EMTA

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Peru's Finance Minister Zavala Addresses EMTA Annual Meeting

On December 1, 2005, at the downtown Manhattan offices of Citigroup, over 300 attendees heard Finance Minister Fernando Zavala of Peru deliver the keynote address at EMTA's Annual Meeting. The event also featured two panel discussions on the current economic outlook for Emerging Markets countries.

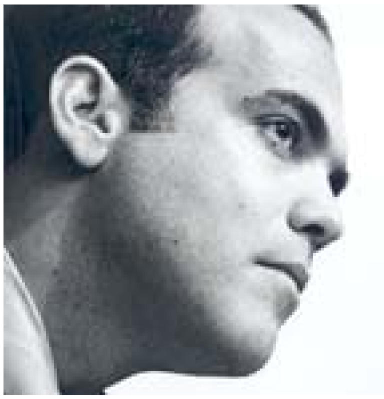
In his opening remarks, EMTA Executive Director Michael M. Chamberlin noted that during its 15-year history, EMTA had not previously had the privilege of having a keynote speaker from Peru and that he was delighted to welcome Minister Zavala.

Zavala Reviews Recent Economic Performance in Peru

Zavala began his presentation with a brief review of recent Peruvian economic performance. The Minister highlighted that the country's fiscal deficit declined from over 2% of GDP in 2001 to 1% in 2005, and was projected to decline to 0.8% by 2008.

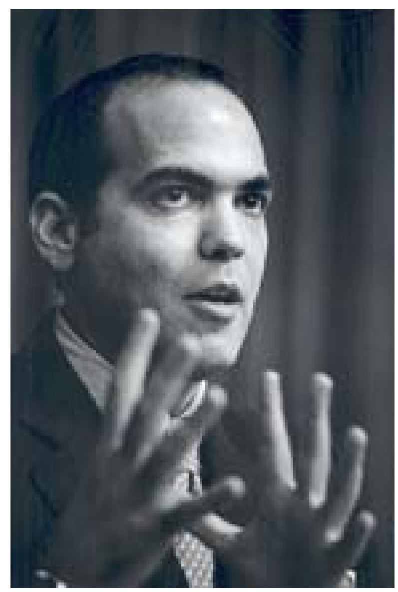
The Minister confirmed that Peru's GDP was expected to rise 6-6.5% in 2005, and then stabilize at 5% over the following three years. He underscored Peru's uninterrupted economic growth between August 2001 and September 2005 (the latest month for which data had been published), and pointed out that the past fifty-one months of consecutive growth was a phenomenon not seen in Peru for three decades. Growth has been led by exports, private investment (up 12% in 2005, y-o-y) and private consumption, and has led to job creation and increased real income, Zavala stated.

EMTA Annual Meeting (continued)



Export growth in Peru has been led by traditional mineral products, as well as by non-traditional sectors such as agricultural products and textiles; and has pushed Peru's trade balance to a surplus of 5% over GDP. The Minister noted that the country's exports are expected to amount to over US$16.7 billion in 2005, stressing "that means double the amount of our 2001 exports." The Minister acknowledged that some of this is due to strong commodity pricing, "but that is not the only reason—45% of the increase in the value of our exports is due to increased volumes," he stated. He highlighted the growth in non-traditional export sectors, which were up 16% y-o-y in 2003, and rose 37% in 2004.

"We are working to close the Free Trade Agreement (FTA) with the United States," Minister Zavala noted, as the US purchases 28% of Peruvian exports. He described Peru's additional efforts to promote free trade, pointing out that his country has now signed a free trade agreement with Thailand, is negotiating with other Asian members of APEC, and expects to begin talks with the European Union in the first half of 2006. [NB: The US and Peru announced the conclusion of negotiations on a free trade agreement several days later; see http://www.ustr.gov/assets/Document_Library/Press_Releases/2005/December/asset_upload_file744_8518.pdf for further information.]

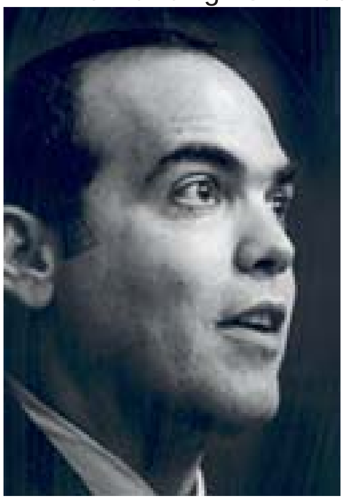


Zavala then discussed monetary policy, commenting that stabilized inflationary expectations have laid the groundwork for sustainable growth. "Peru has an excellent track record in monetary stability," according to the Minister, who proudly compared Peruvian consumer price inflation to higher-rated emerging countries. The nation's firm monetary policy and price stability have led to low interbank interest rates, currently below 3%, and non-performing loans have declined sharply from 11% in 1997 to less than 3% as of October 2005. At the same time, dollarization in the banking system has declined from 70% in 2000 to 54% in 2005, "reflecting greater confidence in monetary policy and economic stability," he affirmed.

As for fiscal policy, Zavala reminded attendees that Peru had initiated a comprehensive fiscal reform package in 2003, including an important new VAT withholding mechanism, "and we will continue improving the fiscal side with administrative measures," he pledged. Public debt is expected to decrease from 45% in 2001 to 39% in 2005, according to the Minister, with a further contraction to 36% forecast for 2007.

EMTA Annual Meeting (continued)

Minister Discusses Liability Management Goals

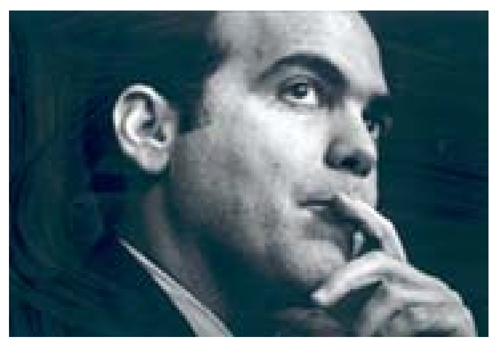


Zavala then addressed the reprofiling of Peru's public debt. The Ministry has three goals—"to reduce refinancing risk through market-based operations which will increase average duration; to reduce exposure to market risks such as interest rates and currency exposure; and to reduce nominal value of the debt and achieve net present value (NPV) gains." Such reprofiling will be carried out via bond exchange offers, swaps operations and debt pre-payment.

The Minister credited "pro-active, market-based debt management strategies" with successfully reducing Peru's upcoming amortization payments. He noted that a nearly US$1.6 billion Paris Club pre-payment was financed with a combination of 20-year dollar-denominated bonds and 11- to 15-year sol-denominated local treasuries, and resulted in savings of approximately US$350 million in amortization payments over the next four years.

Zavala observed that liability management operations have increased the amount of sol-denominated debt as a percentage of public debt from 10% to 16% while paring down the amount of euro-denominated debt from 12% one year ago to 6%. Peru's exposure to interest rate fluctuations has also decreased, as the amount of fixed-rate debt has grown from 51% at year-end 2004 to over 60%. The growth of assets in local pension funds (from US$1.9 billion in 2000 to US$9 billion in 2005) has provided domestic demand for Peruvian government debt, he noted.

Peru's 2006 projected financing needs total US$2.4 billion, the Minister stated, with US$1 billion expected from foreign sources and US$500 million to come from multilaterals. While the Minister stressed that Peru did not plan to tap the international capital markets in 2006, he informed attendees that US$650 million of the government's financing needs was expected to be raised in the local bond market.



Zavala detailed the development of the local market, highlighting the recent extension of the local curve to 15 years, double the previous maximum tenor of seven years. Foreign participation in the local markets has increased significantly, with 35% of 2005 bondholders being non-residents. "This shows confidence in our sovereign creditworthiness," the Minister affirmed.

EMTA Annual Meeting (continued)

Upcoming elections might cause some concern on the part of investors, the Minister conceded, but institutional safeguards are in place. The fact that the new Constitution does not discriminate between foreign and local investors, the autonomy of the Central Bank, and recent pension and structural reforms all act to protect the foreign investor, Zavala stated, while recent moves toward political decentralization also serve to promote fiscal responsibility.

Following his formal presentation, the Minister responded to several audience questions. He provided further details on FTA negotiations with the US and projected export pricing. He also sought to calm investor concerns about a populist successor to President Toledo and discussed a potential credit-rating upgrade.

Minister Zavala's slide presentation is available on the EMTA website at http://emta.org/members/Zavala_presentation.pdf.

Sell Side Panel Reviews a Resilient 2005

The meeting's sell-side panel was moderated with characteristic aplomb by Joyce Chang of JP Morgan. Chang prefaced the discussion with her observation that the Emerging Markets had "exceeded relatively modest—even pessimistic—expectations for the fourth consecutive year." Not only EM debt but also EM equities and local currencies had outperformed other asset classes, she noted.

Reviewing the year, Chang opined that the dominant theme of 2005 was local market investment, and referred to recent JP Morgan research which revealed that as much as 80% of new inflows into the Emerging Markets asset class is directed to local markets. The EMBI index proved "remarkably resilient" in 2005, up 9% at the time of the meeting. In comparison, local market debt rose 2.1%, making passive investment in local debt "difficult to justify in my view," Chang commented.

Chang described several additional noteworthy trends which characterized the year: In 2005, EM debt traded at a premium to US corporate bonds across every ratings category. In addition, for the first time since 2001, EM spreads were less volatile than both the US high-yield and US high-grade markets. The EMBI also achieved its highest average rating, at BB+. Finally, Chang observed that financing needs for emerging countries declined sharply, with only $48 billion to be obtained in 2006, down from $60 billion in 2005, with the majority of 2006 budget gaps already having been pre-financed.

EMTA Annual Meeting (continued)

Referring to a chart featuring each panelist's forecast of key economic variables for 2006, (see http://www.emta.org/members/EMTA_2006_forecast_slide.pdf), Chang summarized that there was general agreement on where MXP and BRL exchange rates would be in twelve months; that Merrill Lynch was the most bearish on credit spreads; that JP Morgan forecast the highest CNY appreciation at 13.4%; that there was a near consensus that WTI oil would trade at $64-65 next year (the outlying JP Morgan forecast $55 a barrel); and that all firms expected the EMBI to widen next year (with forecasts ranging from 20 to 50 bps). Chang justified JP Morgan's relative optimism about 2006 EMBI performance, expressing her expectation that inflows would remain "diversified and strong, with less emphasis on hedge fund investors, and more inflows from Asian retail, Middle Eastern petrodollars, and pension fund money following the downgrades of the auto sector."

Global Economic Backdrop Debated

Merrill Lynch's Tulio Vera led off a discussion on the overall global situation. "The bottom line will be less supportive in 2006, because the key drivers of the EM debt class, ample global liquidity and low risk-free rates, have started to change," he commented. Vera asserted that global liquidity is beginning to roll over because the pace of foreign investor purchases of treasuries is slowing down; and while risk-free rates will likely remain low, inflationary pressures are starting to build, particularly in Asia. As a result, investors are likely to see a global tightening begin in 2006. "We are at the cusp of tightening by the global providers of savings—Asia, in particular China, and to a lesser extent Europe," Vera predicted, concluding that "bottom line, a process of normalization of risk will bring spreads wider, 40-70 bps wider for the EMBI Global."

Prompted to also discuss the effects of US rate hikes on the EM marketplace, Vera offered his assessment that "Fed policy is relatively less important than it has been in the past because the US is a net borrower, not a provider of savings." If the Fed were to overshoot on interest rate hikes, global growth would be affected, "but at the end of the day it's a contraction in global liquidity which would cause pressure on EM assets," he stated.

Goldman's Paulo Leme ventured that, just as the panel had been surprised in 2005, global growth might prove stronger in 2006 than current forecasts predict. "Commodity pricing could remain relatively supportive for some of the larger emerging countries, and we could see decent performance," he speculated. Leme cautioned that even in such a positive scenario, the hunt for value remains difficult, pushing investors to take on riskier and less liquid instruments. Leme concurred with Chang that, as a result, local markets will "continue to be king" in 2006.

EMTA Annual Meeting (continued)

EM Debt: Overvalued?

Discussing the relative value of Emerging Markets debt and similarly-rated US corporates, Kasper Bartholdy of Credit Suisse discussed a recent analysis he had undertaken that suggested that higher-spread EM sovereigns would require a one- to three-notch upgrade to justify the current trading levels. This might lead one to think that EM debt is overvalued, but Bartholdy observed that EM fundaments had trended up for years and this is likely to continue; he commented that credit ratings tend to be a lagging indicator, perhaps one or two notches behind, so the gap is actually not unreasonable. The asset class has moved from being cheap, Bartholdy declared, to "slightly expensive but not widely off fair value."

"The Emerging Markets asset class is not cheap…but relative to what?" Leme asked rhetorically. Fundamentally, with the US current account deficit and the removal of at least $100 billion in supply of Latin American debt via re-payment, pre-payment or default, current pricing should not be a surprise, he reasoned, and investors can still find examples of "flagrantly cheap" assets such as Brazil, where recent political noise has not interfered with economic stabilization. Leme expressed considerable doubt that President Lula will be re-elected, and this allows for significant upside potential.

Chang offered the panel's most optimistic outlook, underscoring Leme's comments on the reduced supply of outstanding sovereign debt, and highlighting the accumulation of US$1.3 trillion in increased reserves in the past decade. "Macro legitimacy has not been accompanied with micro legitimacy, and as a result investors are still under-allocated," she declared.

Overcrowding, Overexposure to Long-Dated Paper Risks in Local Markets

Despite 19 countries being included in the JP Morgan local market index, Chang noted, much local market investment is in three "relatively crowded" trades: Brazil, Mexico and Turkey. Chang pointed out that all three countries faced simil1ar challenges—including high real rates compared to inflation and possible overvaluation on a long-term basis—and suggested that there might be "too much money chasing these trades." She asked her colleagues to share their concerns about investing in local market instruments.

For Leme, the largest risk is the fact that foreign investors' holdings consist mainly of long-dated paper, whereas domestic market participants are concentrated in the short end of the curve. He called for all three countries to enact structural reforms. Finally, Leme described the recent moves by several EM countries to issue local currency-denominated global debt as "nice crutches that substitute for the lack of reform in the domestic capital markets."

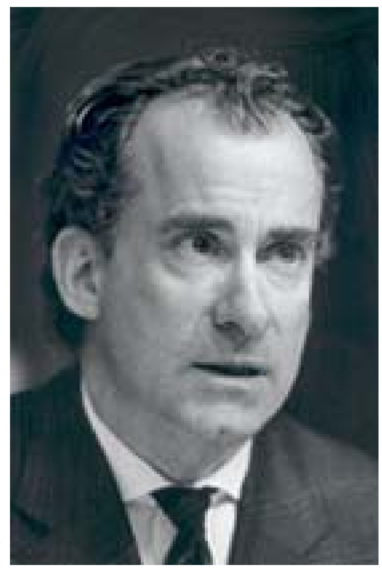
EMTA Annual Meeting (continued)

Vera saw the largest risk in local markets as liquidity, especially in the local swap markets. He also noted that capital controls create price differentials between on-shore and off-shore markets, and voiced concern that increased supply could result from recent increases in government spending.

Following up on Leme's concerns, Gavin described the recent evolution of his thoughts on the local Mexican markets. Whereas he was previously preoccupied with the concentration of foreign investors in long-dated local paper, in recent months he has become increasingly convinced that the bulk of these investments are from the large real-money accounts searching for added value in Mexican debt.

Elections Likely to Add Volatility

Taking its cue from Gavin, the panel next debated the risks posed to the market by the 19 major Latin American elections coming up over the next two years. Gavin acknowledged that his thinking on this has changed over the past couple of months; he is no longer as tranquil as in the recent past, when he believed that no major policy changes were at stake. While many countries would "certainly not accept the [Venezuelan President Hugo] Chavez model, he is being mainstreamed in the Latin American political context," Gavin warned, adding that this is to a substantial degree the result of "the withdrawal of the productive role that the US has occasionally played in Latin America."



On Brazil, Gavin expressed slightly less optimism than Leme, calling Lula "severely discredited" by recent political scandals and thus less able than ever to enact potential policy reforms. In recent weeks, Gavin continued, a new positive scenario has evolved in Mexico in which PAN candidate Felipe Calderon wins a close election that the PRI loses convincingly. Calderon "does 'get it' and would, as President Fox did, put in place pro-growth economic policies." A defeat of PRI candidate Roberto Madrozo could push the PRI to view the loss as "a rejection of the rejectionist wing of the party, a faction that had refused to support the reforms that Fox and previous PRI governments had tried to pass." The downside risk is the potential election of Andres Manuel Lopez-Obrador (AMLO), who, while "not a radical or someone who would blow up public finances, would make a spectacularly poor President of Mexico."

Gavin's survey of upcoming races also included a relatively benign assessment of Colombia's presidential election, and a brief appraisal of the Ecuadorian and Venezuelan situations as "bad." Gavin speculated that "there is no limit to how far Chavez's Bolivarian revolution could go in Venezuela—he is close to extinguishing, for all practical purposes, the private sector, whether intentionally or not."

"People have become completely complacent and these elections are going to add stress to the market," agreed Leme. Clarifying his prior upbeat remarks on Brazil, Leme acknowledged that while the "soap opera will have a happy ending, there will be a lot of tempestuous episodes." Finally, he lambasted "inept" governments that are missing an opportunity to get their economic houses in order. Vera concurred with Leme that volatility will almost certainly occur during the election cycle, but stressed that, long-term, the global backdrop remains the more important factor.

EMTA Annual Meeting (continued)

Chang concluded the hour-long discussion with a call for panelists' 2006 recommended longs and shorts, and introduced a new tradition of asking for a guess at the coming year's greatest market surprise. Most panelists included Brazilian and Mexican local markets in their favorable picks for 2006. Leme recommended investing in post-election Brazil, while Vera would buy Argentine GDP warrants and select long-dated Brazilian and Philippine paper. Gavin asserted that an opportunistic approach to the market was warranted in 2006, and Chang cautioned that the investment-grade component of the EMBI would underperform.

Bartholdy's list of potential market shocks included both higher-than-expected US inflation and above-consensus Argentine growth. Leme repeated his earlier comment on a failed Lula re-election bid, and added that one day the market will turn around "and it will be a lot quicker and uglier than we think." Vera and Gavin both suggested a substantial commodity price shock, with Vera also mentioning Ecuador "getting it together" and an early adoption of the euro in the EU's new states. Chang's own stabs at a 2006 market surprise included an earlier-than-expected US troop withdrawal from Iraq leading to a Middle East power vacuum, and losses by both AMLO and Lula at the ballot box.

Investor Panel

Citigroup's Don Hanna, who inherited the mantle of long-time investor panel moderator Tom Trebat, invited speakers to comment on the global macroeconomic picture.

Hari Hariharan (NWI Investment), recalling that last year's investor panel had forecast mediocre returns at best, proclaimed that "here we are hugging our double-digit returns for the year again!" He observed that no one had expected the size of Asian capital flows that had occurred, nor had anyone predicted the reserve-building that took place in EM countries, nor the resilience of the American consumer. Hariharan described the nature of EM investing as having undergone a tremendous change from the days when traders made large profits on "wild swings of the C-Bond." The case for bearishness is premature, he opined, until there is evidence of a large drop in aggregate demand from the US. Thus, the case for contagion is "no longer from the Emerging Markets into the core, but from the core—the US—to the Emerging Markets," he summarized.

Aegon's Sarvjeev Sidhu expressed concern that "we are probably headed into a difficult year in 2006" due to G-3 tightening which could "choke liquidity." Adding the 2006 election cycle to the mix could create a "perfect storm," he warned.

EMTA Annual Meeting (continued)

The unusual confluence of high commodity prices and low global interest rates is unlikely to persist, predicted Art Steinmetz of Oppenheimer, depriving emerging countries of their current tailwinds. While the market has been preoccupied with the ramifications of rising US interest rates, Steinmetz asserted that increased reliance on local market financing has diluted their effects and made them less important. Yet at the same time US rates are more important as they have accounted for more of Emerging Markets debt total return than ever before. This has forced Steinmetz to become involved in US Treasury hedges, he acknowledged.

Local Market Investments Reviewed

Dave Rolley (Loomis Sayles) concurred with the sell-side panel's predictions on the growing importance of local market instruments. Rolley quoted EMTA Volume Survey numbers which showed that 47% of third-quarter 2005 trading involved local treasuries, and predicted that they would account for more than half of trading in 2006. "We will have to think about local currency drivers in 2006 rather than dollar solvency drivers, so many of us are going to need different tool kits," he emphasized. Rolley questioned whether local players would be as enthusiastic about owning local debt as foreign investors.

Hariharan criticized the constraints some emerging countries have placed on foreign participation, and argued that access would continue to be an issue. "I still do not understand why Brazil will not allow foreigners to go into the futures market," he specified. Sidhu described the "uphill climb" his firm had encountered when preparing for local market investments, and when explaining his investment rationale to his clients. "It's not been an easy task; as a heavily regulated manager of dedicated long-term insurance fund assets, we don't have the mechanisms available to hedge funds or offshore entities," he commented.

Turning to corporate issues, Hariharan inquired how each of his co-panelists' firms organizationally structure Emerging Markets corporate bond analysis. Rolley responded that Loomis Sayles has assigned its analysts by industry, assuming that a G-7 mining firm could not be fully understood without factoring in emerging-country competition. Sovereign experts then contribute to the analysis by explaining the local context.

Sidhu commented that Aegon had a similar structure, with a top-down approach that first requires interest in the country. He advised that Aegon generally avoided corporates which were rated below the sovereign in non-investment grade countries. "No high yields in a high-yield country, which restricts our universe, but we found that those are the companies that usually do well," he summarized.

Steinmetz conceded to being "the odd man out" because of a self-confessed aversion to EM corporates. "Maybe I have been in this business too long," he commented, "but the instant the sovereign gets into trouble, the corporates go 'no-bid.'" Liquidity issues do not justify using firm resources to cover corporates, although Steinmetz looks to pick up additional yield from quasi-sovereigns or structures such as credit-linked notes.

EMTA Annual Meeting (continued)

Investment in Africa?

Hanna polled the panelists on how far the search for yield in local markets will go. Sidhu expected to find some interesting trades in Africa, although he has not gone beyond South African positions thus far. Steinmetz observed that Zambian kwacha trades are now to be considered seriously. He commented further that it was discouraging that despite a "dire need" for infrastructure, the lack of the rule of law and good government in many African countries prevented large external debt issues which could finance such projects while restricting foreign interest to large commodity exporters.

Rolley, referring to the early loan-trading days of the EM marketplace, added that the lack of external debt issues for an African country probably meant that "even 1970s or 1980s bankers wouldn't lend the country money." A minimal level of income, capital market infrastructure, governance, and hard-currency cash flow generation were required to appeal to foreign investors, he reasoned. "We seem to forget on occasion that one cannot lend money to a country without a tax base," he suggested.

Brazilian Local Markets the 'Boring' Recommendation for 2006

At the end of the panel, Hariharan conceded his "boring" recommendation would be Brazilian and Mexican local markets, in addition to shorting Hungarian bonds. Sidhu speculated that Russia could be awarded a single A rating in 2006 or 2007, but cautioned against owning Venezuelan credits. Rolley voted for corporates as both the best and worst ideas for 2006, expressing general skepticism about Asian corporates ("you have to worry if no one will lend them the money in Asia, where all the money is," he explained). Steinmetz seconded a recommendation for Brazilian local markets, defending his call by highlighting the number of investors who are still trying to get authorizations and approvals to enter the market. Steinmetz also stated that Philippine external debt is an anchor in his portfolio, for its defensive properties rather than total return potential, due to its unusual status as a low-beta high-carry EMBI credit.

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Completing the celebration of EMTA's 15th Anniversary year, the Annual Meeting also featured a display of the photographs of 34 notables from EMTA's past and present, including former EMTA keynote speakers, panelists and prominent Board members. The display drew a great deal of interest from EMTA's Annual Meeting guests, and in one case, excessive interest (one photograph went missing for several days -- it was later returned!) The display is set to reappear on EMTA's website sometime in the near future.

EM Debt Trading Rises to US$5.485 Trillion

Fourth Quarter Volume at US$1.378 Trillion

EMTA announced on February 21, 2006 that EM debt trading volumes rose to US$5.485 trillion in 2005. This represents an 18% increase over 2004 trading of US$4.645 trillion. In the history of the EM debt market, only once did Survey participants report higher volume, in 1997 when trading reached US$5.915 trillion before declining after the Russian debt default the next year.

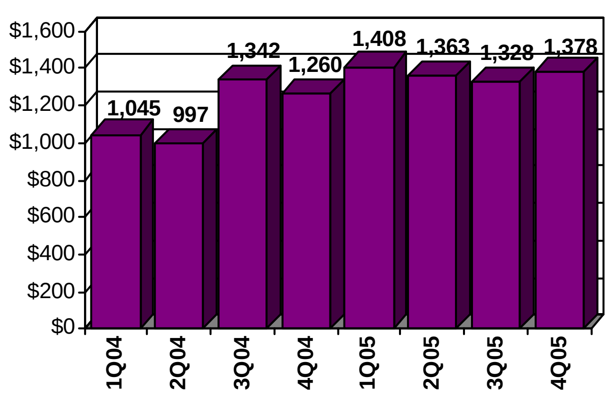
Emerging Markets debt transactions aggregated US$1.378 trillion in the fourth quarter of 2005, a 9% increase compared to the fourth quarter of 2004, when trading volume totaled US$1.260 trillion. This also represents a 4% increase over third quarter 2005 volume of US$1.328 trillion.

EMTA's Survey includes secondary market trading activity in sovereign and corporate Eurobonds, local instruments and other instruments (such as Brady bonds, debt options, warrants and loans) from over 90 Emerging Markets countries. 70 major dealers, banks and money management firms worldwide participated in the Annual Survey.

Joyce Chang, Managing Director and Global Head of the Currency, Emerging Markets and Commodities research groups at JP Morgan, noted that the EM asset class "continues to benefit from robust strategic inflows from a highly diversified investor base, with much of the new inflows sourced from outside the US, including Asia retail, Middle Eastern petrodollars and Asian central banks." She listed a declining stock of sovereign debt and comparatively less volatility vis-à-vis the US High Yield and High Grade markets as added factors supporting the asset class.

Aggregate Trading Volume

(in US$billions)



Brazil Volume at US$1.554 Trillion

Volumes in Brazilian debt instruments stood at US$1.554 trillion in 2005. This represents a 12% gain compared to the US$1.382 trillion reported by Survey participants during the previous year. Brazil's 2040 Bond remained the most frequently traded individual instrument, at US$576 billion in turnover, vs. US$293 billion in 2004 (a 97% increase), presumably attracting some of the activity in the previous industry benchmark, the Brazil C-Bond, which was redeemed in October. (The C-Bond accounted for US$60 billon in 2005 volume vs. US$222 billion in 2004). Brazilian turnover accounted for 28% of Survey volume, compared with a 30% share in 2004.

Chang praised Brazilian authorities, who took advantage of better-than-expected fundamentals and global liquidity to reduce the country's external vulnerability during 2005. "The government has delivered a remarkable achievement of basically wiping out its net external exposure, with external debt/GDP ratios likely to fall to 18% by year-end," she stated. However, Chang cautioned that while Brazil's external debt/GDP ratio is well below investment-grade country averages, "lingering vulnerability to domestic interest rates, high tax burden and budget rigidity will likely prevent an investment-grade rating for several years."

Mexican Volumes Fall 16% to US$905 Billion

In contrast to the general trend, Mexican volumes fell 16% to US$905 billion, vs. US$1.077 trillion in 2004. This represents the lowest level of Mexican volume since 2000. However, Mexican debt instruments maintained their position as the second most frequently traded instruments in 2005, accounting for 17% of total trading, vs. a 23% share the preceding year. Local markets instruments accounted for 77% of Mexican trading in 2005, at US$697 billion.

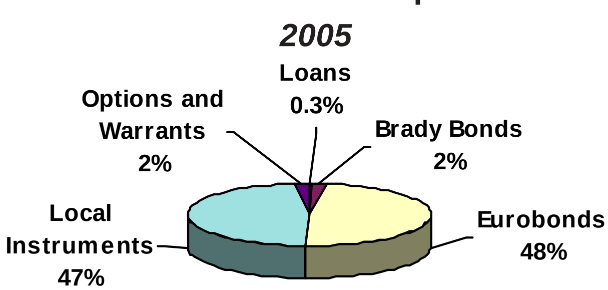
EMTA Volume Survey (continued)

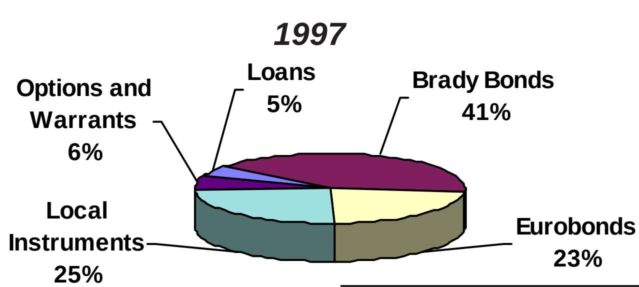
Turkish debt instruments were the third most frequently traded debt instruments, at US$464 billion. This compares with US$236 billion in 2004, a 97% jump in volume. Turkish local instruments accounted for 61% of Turkish trading, at US$282 billion, while reported turnover in the Turkish 2030 Bond, the third most frequently traded instrument in the Survey, stood at US$86 billion (itself 19% of all Turkish volumes). Turkey's share of overall volumes rose to 9%, its highest share ever, compared with 5% in 2004 and 4% in 2003.

At US$365 billion, Russian trades rose 2% vs. 2004 volume of US$357 billion. Nearly half of activity (48%) was in transactions of Russia's 2030 Bond (US$175 billion), which remained the second most frequently traded individual asset in the Survey. Russian trades accounted for 7% of total volume, vs. 8% in 2004.

Following the completion of the country's restructuring deal, and its subsequent reintroduction to industry indices, Argentine volumes moved up to fifth position from seventh in 2004 and twelfth in 2003. Argentine trading (US$346 billion) accounted for 6% of overall volumes in 2005, up from 4% in 2004. Analysts speculated that a post-restructuring Argentina likely reclaimed some of its dormant volume back from Brazil, as Argentine market share rose in the final two quarters of the year in tandem with a decreased Brazilian share.

Market Share Comparison





Eurobonds 48% of Volume, Local Markets Take 47% Share

Eurobond volumes, at US$2.637 trillion, accounted for 48% of volumes and rose 25% compared to 2004 volume of US$2.114 trillion (when they accounted for 46% of trading). 86% of Eurobond trading was attributable to sovereign issues, a slight increase from their 85% share in 2004. Corporates accounted for 12% of Eurobond volumes (vs. 14% in 2004), with the remaining 2% not specified. The most frequently traded Eurobonds were those issued by Brazil (US$972 billion), trailed by Russia (US$290 billion), Mexico (US$188 billion), Argentina (US$175 billion) and Turkey (US$174 billion).

US$2.593 trillion in Survey trading involved local instrument transactions, or 47% of overall volume. This compares with US$2.094 trillion in local instrument trades in 2004, a 24% increase, and vs. a 45% share in 2004. The most frequently traded local instruments were those issued by Mexico (US$697 billion), followed by Brazil (US$433 billion), Turkey (US$282 billion), Poland (US$255 billion) and South Africa (US$188 billion).

Option and warrant trading (US$132 billion) and Brady Bond transactions (US$108 billion) each accounted for 2% of Survey volume. Loan assignments (US$15 billion) accounted for less than 1% of activity.

Chang expressed confidence that inflows to the asset class are likely to remain robust in 2006. "Retail and strategic inflows for 2006 could rise to at least US$25 billion if the current pace of flows continues," she stated. Chang also remained optimistic that while "modest—and healthy—profit-taking in the coming weeks would not come as a surprise after the recent record compression of spreads, the drivers of emerging markets outperformance remain intact, with supportive technicals and record inflows likely to limit the magnitude of a sell-off."

For a copy of EMTA's Fourth Quarter and 2005 Annual Debt Trading Volume Surveys, please contact Jonathan Murno at jmurno@emta.org or +1 (646) 637-9105.

EMTA Board Meeting on January 24, 2006

The Organizational Meeting for EMTA's 2006 Board was held on January 24 at the offices of J.P. Morgan Chase in New York City and Merrill Lynch in London, with the usual video and teleconferencing links.

Elected to the Board at the beginning of the meeting were Rodolfo Fischer (Banco Itau) and Bruno Medeiros (Banco Pactual).

As a result, the full composition of EMTA's Board of Directors for 2006 is as follows:

Co-Chairs

Bo Bazylevsky (J.P. Morgan Chase)
Stephen G. Kenny (UBS)
Mark L. Coombs (Ashmore)

Vice Chairs

Soroosh Shambayati (Citigroup)
Mohammed Grimeh (Lehman Brothers)
Dean Menegas (Spinnaker Capital)
Kay Haigh (Deutsche Bank)
Juan A. del Azar (Merrill Lynch)
John Cleary (Standard Asset Management)

Other Board Members

Rodolfo Fischer (Banco Itau)
Lawrence Goodman (Bank of America)
Peter L. Urbanczyk (Bear Stearns)
Peter R. Geraghty (Dresdner Kleinwort Wasserstein)
Tung Siew Hoong (Gov't of Singapore Investment Corp.)
Michael E. Gagliardi (HSBC Halbis Partners)
Diego Ferro (Morgan Stanley)
Keith J. Gardner (Western Asset Management)
Bruno Medeiros (Banco Pactual)
Diego Gradowczyk (Barclays Capital)
Scott Kramer (Credit Suisse)
Gregg Tebbe (Goldman Sachs)
Bruno Machiavelo (HSBC Bank)
Marcy M. Swank (ING)
Bruce A. Wolfson (Rohatyn Group)

In addition, Ruth Laslo (UBS) was re-elected Board Treasurer.

In addition to reviewing EMTA's preliminary results for the first eleven months of 2005 (which were on track with the 2005 Budget) and the preliminary Budget for 2006 (which was closely based on 2005 and shows a projected surplus of about $110,000), the Board also continued to discuss the longstanding trade settlement backlog in Venezuela's Oil Obligations and possible next steps to a market-wide resolution to this issue, such as a multilateral netting facility, which would be cash settled at a price determined by a market-oriented mechanism (see page 14). Directors supported the facility in principle, but agreed that participation of a critical mass of market participants with open positions in the Oil Obligations would be necessary.

The Board also briefly discussed the proposed formation by The Bond Market Association (TBMA) and the International Capital Market Association (ICMA) of a Global Capital Markets Board, with its implications for global cooperation among financial trade associations.

The next meeting of EMTA's Board is scheduled to be held on April 26, 2006.

EMTA Proposes Multilateral Netting Facility for Venezuela Oil Obligations

On February 15, EMTA announced that it was proposing to sponsor a Multilateral Netting Facility to address the longstanding backlog in the settlement of transactions in Venezuela Oil Obligations entered into before January 2, 2002 (the "Warrants"). The Facility, which will be cash-settled at a settlement price to be determined on the basis of a polling of all participating firms, is expected to be completed before June 30, 2006.

The Facility will be conditioned on the participation of a critical mass of market participants with open positions in the Warrants. Assuming such level of participation, the Facility is expected to clear the existing backlog of Warrant settlements, which dates back to the early 1990's.

EMTA has issued an open invitation to all market participants with open positions in the Warrants to participate in the Facility and has requested that firms interested in participating send EMTA a nonbinding indication of their interest as soon as possible, but in any event not later than March 15, 2006. The Facility has been endorsed in principle by EMTA's Board of Directors.

Further information about the proposed Facility is contained in the Preliminary Term Sheet that has been distributed to the marketplace for review and comment. For further information about the Warrants, please Click Here for a Revised Primer (February 22, 2006) which EMTA has prepared.

A more detailed Term Sheet and implementing documentation is expected to be available sometime in the month of March, when definitive commitments to participate will be requested. Questions and comments about the proposed Facility may be directed to Aviva Werner at awerner@emta.org or (646) 637-9110.

In the most recent EMTA monthly conference call, the major dealers all reported that their internal reconciliation efforts, as well as the reconciliation of their positions to those of the private clearing firms and the settlement systems, were nearly complete. While it appears that some more reconciliation among dealers, as well as reconciliation with custodians and customers, will be necessary before the dealer reconciliation effort with their counterparties is completed by all of the major dealer firms, it appears for the first time that a market-wide resolution to this backlog may soon be feasible.

EMTA wishes to remind all market participants that substantial efforts should be made, and sufficient resources should be devoted, to continue to fully reconcile positions with their counterparties so that the Facility can be completed by June 30, 2006. In the meantime, in the interests of an orderly market, a certain amount of patience and forbearance in dealing with counterparties is likely to contribute a great deal more to the successful resolution of the overall settlement backlog than the aggressive pursuit of individual payment and settlement claims.

Also, to aid the market in its efforts at reconciliation, EMTA is requesting that firms send EMTA contact information (including telephone number and e-mail address) for their customers and custodians, as well as for the person(s) at their firm responsible for the reconciliation. EMTA's compiled list of such contacts will be distributed to the firms that contribute such information.

* * * * *

The October 15, 2005 Oil Obligations payment was made on October 17 to holders of record as of September 30, 2005, and EMTA recommended that trades be settled 'ex-dividend' on September 28. Click Here for the Fiscal Agent's notice regarding the payment's calculation.

The Oil Obligations came 'into-the-money' for the first time as of October 15, 2004. That payment was made on March 3, 2005 to holders of record as of March 1, 2005. The April 15, 2005 payment was made on time.

Bond & Warrant Trading & Settlement

Nigeria Payment Adjustment Warrants

Fails in settlements of Nigeria's Payment Adjustment Warrants ("Warrants") have also been a continuing problem, similar to the VRR fails in Mexico and the Oil Obligations fails in Venezuela.

Adequate and accurate reconciliation among market participants continues to be the key to resolving disputes regarding failed Warrant transfers.

Market participants are strongly encouraged to continue their efforts to reconcile internally and with their counterparties (including with custodians) their individual accumulated failed Warrant transfers, so that net bilateral positions can be ascertained and settled. This reconciliation process is necessary as a precondition to permit the development and implementation of any comprehensive solution (such as a global multilateral netting facility) to the settlement backlog. EMTA expects to operate a multilateral netting facility for the Nigeria Warrants as soon as substantial progress has been made on a comparable netting facility for the Venezuela Warrants.

To assist market participants in better understanding the Warrants, and the background of the settlement and payment backlog, EMTA has prepared a Revised Primer (February 22, 2006) which includes the formula for determining the number of Warrants related to the Bonds and a history of prior payments.

* * * * *

Click Here for the Fiscal Agent's notice regarding the November 15, 2005 payment's calculation.

The Warrants came 'into-the-money' for the first time on November 15, 2000 and then again on May 15, 2001. The May 15, 2001 payment was made on November 15, 2001 with default interest (no separate payment was due for the November 15, 2001 period). No further payments were due until November 15, 2004. The November 15, 2004 payment was made (with default interest) on April 14, 2005 to Payment Adjustment Warrant holders of record as of March 30, 2005. The May 15, 2005 payment was made on time.

Numerous claims among market participants for these payments are expected.

Iraq

Iraq successfully closed its debt restructuring in late January. Click Here for the Sovereign Bond Chart. To aid the market in the orderly trading and settlement of when-issued trades of the USD Notes due 2028, EMTA distributed to the marketplace on January 9, 2006 a WI Confirmation Form (and accompanying Memorandum).

Mexico VRR Payment

The December 31, 2005 payment was made to Series D VRR holders of record as of December 16, 2005, and EMTA has recommended that trades be settled 'ex-dividend' on December 14. Click Here for the Fiscal Agent's notice regarding the VRR payment's calculation.

The March 31, 2006 payment is expected to be made to Series D VRR holders of record as of March 16, 2006, and EMTA recommended that trades be settled 'ex-dividend' on March 14. (A copy of the Fiscal Agent's notice regarding the VRR payment's calculation will be published in the New Development's area of EMTA's website as soon as it is made available.)

The VRRs have been 'in-the-money' for the last fourteen consecutive quarterly payment periods (the last time no payment was due on the VRRs was September 30, 2002).

Click Here for EMTA's Revised Primer on Mexico VRR's.

Uruguay VRR Payment

Click Here for the Fiscal Agent's notice regarding the December 20, 2005 VRR payment's calculation of zero. To date, no payments have ever become due on the VRRs.

* * * * *

For further information, please visit the New Developments area of EMTA's website or contact Aviva Werner at awerner@emta.org or (646) 637-9110.

FX and Currency Derivatives

What's in the Pipeline?

Emta's last Bulletin outlined the pipeline of projects EMTA has embarked upon in the FX and Currency Derivatives area. Below is an update on the progress of these projects, as well as of other topics of interest that have arisen. As always, Member input is welcome.

NDF Master Agreement Work Underway

Discussions continue among EMTA, the FXC and The Foreign Exchange Joint Standing Committee (FXJSC) of the Bank of England regarding development of a master agreement for NDF trading. This is regarded as one of the highest priority items by many EMTA Members. Issues currently being discussed are settlement currency, electronic messaging compatibility and settlement systems compatibility, among other things. A draft of this master agreement is not yet available.

CLP, COP and PEN Template Terms Discussions Continue

In December, 2005, EMTA posted draft documentation for CLP, COP and PEN template terms and related documentation and invited EMTA Members to comment on these drafts. A number of discussions on these drafts have been had, focusing on the important issues of whether the primary settlement options currently relied on by the market are satisfactory and/or whether any or all of these currency templates should or should not incorporate a Price Materiality Disruption Event. Revisions to some of these documents are underway to reflect the discussions and these revisions will be posted on EMTA's website in the near future. Members interested in commenting on these drafts are cordially invited to do so.

NDO Documentation Underway

Standardized terms for non-deliverable option products are in the development phase. No drafts have yet been posted for review or comment, but as always, if you have any issue or viewpoints that you wish to raise at this point in the process, please send them to us.

Website Updates

In December 2005, EMTA implemented changes to its website in the areas that are relevant to the FX and Currency Derivatives market. These changes were designed to make finding documentation and information easier for Members and website subscribers. Comments on these changes are welcome. In particular, we call your attention to the new "Draft Documentation Bulletin Board" intended to make it easier for Members to find and download draft documentation that is currently under consideration. This can be found in the FX and Currency Derivatives Documentation area of the website.

CNY and KRW Rate Source Definition Amendments Expected

Minor amendments to the CNY and KRW rate source definitions are expected shortly. These amendments will reflect the new times that the quoting entities in each case publish the rate. EMTA expects to issue an updated version of the Compendium to Annex A upon their publication.

NDF Volume Survey Discontinued

For now, EMTA has discontinued the NDF Volume Survey. For details, please see page 22.

EMTA-ISDA Documentation Working Group

This group held a meeting in the summer of 2005 and since then, work on a draft non-deliverable swap product for Latin America has been underway. The group will reconvene to discuss the draft sometime in the first quarter of 2006.

* *

For further information regarding the above, as well as FX and Derivatives matters generally, please contact Leslie Payton Jacobs at lpjacobs@emta.org or (646) 637-9103.

EMTA Members: To obtain the password for the Members Only area, please e-mail sortiz@emta.org

Website Updates and Additions

Key Industry Views

EMTA continues to recognize publications by leading research analysts and others that highlight noteworthy industry topics. In recent weeks, EMTA has made the following additions to the Key Industry Views area of EMTA's website:

- "Brazil: Abundance is Just Beginning." February 13, 2006 - Gray Newman (Morgan Stanley).
- "Secretary Levy Announces Buy Back of External Debt." February 10, 2006 - Paulo Leme (Goldman Sachs).
- "Iraq: 2006 Outlook." February 2, 2006 - Khatija Paruk (Deutsche Bank).
- "New Iraqi Bond: 'Irrational Exuberance.'" January 27, 2006 - Francis Beddington and Dmitry Shishkin (Standard Bank).
- "Some Thoughts on Latin Politics." January 24, 2006 - Michael Gavin (UBS).
- "Colombia, Venezuela, Ecuador, Peru, Chile 2006 Themes." January 6, 2006 - Michael Gavin, Catherine Agnelli, Javier Kulesz, Victoria Werneck and David Treiger (UBS).
- "Emerging Economy and Financial Trends into 2006." January 5, 2006 - Lawrence Goodman, Guillermo Estebanez, Dwyfor Evans, Kanan Kapadia, Uwe Parpart, Christy Tan, Qing Wang, Steve Wang and Han-Sia Yeo (Bank of America).
- "2006 Country Forecasts and Outlooks." January 2006 - Paulo Vieira da Cunha, Benito Berber, Marjorie Hernandez and Virgil Esguerra (HSBC).
- "EM Debt Beat Major Debt Markets Since Inception." January 5, 2006 - Jane Brauer (Merrill Lynch).
- "Out of Africa." December 31, 2005 - Jay Newman (Elliott Management Corporation). Reprinted from The Wall Street Journal © 2005 Dow Jones & Company. All rights reserved.
- "EM Outlook 2006: Weathering the Gusts." December 20, 2005 - Gianfranco Bertozzi, Tolga Ediz, Joe Kogan, Guillermo Mondino, Tim Page and John H. Welch (Lehman Brothers).
- "Latin America: The Abundance Challenge." December 19, 2005 - Gray Newman (Morgan Stanley).
- "A Benign Outlook for Latin America in 2006-2007." December 16, 2005 - Paulo Leme, Alberto Ramos, Pablo Morra and Malachy Meechan (Goldman Sachs).
- "Peru Elections: A Bumpy Ride Once Again." December 16, 2005 - Luis Oganes and Andres Ortiz (JP Morgan).
- "Limited Gains in Prospect for External Debt Markets in 2006." December 15, 2005 - Philip Suttle (Barclays Capital).
- "2006 Emerging Markets Outlook: Steaming Ahead." December 15, 2005 - David Folkerts-Landau, Marcel Cassard, Marc Balston, Pierro Ghezzi, Kingsmill Bond, Michael Spencer, Gustavo Cananero and Jens Nystedt (Deutsche Bank).
- "Africa: The Next Frontier." December 15, 2005 - Walter Molano (BCP Securities).
- "Emerging Markets Outlook and Strategy for 2006." December 13, 2005 - Joyce Chang (JP Morgan).
- "Commentary Across the Grades: Emerging Markets." December 13, 2005 - Carl Ross, A. Daniel Lerner and Michael Mutti (Bear Stearns).
- "Outlook for 2006." December 13, 2005 - Michael Gavin, Catherine Agnelli, Javier Kulesz, Victoria Wernick and David Treiger (UBS).
- "EM Debt: Not a Disaster but No Better Than Cash." December 2, 2005 - Kasper Bartholdy (CSFB).
- "Emerging Markets Outlook and Strategy for 2006." December 1, 2005 - Thomas Glaessner and Don Hanna (Citigroup).
- "The Year Ahead." December 1, 2005 - Tulio P. Vera & Team (Merrill Lynch).

Website (continued)

New Developments

These and other recent news items can be found in the New Developments area of EMTA's website.

- February 22, 2006 - Revised Primers for Venezuela Oil Obligations and Nigeria Payment Adjustment Warrants.
- February 21, 2006 - Mexico VRR, Series D, Record Date of March 16 and Payment Date of March 31 Expected. Trades are 'Ex-Dividend' on March 14. Calculations for Payments on the VRR's will be Announced by the Fiscal Agent Shortly
- February 21, 2006 - EMTA Announces 2005 Annual Emerging Markets Debt Trading Rises to US$5.485 Trillion.
- February 16, 2006 - Brazilian Government Issues Executive Order on Taxation.
- February 15, 2006 - EMTA Announces Its Proposed Multilateral Netting Facility for Venezuela Oil Obligations.
- February 15, 2006 - EM Sovereign Bond Chart for Iraq.
- February 8, 2006 - Holiday Schedule for EM Bond Trades for US Presidents' Day Holiday.
- February 6, 2006 - Nigeria Assigned a BB- by Standard & Poor's.
- February 3, 2006 - Standard & Poor's Upgrades Venezuelan Long-Term Rating to BB-.
- January 30, 2006 - Nigeria Assigned a BB- Rating by Fitch.
- January 23, 2006 - Iraq Closes Restructuring Deal.
- January 19, 2006 - Greylock v. Province of Mendoza Second Circuit Affirmation of District Court Decision.
- January 18, 2006 - EMTA Winter Forum in London to be Held on February 28, 2006.
- January 18, 2006 - JP Morgan Announces Enhancements to GBI-EM Indices, Available at Month-End.
- January 12, 2006 - Repatriation Proceedings Brought by Banco Central de Paraguay in U.S. Court.
- January 9, 2006 - Iraq WI Confirmation Form for USD Notes Due 2028.
- January 9, 2006 - Kensington International Limited v. Congo in UK Court Attachment Proceedings.
- January 4, 2006 - Holiday Schedule for EM Bond Trades for Martin Luther King, Jr. Holiday.
- January 4, 2006 - People's Bank of China Makes Further Changes to its Forex System.
- December 21, 2005 - Calculations for Payments on Uruguay VRR's Announced.
- December 19, 2005 - Calculations for Payments on Mexico VRR's, Series D, Announced.
- December 15, 2005 - Standard & Poor's Upgrades Russian Long-Term Foreign Currency Rating to BBB.
- December 13, 2005 - GMO Emerging Country Debt Investment Fund and GMO Emerging Country Debt Fund v. Argentina.
- December 13, 2005 - GMO Emerging Country Debt Investment Fund and GMO Emerging Country Debt Fund v. Argentina.
- December 7, 2005 - Holiday Schedule for EM Bond Trades for Christmas, Boxing Day and New Year's Holidays.
- December 7, 2005 - 2006 Holiday Schedule.
- December 7, 2005 - 2006 Batch Settlement Schedule for Certain Class I Loan Assets.
- December 6, 2005 - New Barrier Option Supplement to the 1998 FX and Currency Option Definitions Published.
- December 1, 2005 - Presentation by Fernando Zavala, Peru's Minister of Finance, at EMTA Annual Meeting.
- December 1, 2005 - EMTA Annual Meeting Sell Side Panel - Market Views on Key Variables for 2006.
- December 1, 2005 - EM Sovereign Bond Charts for Israel and Vietnam.
- November 30, 2005 - EMTA's Fourth Quarter Bulletin is Now Available in our Bulletin Section.

Website (continued)

Reminders: Visit the *From the Market*, *Litigation* and *Job Opportunities* areas

There are a few relatively new areas of EMTA's website: From the Market in the Activities and Services area, Litigation in the EM Background area and Job Opportunities.

From the Market contains items submitted to EMTA that are deemed of general interest to the Emerging Markets trading and investment community. Decisions to post items are in EMTA's discretion, and the responsibility for content of each posted item is solely with its author. Items in a variety of formats such as articles, opinions, transcriptions, and graphics, among other items, are appropriate for this area. To submit postings to this area, please contact Suzette Ortiz at sortiz@emta.org or (646) 637-9106.

The website's latest addition, Litigation, is where various legal cases are posted that may be of interest to the EM trading and investment community. Cases can be viewed alphabetically in the more comprehensive List of Cases, as well as in specific subject matter categories in reverse chronological order. If you are aware of any pertinent information which would be useful to post here, please contact Aviva Werner at awerner@emta.org or (646) 637-9110.

The Job Opportunities area includes positions currently available around the globe for members of the EM trading and investment community. We especially encourage you to pass along the address of this site to former colleagues who are currently seeking positions in the EM debt industry. If your firm is interested in posting a job listing on the website, please contact Jonathan Murno at jmurno@emta.org or (646) 637-9105.

Events

Over $340,000 Raised at EM Charity Benefit in New York

According to preliminary estimates, the EM debt industry's Annual New York Charity Benefit raised over $340,000, matching the amount raised at the 2004 event. The EMCB Committee noted that its expenses stood at only 23% of gross revenues, down from 26% the previous year; this represents an exceptionally low ratio for a benefit dinner.

450 Emerging Markets professionals attended the event, which was held at Capitale Restaurant on December 1, 2005, and immediately followed EMTA's Annual Meeting (see page 1). Based on feedback from previous attendees, the gala was streamlined and maximized mingling among members of the EM debt trading community. The benefit was held on World AIDS Day, and event organizers pointed out that some of the evening's proceeds would be disbursed to organizations in emerging countries combating the HIV/AIDS pandemic.

Funds for the evening's beneficiaries were raised via table sales, souvenir program ad sales, a silent auction and a casino. A major boost to the event's fundraising efforts was a $101,037.50 donation from the electronic dealer MarketAxess. This represented 50% of the firm's profits from its Second Annual Charity Trading Day, held in September 2005. MarketAxess donated an equal amount to the EM debt industry's London event last fall.

Proceeds from the event will be distributed to:

- EMPower (www.empowerweb.org), which funds a number of health and education programs around the globe;
- ProMujer (www.promujer.org), which makes micro-loans to women in Bolivia, Mexico, Nicaragua and Peru;
- The Resource Foundation (www.resourcefnd.org), which partners with local nonprofits in Latin America to promote economic development and sustainable agriculture; and
- World Education and Development Fund (www.worldfund.org), which promotes education in Latin America.

EMCB began issuing initial disbursements totaling $87,000 in late December 2005. The remaining proceeds will be distributed to event beneficiaries as soon as final pledges are collected.

EMTA extends its congratulations and thanks to the Benefit Committee for another year of hard work and dedication in organizing the event. 2005 Benefit Committee members included Maria Garcia (Lehman Brothers), who served as Head of Sales for the EMCB, Tom Baluk (J.P. Morgan), Glenn Edelson (Goldman Sachs), Hema Kailasam (Deutsche Bank), Chandra Metzler (Deutsche Bank), Anne Milne (Deutsche Bank), Dennis Rodrigues (MarketAxess), Denise Simon (HSBC Halbis Partners), Marcy Swank (ING Financial Markets LLC), Adam Weiner (Oppenheimer Funds), Rossanna Scanlon (The Options Group) and EMTA's Jonathan Murno (Committee Chair).

The Committee continues to welcome new members. Please contact Jonathan Murno at jmurno@emta.org if you would like to become involved.

MarketAxess presents the EMCB with a check for $101,037 at its annual gala. Left to right: Jonathan Murno (EMCB Chair; EMTA), Dennis Rodrigues (MarketAxess' Emerging Markets Product Manager), Maria Garcia (EMCB Head of Sales; Lehman) and Rick McVey (CEO, MarketAxess).

Events (continued)

EMTA Special Meetings

Local Markets

Consistent with the continuing market interests in local markets instruments, EMTA has initiated a series of informational meetings aimed at providing the market with a forum to discuss local markets issues. Recent presentations have included:

October 19, 2005: **"Opportunities and Pitfalls in Emerging Markets Restructurings"** with Steve Kargman as guest speaker.

Mr. Kargman currently heads up his own strategic advisory firm, Kargman Associates (http://kargmanassociates.com), which provides clients with advice on how to manage complex international restructurings and cross-border insolvencies. Until recently, he served as Lead Attorney with the Export-Import Bank in Washington where he handled many of the Bank's major restructurings throughout the developing world. Mr. Kargman was also a member of the US delegation to the UNCITRAL project on developing a legislative guide on insolvency law.

January 25, 2006: **"Mexico Mortgage-Backed Securities – Should Mexico Adopt the Danish Model?"** with Alan Boyce and John Rogers as guest speakers.

Mr. Boyce is Director of Special Situations at Soros Fund Management LLC. Since 1999, he has managed a portfolio of assets of the Quantum Funds and has principal operational responsibilities for the bulk of Soros' investments in Latin America. Mr. Boyce is also CEO of Absalon, a joint venture between Soros and the Danish financial system, which is assisting in the organization of a standardized mortgage-backed securities market for Mexico. Before joining Soros, he served as Managing Director in charge of Fixed Income Arbitrage with Bankers Trust, and prior to that he worked for the Federal Reserve Board in Washington, D.C.

Mr. Rogers is a partner at Strasburger & Price in charge of its Mexico City office. Before moving to Mexico, he practiced at Milbank Tweed and in the legal department of Bank of America in New York.

May 12, 2006: **"Local Markets Investment in Brazil: Introduction for Foreign Investors"** with guest speakers to be announced.

Continuing Legal Education (CLE) credit is available for New York attorneys (application for CLE credit for attorneys participating by teleconference is currently pending); however, these meetings are also suitable for non-lawyers and we encourage their attendance and insight.

Legal and Compliance Meeting

EMTA has been hosting Legal and Compliance Meetings on EM topics of interest since 1992, and EMTA is pleased to announce the upcoming meeting (which will be in a panel format for the first time) on March 28, 2006 on **"Recent Developments in Sovereign Debt"** with James Kerr (Davis Polk & Wardwell), as the moderator, and Jonathan Blackman (Cleary, Gottlieb Steen & Hamilton), Michael Straus (Straus and Bois) and Dennis Hranitzky (Debevoise & Plimpton), as panelists.

Continuing Legal Education (CLE) credit is available for New York attorneys (application for CLE credit for attorneys participating by teleconference is currently pending).

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If you have any suggestions for future meeting topics, please e-mail Aviva Werner at awerner@emta.org.

Miscellany

EMTA Discontinues Annual NDF and CDS Surveys

For the time being, EMTA has discontinued its Annual Surveys of Non-Deliverable Forwards (NDFs) and Credit Derivatives. This does not affect EMTA's Annual Survey of EM Debt Trading, which continues to be published on a quarterly basis (see page 11).

EMTA launched its efforts to collect NDF and CDS volumes in mid-2003, in an attempt to augment its quarterly and annual bond trading volume surveys, which have been successfully administered and published by EMTA since 1992. By year-end, EMTA decided to scale back its plan to just an annual publication in order to give the new surveys a greater chance of success. EMTA published a report on annual NDF and CDS volumes for 2003, with limited, but credible, participation by the market.

Despite a sustained effort to collect volume data from its membership in 2004 (including, in the case of NDFs, an outreach to the Foreign Exchange Committee of the Federal Reserve Bank), ultimately EMTA did not receive enough information to publish credible surveys for either NDF or CDS volumes for calendar year 2004. Feedback from several major market participants among the EMTA membership indicated that at that time the potential results did not justify the dedication of the necessary resources to collect and report the data to EMTA. Based upon this experience, EMTA concluded that a collection effort for 2005 NDF and CDS Surveys was likely to meet with a similar response. After consultation with the EMTA Board of Directors, the decision was made to discontinue this effort.

EMTA continues to believe that these surveys advance the important goals of market transparency, documenting liquidity in the markets and generally promoting the industry. We will continue to monitor this situation, with a view to re-initiating the surveys when interest by the EMTA membership in these products is more robust. Please forward any comments to Jonathan Murno at jmurno@emta.org or Leslie Payton Jacobs at lpjacobs@emta.org.

Miscellaneous (continued)

JPMorgan Hosts EMTA Winter Forum in London

EMTA's Third Annual Winter Forum will be held in London on February 28, 2006. JPMorgan will host the event at The Great Hall, 60 Victoria Embankment.

The event will feature EMTA's traditional panels of industry gurus, who will discuss recent trends in the market and debate their predictions for the emerging world in 2006. The Forum will be followed by a cocktail reception.

Joyce Chang (JPMorgan) will moderate a sell-side panel which will include Walter Molano (BCP Securities), Tim Ash (Bear Stearns), Kasper Bartholdy (Credit Suisse) and Marc Balston (Deutsche Bank). Brett Diment (Aberdeen Asset Management) will again serve as investor panel moderator, posing questions to Anders Faergemann (AIG), Jerome Booth (Ashmore Investment Management), Simon Treacher (BlueBay Asset Management), and John Carlson (Fidelity Investments).

Invitations for the event were emailed in late January. Attendance for members is complimentary; the registration fee for non-members is US$500.

For more information, please contact Jonathan Murno at jmurno@emta.org.

EMTA is Your Forum

Questions arise from time to time about EMTA's policies regarding views expressed in items posted on its website or by speakers or panelists at EMTA events.

For the record, EMTA, by long-standing custom, does not necessarily endorse such views. Items posted on EMTA's website and speakers and panelists at EMTA events are selected because EMTA believes that they will be of topical interest to our Members and to the broader market and will contribute to the expression and free exchange of views and information in the marketplace.

At EMTA, we are always interested in getting market feedback on the effectiveness of our website, events and activities generally. Please take the time to let us know whether or not you agree with what you see on our website or hear at one of our events and, most important, whether there is more that EMTA should be doing, or doing differently, to better serve the EM marketplace.

Information for Volume Survey Participants

As a reminder, EMTA collects volume data from market participants for its Debt Trading Volume Surveys. Data for the Debt Trading Survey is collected quarterly, and EMTA contacts its survey participants approximately one week before the end of each quarter. Look for the EMTA Volume Survey e-mails! If you are not currently a participant in the EMTA Volume Survey and believe you can contribute data for these purposes, or wish to find out more about being a survey participant, please contact Jonathan Murno at jmurno@emta.org. Individual Survey responses are kept strictly confidential.

EMTA Membership Update

EMTA's newest Members include **BBVA, DZ Bank, Emerging Markets Special Opportunities Ltd., Reuters** and **Societe Generale**. If you are interested in EMTA Membership, or if you know of prospective Members, please contact Michael M. Chamberlin at mchamb@emta.org or (646) 637-9101, Starla Griffin at sgriffin@emta.org or (44-207) 996-3165 or Suzette Ortiz at sortiz@emta.org or (646) 637-9106. Also, in the Membership area of EMTA's website, we offer information about our various Membership categories and benefits and about how to join the Association.

EMTA Hotlines

Topic	Contact	Telephone
Argentina	Aviva Werner	(646) 637-9110
Burden-Sharing/CAC's/SDRM	Michael Chamberlin	(646) 637-9100
Clearing Corp. (LCH.Clearnet)	Michael Chamberlin/Starla Griffin	(646) 637-9100/(44-207) 996-3165
EM Benefit Events	Jonathan Murno	(646) 637-9105
EM Bond Charts	Aviva Werner	(646) 637-9110
EM Principles	Michael Chamberlin	(646) 637-9100
EMTA Code of Conduct	Michael Chamberlin	(646) 637-9100
EMTA Membership	Starla Griffin/Suzette Ortiz	(44-207) 996-3165/(646) 637-9106
EMTA Website	Suzette Ortiz/Jonathan Murno	(646) 637-9106/9105
FX/NDF's/Derivatives	Leslie Payton Jacobs/Starla Griffin	(646) 637-9103/(44-207) 996-3165
Global Equities	Bruce Wolfson (Rohatyn Group)/Starla Griffin	(212) 984-2907/(44-207) 996-3165
Investor Rights	Michael Chamberlin	(646) 637-9100
Legal/Compliance	Aviva Werner	(646) 637-9110
Loan Trading	Aviva Werner	(646) 637-9110
Local Markets	Starla Griffin	(44-207) 996-3165
Market Information/Research	Jonathan Murno	(646) 637-9105
Market Practices	Aviva Werner	(646) 637-9110
Market Price & Volume Data	Jonathan Murno	(646) 637-9105
Multilateral Netting	Aviva Werner	(646) 637-9110
Paris Club	Starla Griffin	(44-207) 996-3165
Repos/Securities Lending	Aviva Werner	(646) 637-9110
Warrants/VRR's	Aviva Werner	(646) 637-9110

EMTA staff can also be reached through the general telephone number (646) 637-9100, at the following e-mail addresses or through EMTA's website (www.emta.org).

Michael Chamberlin	mchamb@emta.org
Starla Griffin	sgriffin@emta.org
Jonathan Murno	jmurno@emta.org
Suzette Ortiz	sortiz@emta.org
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EMTA Calendar

Fri., Jan. 13	Recommended 2:00 p.m. (NYC) Early Market Close
Mon., Jan. 16	Recommended Market Close (NYC) Martin Luther King, Jr. Day Recommended 12:00 Noon (London) Early Market Close
Tues., Jan. 24	**EMTA Board Meeting (NYC/London)**
Wed., Jan. 25	Legal and Compliance Group Meeting - 12:00 Noon Global Financial Markets Conference Center 360 Madison Avenue, 17th Floor (NYC)
Fri., Feb. 17	Recommended 2:00 p.m. (NYC) Early Market Close
Mon., Feb. 20	Recommended Market Close (NYC) Presidents' Day Recommended 12:00 Noon (London) Early Market Close
Tues., Feb. 28	**Winter Forum - 2:00 p.m. J.P. Morgan Chase The Great Hall, 60 Victoria Embankment (London)**
Tues., March 28	Legal and Compliance Group Meeting - 12:00 Noon **"Recent Developments in Sovereign Debt"** Global Financial Markets Conference Center 360 Madison Avenue, 17th Floor (NYC)
April*	**NY Spring Forum**
Thurs., April 13	Recommended 2:00 p.m. (NYC) Early Market Close
Fri., April 14	Recommended Market Close (NYC/London) Good Friday
Mon., April 17	Recommended Market Close (London) Easter Monday
Wed., April 26	**EMTA Board Meeting (NYC/London)**
Mon., May 1	Recommended Market Close (London) May Day Bank Holiday
Fri., May 12**	**Brazil Special Meeting - 10:00 a.m. "Local Markets Investment in Brazil: Introduction for Foreign Investors" Global Financial Markets Conference Center 360 Madison Avenue, 17th Floor (NYC)**
Wed., May 24	Legal and Compliance Group Meeting - 12:00 Noon Global Financial Markets Conference Center 360 Madison Avenue, 18th Floor (NYC)
Fri., May 26	Recommended 2:00 p.m. (NYC) Early Market Close
Mon., May 29	Recommended Market Close (NYC/London) Memorial Day/Spring Bank Holiday

*** Details TBA**
**** Tentative Date**

EMTA Calendar (cont)

Mon., July 3	Recommended 2:00 p.m. (NYC) Early Market Close
Tues., July 4	Recommended Market Close (NYC) Independence Day Recommended 12:00 Noon (London) Early Market Close
Thurs., July 6*	**London Summer Forum**
Thurs., July 6*	**EMTA Board Meeting (NYC/London)**
Wed., July 12	Legal and Compliance Group Meeting - 12:00 Noon Global Financial Markets Conference Center 360 Madison Avenue, 18th Floor (NYC)
Mon., Aug. 28	Recommended Market Close (London) Summer Bank Holiday
September*	**EMTA Board Meeting (NYC/London)**
Fri., Sept. 1	Recommended 2:00 p.m. (NYC) Early Market Close
Mon., Sept. 4	Recommended Market Close (NYC) Labor Day Recommended 12:00 Noon (London) Early Market Close
Thurs., Sept. 28*	**2006 Emerging Markets Benefit (London)**
October*	**Fall Forum (NYC)**
Fri., Oct. 6	Recommended 2:00 p.m. (NYC) Early Market Close
Mon., Oct. 9	Recommended Market Close (NYC) Columbus Day Recommended 12:00 Noon (London) Early Market Close
Wed., Nov. 22	Recommended 2:00 p.m. (NYC) Early Market Close
Thurs., Nov. 23	Recommended Market Close (NYC) Thanksgiving Day Recommended 12:00 Noon (London) Early Market Close
Fri., Nov. 24	Recommended 2:00 p.m. (NYC) Early Market Close
December*	**EMTA Annual Meeting** **2006 Emerging Markets Benefit (NYC)**
Fri., Dec. 22	Recommended 2:00 p.m. (NYC) Early Market Close
Mon., Dec. 25	Recommended Market Close (NYC) Christmas Day Recommended 12:00 Noon (London) Early Market Close
Tues., Dec. 26	Recommended Market Close (London) Boxing Day
Fri., Dec. 29	Recommended 2:00 p.m. (NYC) Early Market Close
Mon., Jan. 1, 2007	Recommended Market Close (NYC/London) New Year's Day (2007)

* **Details TBA**