EMTA

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Speakers at EMTA Summer Forum in London Generally Upbeat on Asset Class

EMTA's 8th Annual Summer Forum was held in London on Wednesday, June 29, 2005. Hosted by Merrill Lynch, the Forum attracted 150 Emerging Markets traders, researchers, investors, salespeople and journalists. Speakers on both the Buy-Side and Sell-Side were generally optimistic in their outlook for Emerging Markets debt, and discussed topics ranging from US interest rates, the role of hedge funds and the likelihood of a change in Chinese exchange rate policy, to specific country analysis.

In introductory remarks, EMTA Co-Chair Mark Coombs (Ashmore Investment Management) reminded attendees of recent EMTA initiatives (including the Litigation and Job Opportunities areas on its website) and gave an update on the development of a new clearing facility in London. He also encouraged non-members attending the Forum to learn more about the benefits of EMTA membership.

Low Inflation Forecast by Most Panelists

Joyce Chang (JPMorgan) opened the Sell-Side panel discussion by projecting a slide that featured speaker forecasts of key economic variables for 2005. (Click Here to see the slide). Chang then invited her colleagues to debate the outlook for US rates. Marc Balston (Deutsche Bank) announced that he expects rate hikes to continue through early 2006, and anticipates Fed fund rates of 4% by year-end 2005 and 5% by year-end 2006. Evidence suggests, said Balston, that Emerging Markets spreads could remain stable even in times of US Treasury bond weakness. By contrast, Dresdner Kleinwort Wasserstein's Arnab Das predicted that rate hikes would stop at 3.75%. "What we see is a world of slowing growth, low inflation and easy money," he declared, adding that prospects for emerging countries generally

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remain strong because of such factors as a weak dollar and strong oil prices. HSBC, according to research head Phil Poole, also subscribes to the "low-inflation world" scenario, based on deceleration of the US economy (below 2% growth in the second half of 2005), and the deflationary effects of outsourcing and inward migration. Finally, Larry Brainard (WestLB) concurred with the low-inflation scenario as well, adding that a "global savings glut" puts downward pressure on both interest rates and growth.

Effects of Hedge Funds Discussed

Chang steered the conversation towards the role of hedge funds in the market. Das compared hedge funds of the 1990s with their counterparts in 2005. "It is my impression that in the 1990s there was much more systemic risk for the market as a whole because the positions that a few hedge funds were carrying were so large, and their trading relationships with a few large broker-dealers were so concentrated," he explained. Several of those hedge funds have now closed, and today's positions and trading relationships are more diversified, lessening the reasons for concern.

In Poole's opinion, hedge funds probably increase market efficiency; their cross-asset investment approach is also likely to lead to increased correlations between asset classes. Balston commented that some local markets could experience "stress" as a result of hedge fund activity, but that this would not be widespread.

Views on Brazilian "Noise" and Mexican Pre-Election Period Diverge

Turning to Latin American politics, Chang polled her colleagues for their thoughts on the state of affairs in Brazil and Mexico. "The noise in Brazil will continue, but most of the dirty linen is out now in public," asserted Poole, adding that most politicians will increasingly perceive that further destabilization is not in their interest. Although the "damaged" administration will be less likely to enact reforms, and there may be more "pump-priming" in the run-up to the presidential election than previously expected, Brazilian economic fundamentals are much better now than they were in 2002, he commented. Brainard—more optimistic than Poole—does not foresee political turbulence having a material impact on economic policy. He suggested that the market has not given Brasilia full credit for its reduced dependence on dollar-linked debt, and invited investors to consider opportunistic purchases of Brazilian debt.

For Balston, the base case assumption is a stabilization in the Brazilian political situation, though he acknowledged this might take several months and "the reform process will be effectively dead until the next election." Das noted that the governing Workers' Party (PT) has a unique opportunity to demonstrate that the left is capable of responsible economic policy, and it will thus do everything possible to assuage investor fears.

As for Mexico, Poole expected political noise in the period preceding that country's presidential election to have "fairly muted" market impact until the second quarter of 2006, when the peso will likely weaken. Brainard and Balston shared the view that Mexico would be a market underperformer. Das proclaimed the decision by the Mexican government to permit presidential candidate Andrés Manuel López Obredor to participate in the upcoming election a "critical event in the maturation of its political system, and the convergence of its political system—like its economic system—with that of the United States." Chang noted that she is less pessimistic than her panelists about potential returns on Mexican debt, and would recommend opportunistic purchases.

Summer Forum (continued)

Speaker Predictions for Chinese FX Regime Vary

Panelist opinions diverged on the likelihood of a Chinese revaluation in 2005. Brainard said he was "unconvinced" by the arguments that a depreciation of the Chinese currency was critical. Balston assessed the probability of a modest revaluation and a move to a managed basket regime as being "just over 50%." He was unconcerned that a revaluation would lead to a Chinese economic slowdown and a subsequent drop in commodity pricing, and stated that "in terms of economics this is much of a non-event." US officials have realized that the strategy of aggressively and publicly pressing Chinese officials has backfired, and a new softened tone might pave the way to an adjustment, according to Balston.

Das foresaw no change this year and the possibility of a "small fudged change" in 2006 (to a trade-weighted basket that would leave the real effective exchange rate of the renminbi unchanged). Poole agreed that no action was likely until 2006 when a trade-weighted basket is likely to be adopted. "The argument for a revaluation is really a US-China bilateral argument…and from our view the argument for a sizable revaluation is somewhat weak," he stated. Chang concluded the Chinese revaluation debate with her own comments that a modest revaluation was likely in a "window of opportunity of the next month or two," with the likelihood of a change subsequently decreasing. [NB: Almost one month later, Beijing reduced the value of the yuan by 2.1% and pegged the currency to a trade-weighted basket.]

Russian Unanimous Panel Recommendation

At the close of the panel the speakers offered specific trade recommendations. Russian debt was a unanimous pick of the Sell-Side panelists. Das summarized several panelist views by explaining "we are not particularly bullish about the underlying reform process—there is no underlying reform process—it's really about the twin surpluses resulting from the high prices of energy." Poole suggested that the benchmark for Russia had shifted from Mexico to China, and Das added that investors will be crowded into Russian corporate debt as the country's sovereign debt is paid down. Three speakers also recommended Turkish lira trades, while Ecuador was mentioned twice as an asset to avoid.

Balston was upbeat about Venezuela's prospects. He spoke positively about the "crowded" Brazilian real trade, as well as short-dated NDFs on Chinese currency, and warned investors against Philippine purchases due to political risk. Das highlighted the appeal of local market investments, declaring that "sovereign debt is not quite a dinosaur but it's definitely not going to be growing."

Poole anticipated outperformance from Kazakhstan external debt and Indonesian, Polish and Russian local instruments, while cautioning that the South African rand and Mexico were likely underperformers. For Brainard, Bank of Moscow and Gazprom Bank corporate issues offer high returns, and Nigeria appears likely to make progress on its arrears with the Paris Club. Brainard expects an eventual Brady bond swap or buyback, "but it will happen on Nigerian time." He also confessed to not being a believer in the Ukrainian economic team.

As for moderator Chang, she urged investors to consider oil exporters and Argentine peso inflation-linked bonds, and described herself as a bear on Indonesian prospects.

Summer Forum (continued)

Investor Speakers Share Generally Bullish View on the Market

Moderator Tulio Vera of Merrill Lynch initiated the investor panelist discussion by requesting opinions on whether Emerging Markets debt could trade at tighter spreads vis-à-vis the US corporate bond market—on a sustained basis—than it has in the past. Christian Kopf (DWS) asserted that there is no justification for a sustained spread differential between similarly-rated EM sovereign debt and US corporate debt. While some analysts have argued in favor of a spread differential because of a greater severity of loss in an EM sovereign default, Kopf disagreed. "It turns out that recovery rates on Emerging Markets names have been substantially higher than a lot of corporate recovery rates," he stated.

Turning to interest rates, BlueBay Asset Management's Simon Treacher confirmed that he is "in the 3.5% camp on rates." Citing recent, and expected, moves in Europe, Treacher declared that interest rates around the globe are about to turn "dramatically to the downside." He predicted that "a low-inflation world could last for twenty years," and advised attendees to "get used to spreads now—they are going to halve!"

Both Treacher and John Cleary (Standard Asset Management) expressed little concern over a potential inverted US treasury curve. Cleary remarked that, as a result of the widespread adoption of explicit and implicit inflation-targeting regimes by central banks, interest rates are likely to stay at low levels. This provides a favorable environment for Emerging Markets debt, although Cleary stressed that EM spreads are not necessarily correlated with global interest rates, adding that "the last time spreads were at this level, US rates were more than double what they are now." Of greater concern to him was the potential exit from the market of those investors who entered the market at the tighter range of spreads, often due to credit upgrades.

Some Emerging Countries Remain Vulnerable to a Change in Liquidity

Have emerging countries shielded themselves from a change in liquidity conditions? Cleary voiced skepticism that emerging sovereigns could genuinely defend themselves from a downturn in global liquidity, although he acknowledged improved fundamentals, such as increased central bank reserves and the widespread adoption of floating-rate foreign exchange regimes in lieu of fixed-rate regimes.

Kopf noted that some emerging countries are protected from a downturn in liquidity by a stockpiling of FX reserves, while others remain vulnerable. He recommended that emerging countries should "buy protection" by locking in low rates for longer tenors, and later emphasized that he also did not expect global liquidity to decrease "any time soon."

Rob Drijkoningen (ING Investment Management) pointed out that liquidity is problematic if an issuer has a homogenous investor base; this helps to explain why sovereigns are increasingly focusing on obtaining funds in the local debt markets. He reasoned that pre-funding and an increasing move away from hard currency-denominated debt are reducing EM vulnerability to any change in liquidity.

Summer Forum (continued)

Hedge Funds Redux

Buy-Side speakers largely agreed with their Sell-Side counterparts that the effect of hedge funds on the marketplace has been somewhat overstated. Treacher reminded the audience that there are different types of hedge funds, and that his own firm's hedge fund takes long positions only. Crossover hedge funds are not themselves to blame for their fickle allegiance to the asset class; rather the blame for any hedge fund-related volatility should be placed on the investment banks that give them large allocations of new issues.

Kopf stated that the activities of hedge funds have little effect on the way he manages his portfolio. He echoed Treacher's comments that the distinction between long-only hedge funds and real money accounts has decreased over time, and that currently there are only a few assets that hedge funds would consider shorting. According to Drijkoningen, hedge funds might be contributing to increasing correlations in local markets.

Local Markets the "Big Trade"

Vera steered the conversation towards local market investments, and invited panelists to discuss the role they expect local markets to play in their portfolios in the future. After a decade of 12-13% returns, Kopf proclaimed, it is mathematically impossible for external debt to continue to outperform. Both corporate bonds and local markets offer possible alternatives, with Kopf labeling the latter "the big trade" because of independent central banks, reduced inflation, and the "captive demand" from local pension funds. Kopf called the new JPMorgan local bond market index a "killer product" because his own analysis showed it has a negative correlation with bunds.

Cleary and Drijkoningen concurred that local market investing would play a bigger role in the future. Local market instruments in investment-grade countries are especially appealing, according to Cleary, who highlighted the diversification benefits of local debt issues. However, he cautioned that managing a local markets portfolio was not the same as managing external debt. "Maybe your duration is shorter, maybe your decisions are a lot more tactical," he explained.

Treacher noted that the JPMorgan local markets index puts pressure on sovereigns like Brazil to issue additional local debt. He predicted that in ten years, African countries would comprise a much larger percentage of such local debt indices.

Russia the "Easy Trade"; Investment Grade Not Likely for Brazil or Turkey

Concluding with a question on fundamentals, Vera asked panelists to briefly analyze the prospects for several countries over the next 3-5 years. Neither Kopf nor Cleary foresaw either Brazil or Turkey achieving investment grade ratings by 2010, although Treacher speculated that it was possible in Brazil's case. Panelists largely agreed that Mexico would continue to be an interesting investment from a local market perspective.

Russia is not an improving credit, but its ability and willingness to pay mean that spreads are still too wide on Russian debt, according to Kopf. Treacher concurred, calling Russia "the easiest trade of the past few years." Drijkoningen added that eventually policymakers in Moscow would realize the need to enact additional reforms.

EMTA Survey: Emerging Markets Debt Trading at US$1.363 Trillion in Second Quarter of 2005

Emerging Markets Debt Trading Remains at High Levels

Emerging Markets debt trading stood at US$1.363 trillion in the second quarter of 2005, according to the Second Quarter 2005 Debt Trading Volume Survey released by EMTA on August 22, 2005. EMTA noted that second quarter volume rose 37% vs. second quarter 2004 volume of US$997 billion, although it declined 4% from first quarter 2005 volume of US$1.417 trillion (which EMTA revised slightly from previously published first quarter totals).

Emerging Markets debt volume thus stood at US$2.779 trillion in the first half of 2005. This represents a 36% increase from the US$2.043 trillion traded in the first six months of last year.

Whitney Kane Gomez, Executive Director in Emerging Markets Strategy at Morgan Stanley, commented that "given the volatility in Emerging Markets in the first quarter, it is not surprising to see the small drop-off in volumes in the second quarter as investors were in wait-and-see mode early in the quarter, after a considerable sell off in March." Gomez specified that investor caution was largely due to "negative news from the US auto sector, questions about the growth outlook in the US, a Fed still very much in play and overall uncertainty about the global environment for risk appetite."

Brazilian Volume Increases to US$432 Billion

EMTA's Survey showed a large jump in Brazilian instrument trading, with participants reporting turnover of US$432 billion. This represents a 33% increase vs. the US$325 billion reported in the second quarter of 2004, and 20% more than first quarter 2005 volume of US$359 billion.

The jump in trading was largely due to a volume spike in the Brazil 2040 bond, the industry benchmark. Survey participants reported trading US$182 billion in the 2040 issue vs. US$54 billion in the second quarter of 2004 (and US$119 billion in the first quarter of 2005). The 2040 bond alone accounted for 42% of Brazilian volumes vs. shares of 33%, 30% and 18% in the three preceding quarters; it remained the most frequently traded individual instrument in the Survey overall.

"The three-fold increase in the Brazil 2040 volume over the past year underscores the increased participation of non-Emerging Markets-dedicated investors in our asset class; rather than building positions across the curve in Brazil, or other emerging countries, non-dedicated investors naturally gravitate to the most liquid benchmark bond in our universe," Gomez observed. She predicted that this trend would continue into the current quarter, as both dedicated and non-dedicated investors have been moving frequently in and out of Brazilian positions as a result of political turbulence in the country.

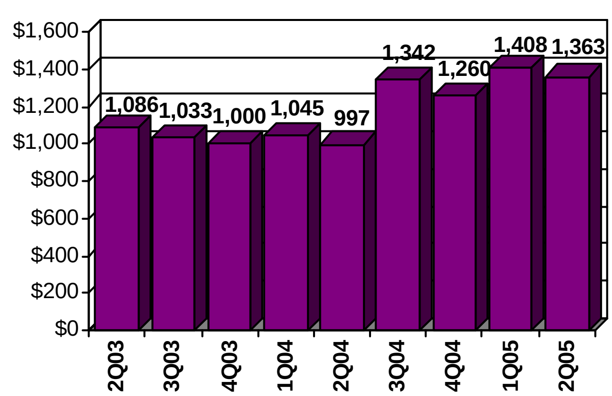
Brazilian assets accounted for 32% of total reported volume, and stood as the most frequently traded assets in the EMTA Survey. This compares with a 33% share in the second quarter of 2004 and a 25% share in the first quarter of 2005.

Mexican Turnover Declines to US$183 Billion

Mexican instruments were the second most frequently traded debt instruments (14% of total volume). Survey participants reported US$183 billion in Mexican trades, an 11% decrease compared with the US$204 billion reported in the second quarter of 2004 and a 39% decrease vs. first quarter volume of US$301 billion. Mexican local instrument trading continued to account for the bulk of Mexican trading, at US$137 billion (vs. US$134 billion in the second quarter of 2004 and US$225 billion in the first quarter of 2005).

Aggregate Trading Volume

(in US$billions)



EMTA Volume Survey (continued)

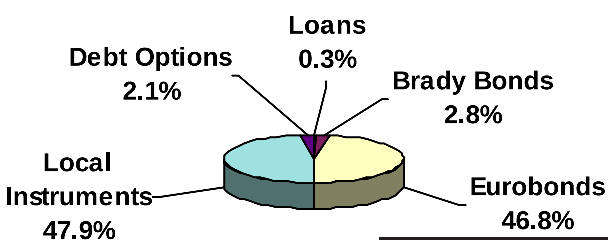
Turkish debt activity receded somewhat after reaching its highest level in an EMTA quarterly Survey. Survey respondents reported US$126 billion in Turkish turnover, down from a record US$146 billion in the previous quarter, although still up 123% on a year-on-year basis. The bulk of Turkish activity was comprised of local instrument trading, at US$83 billion in the second quarter. Turkish debt instruments remained the third most frequently traded instruments for the second consecutive quarter, and accounted for 9% of total Survey volume.

Russian volumes stood at US$108 billion in the second quarter. This compares with US$73 billion in the same quarter in 2004 (a 49% increase) and US$95 billion in the first quarter of 2005 (a 13% increase). Russia's 2030 bond remained the second most frequently traded individual instrument, with US$45 billion in reported volumes. Russia, which concluded an agreement in principle to pre-pay $15 billion of its outstanding Paris Club debt in May, accounted for 8% of total trading vs. 7% in both the second quarter of 2005 and first quarter of 2005.

Debt trading of Argentine instruments stood at US$59 billion, including $10 billion in trading of the new instruments issued as part of Argentina's recent debt restructuring. The debt exchange was completed late in the second quarter following the resolution of a variety of legal decisions. Gomez, whose firm maintains an overweight recommendation in Argentine debt, remarked that "we continue to see strong interest among the investor base in Argentina, in both external and local debt."

Ecuadorian debt volume stood at US$9 billion vs. US$6 billion in the second quarter of 2004 and US$5 billion in the first quarter of 2005. Ecuadorian President Gutierrez was forced to leave office early in the second quarter. Gomez expects investor interest in Ecuador to remain strong going into the October 2006 presidential election. "Trading volumes may not reflect this broad interest, however, as we believe a large percentage of Ecuadorian assets should continue to be held by a small number of investors," she noted.

Volume by Type of Instrument 2Q 2005



Local Markets Trading Surpasses Eurobond Volumes

Local market turnover surpassed Eurobond trading in the second quarter of 2005. Participants reported US$653 billion in local instrument trades, compared with US$426 billion in the second quarter of 2004 (a 53% increase) and US$668 billion in the first quarter of 2005 (a 2% decrease). Mexican debt remained the most frequently traded local instruments, followed by Brazilian and Turkish local trades. Local instruments accounted for 48% of Survey volume.

Eurobond trading stood at US$638 billion vs. US$463 billion in the second quarter of 2004 (up 38%) and US$673 billion in the first quarter of 2005 (down 5%). In addition to the Brazil 2040 and Russia 2030 bonds, other frequently traded instruments included the Turkish 2030 bond (US$24 billion in turnover), Venezuela's 2027 bond (US$12 billion) and the recently issued Indonesia 2015 issue ($7 billion). Eurobonds accounted for 47% of total reported trading.

Brady bond volumes (the majority of which were Brazilian C-Bond trades) stood at US$39 billion, or 3% of trading, as the supply of Brady issues continues to decline via exchanges or early redemptions. Survey participants also reported US$28 billion in options and warrants trades (2% of trading) and US$4 billion in loan assignments (less than 1% of volume).

Gomez reasoned that given the continued and growing investor interest in Emerging Markets debt, trading volumes that remain at high levels should come as no surprise. "In a trend that has been developing over the past few years, we have continued to see interest in Emerging Markets from macro-hedge funds and crossover investors, as well as from non-traditional Emerging Markets buyers, particularly from Asia," she stated. Gomez added that she continues to get reports of long-term, structural allocations to the asset class from pension funds.

EMTA's Survey includes secondary market trading activity in sovereign and corporate bonds, local instruments, Brady bonds, debt options, warrants and loans from over 90 Emerging Markets countries. The Survey's participants include 66 major dealers, banks and money management firms around the globe.

For a copy of EMTA's Second Quarter 2005 Debt Trading Volume Survey, please contact Jonathan Murno at jmurno@emta.org or at (646) 637-9105.

EMTA's 15th Year--A Look Back to:

EMTA's Early Years (1992 and 1993): EMTA Emerges as an Independent Trade Association for the Emerging Markets Trading Industry

by Thomas Winslade*

[EMTA was formally incorporated in December 1990. To help mark its 15th anniversary, EMTA's Bulletin is featuring a series reprinting articles on the early periods of EMTA's history. Last Quarter's Bulletin included Bruce Wolfson's recollections of the informal trader meetings beginning in 1989 that led to EMTA's formation as the LDC Debt Traders Association. This issue features Tom Winslade's description of EMTA's early years, 1992 and 1993. During this time, Tom served on secondment from J.P. Morgan as EMTA's first Executive Director, guiding EMTA's growing agenda of activities and building EMTA's credibility as an effective industry forum.

After beginning his legal career at Shearman & Sterling (where his assignments included several years in S&S's London office), Tom joined J.P. Morgan, eventually working with Nick Rohatyn as J.P. Morgan's internal lawyer for the EM trading area. Most recently, Tom has worked for Bank of America in the Far East.]

1992 and 1993 was a visionary period for EMTA, as it developed into an established, independent trade association for the Emerging Markets trading industry. Led by a public board of directors of leading professionals in the industry and chaired by Nicolas Rohatyn from J.P. Morgan, the industry leaders took the initiative to promote the development of the Emerging Markets trading industry, as described by Mr. Rohatyn at EMTA's 1992 annual meeting…**"to show leadership, and to ensure that our market continues to develop in an orderly and responsible manner, consistent with applicable laws and high standards of integrity, open to all participants, promoting growth in the capital markets, and increasing transparency in the marketplace".** This effort coincided with a profound transformation in Emerging Markets trading, from a market for trading commercial loans of Emerging Markets obligors to a broadening and recognized market for Emerging Markets securities and related derivatives. EMTA's Board of Directors and rapidly growing number of member firms (more than 100 by the end of 1993) recognized that this presented an unusual opportunity for industry leadership.

In 1992 and 1993, EMTA's Board of Directors developed and implemented a strategy to pursue five major industry goals: continuing development of consistent market practices and standard trading documentation; establishment of a Code of Conduct; creating an on-going forum for industry issues; advancing market transparency; and providing leadership for industry advocacy. This effort culminated in the formation of EMTA's independent staff and headquarters in 1994.

Market Practices and Standard Documentation. Documentation and market practices were the core of EMTA's activities in 1992 and 1993. For documentation, EMTA's standard procedure was to prepare a detailed set of confirmation forms and related papers for the most frequently traded Emerging Markets instruments, together with explanatory material, and to distribute these widely to its members and other firms in the industry and hold a series of open meetings to answer questions and provide more details. Major documentation efforts in 1992 and 1993 included documentation for trading Brady bonds for Argentina, Brazil and Venezuela and related instruments. During this time, EMTA also continued to lead the

* Mr. Winslade would like to thank J.P. Morgan, and especially Nick Rohatyn and Diane Genova, for their generous commitment and support throughout his tenure as EMTA's first Executive Director.

15th Year (continued)

development, adoption and distribution of voluntary industry market practices. A group of market professionals engaged in trading specific instruments would meet initially to identify the need for fair and transparent practices for those products, the proposed practice was then drafted and distributed for comment throughout the industry, subsequently adopted in final form by the EMTA Board, and then explained in open meetings and distributed to the industry and to the press. In 1992 and 1993, EMTA developed and issued a wide range of market practices for Emerging Markets instruments relating to Mexico, Argentina, Brazil, Venezuela, Eastern Europe, and for less widely traded instruments, usually relating to other Latin American countries. Long-time market participants will remember how many of EMTA's early meetings to develop and adopt market practices were chaired by Chase's Kathy Galbraith ("I think this should be the market practice...anyone disagree?").

Code of Conduct. One of EMTA's most significant initiatives in 1992 and 1993 was the development of a Code of Conduct for the industry. EMTA's Board of Directors determined that a voluntary industry code of conduct would not only respond to many of the concerns expressed by industry regulators but would promote the integrity and credibility of the industry. An EMTA working group developed and drafted the Code in 1992. Progress was slow, but steady, as many controversial issues were tackled by traders and lawyers. In 1993 the resulting Code was adopted by the Board of Directors, distributed to EMTA's membership, financial regulators and the press, and was the focus of a series of seminars and presentations during that year. The Code has two major components; broad industry standards, and more detailed trading principles for specific financial instruments. The industry can be justifiably proud that individual firms put aside their differences and achieved consensus on a Code of Conduct that was widely accepted by market participants and drew quiet approval from industry regulators and observers.

Market Transparency and the EMTA Volume Survey. Promoting transparency in the Emerging Markets trading industry was a major objective of the EMTA Board of Directors in 1992 and 1993. Although many of EMTA's activities (its market practices, its open meetings, many of the provisions of its Code of Conduct) are consistent with and provide greater transparency, in 1992 EMTA commenced a major initiative, the first of its periodic volume surveys of trading volumes for Emerging Markets instruments, directly designed to promote market transparency. The initial survey, covering Emerging Markets trading during calendar year 1992, took a number of months to prepare and was tremendously welcomed in the industry and the press. 58 major firms participated in the initial survey, a substantial majority of the active participants in the industry at that time. The results were astounding and highly revealing of the extent and depth of Emerging Markets trading. Total volume of Emerging Markets assets traded in 1992 was US$733 billion, relatively small in the context of trading volumes in the 21st century, but at that time the equivalent of Brazil's GDP. Since the initial survey, EMTA's volume surveys have expanded and continue to be a leading source of information for Emerging Markets trading.

Forum for Industry Issues. Another of EMTA's major strategic goals in 1992 and 1993 was to establish an open forum for industry issues. EMTA launched a major expansion of its practice of having open "town hall" meetings for its members, and started a series of industry working groups, industry lunches and speaker presentations, both in New York and London. These groups, based on the Board of Directors' concept of EMTA as a "working democracy" of its member firms, served to raise relevant issues for the industry to consider, as well as produce much of the flow of market practices and other materials. A highlight was the EMTA 1992 annual meeting, where Domingo Cavallo addressed several hundred members of the industry and the broad financial press to review the details of Argentina's Brady plan.

15th Year (continued)

Industry Advocacy. The fifth major initiative for EMTA during 1992 and 1993 was to act as an industry advocate for important industry issues. The volume survey and statistics from EMTA's member firms showed that the Emerging Markets trading industry had grown exponentially since the late 1980's, and had created thousands of jobs, both in the United States and abroad, reaching the point where a trade association could be an effective industry advocate. EMTA's efforts as an advocate began in 1992 with EMTA informally participating in the Emerging Markets debt restructuring process, providing input to the creditor steering committees in creating tradable and more liquid debt securities in the Brady debt exchanges. In 1992, EMTA also assisted in issues such as obtaining licenses permitting expanded trading of Yugoslavian instruments, and a proposal to the U.S. Treasury Department for relief from some of the onerous compliance requirements under TEFRA. In late 1992, EMTA also started an ongoing press relations program, involving press releases, interviews with both the industry press and the broader financial media, and a series of articles and presentations. EMTA's advocacy efforts expanded in 1993 with briefings to government agencies such as the Federal Reserve System and the Comptroller of the Currency, and culminated with EMTA's active participation in the multi-industry effort to ensure passage of NAFTA, the landmark free trade agreement between the United States and Mexico.

Independent Headquarters and Staff. Early in 1992, it became clear that EMTA's aggressive industry strategy required full-time support. With Nick Rohatyn as EMTA's chair for those two years, J.P. Morgan seconded Tom Winslade to work full-time as the first Executive Director of EMTA, initially with a staff of only two. EMTA's staff grew slowly in 1992 and 1993, as member firms contributed additional staff. In late 1993, EMTA's Board determined that EMTA's successful initiatives had proven that EMTA was ready for a fully independent, more permanent infrastructure. Following an extensive search, EMTA named Michael Chamberlin as its independent Executive Director, and in 1994 EMTA acquired independent office space at 63 Wall Street and additional staff.

LCH.Clearnet Facility for EM Bonds Nears Launch

The clearing facility under development by LCH.Clearnet for EM bonds has been delayed but is still expected to be launched and become fully operational this year sometime during the month of November. The new facility is intended to replace and upgrade the former Emerging Markets Clearing Corporation, which was shut down by DTCC as of March 31, 2005. Currently, most EM bond trading activity transacted through the inter-dealer broker screens is compared and settled by dealers bilaterally with REFCO acting on behalf of its IDB customers.

The delay in implementing the new facility has been necessitated in part by internal problems in the IT area at LCH.Clearnet and partly to permit LCH.Clearnet to address several concerns expressed by EMTA's Board of Directors, including the conditions for the participation of REFCO as the dealer community's principal counterparty, the inclusion of repo transactions and the accommodation, to the maximum extent possible, of New York trading hours.

New proposals to address these concerns have been previewed with the leaders of EMTA's working group, led by Joe Willing (JPMorgan) and Daniel Maury (UBS), and will be described to other members of the working group, and to EMTA's Board, within the next several weeks.

For further information regarding the proposed LCH.Clearnet facility, please contact Michael Chamberlin at mchamb@emta.org or 646-637-9101 or Starla Griffin at sgriffin@emta.org or 44-207-996-3165.

Firms Encouraged to Use Deriv/SERV for EM Credit Default Swaps

EMTA's newly formed Deriv/SERV Working Group is meeting on September 21 to discuss the advantages of DTCC's Deriv/SERV credit default swap confirmation and matching service, and to review any issues that firms may have encountered as an impediment to its implementation or use in the EM area. Some dealer firms are currently using Deriv/SERV for their EM transactions; a few are not.

The Federal Reserve Bank of New York, as well as other banking regulators and supervisory authorities, have expressed concerns about the confirmation and settlement backlogs that currently exist for credit default swaps generally. At a meeting hosted recently by the FRBNY, the value of Deriv/SERV was highlighted, as was the fact that some firms have been "slow" to get their confirmation process up to speed. Much of the attention at the recent FRBNY meeting was apparently focused on the need to get customers more involved in industry efforts to speed up the confirmation and matching process. At the meeting, market participants were told that the FRBNY and other authorities "will continue to monitor developments in the market very closely, with a view to encouraging the firms to take the steps necessary to improve the market infrastructure that supports such trading activity".

For further information, please contact Michael Chamberlin at mchamb@emta.org or 646-637-9101.

EMTA Board Meeting on July 13, 2005

EMTA's third Board Meeting for 2005 was held on July 13 at the offices of JPMorgan Chase in New York City and Merrill Lynch in London, with the usual video and teleconferencing links.

At the beginning of the meeting, Peter Geraghty (Dresdner) was elected to the Board, on an interim basis, to replace Vincent Priolo, who has recently left Dresdner. EMTA Executive Director Michael Chamberlin welcomed Mr. Geraghty back to the Board, noting that Mr. Geraghty, a veteran in the EM industry and one of EMTA's founders, has previously served on EMTA's Board, representing ING Barings and Darby Overseas Investments.

In addition to reviewing EMTA's preliminary financial results for the first half of 2005 against budget, the Board also discussed the LCH.Clearnet proposed clearing facility for EM, originally scheduled to begin operations on or about July 1 and now expected to be in place by year-end—see page 11.

The Board also discussed Deriv/SERV, DTCC's new Credit Default swap confirmation and matching service (which is operational, but only used by some of the major EM dealers (see page 11)), as well as Venezuela's Oil Obligations payments and related warrant trade settlement backlog (see page 14). Board firms were encouraged to continue assessing their own warrant positions, and reconciling and resolving their bilateral positions wherever possible.

The next regular meeting of EMTA's Board is scheduled to be held in October or November, 2005.

Bond & Warrant Trading & Settlement

Argentina
Forward Trading in GDP-Linked Securities

GDP-Linked Securities (the "GDP's") are attached to each of the Argentina Par, Discount and Quasi-Par Bonds for 180 days following the 'Settlement Date' of June 2, 2005. The 180-day period expires on November 29, 2005.

Until November 28, 2005, Bonds and their related GDP's are required to be traded together as a unit, each of which has its own ISIN code for settlement purposes. From and after November 29, 2005, the GDP's will automatically be given their own separate ISIN code, and then will trade independently from the Bonds, which will have their own separate ISIN codes. Accordingly, the GDP's may not be traded on a 'spot' basis, nor independently from their related Bond, until November 29, 2005.

To aid the market in the orderly trading and settlement of forward trades in the GDP's, EMTA distributed in early August, 2005 a forward trading documentation package (comprised of WI Confirmation Forms [with a March 1, 2006 'drop-dead date'] and a Bilateral Netting Agreement, together with an explanatory Memorandum).

EMTA expects to distribute shortly a Primer on detachment procedures, which will be developed together with Euroclear.

Secondary Market Trading in the Bonds

An EMTA Market Practice was recommended on March 18 for the trading and settlement of the Argentina Par and Discount Bonds, with 'dirty' pricing for the ARS Bonds and a capitalization factor for the USD and EURO Discount Bonds (together with an example of how the capitalization and cash accrued interest would be computed for settlement purposes).

This Market Practice was supplemented by the Market Practice contained in the EMTA Primer (June 2, 2005), which clarified the capitalization factors on the USD and EURO Discount Bonds (prepared by Euroclear, with assistance from the Bank of New York and Argentina) and provided an updated example of the computations of accrued cash interest and accrued capitalizations for settlements of such bond trades.

Bulgaria FLIRBs

Bulgaria redeemed its Tranche A and B Front-Loaded Interest Reduction Bonds due 2012 on July 28, 2005. Click Here for the Fiscal Agent's notice.

Mexico VRR Payment

The June 30, 2005 payment was made to Series C VRR holders of record as of June 15, 2005, and EMTA recommended that trades be settled 'ex-dividend' on June 13. Click Here for the Fiscal Agent's notice regarding the VRR payment's calculation.

The September 30, 2005 payment is expected to be made to Series D VRR holders of record as of September 15, 2005, and EMTA has recommended that trades be settled 'ex-dividend' on September 13. Click Here for the Fiscal Agent's notice regarding the VRR payment's calculation.

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

Numerous claims among market participants for these payments, as well as for previous payments, are expected.

Click Here for EMTA's Revised Primer on Mexico VRR's, revised to include a n updated history of prior payments and information regarding the redemption of the Discount and Par Bonds.

Bond & Warrant Trading & Settlement (continued)

Venezuela Oil Obligations and Nigeria Payment Adjustment Warrants

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

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, which is necessary as a precondition to permit the development and implementation of any comprehensive solution to the settlement backlog, has been reviewed monthly over the course of the Summer.

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The full text of EMTA's June 17, 2005 Market Practice recommendation in connection with Venezuela's Oil Obligations is available for Members Only in the Bond/Loan Market Practices area of EMTA's website or by Clicking Here.

While the major dealers all reported in the most recent EMTA monthly conference call that substantial progress had been made in this internal reconciliation effort and with the process of reconciling their positions to those of the private clearing firms, the settlement systems and to each other, it appears that several more months of this dealer reconciliation effort will be necessary before it will be substantially completed by all of the major dealer firms.

Accordingly, EMTA will be recommending that:

(1) All dealers continue to commit appropriately sufficient resources to the effort to reconcile their trading positions internally and with their applicable settlement systems and with other dealers, with a view to completing these aspects of the reconciliation process by November 15; and

(2) All dealers commit their best efforts to engage in meaningful reconciliation discussions with the custodians for their investor counterparties over the next two months.

In the interests of an orderly market, EMTA wishes to remind all market participants that, although progress has been made toward the industry goal of resolving this settlement backlog satisfactorily, until this reconciliation is substantially completed, and a strategy to address the current problem comprehensively (such as a global multilateral netting facility) can be developed and implemented, 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.

To assist market participants in better understanding Venezuela's Oil Obligations, and the background of the settlement and payment backlog, EMTA has prepared a Revised Primer (June 17, 2005), which includes the formula for determining the number of Oil Obligations related to the USD Par and Discount Bonds and a history of prior payments.

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 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 contributed such information.

EMTA will continue to monitor the Warrants fails situation and schedule monthly conference calls among market participants to review the market's progress in the recordkeeping and reconciliation efforts underway in many firms, with a view to determining what alternatives may present themselves for future solutions to this issue.

Bond & Warrant Trading & Settlement (continued)

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

Numerous claims among market participants for this payment, as well as for previous payments, are expected.

The October 15, 2005 payment is expected to be made on October 17 to holders of record as of September 30, 2005, and EMTA has recommended that trades be settled 'ex-dividend' on September 28. (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.)

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Click Here for EMTA's Revised Primer on Nigeria's Payment Adjustment Warrants, which includes the formula for determining the number of Warrants related to the Bonds and a history of prior payments.

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. Click Here for the Fiscal Agent's notice regarding the payment's calculation.

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

Numerous claims among market participants for these payments, as well as for previous payments, are expected.

The Payment Adjustment 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 interest (no separate payment was due for the November 15, 2001 period). No further payments were due until November 15, 2004.

Uruguay VRR Payment

Click Here for the Fiscal Agent's notice regarding the July 5, 2005 VRR payment's calculation of zero. To date, no payments have ever become due on the VRRs.

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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

Malaysian Ringgit NDF Template Terms Completed

Effective July 1, 2005, EMTA, the FXC and the SFEMC published standardized documentation for Malaysian Ringgit/US Dollar FX and currency option transactions. The documentation package also includes an Addendum to the User's Guide to 2004 Asian Currency NDF Documentation explaining the various provisions of the standardized documentation. This documentation is substantially similar to the amended documentation published at the end of 2004 for the six other Asian currencies (the "2004 Amendments") and includes, among other terms, a fallback survey option for an indicative rate quote for MYR/USD transactions in the event the market for the primary rate source has been disrupted for a significant period of time. In addition, based upon a consultation among EMTA, FXC and SFEMC representatives involved in producing the documentation, use of a newly established primary rate source was recommended to market participants. This new rate source is a MYR/USD daily rate quote produced by the Association of Banks of Singapore ("ABS") based upon a survey of certain banks involved in the MYR spot market. The structure of and the methodology for the rate source is modeled on the rate quote advanced by this same group for the IDR/USD rate in conjunction with the 2004 Amendments. Despite a few days' initial confusion surrounding the introduction to the market of the rate quotation, the ABS quickly and successfully adapted to the daily quotation of the new rate and the market has now moved to observe this as the primary MYR/US spot rate quote.

Russian Ruble NDF Template Terms Effective

Following on the update in our last Bulletin, we are pleased to report that the EMTA Template Terms for Russian Ruble/USD FX Transactions became effective on June 16 as originally scheduled. Two new rate source definitions for the Russian Ruble and an amended methodology for producing the daily CME/EMTA Russian Ruble Reference Rate are now also in effect. The User's Guide for this documentation is available on EMTA's website.

"Exotic Definitions" Continue to be Refined

The Operations Managers Working Group of the FXC has continued to refine the draft definitions for certain kinds of "exotic" options products and anticipates a publication of the Definitions in the fall. EMTA has reviewed the draft definitions and believes that to the extent they affect emerging markets products they are suitable.

Update on Joint EMTA-ISDA Working Group

An initial meeting was held on June 3, 2005 of a new EMTA/ISDA joint documentation group. In that meeting a number of interest rate and currency derivative products were identified as targets for standardized documentation. The group assembled a priority list and agreed to reconvene following some background work and clarification of issues. Members with an interest in this Working Group or any of these products are invited to contact Leslie Payton Jacobs at lpjacobs@emta.org.

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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:

- "EM Debt Beat Major Debt Markets Since Inception." July 29, 2005 - Jane Brauer (Merrill Lynch).
- "Latin America; Renminbi Relief." July 25, 2005 - Gray Newman and Luis Arcentales (Morgan Stanley).
- "EMTA Summer Forum: In the Eye of the Bull." July 7, 2005 - Tulio P. Vera (Merrill Lynch).
- "Nigeria: Update of Paris Club Debt Agreement." July 6, 2005 - Tim Ash (Bear Stearns).
- "Latin America: Poised for a Good 2005." June 30, 2005 - Alberto Ramos (Goldman Sachs).
- "The Paris Club Owes Nigeria a Fair Deal." June 27, 2005 - Lex Rieffel (The Brookings Institution).
- "The Importance of Going Local: Shifting Away from Foreign Currency Sovereign Debt in Latin America." June 21, 2005 - Sebastian Briozzo (Standard & Poor's).

New Developments

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

- September 19, 2005 - Calculations for Payments on Mexico VRR's, Series D, Announced.
- September 15, 2005 - Brazil to Redeem All Outstanding C-Bonds on October 15, 2005.
- September 14, 2005 - MarketAxess, in Partnership with EMTA, to Hold Second Annual Charity Trading Day on Wednesday, September 21, 2005. Proceeds to Benefit Katrina Victims and EM Charities.
- September 14, 2005 - Venezuela Oil Obligations Record Date of September 30 and Payment Date of October 17 Expected. Trades are "Ex-Dividend" on September 28. Calculations for Payments on the Oil Obligations will be Announced by the Fiscal Agent Shortly.
- September 12, 2005 - EMTA Fall Forum in New York City to Be Held on October 6, 2005.
- August 25, 2005 - Fitch Upgrades South Africa's Long-Term Foreign Currency Rating to BBB+.
- August 22, 2005 - EMTA Announces 2Q 2005 Debt Trading Volume Stood at US$1.363 Trillion.
- August 17, 2005 - Holiday Schedule for EM Bond Trades for UK Summer Bank and US Labor Day Holidays.
- August 17, 2005 - Fitch Upgrades Bulgaria's Long-Term Foreign Currency Rating to BBB.
- August 12, 2005 - Standard & Poor's Raises Long Term Foreign Currency Rating on Venezuela at B+.
- August 10, 2005 - Mexico VRR, Series D, Record Date of September 15 and Payment Date of September 30 Expected. Trades are 'Ex-Dividend' on September 13. Calculations for Payments on the VRR's will be Announced by the Fiscal Agent Shortly.
- August 9, 2005 - Standard & Poor's Raises Morocco's Long Term Foreign Currency Rating to BB+.
- August 3, 2005 - Fitch Upgrades Russia to BBB.

Website (continued)

- August 1, 2005 - Standard & Poor's Raises South Africa's Long-Term Foreign Currency Rating to BBB+.
- August 1, 2005 - Standard & Poor's Raises South Africa's Long-Term Foreign Currency Rating to BBB+.
- July 28, 2005 - Iraq Announces Terms of Commercial Debt Settlement Offer.
- July 21, 2005 - Statement from the People's Bank of China on Reforming the RMB Exchange Rate Regime.
- July 21, 2005 - Malaysia Adopts Managed Float for Ringgit.
- July 20, 2005 - Standard & Poor's Raises Long-Term Rating on China to A-.
- July 19, 2005 - Fontana v. Argentina and Applestein v. Buenos Aires, Second Circuit Decisions Re: Bondholder Standing to Sue.
- July 18, 2005 - Emerging Markets Benefit to Be Held in London on September 30, 2005.
- July 1, 2005 - EMTA, SFEMC and FXC Jointly Announce Template Terms for MYR/USD Non-Deliverable FX Documentation.
- July 1, 2005 - IPMA and ISMA Merge to Create International Capital Market Association (ICMA).
- July 1, 2005 - EMTA Summer Forum Sell Side Panel - Market Views on Key Variables for 2005.
- June 29, 2005 - Paris Club Sets Naples Terms for Nigeria.
- June 27, 2005 - Bulgaria to Redeem Outstanding Brady Bonds - Tranche A and B Front-Loaded Interest Reduction Bonds - Fiscal Agent Notice.
- June 22, 2005 - Holiday Schedule for EM Bond Trades for US Independence Day Holiday.
- June 17, 2005 - Calculations for Payments on Uruguay VRR's Announced.

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

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

Our latest addition, Litigation, is where we post various legal cases that may be of interest to the Emerging Markets 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. We are committed to keeping this area as up-to-date as possible. 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 Emerging Markets 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. Members will receive special discounted rates.

The Gulf Coast Needs Your Help

All of us at EMTA wish to express our sympathies to the great city of New Orleans and the rest of the Gulf Coast, their residents, and to the families and friends of all who have lost so much as a result of Hurricane Katrina.

We encourage the Emerging Markets industry to reach out in any way it can to assist our brothers and sisters there. Please note that the MarketAxess Second Annual Charity Trading Day set for September 21 will, in part, benefit the victims of Hurricane Katrina. In addition, there are many worthy organizations through which assistance can be channeled to the Gulf, and we have listed a few of them below should you wish to help out in this way:

The American Red Cross (www.redcross.com)
Habitat For Humanity (www.habitat.org)

Events

Nights Out with Led Zeppelin Star Jimmy Page and BBC World Affairs Editor John Simpson to Be Auctioned at London Benefit

Members of the annual Charity Benefit Committee in London are putting the final touches on the annual gala, slated for September 30, 2005. The event's 900 tickets were sold out in only two days this year after the event was moved back to Billingsgate (the landmark 19th-century former fish market on the Thames) in order to accommodate more attendees.

This year's theme is "Caribbean Classic," and proceeds will benefit Cotlands (providing care for children affected by HIV/AIDS in South Africa), Task Brasil (working with street children in Rio de Janeiro), SOS Children (which will use proceeds for an education project in Jamaica) and Health Unlimited (whose grant will be earmarked for a health and education project among indigenous people in Guatemala). Last year's event raised over £150,000, more than twice the amount raised in 2003.

The event features dinner, drinks, two live bands and a dj, and several extra surprises. Live and silent auctions will also be held, with items including a night out with legendary Led Zeppelin rock star Jimmy Page, dinner at the Ivy with BBC World Affairs Editor John Simpson, an exclusive box for 12 at the Tennis Masters Tournament at the Royal Albert Hall, a classic Les Paul Gibson guitar, vacation home rentals in St. Lucia and Turkey, a week-long luxury vacation in Jamaica (including business-class airfare), a cooking class for ten in Provence and many more unique prizes. A full list of silent and live auction prizes will be posted on EMTA's website shortly.

The event is being sponsored by Bear Stearns, MarketAxess and Standard Bank. Additional support is being provided by Royal Bank of Scotland and WestLB. Hats-off to them all, as well as to the London Benefit Committee, which include Emma McClintock (BB Securities), Clare Turnbull (Bear Stearns), Jonathan Murno (EMTA) and Elaine Skinner-Reid (RBC).

For further information, please contact Jonathan Murno at jmurno@emta.org or at (646) 637-9105.

Events (continued)

NY Charity Benefit Slated for December 1 at Capitale

NY Charity Benefit Committee members worked feverishly in August following the unexpected cancellation of the NYC gala's original venue. After a number of last-minute conference calls and hastily arranged visits, the Committee selected Capitale, 130 Bowery (NYC), as the location of its December 1 event just before Labor Day.

Earlier in the summer, committee members voted for beneficiaries for the 2005 gala. Due to the record number of nominated charities, the committee held two rounds of voting and interviewed five finalists. Those selected as 2005 beneficiaries are EMPower, the organization founded by EM professionals, which funds health and education projects throughout the emerging world; ProMujer, which extends micro-loans to women in Latin America; World Education and Development Fund, which promotes education in Latin America; and the Resource Foundation, which cultivates productive relationships between sustainable private development organizations in Latin America and selective donors worldwide by leveraging capital.

Tickets for the event will be on sale shortly.

The NY Charity Benefit Committee continues to welcome new members. Those interested should contact Jonathan Murno at jmurno@emta.org or at (646) 637-9105.

MarketAxess Announces Second Annual Charity Trading Day Set for September 21, 2005

MarketAxess Holdings Inc., the operator of a leading electronic trading platform for U.S. and European high-grade corporate and Emerging Markets bonds, has announced that its Second Annual Charity Trading Day will be held on September 21, 2005. As it has done in the past, MarketAxess, in partnership with EMTA, will donate all Emerging Markets trading revenues from that date to Emerging Markets charities supported by the debt industry's annual benefits. MarketAxess will also expand its charitable efforts this year and donate proceeds from its U.S. high-grade revenues for the day to the American Red Cross to help support the relief efforts for the Gulf Coast residents impacted by Hurricane Katrina.

"Given the recent tragic events that have taken place in the Gulf Coast, we felt it appropriate to expand this year's Charity Trading Day to include a donation to the American Red Cross in support of their relief and rebuilding efforts in this region," said Richard M. McVey, Chief Executive Officer of MarketAxess. "As we saw last year, our clients share our commitment to these important causes and we are confident that our charity trading day will be a major success, supporting the important work of the New York and London Emerging Markets benefits and the American Red Cross."

The amount of the EM donations will be announced at the Emerging Market's debt industry's annual London and New York benefits, which are scheduled for Friday, September 30, 2005, and Thursday, December 1, 2005, respectively.

Last year's Charity Trading Day raised $91,000. Funds were distributed to organizations working in such countries as Brazil, India, Mexico, South Africa and others for a variety of health, education and micro-lending projects.

Website Access and Data Request

EMTA Members will shortly be receiving an e-mail message with the new password and log-in information for Members Only access to the EMTA website, which includes most postings in our New Developments area. This new log-in information will become effective September 20 for all EMTA Members whose 2005 Annual Dues are current. Attached to the e-mail message is a database input form that we are sending to all EMTA Members for purposes of updating Member information in our database (including your interest in various EM topics and EMTA initiatives). We thank you in advance for your cooperation in completing and returning this form in order to assist us in our efforts to keep our database up to date.

Miscellany

Fall Forum Slated for October 6

EMTA's Fall Forum will be held on Thursday, October 6, 2005. The event will be hosted by UBS in New York City.

Michael Gavin (UBS) will moderate a panel of Emerging Markets experts including George Estes (GMO), Paulo Vieira Da Cunha (HSBC Securities), Guillermo Mondino (Lehman Brothers), and Amer Bisat (Rubicon Fund Management).

Complimentary invitations were sent out to all EMTA Members, and non-Members may attend for a fee. For further information, please contact Jonathan Murno at jmurno@emta.org or (646) 637-9105.

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 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.

EMTA Membership Update

EMTA's newest Members include **Argo Capital, CLS Bank International, Harbert Management Corporation**, **Liberty Mutual** and **Nomura International**. 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.

SAVE THE DATE!!!

EMTA Annual Meeting
EMCB Annual Charity Benefit

December 1, 2005
New York City

EMTA Hotlines

Topic	Contact	Telephone
Argentina	Michael Chamberlin/Aviva Werner	(646) 637-9100/9110
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	Michael Chamberlin/Aviva Werner	(646) 637-9100/9110
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 our website.

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Suzette Ortiz	sortiz@emta.org
Leslie Payton Jacobs	lpjacobs@emta.org
Aviva Werner	awerner@emta.org

EMTA Calendar

Wed., July 13	**EMTA Board Meeting (NYC/London)**
Wed., Aug. 3	Legal and Compliance Group Meeting - 12:00 Noon Global Financial Markets Conference Center 360 Madison Avenue, 18th Floor (NYC)
Mon., Aug. 29	Recommended Market Close (London) Summer Bank Holiday
Fri., Sept. 2	Recommended 2:00 p.m. (NYC) Market Close
Mon., Sept. 5	Recommended Market Close (NYC) Labor Day Recommended 12:00 Noon (London) Market Close
Fri., Sept. 30	**2005 Emerging Markets Benefit Ball (London)**
October/November*	**EMTA Board Meeting (NYC/London)**
Thurs., Oct. 6	**Fall Forum** **UBS, 1285 Avenue of the Americas (NYC)**
Fri., Oct. 7	Recommended 2:00 p.m. (NYC) Early Market Close
Mon., Oct. 10	Recommended Market Close (NYC) Columbus Day Recommended 12:00 Noon (London) Early Market Close
Wed., Oct. 19	Opportunities and Pitfalls in Emerging Markets Restructurings Special Meeting - 12:00 Noon Global Financial Markets Conference Center 360 Madison Avenue, 17th Floor (NYC)
Thurs., Nov. 10	Recommended 2:00 p.m. (NYC) Early Market Close
Fri., Nov. 11	Recommended Market Close (NYC) Veterans Day Recommended 12:00 Noon (London) Early Market Close
Thurs., Nov. 17	Legal and Compliance Group Meeting - 12:00 Noon Global Financial Markets Conference Center 360 Madison Avenue, 18th Floor (NYC)
Wed., Nov. 23	Recommended 2:00 p.m. (NYC) Early Market Close
Thurs., Nov. 24	Recommended Market Close (NYC) Thanksgiving Day Recommended 12:00 Noon (London) Early Market Close
Fri., Nov. 25	Recommended 2:00 p.m. (NYC) Early Market Close
Thurs., Dec. 1	**EMTA Annual Meeting** **Citigroup, 388 Greenwich Street, NYC** **2005 Emerging Markets Benefit (NYC)***
Fri., Dec. 23	Recommended 2:00 p.m. (NYC) Early Market Close
Mon., Dec. 26	Recommended Market Close (NYC/London) Christmas/Boxing Day
Tues., Dec. 27	Recommended Market Close (London) Substitute Bank Holiday (in lieu of Christmas Holiday)
Fri., Dec. 30	Recommended 2:00 p.m. (NYC) Early Market Close
Mon., Jan. 2, 2006	Recommended Market Close (NYC/London) New Year's Day

*** Details TBA**