, by allowing market participants to reduce their aggregate counterparty exposure. EMTA has also enabled market participants to pool their resources and hire counsel to analyze local law issues that affect their trading activities. By facilitating better risk management, EMTA enables individual market participants to conduct their activities with greater confidence, efficiency and safety and helps to reduce systemic risk.

More Transparency

By promoting standard market practices and a better flow of information about the Emerging Markets, EMTA helps to ensure greater market transparency for the benefit of both investors and market professionals. In addition to acting as an information clearinghouse, EMTA is currently developing an electronic trade confirmation and matching system for bonds and loans that will not only permit almost instantaneous confirmation and matching, but also allow the dissemination of trade price and volume information to the marketplace on a real-time basis.

Market Regulation

Although the Emerging Markets trading industry is well-regulated, EMTA actively promotes the highest standards of integrity and professionalism through voluntary self-regulation. In 1993, after a review of standards and practices in other financial markets, EMTA adopted its Code of Conduct for the trading of Emerging Markets instruments. EMTA's Code, which has been well-received by market participants and their regulators and supervisory authorities, identifies and examines important concerns to the trading business. The Code also encourages all market participants to develop, implement and enforce policies, appropriate to their individual circumstances, to ensure that the marketplace is as professional as possible.

Through the adoption of general trading principles and more specific Market Practices, EMTA also strives to develop a common understanding among market participants of market conventions that ensure maximum market transparency and efficiency. The Code of Conduct and related trading principles and Market Practices are key to EMTA's efforts to promote the orderly development of the Emerging Markets trading marketplace.

Industry Advocacy

In addition to more active self-regulation, EMTA also represents the collective interests of its Members before legislative and regulatory bodies. EMTA's efforts have included support for the North American Free Trade Agreement (NAFTA) and expression of industry views on legislative and regulatory proposals that affect our marketplace.

Committees/Working Groups

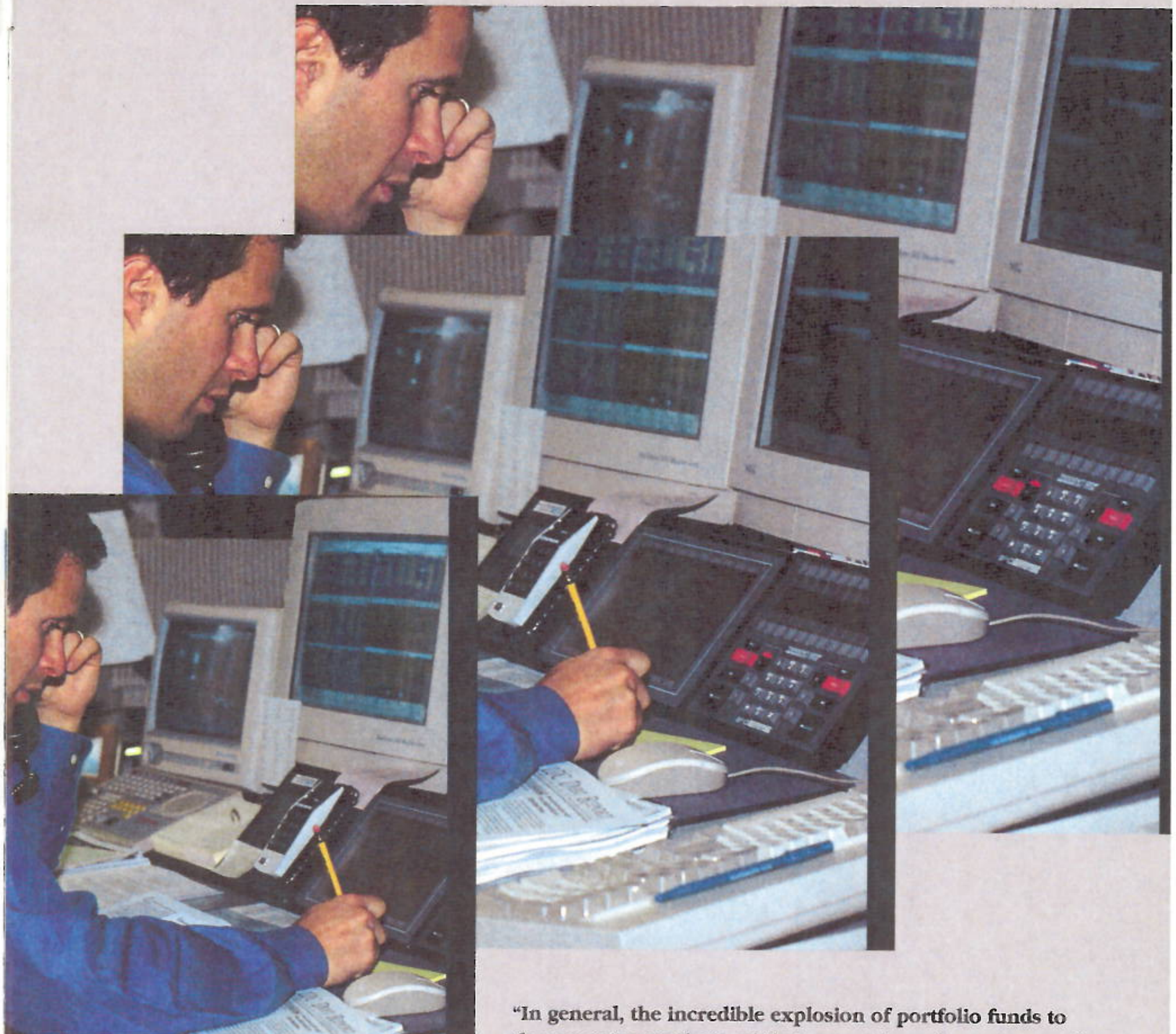
EMTA provides a forum for market participants to discuss industry issues and events that affect the Emerging Markets marketplace. EMTA's efforts have included the formation of industry Committees and Working Groups of industry experts that focus on specific areas of interest. Coordinated and assisted by EMTA staff, Working Groups include Options/Derivatives, Exotics/Loan Trading, Russia/Eastern Europe, Global Equities, Securities Regulation, Technology, Broker-Dealer Compliance and Local Markets.

"As the 'high' in high-yield fades, investors are faced with the difficult problem in finding similar-risk, higher-yielding alternatives. One answer may be as close as Mexico or as far away as Argentina, Morocco or the Philippines."

JOHN F. H. PURCELL, et al.
Salomon Brothers

"The question today is not 'Do I invest in emerging markets?' but rather 'Can I afford not to?'

ANTOINE VAN AGTMAEL
Chief Executive
Emerging Markets Management



"In general, the incredible explosion of portfolio funds to the emerging markets, while it may not continue at as rapid a pace, is movement that is quite deeply founded. Equity holdings are going to be more broadly diversified. What impresses me is that a number of major countries have barely started the process. The United States has, but the Japanese are far behind. We will see further waves over the next few years."

JEFFREY SACHS
Harvard University

About Emerging Markets

Trading in the Emerging Markets

Emerging Markets instruments include all financial instruments that originate in the developing countries. Initially, the marketplace concentrated on the commercial bank loans owed by the major Latin American countries that rescheduled their debt during the 1980s. In recent years, the market has expanded to include developing countries in Russia/Eastern Europe, Asia and Africa — in general, all nations that are not part of the Organization for Economic Cooperation and Development. EMTA's first Trading Volume Survey, released in September 1993, included instruments from 25 countries as compared with EMTA's latest Volume Survey, which recorded trading in debt instruments from 40 countries.

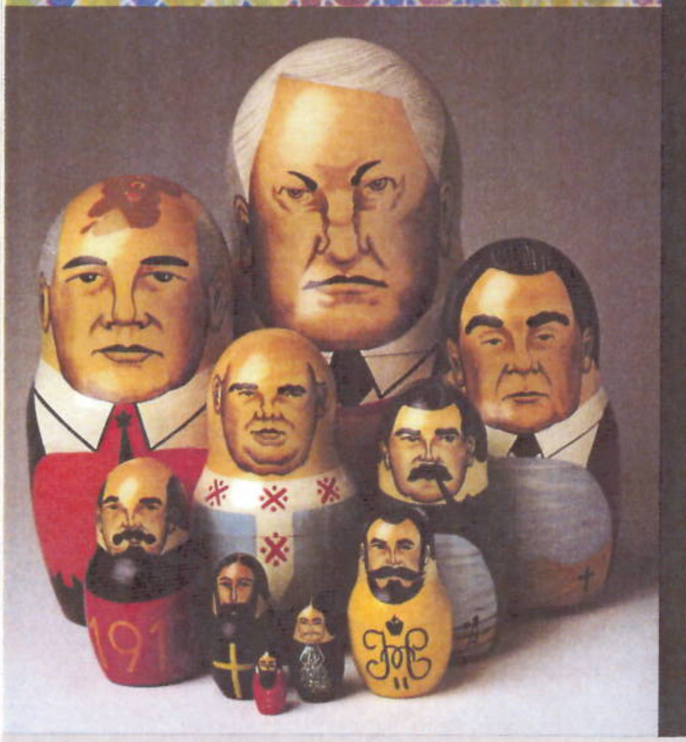
Investment Instruments

For the past several years, sovereign and private sector debt obligations of Argentina, Brazil, Mexico and Venezuela have represented most of the Emerging Markets instruments traded. Recent trading volumes reflect increasing interest in trading debt instruments from Russia and Eastern Europe.

No longer predominantly a loan market, in recent years the range of Emerging Markets instruments has greatly expanded, and now includes Brady Bonds, voluntary new issues in international and domestic capital markets (Eurobonds, private placements, etc.), equities, and derivatives products (puts and calls, etc.) as well as an array of local currency instruments. According to EMTA's 1993 Volume Survey, the Emerging Markets derivatives market grew almost 275% in the past year along with substantial gains in the local instrument market (denominated in local currency), which increased to 10.5% of total trading.

Market Participants

Market participants include commercial, investment and merchant banks, governments, traders/dealers and multinational and local companies around the world. Investors include major insurance companies, pension funds, mutual funds, hedge funds and wealthy individuals.



"The Polish experience illustrates the risks . . . in predicting debt forgiveness levels . . . [They] will be a function of the idiosyncratic 'politics' of negotiations — a country's ability to pay has a large political dimension. [Investors] should base their purchasing decisions more on their assessments of country fundamentals and completion risk, than on their guesses as to what the final parameters are likely to be."

RICHARD McNEIL
J.P. Morgan Securities, Inc.

"The drastic sell off in the international emerging markets . . . sector [in early 1994] cries out for investors to take a stance. Either the carnage is justified by recent economic events or developing country bonds, purchased at today's levels, will dramatically outperform other fixed income instruments."

MARTIN S. FRIDSON
Merrill Lynch

"Emerging markets must be analyzed country-by-country, industry-by-industry, company-by-company. Using this case-by-case approach, the knowledgeable investor will continue to find opportunities in various emerging markets."

WILLIAM R. RHODES
Citicorp

About Emerging Markets

History

Shortly after the beginning of the Latin American debt crisis in 1982, a small secondary market for the trading among commercial banks of sovereign loans slowly began to develop. Some smaller bank creditors occasionally preferred to sell their LDC loans rather than participate in debt restructurings. Other banks rearranged their credit portfolios by selling loans they had made to one debtor country in exchange for another bank's loans to a second country. For accounting and other reasons, sellers tended to be either non-U.S. financial institutions or U.S. regional banks rather than U.S. money center banks. A small group of enterprising traders engaged in this highly specialized business of intermediating between potential sellers and buyers.

Trading activity increased substantially in 1986 and 1987 after several debtor countries adopted debt/equity exchange programs as part of their debt restructuring packages. This increase in trading activity continued after 1987 as commercial banks in the United States and elsewhere substantially increased their loan loss reserves. The implementation of the so-called Brady Initiative further accelerated the growth of the LDC debt markets as the announcement of each successive agreement-in-principle set off a new wave of loan trading. In addition, the completion of each Brady restructuring resulted in the issuance of new collateralized (and highly tradable) debt securities in exchange for the previously existing bank loans.

By 1990, it was apparent that what had started as sporadic, highly individualized loan sales transactions had developed into a large, sophisticated trading market with many active participants from the commercial banking and broker-dealer communities. With the successful completion of Brady plan restructurings for Mexico and Venezuela, this trading market had facilitated, and was accompanied by, the entry of broader classes of investors into the LDC debt and equity markets.

The Brady Plan contemplated that banks would grant substantial debt and debt-service reduction in exchange for the implementation of substantial economic reforms in the debtor countries. The economic reforms undertaken by these countries have, in many cases, been accompanied by significant political reforms which together have fueled economic growth and improved their fundamental credit quality.

The past five years have witnessed rapid growth in the trading markets for Emerging Markets instruments, not only in volume, but also in the number and types of instruments traded, the number of trading houses and investors and the size of the market in relation to others worldwide. The investor base for both international and local instruments has steadily grown, reflecting renewed confidence in the economies and growth potential of the Emerging Markets.

Almost every day brings another new offering or placement of debt or equity securities from the Emerging Markets into the voluntary, international capital markets. Trading activities have expanded beyond Latin American instruments to include substantial trading in instruments issued by sovereigns and corporations from Russia/Eastern Europe, the Far East and other Emerging Markets. Particularly with the completion of Brazil's Financing Plan, the marketplace is well along in its transition from a commercial loan trading market to an investment securities market.

Size of the Marketplace

The trading market for Emerging Markets instruments has grown tremendously in size and importance in recent years. The total trading volumes for debt instruments alone have more than doubled from U.S.$730 billion in 1992 to nearly U.S.$2 trillion in 1993, reflecting the growing importance of Emerging Markets trading to the financial and investment communities. Diversifying beyond Latin America, the Emerging Markets now include Russia/Eastern Europe, Africa and East and South Asia.

"The potential for development (in emerging countries) in the rest of this century, and into the next, is great. There is widespread agreement on economic fundamentals: the importance of macroeconomic stability; competitive markets; private ownership; and a well-defined role for government."

LEWIS T. PRESTON
President
The World Bank

"There is no such thing as a smooth upward line with these [emerging] economies. In the U.S. in the 19th century, we had something like seven recessions and eight financial panics. Yet it was probably the greatest emerging market in history..."

BARTON BIGGS
Morgan Stanley Asset Management

"We are living in an era of increasing global economic interdependence, where national economies are interconnected as never before, and domestic and foreign policies are inextricably linked. The nations of the world have the opportunity to grow and prosper together — or stagnate and scapegoat apart."

LAWRENCE SUMMERS
U.S. Under Secretary of the Treasury
for International Affairs

EMTA Committee/Working Group Reports

Many of EMTA's activities are conducted through Committees or Working Groups of Emerging Markets industry experts whose time is donated by their Member firms. During 1993, these Committees and Working Groups, and their most significant projects, included:

Market Practices Committee

EMTA's Market Practices Committee, chaired by Manuel Mejia-Aoun (Merrill Lynch), is the principal forum within EMTA for the exchange of views on key industry issues and the development of market practices. During 1993, this Committee sponsored monthly meetings, open to all EMTA Members, which brought together the trading community to review issues such as the effect of Brady Plan debt reschedulings on the marketplace and receive status reports on various EMTA projects. These meetings also enabled EMTA Members to meet with each other and with representatives from agent banks and bank advisory committees to discuss such matters as the reconciliation of principal and interest claims.

European Committee

Although the Emerging Markets trading industry is truly global with EMTA's nearly 150 Members headquartered in approximately 20 countries around the world, a majority of the trading activity occurs in New York City and London. EMTA's European Committee (formerly the London Documentation Committee) meets periodically in London and Paris to discuss market practices and industry issues relevant to EMTA's European-based Members. Currently chaired by Dean Menegas (Banque Indosuez), past chairpersons have included Ria Zegwaard (ING) and David Chapman (International Mexican Bank). Providing liaison between the European Committee and EMTA headquarters in New York, EMTA's European and London Coordinators have included Mandy Sleigh (Continental) and Andrew Holland (ANZ Grindlays).

Exotics/Loan Trading Working Group

The Emerging Markets trading industry began in the mid-1980s with the trading of sovereign loans. Despite the exchange of many of these loans for Brady Bonds, loan trading continues to be an important part of the Emerging Markets trading industry. EMTA's Exotics/Loan Trading Working Group, chaired by Marc Hèlie (Merrill Lynch), aims to enhance market liquidity for the so-called "Exotic" loans (e.g., Ecuador, Peru and Panama) by developing Market Practices that enable market participants to reach a common understanding of these loans and how they are affected by the country debt rescheduling process. In the Spring of 1994, in response to an increasing backlog in the settlement of loan assignments, this Working Group launched an initiative to develop the industry's first multilateral netting facility, with the assistance of Price Waterhouse.

Options/Derivatives Working Group

As with other major financial markets, options and other derivatives products play an increasingly important role in enabling investors and financial intermediaries to hedge their risks and otherwise participate in Emerging Markets trading opportunities. During 1993, EMTA's Options/Derivatives Working Group, chaired by Peter Geraghty (ING), contributed to the increased availability of these products to the Emerging Markets trading community and its customers by formulating various Market Practices for put and call options on Emerging Markets instruments and developing a proposed Master Agreement and Standard Terms for Options on these instruments under the leadership of Peggy Grieve (Chase) and David Lewis (J.P. Morgan).

Russia/Eastern Europe Working Group

The initial focus of Emerging Markets trading on Latin America began to change in 1993 with the expected negotiation of debt reschedulings for Russia, Poland and Bulgaria. In anticipation of these reschedulings, EMTA formed its Russia/Eastern Europe Working Group in 1993 with Alex Rodzianko (Chemical Bank) as Chairman. Since that time, this Working Group has issued recommended forms for confirming when-issued trades of Brady Bonds for Bulgaria and Poland and developed various Market Practices for trading Russian and Polish loans.

Technology Working Group

To consider new technology that can make the Emerging Markets trading industry more efficient and transparent, EMTA formed its Technology Working Group, chaired by Nicolas Rohatyn (J.P. Morgan), in 1993. An initial effort undertaken by the Group assessed competing technologies for an industry-wide electronic trade confirmation and matching system that will result in instantaneous confirmation and matching of loan and bond trades and allow real-time reporting of trade volume and price information. A pilot project for this system, led by Lou Bonavita (Chemical Bank), is currently being managed and evaluated by this Group with a view toward implementation by the end of 1994.

Broker-Dealer Compliance Group

As the trading markets for Emerging Markets instruments continue their rapid expansion and with Brady Bonds assuming a growing proportion of trading volumes, it is increasingly important for broker-dealer compliance personnel to have a forum to exchange views on compliance issues affecting the industry. Formed in 1993, EMTA's Broker-Dealer Compliance Group, chaired by Fred Krieger (Salomon Brothers), meets monthly to share views and hear presentations by industry experts on topics such as margin requirements, NASD equity reporting rules and confirmation requirements.

Global Equities/Securities Regulation Working Groups

Recognizing the predominance of securities trading and equity investment, EMTA Working Groups to focus on Global Securities Regulation and Equities are being formed by Frances Bermanzohn (Goldman Sachs) and Bruce Wolfson (Bear Stearns), respectively.

Local Markets Working Group

As EMTA's Members seek to take advantage of local markets trading opportunities, EMTA is also forming a Local Markets Working Group, to be chaired by Hugo Rodriguez (J.P. Morgan), to examine issues such as local custodial and settlement practices and transparency.

Operating Highlights

	For the Year Ended December 31,		
	1993	1992	1991
Market trading volume (in billions of U.S.$)[1]	**$1,978**	$734	$325
Number of Members at year-end:			
Primary	**75**	64	33
Associate	**43**	14	6
Total Members	**118**	78	39
Revenue:			
Membership dues, net	**$ 894,500**	$677,528	$335,500
Directors' assessments	**277,753**	–	–
Donated services, facilities and supplies	**510,196**	171,423	–
Other	**13,203**	10,371	5,952
Total revenue	**1,695,652**	859,322	341,452
Expenses:			
Program	**1,238,196**	859,857	308,998
Non-program	**321,340**	80,036	566
Total expenses	**1,559,536**	939,893	309,564
Increase (decrease) in net assets	**136,116**	(80,571)	31,888
Net assets:			
Beginning of year	**(48,683)**	31,888	–
End of year	**$ 87,433**	$ (48,683)	$ 31,888

1. Sources: EMTA Volume Surveys for 1993 and 1992; 1991 total derived from Latin Finance (March 1994).

Management's Discussion and Analysis

As demonstrated by the dramatic rise in debt trading volumes, the global Emerging Markets trading industry has experienced tremendous growth in recent years. EMTA has assisted in the growth and development of these markets through its stated objectives of enhancing their efficiency, transparency and integrity. The primary ways of fulfilling these objectives have been through: (a) various projects undertaken, in conjunction with outside legal counsel, to develop market practices and standard documentation in response to industry needs, and (b) sponsoring meetings and conferences, and otherwise acting as a forum for discussion and a medium for the dissemination of information to its Members about the Emerging Markets.

Revenue

Total revenue increased by nearly 100% in 1993 to $1,696,000 from $859,000 in 1992. Revenue from membership dues increased by 32% to $895,000 from $678,000 in 1992. Membership dues have generally risen in proportion to the number of Members, after giving effect to the change in relative proportions of Primary and Associate Members from 1992 to 1993. The dues for these years were $10,000 and $3,000 per year for each Primary and Associate Member, respectively. Membership dues covered 72% of total expenses in 1992 and 57% of total expenses in 1993.

Directors' assessments were necessitated by the increasing shortfall between membership dues (and other operating revenues) and expenses. These assessments were formally required for the first time in 1993, when EMTA began operating at a deficit as its expenses exceeded the dues collected, primarily as a result of increased program expenses. Further Director support comes in the form of donated services, facilities and supplies, which arise from seconded staff and donated office space and other facilities and supplies. These revenues are offset by expenses allocated to the same categories. Total Director financial support increased from nil in 1991 to $171,000 in 1992 (20% of total expenses) and $788,000 in 1993 (51% of total expenses), demonstrating the increasing role that the Board of Directors has played in funding EMTA's activities.

Expenses

Total expenses increased by 66% in 1993 to $1,560,000 from $940,000 in 1992. As EMTA has grown, its activities have diversified from the development of market practices and documentation to include a greater emphasis on the dissemination of information. Accordingly, in 1991, almost all of the program expenses were for legal expenses; in 1992 and 1993, legal expenses constituted 92% ($794,000) and 70% ($865,000) of total program expenses, respectively. Conversely, conferences and meetings expenses, and other expenses relating to the dissemination of information (such as the Volume Survey), increased from nil in 1991 to $21,000 (2% of program expenses) and $270,000 (22% of program expenses) in 1992 and 1993, respectively.

Non-program expenses increased by $241,000, from $80,000 in 1992 to $321,000 in 1993. The increase in non-program expenses is primarily due to the fact that general management and membership development activities were undertaken for the first time by professional staff on a full-time basis starting in mid-1992. These staff were employees of certain Members of the Board of Directors and were seconded to EMTA on a temporary basis. Although every effort is made to minimize non-program expenses, they are expected to increase as EMTA assumes greater independent responsibility for its growing scope of activities, relying less on its Board of Directors to donate staff and office space.

Statements of Financial Position

	December 31,	
Assets	**1993**	1992
Cash	**$ 54,551**	$174,652
Directors' assessments receivable	**277,753**	–
Dues receivable, net of allowance for doubtful accounts of $70,000 in 1993	**43,000**	11,500
Interest receivable	**–**	365
Total Assets	**$375,304**	$186,517

Liabilities and Net Assets		
Accounts payable and accrued expenses	**$287,871**	$235,200
Net assets	**87,433**	(48,683)
Total Liabilities and Net Assets	**$375,304**	$186,517

The accompanying notes are an integral part of these financial statements.

Statements of Activity

	For the Year Ended December 31,	
	1993	1992
Revenue		
Membership dues, net of provision for uncollectible accounts	$ 894,500	$677,528
Directors' assessments	277,753	–
Donated services, facilities and supplies	510,196	171,423
Meeting admission fees	8,032	–
Interest	5,171	10,371
Total revenue	1,695,652	859,322
Expenses		
Member services	81,772	33,684
Legal and technical	864,625	794,225
Conferences and meetings	269,718	20,792
Communications	22,081	11,156
Total program expenses	1,238,196	859,857
General administration	191,125	56,296
Membership development	130,215	23,740
Total expenses	1,559,536	939,893
Increase (decrease) in net assets	136,116	(80,571
Net assets, beginning of year	(48,683)	31,888
Net assets, end of year	$ 87,433	($48,683

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

	For the Year Ended December 31,	
Cash flows from operating activities	**1993**	1992
Increase (decrease) in net assets	**$136,116**	($80,571)
Increase in directors' assessments receivable	**(277,753)**	–
Increase in dues receivable	**(101,500)**	(8,500)
Provision for uncollectible accounts	**70,000**	–
Decrease in interest receivable	**365**	148
Increase in accounts payable and accrued expenses	**52,671**	100,486
(Decrease) increase in cash for the year	**(120,101)**	11,563
Cash at beginning of year	**174,652**	163,089
Cash at end of year	**$ 54,551**	$174,652

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

December 31, 1993

1. Organization

The Emerging Markets Traders Association (the "Association") is a not-for-profit service organization, formed in 1990, with the principal objective of enhancing the efficiency, transparency and integrity of the trading markets for Emerging Markets instruments. The Association's primary source of income is membership dues and directors' assessments.

The Association is exempt from federal income tax under the provisions of Section 501(c)(6) of the Internal Revenue Code. It is exempt from state and local taxes under similar provisions of the relevant tax laws of those jurisdictions.

2. Summary of Significant Accounting Policies

The financial statements of the Association are prepared on the accrual basis of accounting.

The Association's membership contains two categories:

Primary Members – institutions that directly or through affiliates act as traders, brokers or dealers in Emerging Markets instruments in the United States or abroad; and

Associate Members – institutions that do not directly trade Emerging Markets instruments, but have an interest in or affiliation with the Emerging Markets.

The Association's membership and fiscal years are the same. Dues are billed in the first quarter of the year and are amortized to income throughout the year as earned. Members who do not pay their annual dues within 60 days of billing may be suspended from membership in the Association. The Board of Directors may levy special assessments on Members to defray certain expenses. Such special assessments are to be equal for all Members of the same class. Additionally, the Board may agree to levy assessments on Members of the Board to meet working capital deficiencies.

Excess funds are maintained in an interest-bearing money market account with a bank that is also an Association Member.

Legal fees are related to various projects undertaken by the Association, including the development of market practices and standard documentation

3. Membership Dues and Directors' Assessments

The individual components of these revenue categories are set forth below:

	Year ended December 31,	
	1993	1992
Membership dues:		
Primary Members	**$840,000**	$635,528
Associate Members	**124,500**	42,000
Less, provision for uncollectible accounts	**(70,000)**	–
	$894,500	$677,528
Directors' assessments:		
Special assessment: Brazil reception	**$ 24,376**	–
Special assessment: IMF reception	**108,723**	–
General assessment	**144,654**	–
	$277,753	–

4. Donated Services, Facilities and Supplies

Most of the Association's activities were carried out by individuals whose services are contributed by Association Members. Additionally, the office space occupied by the Association and a large portion of related office expenses were contributed by an Association Member. These contributions are included in donated services, facilities and supplies revenue and have been allocated to various expense categories based upon estimates prepared by management. These types of contributions are expected to decrease in the future as the Association assumes greater independent responsibility for its operations, including staffing.

The components of services, facilities and supplies are set forth below:

	Year ended December 31,	
	1993	1992
Services	**$428,258**	$117,174
Facilities	**66,638**	28,625
Supplies	**15,300**	25,624
	$510,196	$171,423

Report of Independent Accountants

Price Waterhouse

February 18, 1994

To the Board of Directors of
the Emerging Markets Traders Association

In our opinion, the accompanying statements of financial position and the related statements of activities and of cash flows present fairly, in all material respects, the financial position of the Emerging Markets Traders Association (the "Association") at December 31, 1993 and 1992, and the results of its activities and its cash flows for the years then ended in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Association'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 generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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.

Price Waterhouse

Board of Directors

Alexis O. Rodzianko, EMTA Chairman
Chemical Bank

James D. Alban-Davies
Samuel Montagu

Peter J. Albano*
Bear Stearns

Joseph W. Boyle
Chase Manhattan Bank

Mark Coombs
ANZ Grindlays Bank

Abelardo S. Curdumi
First National Bank of Chicago

Peter R. Geraghty, EMTA Vice Chairman
ING Securities

Frederic Z. Haller, EMTA Vice Chairman
Morgan Grenfell

Paul A. Masco
Salomon Brothers

Daniel M. McEvoy
Goldman Sachs

Alexandra P. McLeod
Continental Bank

Manuel Mejia-Aoun, EMTA Vice Chairman
Merrill Lynch

Vicente S. Pérez, Jr.
Lazard Frères

Nicolas S. Rohatyn, EMTA Vice Chairman
J.P. Morgan

Angel Santamarina
Banco Santander

Hugo P. Verdegaal
Citicorp Securities

* *Replaced in June 1994 by Bruce Wolfson (Bear Stearns)*

Pictured at EMTA's 1993 Annual Meeting in New York City are EMTA Directors:

(Seated, left to right) Peter Geraghty *(ING)*, Manuel Mejia-Aoun *(Merrill Lynch)*, Alexis Rodzianko *(Chemical Bank)*, Nicolas Rohatyn *(J.P. Morgan)*.

(Standing, left to right) Hugo Verdegaal *(Citicorp)*, Paul Masco *(Salomon Brothers)*, Angel Santamarina *(Banco Santander)*, Joseph Boyle *(Chase Manhattan)*, Daniel McEvoy *(Goldman Sachs)*, James Alban-Davies *(Samuel Montagu)*, Vicente Pérez *(Lazard Frères)*, Abelardo Curdumi *(First National Bank of Chicago)*.

Emerging Markets Traders Association

Primary Members*

ANZ Grindlays Bank
London

Arnhold and S. Bleichroeder
New York City

Banco do Brasil
São Paulo

Banco Icatu
Rio de Janeiro

Banco Mercantil Venezolano
Caracas

Banco Nacional de Mexico (Banamex)
Mexico City

Banco Rio de la Plata
Buenos Aires

Banco Santander
Madrid

Banco Sul America
São Paulo

Bancomer
Mexico City

Banesco Organizacion Financiera
Caracas

BankAmerica International
New York City

Bank of Montreal
Toronto

Banque Indosuez
Paris

Banque Nationale de Paris
Paris

Banque Worms Capital
Paris

Baring Brothers
London

Bank of Tokyo
Tokyo

Bear Stearns
New York City

Cantor Fitzgerald International
London

Cargill Financial Services International
Minnetonka, Minnesota

Chase Manhattan Bank
New York City

Chemical Bank
New York City

Citicorp Securities
New York City

Continental Bank
London

CS First Boston
New York City

Daiwa Securities
New York City

Dartley Holdings
São Paulo

Dresdner Bank
Frankfurt

Euro Brokers
New York City

EBT Securities
Hamilton, Bermuda

European InterAmerican Finance
New York City

Exprinter International Bank
Curaçao, Netherlands Antilles

Fidelity Investments
Boston

Financial Portfolio Consulting
Paris

Financiera Rigton
Buenos Aires

Financorp Group International
Caracas

Finely-CCF Group
Paris

First National Bank of Chicago
Chicago

Garantia
São Paulo

Garban International
New York City

Goldman Sachs
New York City

Henry Ansbacher & Co.
London

ING Securities
New York City

**Primary Members are institutions that, directly or through affiliates, act as traders, brokers or dealers in Emerging Markets instruments.*

Intercapital Brokers
London

International Mexican Bank
London

Interunion Bank Antilles
Curaçao, Netherlands Antilles

InverMexico
Mexico City

Inverworld Securities
San Antonio, Texas

J.P. Morgan
New York City

Kidder Peabody
New York City

Lazard Brothers
London

Lazard Frères
New York City

Lehman Brothers
New York City

Lloyds Bank
London

LTCB Latin America
New York City

M.A. Bank
Buenos Aires

Merrill Lynch
New York City

Morgan Grenfell
London

Morgan Stanley & Co.
New York City

Moscow Narodny Bank
London

Multibanco Comermex
Mexico City

Nomura Securities
New York City

Pacific Overseas International Bank
Santiago

Pactual Overseas
Rio de Janeiro

Paribas
Paris

Pecunia
Buenos Aires

Purcell Graham
New York City

Republic National Bank of New York
New York City

Salomon Brothers
New York City

Samuel Montagu
London

Singer and Friedlander
London

Société Générale
Paris

Socimer International Bank
Geneva

Standard Bank London
London

Standard Chartered Bank
London

Swiss Bank Corporation
Basel

Tradition North America
New York City

Trigone Capital Finance
Geneva

Tullett & Tokyo Securities
London

UBAF Asset Trading
Paris

Unibanco
São Paulo

Valores Finamex International
Mexico City

Vestrust Securities
Miami

Wasserstein Perella Securities
New York City

West Merchant Bank
London

Associate Members*

Allen & Overy
London

ARFINT-Credit Lyonnais
Paris

Atlantic Security Bank
Panama City

Baker & McKenzie
Chicago

Banco Inter-Atlantico
São Paulo

Banco Internacional
Mexico City

Banco Itau
São Paulo

Bank of Boston
Boston

Buteler & Peralta Ramos
Buenos Aires

Capital International
Los Angeles

Carlsmith Ball Wichman Murray Case & Ichiki
Washington, D.C.

Chapdelaine Corporate Securities
New York City

Clifford Chance
London

Compagnies d'Escomptes Financiers
Basel

Coutts & Co.
London

Creditanstalt Bankverein
Vienna

Davis Polk & Wardwell
New York City

Del Plata Investment
Montevideo

Deltec Asset Management
New York City

DLF
New York City

Donau Bank
Vienna

Eurasco Zurich
Zurich

Euroclear Clearance System
Brussels

Exis Corporation
New York City

Finacor
Paris

Finmark
Buenos Aires

Giadefi
New York City

Hughes Hubbard & Reed
New York City

IBS
Boston

International Bank of Miami
Miami

J.P.B.T. Advisors
Miami

**Associate Members are institutions that do not directly trade Emerging Markets instruments, but have a strong interest in the Emerging Markets trading industry.*

King & Spalding
Atlanta/New York City

LAFISE
Miami

Lasser Marshall
New York City

LDC Finance
London

Linklaters & Paines
London/New York City

Longo & Bell
New York City

Mayer, Brown & Platt
Chicago/New York City

McFadden Farrell & Smith
New York City

Nafinsa Securities
Mexico City

NatWest Securities
London

NationsBank
Charlotte, North Carolina

New Alliance Corp.
Stamford, Connecticut

Oppenheimer & Co.
New York City

Patriot Securities
New York City

Paul, Hastings, Janofsky & Walker
Los Angeles

Prebon Yamane
New York City

Price Waterhouse
New York City

Princeton Emerging Markets
Princeton, New Jersey

Reuters America
New York City

Rogers & Wells
New York City

Shearman & Sterling
New York City

Simpson Thatcher & Bartlett
New York City

Slaughter and May
London/New York City

State Street Bank and Trust
Boston

Tandem Trading
Rye, New York

Trust Company of the West
Los Angeles/New York City

Turan Corporation
Boston

Tutelar
Buenos Aires

Weston Compagnie de Finance et D'Investissement
Geneva

Whitman & Breed Abbot
New York City

Winston & Strawn
Chicago/New York City

Emerging Markets Traders Association

Key Advisors

Many of EMTA's activities are guided by outside advisors whose counsel and support have been integral to the success of these activities. These advisors provide technical and legal advice and market insight and assist in the development and dissemination of market practices and standard documentation. Together, they have a wealth of experience and expertise. EMTA is very grateful to these individuals and their institutions for their on-going advice and support.

Joining EMTA's Director of Sales and Marketing, **Lisa Corinne Abrams** (Chemical Bank), are EMTA's key outside advisors (from left to right):

Bruce A. Wolfson (Bear Stearns)
Thomas E. Winslade (J.P. Morgan)
John N. Kramer, Jr. (Shearman & Sterling)
James A. Marren (Ogilvy Adams & Rinehart)
Robert P. Sullivan (Price Waterhouse)
Christopher F.I. Saul (Slaughter and May)

EMTA Professional Staff

Michael M. Chamberlin
Executive Director

Kate Campana
Deputy Director & Legal Counsel

Sophie Pompea
Senior Analyst

Cristina von Bargen
Communications Manager

Lisa Corinne Abrams
Director of Sales & Marketing

Moraima Parés
Analyst & Corporate Secretary

Donald Goecks
Comptroller

E merging
M arkets
T raders
A ssociation

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