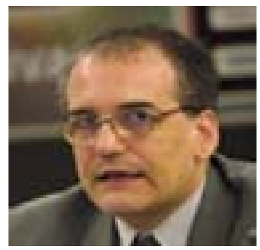
EMTA

Bulletin

4th Quarter 2004 Volume 2004: No. 4

Venezuelan's Finance Minister Nobrega to Address EMTA Annual Meeting



EMTA's Annual Meeting will take place on Thursday, December 2, 2004. Citigroup will once again host the event at its headquarters at 388 Greenwich Street in downtown Manhattan. Invitations were sent to members in early November.

Venezuelan Finance Minister Tobias Nobrega is scheduled to deliver the keynote address. Previous keynote addresses have been delivered by Argentina's Finance Secretary Guillermo Nielsen, U.S. Treasury Undersecretary for International Affairs John Taylor, Mexico's Finance Minister Francisco Gil-Diaz and Brazil's former Central Bank President Arminio Fraga.

The Annual Meeting will also include two panel discussions focusing on current events in the Emerging Markets. Participants will include Arturo Porzecanski (ABN Amro), Paul DeNoon (Alliance Capital Management), Thomas Trebat (Citigroup), David Sekiguchi (Deutsche Bank), Rob Citrone (Discovery Capital), Paulo Leme (Goldman Sachs), Joyce Chang (J.P. Morgan), Ruggero De'Rossi (J.P. Morgan), Tulio Vera (Merrill Lynch), and Hari N. Hariharan (NWI Management).

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

Inside

(click on topic for link to page):

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Trade Association for the Emerging Markets

EMCC Given Further Reprieve; Closure Now Delayed to March 31, 2005

At EMTA's request, the DTCC Board decided at its October 28 meeting to keep the Emerging Markets Clearing Corporation open until at least March 31, 2005. Previously, DTCC had indicated that EMCC would be shut down by year-end unless certain conditions were met, but then abruptly decided in late October to accelerate its closing date to mid-November.

Since August, an EMTA working group led by J.P. Morgan and UBS has been reviewing possible European alternatives to EMCC, and to that end by October 25 had received proposals from two European central counterparties to build a successor to EMCC . Receipt of the proposals appeared to satisfy the conditions previously set by DTCC for keeping EMCC open through year-end. Learning of DTCC's decision to accelerate EMCC's closure, EMTA notified DTCC by letter dated October 25 that an abrupt shutdown would have an adverse effect on, and possibly disrupt, market liquidity due to the likelihood that necessary systems changes and renegotiation of counterparty credit lines simply could not be completed by mid-November.

Accordingly, EMTA's letter urged DTCC to reconsider its decision and work with EMTA members to ensure that EMCC's services are maintained to permit a reasonable transition between EMCC and the new EM clearing facility that the EMTA working group is trying to develop.

In response to EMTA's letter (as well as to concerns expressed directly to DTCC's Board by a number of EMTA members), DTCC advised EMTA on October 29 that it had decided to delay EMCC's closure until at least March 31, 2005, and would consider a further extension if certain conditions were met, to wit:

(1) EMTA provides DTCC by December 31, 2004 with a "strong commitment" from a CCP to provide EM clearing and risk management services,

(2) To ensure that the successor service has the capability to be "meaningful and successful", DTCC receives assurance that the successor would encompass a "significant amount" of EM debt (including activity not today routed to EMCC) and would be supported by enough market participants to make it financially viable, and

(3) DTCC would require reimbursement for the net operating loss incurred by EMCC in 2005.

Since October 29, EMTA's working group (which now includes representatives from Barclays Capital, BNP Paribas, Calyon, Citigroup, CSFB, Deutsche Bank, Dresdner Kleinwort Benson, Goldman Sachs, HSBC, ING, J.P. Morgan, Lehman, Merrill Lynch, Morgan Stanley, REFCO and UBS) has been evaluating and refining the two proposals received from European CCP's. Formal presentations from the CCPs are scheduled to be made to the EMTA working group on November 30, with a view to the working group's selecting a winning proposal for submission to EMTA's Board by mid-December.

The working group remains confident that EMCC's current services can be provided (and supplemented) by a European CCP provider at a significantly reduced cost to market participants.

Fall Forum Speakers Discuss Global Economy, Argentina Restructuring

A capacity crowd of over 150 EMTA members attended the association's Fall Forum, hosted by UBS Investment Bank on Monday, October 14, 2004. Speakers representing major investment banks, as well as leading investors, discussed a wide variety of topics including the global economy, the upcoming Mexican presidential race and the Argentine debt restructuring.

Michael Gavin (UBS) initiated the panel discussion by polling speakers whether they expected the global economic and financial picture to remain as supportive for the EM debt market in 2005 as it has proven thus far in 2004. Guillermo Mondino (Lehman Brothers) asserted that it was "much more likely that we will continue to have a rosy picture in the future than not," acknowledging his continued bullishness, "even though the market is closer to fair valuation." Mondino advised, however, that investors should continue to monitor a number of potential concerns, such as US foreign policy vis-à-vis Iran and perhaps North Korea, sustained high oil prices and the Fed's reaction to any inflationary effects of sustained high oil prices.

Gavin followed up by querying if the recent Latin American recovery was sustainable. Mondino affirmed that, in general, Latin American *macro*economic policies were better than they had been in the past, citing healthier fiscal positions across the board, the move from fixed to floating exchange rate regimes, improved balance of payments, and better monetary policies. While *micro*economic policies were better in the 1990s, "reform fatigue has worn out," and there are small movements to make improvements in microeconomic policies once again (he foresaw possible reform progress in Brazil, Turkey and Colombia).

Market Concerns on Mexican Presidential Frontrunner Overdone?

Is market concern over the popularity of Mexican presidential frontrunner Andrés Manuel Lopez Obredor overdone? "Absolutely," replied Lacey Gallagher of CSFB, who predicted that, "If he were elected, he would be a much more pragmatic and much more reasonable president than people expect." Those most concerned with the possibility that he will be elected have neither met him nor discussed policies with him, according to Ms. Gallagher. She speculated that, while he is taking a hard line now, it is very unlikely Lopez Obredor would deviate from the macroeconomic policies of the current administration -- and he might actually have a better chance of passing structural reforms than his more right-of-center predecessors, as is the case in Brazil under President Lula.

Mondino placed himself between Gallagher's optimism and the market's pessimism. "Bottom line: Mexico is not going to go forward with the number of structural reforms they need to advance in order to transform Mexico into a vibrant convergence case," he summarized. Lopez Obredor is "not squeaky clean," is more likely to have problems with the US administration than the PRI did, and would create tensions with the Mexican establishment if elected. However, Mondino stressed that he was not worried that the situation had the potential to become as confrontational as recent tensions in Venezuela.

Gavin interjected that Lopez Obredor's record as a politician was mixed. "On the one hand, you can't say he has run Mexico City into the ground; on the other hand, you can't say his past actions are reassuring when it comes to respect for the rule of law," he commented. Ms. Gallagher replied that, despite Lopez Obredor's populist appeal, he also had attracted US$1.7 billion of private investment into Mexico City from investors such as Carlos Slim. Greylock Capital's Hans Humes commented that Lopez Obredor's mixed record was "not unique" for a Mexican politician, and investors were best advised to be cautious with debt instruments during a Mexican election cycle.

EMTA Fall Forum (continued)

Official and Private Sectors Not in Zero-Sum "Death Struggle"

George Estes (GMO) was asked by moderator Gavin to summarize the differences between the Paris Club of official creditors and private sector investors. Estes reminded the audience that bond investors look for returns, are willing to take legal action as a remedy in case of default, mark their books to market, use NPV analysis when offered bond exchanges, and prefer bond documentation that makes restructurings difficult. In contrast, the Paris Club makes loans for political reasons rather than economic factors (thus not focusing on returns), responds to restructurings based on geopolitics and not with any recourse to legal action, does not mark its books to market, and is not adverse to annual restructurings (in fact, frequent restructurings is the organization's *raison d'être*, noted Estes).

However, while there are dramatic contrasts in missions, Estes pointed out that the interests of investors and the Paris Club are not always "zero-sum." In cases such as Argentina, there is little official sector debt; while in Indonesia and Nigeria, bond investors account for a small percentage of the total debt "so I don't think we are always going to be in a death struggle with the Paris Club."

In the current case of the Dominican Republic, official and private sector interests could potentially conflict, but Estes wasn't worried about a new precedent or set of rules being created from the restructuring exercise. Greylock's Humes attributed the often lack of a *lingua franca* between the Paris and London Clubs to the academic, non-investor background of Paris Club officials.

More "Aries" Deals in the Offing?

Fall Forum speakers also discussed the recent Aries deals. Estes expects similar deals in the future and would consider them to be "good news." Fears of oversupply are overblown, according to Estes, who highlighted the fact that such deals do not increase a country's debt load, but are rather a repackaging. He suggested Algeria, Indonesia, Egypt and Pakistan deals could be forthcoming, a well as an additional deal from Poland.

Argentine Debt Restructuring

Humes, who also leads the Argentine bondholder organization GCAB, acknowledged that he would be repeating previously made comments on the Argentine restructuring. In contrast to the government's upbeat assessments of retail participation in any such deal, Humes asserted that retail investors had organized themselves in an "unprecedented manner", and few institutions would tender their debt into a debt exchange at terms that were currently expected. Humes expressed concern over a "gradual reduction in creditor rights" dating back to the Ecuador and Uruguay restructurings, in which creditors had accepted deals that reduced their rights solely because the exchange offers had exceeded market expectations.

"In Argentina we are seeing a process by which a borrower is not really working with its creditors, but is imposing its view of a satisfactory conclusion, so participants in the market should be alerted to the fact there is a precedent being established," Hans warned. He opined that the official sector might even be more alarmed at the precedent than investors. "Quite honestly, I don't know where this is headed," he stated, while offering his assessment that more legal actions might be filed in Europe, though not as many as in the US.

Mondino, a former Secretary of Finance of Argentina, argued "it's not an issue of capacity to pay at this point; it's an issue of willingness to pay." The negotiating strategy of showing very little willingness to pay had been successful in toning down investors' expectations for a restructuring offer, according to Mondino.

EMTA Fall Forum (continued)

"Argentina is the holdout issue on its head -- in the past you can settle with them out of court after a high participation deal, but you cannot compensate a holdout when a deal has 60% participation," he reasoned. Mondino concurred that prospects for participation in a deal at terms expected at the time of the Forum were not great. "Do they have real willingness to solve this problem," he asked rhetorically, "I just don't know."

As the discussion drew to a close, Humes expressed bewilderment at the final stage Argentina game plan. The potential legal chaos resulting from a deal with less than 50% participation simply didn't justify Argentina's current position, he declared, while adding that the government had the capacity to add enough "bells and whistles" to its proposal to placate investors.

Following the Forum, meeting attendees were able to peruse UBS' impressive modern art collection, including works by David Hockney, Lucien Freud and Francesco Clemente.

EMTA Survey: Emerging Markets Debt Trading at US$1.3 Trillion in Third Quarter 2004

Volume Increase 35% Compared to Second Quarter

Third Quarter 2004 Emerging Markets debt trading stood at US$1.342 trillion, according to the quarterly Volume Survey report released by EMTA on November 29, 2004. This represents a 35% increase from the US$997 billion reported in the second quarter and a 23% increase compared with the US$1.033 trillion reported in the third quarter of 2003. Survey results indicate that debt trading increased throughout most Emerging Market country debt categories.

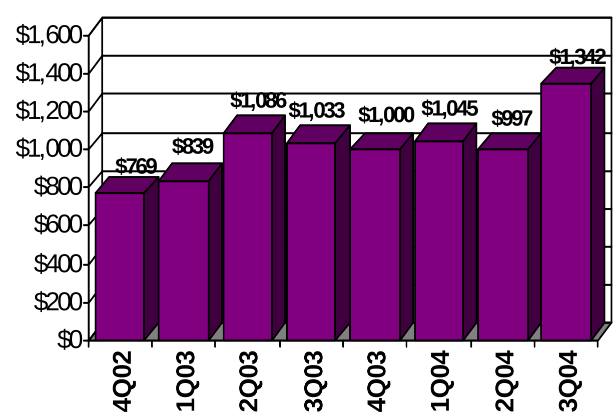
"Turnover during the third quarter was high — and downright feverish in September — because global conditions were generally very favorable for our asset class," explained Arturo Porzecanski, Head of Emerging Markets Sovereign Research at ABN Amro. He enumerated factors which had boosted Emerging Markets bond trading, such as risk-free bond yields dropping steadily in Europe, Japan and the U.S., revised expectations of slower economic growth and subdued core inflation in the anchor OECD countries, and forecasts of fewer rate hikes in the pipeline, compliments of the Federal Reserve system. Porzecanski explained further, "There was mostly reassuring news out of the Emerging Market countries themselves, in particular a string of credit rating upgrades involving some of the riskier credits, such as Brazil, Turkey and Venezuela."

Brazilian trading continued to represent the greatest share of volume by country, at one third of reported volumes. Brazilian instrument turnover totaled US$448 billion, a 38% increase vs. second quarter volumes of US$325 billion. Survey participants had reported US$253 billion in the third quarter of 2003 (a 44% increase). Brazilian local instrument trading increased 64% to US$207 billion, while sovereign Eurobond trading rose 39% to US$149 billion.

Mexican debt instrument trading also showed significant increases compared to the previous quarter. Reported trading stood at US$303 billion vs. US$204 billion in the preceding quarter (up 48%) and US$324 billion in the third quarter of 2003 (a 7% decrease in trading). Much of the Mexican increase was due to a surge in Mexican local instrument trading (up 80% quarter-on-quarter to US$241 billion from US$134 billion). Mexican turnover, second after Brazilian trading, accounted for 23% of volumes.

Russian debt trading rose 45% to US$106 billion vs. US$73 billion in the previous quarter (a 19% increase vs. the US$85 billion reported by Survey participants in the third quarter of 2003). Russian instruments remained the third most frequently traded instruments with an 8% share of reported turnover. Volume in the three new Russia Aries bonds, repackaged Russian Paris Club debt issued in late June, totaled US$10 billion, with the Russia Aries 2014 bond (US$6 billion in trading) becoming the seventh most frequently traded individual instrument overall.

Aggregate Trading Volume
(in US$billions)



EMTA Volume Survey (continued)

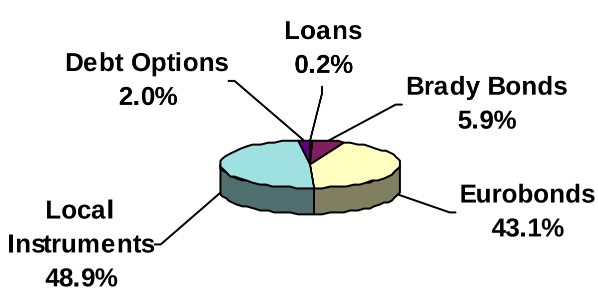
"The Russia Aries bonds became an additional vehicle to express optimism with regard to that country," Porzecanski commented. He added, "Indeed, Russia's creditworthiness has benefited greatly from the world oil price windfall, and the sovereign has recently been awarded an investment grade by a second credit rating agency (Fitch)."

Argentine volumes declined compared to the previous quarter, but were higher than all other quarters since the country defaulted on its sovereign debt. Survey participants reported trading US$38 billion vs. US$46 billion in the second quarter (a 17% decline), but above the US$12 billion reported in the third quarter of 2003 (a 68% increase). Argentine volumes stood in eighth place with 3% of reported volumes.

Local Market Trading Accounts for 49% of Volume

Local instrument volumes accounted for 49% of reported volumes, and stood at US$656 billion. This compares with a 43% share and US$ 426 billion in the second quarter. In addition to the large volumes reported for Mexican and Brazilian local instruments, Survey participants also reported US$47 billion in South African local debt trading, US$30 billion in Polish local instrument volumes and US$22 billion in Singapore local bond turnover.

Volume by Type of Instrument 3Q 2004



At US$578 billion, Eurobonds accounted for 43% of volume. This compares to US$463 billion and a 46% share in the previous quarter. The Brazil 2040 bond remained the most frequently traded individual Eurobond, and individual instrument overall, at US$81 billion followed by Russia's 2030 bond (US$53 billion), the Turkish 2030 bond (US$22 billion) and Venezuela's 2027 bond (US$11 billion).

Porzecanski noted that, "the concentration of trading in local debt markets of various countries, as well as in the mostly long bonds of relatively low-rated sovereign bonds (Brazil 2040s, Turkey 2030s and Venezuela 2027s), confirms the willingness of investors to search for yield and take on credit and currency risk."

Brady bonds volumes (which were mostly limited to Brazil C-Bond trading) accounted for 6% of overall EM trading, at US$79 billion. Options and warrants claimed a 2% share (US$26 billion) and loan transactions accounted for less than 1% of reported trading (at US$3 billion).

EMTA's Survey includes EM secondary market trading activity in sovereign and corporate bonds, local instruments, Brady bonds, debt options, warrants and loans issued by over 90 emerging markets countries. The Survey included the participation of 66 firms involved in Emerging Markets debt trading (compared with 73 firms in the second quarter of 2004 and 72 firms in the third quarter of 2003).

For a copy of EMTA's Third Quarter 2004 Debt Trading Volume Surveys, please contact Jonathan Murno at jmurno@emta.org or at +1 (646) 637-9105.

EMTA Board Meeting on September 28, 2004

EMTA's third Board Meeting for 2004 was held on September 28 at EMTA's offices in New York City and Merrill Lynch's offices in London, with the usual video and teleconferencing links.

Elected to the Board at the meeting was Diego Gradowczyk (Barclays Capital). Abigail McKenna's resignation from the EMTA Board was accepted.

The Board also briefly considered a proposal to expand its composition sometime in the near future to include representatives of strong regional firms from Russia, Turkey, Mexico and/or Brazil. In addition, EMTA remains committed to strengthening its Buy-Side agenda and building Buy-Side membership, and to that end is always interested in considering new Buy-Side candidates for the EMTA Board.

In addition to reviewing EMTA's June 30 actual results against its 2004 budget, the Board also discussed the newly adopted Buy-Side dues and Board assessment structure which established two Buy-Side dues levels - firms with US$1 Billion or more EM assets under management pay annual dues of $10,000, with smaller firms paying $5,000.

The Board also discussed the progress of an EMTA Working Group led by JP Morgan and UBS to review potential clearing alternatives to EMCC outside of the United States (see page 2), as well as EMTA's recent efforts to make the IIF's proposed Principles for EM Finance and Crisis Resolution more responsive to market concerns in two important areas -- use of exit consents and constructive engagement of debtors with creditors (see page 12).

The next meeting of EMTA's board is scheduled to be held in January 2005.

EMTA Lawyers' Meetings Review Recent Creditor Litigation Against Argentina and Other Legal Developments

EMTA held Lawyers' Meetings on September 29 and November 3 at its offices in New York City.

While previously, Emerging Markets defaults, though numerous, have been relatively free of litigation, Argentina's apparent unwillingness to negotiate with its bondholders, despite nearly three years of default, has spawned a slew of legal actions, including several before Judge Griesa in the Southern District of New York. These legal actions include H.W. GmbH Urban v. Argentina (a class action suit brought on behalf of plaintiff and "all others similarly situated"), Macrotecnic Corp. v. Argentina, EM Ltd. v. Argentina, NML Capital, Ltd. v. Argentina, Applestein v. Argentina and various other retail bondholder suits against the Republic. In addition, two suits by Greylock Global Opportunity Master Fund Ltd. and Rabbi Jacob Joseph School, have been brought against Argentina's Province of Mendoza, seeking to enjoin Mendoza's exchange offer.

Important issues raised by the cases relate to class actions, exit consents and pari passu clauses. The Urban suit was certified as a class action on January 30, 2004 (after initially being rejected by Judge Griesa), and counsel for various retail bondholders are in the process of requesting certification of their suits as class actions. For an informative article on the topic of class actions against sovereign debtors, see 'The Class Action Threat to Sovereign Workouts' by Whitney Debevoise and Daniel Orta of Arnold & Porter.

In the Greylock and Rabbi Jacob Joseph School suits against Mendoza, the court refused to enjoin the Province's exchange offer to restructure its outstanding external debt. In both cases, the court denied the plaintiffs' motions for a preliminary injunction, reasoning that exit consents would not irreparably harm them or their ability to pursue their other legal remedies. Plaintiffs in the various retail bondholders suit against Argentina sought the same relief, but Argentina's counsel assured the court that an injunction was unnecessary because the Argentine exchange offer would not include any exit consents. For more about exit consents, see 'At the Frontier of Exit Consents' by Michael M. Chamberlin, Executive Director of EMTA.

In the Macrotecnic, EM Ltd., NML Capital and Applestein legal actions, the court declined to rule on the precise interpretation of the pari passu clause, claiming that the issue was not 'ripe' for a decision. Instead, the court requested 30 days' prior notice from any plaintiff in the four suits that proposed to take any legal action of any kind in another court or forum to block payments to other creditors under the more expansive interpretation of the pari passu clause. Dicta in the hearing transcript suggests that the court was skeptical about the broader interpretation the pari passu clause. For more about the topic of pari passu, see 'The Pari Passu Clause – What is Fair Treatment?', also by Michael M. Chamberlin, and '*The Pari Passu* Clause in Sovereign Debt Instruments' by Lee C. Buchheit and Jeremiah S. Pam.

EMTA Lawyers' Meetings (continued)

For litigation materials generally, please visit the New Developments area of our website, and specifically these entries:

http://www.emta.org/members/argurban.pdf
http://www.emta.org/members/argretail.pdf
http://www.emta.org/members/GCAB%20Amicus%20Filing%2011-10-04.pdf
http://www.emta.org/members/RetailBondholderSuitsNewDev110804.pdf
http://www.emta.org/members/urbaninjunction.pdf
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http://www.emta.org/members/Opinion_and_Order1.pdf
http://www.emta.org/members/newdev100604.pdf
http://www.emta.org/members/newdev100104.pdf
http://www.emta.org/members/argurbamendedorder.pdf
http://www.emta.org/members/Argentina_Urban_order.pdf

For convenience in keeping track of these various lawsuits, EMTA is currently preparing a chart that traces their development.

EMTA has recently revised the "Litigation" area of its website in EM Background. Please visit http://www.emta.org/emarkets/ for various legal cases 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.

A variety of other current legal issues and initiatives were also discussed at the Lawyers' Meetings, including the International Primary Market Association's Proposed CACs (see page 17), IIF's EM Principles (see page 12), the joint EMTA-SFEMC-FXC Asia NDF Initiative (see page 11), UNIDROIT project to harmonize substantive law on securities held with intermediaries and Argentina when-issued trading confirmation forms (see page 13).

For the most recent Argentina SEC 18-K filing, Amendment No. 3, see: http://www.sec.gov/Archives/edgar/data/914021/000095012304011455/y01613a3svbza.htm.

2004 Asia Currency NDF Template Terms Published

On November 1, 2004, EMTA, the Foreign Exchange Committee (FXC) and the Singapore Foreign Exchange Market Committee (SFEMC), acting as co-sponsors, announced the publication, effective December 1, 2004, of the 2004 Asia Currency NDF Template Terms (the "2004 Template Terms"), together with various related documents. This announcement was the culmination of more than 18 months of painstaking collaboration among the co-sponsors, effectively overhauling the existing documentation architecture for the Asian non-deliverable foreign exchange market. The co-sponsors were pleased to receive the endorsement and support of the Tokyo Foreign Exchange Markets Committee and the Treasury Markets Forum of Hong Kong in this substantial project. The joint press release by the co-sponsors may be found on the attached Annex to the Bulletin.

In all, Template Terms for six Asian currencies were published, along with amendments to Annex A of the 1998 FX and Currency Option Definitions relating to these currencies, as well as methodologies for an industry-based survey of banks to provide a back-up rate quotation in each currency in times of market disruption. EMTA also published its NDF Market Practice No. 34 (Recommended NDF Market Practice to Amend Template Terms for Outstanding and Future Asian Currency Foreign Exchange Contracts) recommending the adoption of the new template terms commencing December 1, 2004, as well as sending out to its Members a summary of steps to facilitate implementation of the new documentation.

Because the announcement affects six currencies, the co-sponsors felt it necessary to give market participants a sufficient amount of time to familiarize themselves with, and to integrate the new documentation into, their operational and documentation processes. As a result, the co-sponsors intentionally published the new terms with a one-month lag time before their effectiveness.

Finally, to assist market participants in the process of adopting the 2004 Template Terms, EMTA and the SFEMC agreed to administer the signing of a multilateral amendment that is intended to affect transactions entered into by market participants through November 30. This will enable market participants, if they so choose, to amend open transactions in these six currencies to include the 2004 Template Terms. The multilateral amendment is open to institutions worldwide and will be administered by EMTA and the Singapore Institute of Banking and Finance (IBF), acting on behalf of the SFEMC. Information on the multilateral amendment can be found on the websites of EMTA and the IBF.

For the relevant materials, on EMTA's website, please see New Developments (Click Here), NDF Market Practices (Click Here) and Documentation (Click Here).

Russia

The Russian Ruble Working Group continues to work on a proposal to address the current lack of standardized documentation in the Ruble non-deliverable foreign exchange market. The Chicago Mercantile Exchange has been an active participant in this Working Group, providing valuable insight into and information on the functioning of the Ruble futures market, which is closely linked to the non-deliverable foreign exchange market. Currently under consideration by the Working Group are the introduction of a longer deferral period, a back-up indicative survey mechanism and refinements to the current CME-EMTA Reference Rate Methodology to provide a "TOM" rate quote. Further, the current T+1 settlement cycle is being examined in light of global NDF market practice. The proposal, when sufficiently developed, will be presented to the NDF Working Group for review and comment.

Derivatives

EMTA has received a number of expressions of interest in a possible project to standardize a form of confirmation for an UDI/Libor swap. Members that have an interest in this project are invited to contact Leslie Payton Jacobs at lpjacobs@emta.org or (646-637-9103.

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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.

IIF Principles Raise Questions

With great fanfare, the Institute of International Finance rolled out its Principles for Stable Capital Flows and Fair Debt Restructuring in Emerging Markets on November 22. In a process that can at best be described as lacking in transparency, the IIF Principles were developed by IIF in consultation with Mexico and Brazil, and were welcomed (though not endorsed) by the G-20 countries at their recent meeting in Berlin.

Despite IIF's repeated statements that their Principles had broad support from the private sector, a number of creditor and debtor concerns were ignored, and market reaction to the IIF Principles has ranged from lukewarm to downright chilly.

While the IIF Principles appropriately emphasize that debt restructurings should be voluntary and market-oriented, prominent creditors have sharply criticized the failure of the IIF Principles to deal adequately with two issues that they consider important to the integrity of the restructuring process - effective debtor engagement and overly aggressive use of exit consents. On the debtor side, there are concerns about whether the process followed by IIF in developing its Principles was sufficiently transparent and inclusive and whether it is appropriate to attempt to hold debtor countries accountable to standards developed without their input.

EMTA was involved in one phase of the IIF Principles' development, but has not taken a formal position on the final product. Ironically, while they emphasize the wisdom and importance of good faith negotiations, the IIF Principles themselves were developed as a result of a process whose own wisdom and good faith were questionable.

In late Spring 2004, IIF invited representatives of the financial trade associations EMTA, EMCA, TBMA, SIA, IPMA and ISMA to collaborate in the development of the Principles. For several months, EMTA and the other trade associations endeavored with mixed success to ensure that the Principles reflected sophisticated market and legal input, in the interest of ensuring that they would receive deep and widespread support from the marketplace.

After IIF pre-empted further collaboration in mid-August by announcing that no further comments would be received from them, EMTA and the other trade associations advised IIF that its unilateral approach was not likely to result in the degree of market support necessary to validate the Principles and make them successful. Among other things, the trade associations noted that IIF had not followed customary procedures of discussion and review by relevant business units and senior legal counsel necessary to ensure that the interests of their members were adequately protected. But IIF staff, with all of their market savvy and legal expertise, apparently thought otherwise.

Whether or not IIF's Principles will eventually address these various unresolved issues remains to be seen. For now, the IIF Principles should only be considered a 'work in progress', and in the words of US Secretary of the Treasury John W. Snow, "we encourage continued dialogue".

Bond & Warrant Trading & Settlement

Argentina Restructuring

At press time for this Bulletin, the long-awaited exchange offer to restructure Argentina's existing Brady bonds and Eurobonds had just been postponed. EMTA has prepared draft forms to confirm when-issued trading in the new instruments, but does not expect to finalize and publish the confirmation forms until more definitive terms of the exchange offer are made public.

Consistent with prior restructurings, when completed, the new confirmation forms are expected to provide for WI trading in the new bonds only and specifically will not include any transfers by the Sellers to the Buyers of any cash or other consideration delivered to bondholders that exchange their existing bonds. Market participants are advised not to attempt to trade the new instruments to be issued by Argentina pursuant to its anticipated restructuring until EMTA's recommended confirmation forms have been published and distributed.

EMTA expects to distribute a draft Bilateral Netting Agreement for Argentina WI trades shortly. Such Netting Agreement will help reduce aggregate credit exposures between counterparties and simplify and expedite the settlement of such WI trades on a yet-to-be determined weekly or monthly basis. EMTA also expects to include language in such Netting Agreement that would permit market participants to collateralize such WI trades with certain counterparties and/or to benefit from some of the close-out provisions currently contained in master agreements distributed by the International Swaps and Derivatives Association and The Bond Market Association.

Argentina Brady Bonds

On November 2, 2004, the Fiscal Agent announced that the 25% voting threshold had been met to release interest collateral to pay the May 31, 2004 interest payment on the Argentina USD Discount Series L Bonds. Click Here for the notice of the Fiscal Agent's request to FRBNY, as Collateral Agent, for the release of interest collateral on the Discount Bonds. The Fiscal Agent set November 17, 2004 as the new Record Date and November 24 as the new Payment Date for the interest collateral proceeds on the Bonds.

Serbia Restructuring

The market expects an exchange offer for Serbia's existing New Financing Agreement and Trade Deposit Facility Agreement Loans to be announced soon. EMTA has prepared a draft form to confirm when-issued trading in the new instruments, but does not expect to finalize the confirmation form until more definitive terms of the exchange offer are made public. Click Here for the Agent's notice regarding reconciliation and other matters concerning the restructuring.

Mexico VRR Payment

The September 30, 2004 payment was made to Series C VRR holders of record as of September 15, 2004, 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 8 consecutive quarterly payment periods (the last time no payment was due on the VRRs was September 30, 2002).

Bond & Warrant Trading & Settlement (continued)

The December 31, 2004 payment is expected to be made to Series C VRR holders of record as of December 16, 2004, and EMTA has recommended that trades be settled 'ex-dividend' on December 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.)

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

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

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 their individual accumulated failed Warrant transfers, so that net bilateral positions can be ascertained and settled.

Click Here for EMTA's Primer on Venezuela's Oil Obligations, including the formula for determining the number of Oil Obligations related to USD Par and Discount Bonds. To date, no payments have ever become due on the Oil Obligations.

As of publication date, the report regarding the October 15, 2004 Oil Obligation payment had still not been made available to holders. Click Here for the Fiscal Agent's Notice regarding the delay in calculation.

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

The November 15, 2004 payment is expected to be made to Payment Adjustment Warrant holders. Click Here for Euroclear's notice regarding the payment's calculation.

As of publication date, the May 15, 2003 Payment Adjustment Warrants payment had still not been made to holders of record as of April 30, 2003. Click Here for the Fiscal Agent's Notice regarding the payment's calculation.

Numerous claims among market participants for this payment (when and if made), as well as for previous payments, are expected.

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 interest (no separate payment was due for the November 15, 2001 period). No payments were due in May or November 2002. Neither the Fiscal Agent nor the Issuer have responded to EMTA's requests that they confirm if any payments were due in November 2003 or May 2004. Any market participants that have definitive, official information on these payments should contact Aviva Werner at awerner@emta.org or (646) 637-9110.

* *

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.

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:

- "Iraq's Paris Club Deal: They Said It Couldn't Be Done." November 2004 - Richard Segal (Exotix).
- "An Injunction to Halt Exit Consent Abuses." November 1, 2004 - Daniel C. Tillotson (Wachovia Securities).
- "Argentina - What is Fairness." October 26, 2004 - Daniel C. Tillotson (Wachovia Securities).
- "Argentina's Sovereign Debt Restructuring." October 19, 2004 - J. F. Hornbeck (Congressional Research Service Report for Congress).
- "Argentina Road Map of the Restructuring: What to Look for at Each Stage of the Process." October 7, 2004 - Vladimir Werning (JP Morgan).
- "EM Debt Again Beat Major Debt Markets Since Inception." October 6, 2004 - Jane Brauer (Merrill Lynch).
- "Argentina: Does the Province of Mendoza Deal Matter for the Sovereign?" September 30, 2004 - Andres Lederman (Citigroup).
- "Sovereign Defaults Set to Fall Again in 2005." September 28, 2005 - David T. Beers and John Chambers (Standard & Poor's).
- "Argentina: Is a Debt Deal Imminent?" September 24, 2004 - Andres Lederman (Citigroup).
- "Emerging Markets Outlook." September 15, 2004 - Sharon Raj, Lionel Price, David Riley, Roger Scher, Ed Parker, James McCormack, Brian Coulton and Sebastien Clerc-Renaud (Fitch Ratings).

New Developments

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

- November 29, 2004 - EMTA Announces 3Q 2004 Debt Trading Volume Stood at US$1.342 Trillion.
- November 24, 2004 - Court Decides on Argentina Prospectus Language. Commentary from CSFB.
- November 23, 2004 - Market Reacts to Ukraine Presidential Elections. Initial commentary from Goldman Sachs, JP Morgan, Merrill Lynch and UBS.
- November 23, 2004 - Bank of New York Resigns as Exchange Agent for Argentine Restructuring. Commentary from Citigroup and JP Morgan.
- November 21, 2004 - Paris Club Announces Accord on Iraqi Debt. Commentary from JP Morgan.
- November 19, 2004 - Transcript of Urban vs. Argentina Action.
- November 19, 2004 - GDSC Launches at a Fed Conference A Practitioner's Best Practice Guide and Confidentiality Agreement with User's Guide.
- November 18, 2004 - Court Allows Argentina Restructuring to Proceed.
- November 18, 2004 - Fitch Upgrades Russia to Investment Grade.
- November 17, 2004 - Mexico VRR, Series C, Record Date of December 16 and Payment Date of December 31 Expected. Trades are 'Ex-Dividend' on December 14. Calculations for Payments on the VRR's will be Announced by the Fiscal Agent Shortly.
- November 16, 2004 - Argentina's Briefs in Response to Urban and Retail Bondholder Suits.
- November 15, 2004 - Tobías Nóbrega, Minister of Finance, Bolivarian Republic of Venezuela, to Deliver Keynote Address at EMTA's Annual Meeting on Thursday, December 2, 2004.
- November 12, 2004 - Euroclear Notice Regarding Nigeria Payment Adjustment Rights.
- November 10, 2004 - GCAB Files Amicus in Support of Motion to Enjoin Argentine Exchange Offer.
- November 10, 2004 - Holiday Schedule for EM Bond Trades for US Thanksgiving Holiday.

Website (continued)

- November 8, 2004 - Retail Bondholder Suits Against Argentina.
- November 8, 2004 - FXC Releases 2004 Version of Non-Dealer Recommendations.
- November 8, 2004 - EM Sovereign Bond Chart for Venezuela.
- November 2, 2004 - Normal Trading Hours for EM Debt Instruments.
- November 2, 2004 - Memorandum of Law in Urban vs. Argentina (Requesting Preliminary Injunction).
- November 2, 2004 - Citibank, as Fiscal Agent, Requests FRBNY, as Collateral Agent, to Release Interest Collateral on Argentina's USD Discount Series L Bonds. Record Date of November 17 and Payment Date of November 24 Expected.
- November 1, 2004 - EMTA, SFEMC and FXC Jointly Announce Amended Asian Currency NDF Documentation.
- November 1, 2004 - EMTA's Annual Meeting in New York City to be Held on December 2, 2004. Invitations to be distributed shortly.
- November 1, 2004 - IPMA's Model CACs under English Law.
- October 28, 2004 - Holiday Schedule for EM Bond Trades for US Veterans Day Holiday.
- October 21, 2004 - EM Sovereign Bond Charts for Brazil and Mendoza (a Province of Argentina).
- October 20, 2004 - Second Legal Action Brought Against Argentine Province of Mendoza.
- October 15, 2004 - List of Live Auction and Silent Auction Items for EM Benefit to be Held in London on October 28, 2004 Now Available.
- October 14, 2004 - Charity Trading Day Raises over $90,000.
- October 12, 2004 - Opinion in Greylock vs. Province of Mendoza.
- October 6, 2004 - Mendoza Province of Argentina Responds to Legal Action.
- October 6, 2004 - Notice from the Fiscal Agent Regarding Delay in Venezuela Warrant Calculation.
- October 4, 2004 - EM Sovereign Bond Chart for Guatemala.
- October 1, 2004 - EMTA's Third Quarter Bulletin is Now Available in our Bulletin Section.
- September 30, 2004 - Legal Action Brought Against Mendoza Province of Argentina.
- September 30, 2004 - Holiday Schedule for EM Bond Trades for US Columbus Day Holiday.
- September 23, 2004 - EMTA Fall Forum in New York City to be Held on October 18, 2004.
- September 21, 2004 - Emerging Markets Benefit to be Held in New York City on December 2, 2004.
- September 21, 2004 - Notice from Agent regarding Serbia NFA and TDFA Restructuring.

Reminders: Visit the From the Market and Job Opportunities areas

There are two new areas of EMTA's website: From the Market in the Activities and Services section and Job Opportunities.

From the Market items are 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.

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 EMTA at jmurno@emta.org or (646) 637-9105. Members will receive special discounted rates.

Other Industry Projects and Initiatives

Global Documentation Steering Committee Publishes "Practitioner's Best Practice Guide"

The Global Documentation Steering Committee (GDSC) hosted a half-day conference at the Federal Reserve Bank of New York on November 19 to discuss its "Practitioner's Best Practice Guide" for improving master agreement and related trading agreement negotiations. The GDSC aimed to produce a "Practitioner's Best Practice Guide" that balances the interests of dealers and end-users and, in the spirit of such cooperation, seeks to improve the current state of documentation practices in the industry. Click Here for a copy of the "Practitioner's Best Practice Guide".

The GDSC is a group of major, internationally active commercial and investment banks, end-users and trade associations that deal in and use financial products available in the over-the-counter markets. The GDSC believes that the efficient functioning of the documentation process can be instrumental in reducing risk. Protracted negotiations may extend the risks attaching to undocumented transactions, delay the development of beneficial trading relationships and waste resources.

The GDSC also dedicated a portion of the conference to present a form of confidentiality agreement intended to reduce negotiation through an even-handed approach to the concerns of both providers and recipients of information and to promote prompt execution through the use of simple confirmations. Click Here for a copy of the Confidentiality Agreement and Click Here for a copy of the User's Guide.

For further information on this topic, please visit the GDSC's website (http://www.ny.frb.org/globaldoc/index.html) or contact Aviva Werner (EMTA) at awerner@emta.org or (646) 637-9110.

IPMA Proposed CAC Clauses

Recently, the International Primary Market Association (IPMA) proposed Collective Action Clauses (CACs) for UK law-governed transactions. IPMA finalized the Proposed CACs with input from EMTA and other trade associations. Click Here for a copy of the Proposed CACs. EMTA understands that IPMA intends to propose CAC clauses at a later date for transactions governed by NY law.

Events

MarketAxess Raises Over $90,000 for Emerging Markets Charities In First Annual Charity Trading Day

MarketAxess announced on October 14, 2004 that it had raised $91,000 in its First Annual Emerging Markets Charity Trading Day. The Charity Trading Day was held on October 6, 2004 and was developed through a partnership with EMTA. MarketAxess intends to donate all of its Emerging Market trading profits for that day to the industry's annual charity benefits.

According to MarketAxess, instrumental to the success of the Charity Trading Day was strong support from the dealers participating on the firm's Emerging Markets trading system. These include ABN AMRO, Bank of America, Barclays PLC, Bear Stearns, BNP Paribas, Citigroup Global Markets, Credit Suisse First Boston, Deutsche Bank Securities, Goldman Sachs, HSBC, J.P. Morgan Chase, Lehman Brothers, Merrill Lynch, Morgan Stanley, UBS and Wachovia Securities.

Iain Baillie, Head of MarketAxess' London office, presented a check for £24,750 (US$45,500) to Elaine Skinner (RBC) and Jonathan Murno (EMTA), Co-Chairs of the industry's London Benefit, on October 28, 2004 (see page 19). The remaining $45,500 will be presented to the sponsors of the New York Benefit on December 2, 2004.

"Our first annual charity trading day has exceeded our expectations, and we look forward to presenting this substantial donation at the upcoming Emerging Markets benefits," said Rick McVey, Chief Executive Officer of MarketAxess. "We want to thank our dealer and institutional investor clients for their active participation in this event. Our contribution will be used to support several organizations that are engaged in important projects in these developing economies."

"We are gratified by the success of the MarketAxess Charity Trading Day and the support of MarketAxess' dealer and institutional investor clients," said Ms. Skinner. "It brought us one step closer to reaching our fundraising goals, which will allow us to continue to aid projects benefiting organizations in developing economies."

Events (continued)

"Under a South African Sky" Industry Benefit in London Raises Funds for EM Charities

The Emerging Markets Annual London Benefit was held at the Park Lane Hilton on Thursday, October 28, 2004. The black tie gala broke previous attendance records when all 750 available seats were sold out in eight business days in September 2004. Apparently few of the evening's revelers were disappointed as the ballroom remained at full capacity until its 1 am closing time.

The event, "Under a South African Sky," included South African drummers, a live band, a dj, dinner (who can forget that tiramisu?), dancing, as well as live and silent auctions. Also included as part of the evening's entertainment was a drawing to determine the winner of a raffle. Simon Treacher of BlueBay Asset Management ended up holding the lucky ticket for a diamond, donated by jeweler Wint & Kidd, worth £10,000, to be designed to his specifications.

The generosity of the EM crowd was quickly evident as a number of items were sold off at considerable sums. Up on the auction block were holiday trips to St. Lucia, Turkey, Scotland, Spain, Switzerland, South Africa and the USA, as well as a cooking course in France, polo lessons, golfing trips, couture items, diamond earrings, a day on the set of the BBC program "Top Gear" and memorabilia signed by the England rugby squad, the Chelsea football team and the Rolling Stones. Fundraising was also boosted by MarketAxess and Standard Bank, both of which sponsored the event. Co-sponsorship funding was provided by WestLB and Central Search.

Proceeds from the evening, which event organizers hope will reach at least £120,000 (US$220,000), will be distributed to Cotlands, an organization fighting HIV/AIDS in South Africa; Task Brasil, which works to educate street children in Brazil; and ChildHope UK, which serves to educate children in a variety of EM countries. The Committee expects to make disbursements shortly as final auction proceeds are received.

Photos from the event are still available at http://www.capitallifephotography.co.uk/events.php. Please enter user name 'redfridge' and password 'hilton.'

Hats off to Committee Co-chairs Elaine Skinner (RBC) and Jonathan Murno (EMTA), as well as Emma McClintock (BB Securities), Ingrid Iversen (Insight Investments), Monika Machon (AIG), Nadia Saliba (Goldman Sachs), Joanne Horner (Standard Bank), Paul Charman (WestLB), Dominic Holland (MarketAxess), Clare Turnbull (Bear Stearns) and Tania Kotsos (RBC) for their boundless enthusiasm and hard work on making the Benefit such an unqualified success.

London Benefit Co-Chairs Elaine Skinner and Jonathan Murno are presented with a check for £24,750 by Iain Baillie of MarketAxess."

Events (continued)

NYC EM Charity Benefit to follow EMTA Annual Meeting on December 2, 2004

The EM Charity Benefit Committee is currently putting final touches on plans for this year's New York Benefit, which will immediately follow the EMTA Annual Meeting on Thursday, December 2, 2004. The evening's theme is "Bombay Nights," and will include fine Indian cuisine.

A silent and live auction will be held to raise funds for the evenings' beneficiaries. Among the prizes expected to be auctioned are stays at vacation homes in Vermont, France and Scotland, as well as sailboat cruises and golf outings.

This year's beneficiaries include EMPower, ProMujer and SAAIDS. EMPower is the foundation organized by a number of EM professionals in order to fund a wide variety of educational and health programs in the emerging world. ProMujer promotes self-sufficiency by granting microfinance loans to women in Latin America, while SAAAIDS works to prevent the spread of HIV/AIDS in South Asia.

Event organizers are eager to surpass the $200,000 distributed to charities last year. This year's fund raising was jump started on October 6, when the electronic brokerage firm MarketAxess, in partnership with EMTA, held a Charity Trading Day. MarketAxess will present the Benefit Committee with a check for $45,500, representing half of the proceeds from the Charity Trading Day (an additional $45,500 was presented to the London Benefit on October 28, 2004). (see page 18)

Those interested in joining the Benefit Committee next year are urged to contact Denise Simon at The Atlantic Company at ds@theatlantic.net or (646) 364-2312 or Jonathan Murno at EMTA at jmurno@emta.org or (646) 637-9105.

* *

While EMTA is not affiliated with, and does not officially support, any particular charitable organization, EMTA does believe in promoting and giving greater visibility to the industry's most worthy efforts to support charitable and other public service activities throughout the Emerging Markets.

Miscellany

Information for Volume Survey Participants

As a reminder, EMTA collects volume data from market participants for its Debt Trading, NDF and Credit Derivatives 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. Data for the NDF and Credit Derivatives Surveys are collected at calendar year-end, and EMTA contacts its survey participants for this data a few weeks after the end of the calendar year. Look for the EMTA 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 e-mail Jonathan Murno at jmurno@emta.org. Individual responses are kept 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 importantly, 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 **Capital Markets Financial Services**, **ISI Emerging Markets** and **State Street Bank and Trust Co.** 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!
Thursday, January 20, 2005

EMTA Winter Forum in London

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. (EMCC)	Michael Chamberlin	(646) 637-9100
Corporate Governance	Michael Chamberlin	(646) 637-9100
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	(646) 637-9106
FX/NDFs/Derivatives	Leslie Payton Jacobs/Starla Griffin	(646) 637-9103/(44-207) 996-3165
Global Equities	Bruce Wolfson (Rohatyn Group)	(212) 984-2907
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/Aviva Werner	(44-207) 996-3165/(646) 637-9110
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/Jonathan Murno	(44-207) 996-3165/(646) 637-9105
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.

Michael Chamberlin	mchamb@emta.org
Starla Griffin	sgriffin@emta.org
Jonathan Murno	jmurno@emta.org
Suzette Ortiz	sortiz@emta.org
Leslie Payton Jacobs	lpjacobs@emta.org
Aviva Werner	awerner@emta.org

EMTA Calendar

Fri., Oct. 8	Recommended 2:00 p.m. (NYC) Market Close
Mon., Oct. 11	Recommended Market Close (NYC) Columbus Day Recommended 12:00 Noon (London) Market Close
Mon., Oct. 18	**Fall Forum** **UBS, 1285 Avenue of the Americas (NYC)**
Thurs., Oct. 28	**2004 Emerging Markets Benefit Charity Ball (London)**
Thurs., Nov. 11	Recommended Market Close (NYC) Veterans Day Recommended 12:00 Noon (London) Market Close
Thurs., Nov. 3	Legal and Compliance Group Meeting - 12:00 Noon Global Financial Markets Conference Center 360 Madison Avenue, 17th Floor (NYC)
Wed., Nov. 24	Recommended 2:00 p.m. (NYC) Market Close
Thurs., Nov. 25	Recommended Market Close (NYC) Thanksgiving Day Recommended 12:00 Noon (London) Market Close
Fri., Nov. 26	Recommended 2:00 p.m. (NYC) Market Close
Thurs., Dec. 2	**EMTA Annual Meeting - 1:30 p.m.** **Citigroup, 388 Greenwich Street, NYC** **2004 Emerging Markets Benefit - 6:30 p.m.** **295 Lafayette Street, NYC**
Thurs., Dec. 23	Recommended 2:00 p.m. (NYC) Market Close
Fri., Dec. 24	Recommended Market Close (NYC/London) Christmas Day
Mon., Dec. 27	Recommended Market Close (London) Boxing Day
Fri., Dec. 31	Recommended 2:00 p.m. (NYC) Market Close
January*	**EMTA Board Meeting (NYC/London)**
Wed., Jan. 12	Legal and Compliance Group Meeting - 12:00 Noon Global Financial Markets Conference Center 360 Madison Avenue, 18th Floor (NYC)
Fri., Jan. 14	Recommended 2:00 p.m. (NYC) Market Close
Mon., Jan. 17	Recommended Market Close (NYC) Martin Luther King, Jr. Day Recommended 12:00 Noon (London) Market Close
Thurs., Jan. 20	**Winter Forum (Time TBD)** **J.P. Morgan Chase** **The Great Hall, 60 Victoria Embankment (London)**
Fri., Feb. 18	Recommended 2:00 p.m. (NYC) Market Close
Mon., Feb. 21	Recommended Market Close (NYC) Presidents' Day Recommended 12:00 Noon (London) Market Close

*** Details TBA**

Singapore Foreign Exchange Market Committee
10 Shenton Way
Singapore 079117

EMTA, Inc.
360 Madison Avenue
New York, New York 10017

The Foreign Exchange Committee
33 Liberty Street, 9th Floor
New York, New York 10045

November 1, 2004

Dear Market Participant,

The Singapore Foreign Exchange Market Committee (the "SFEMC"), EMTA, Inc. ("EMTA") and the Foreign Exchange Committee (the "FXC"), acting as co-sponsors, are pleased to announce the publication of updated documentation for non-deliverable foreign exchange transactions for six Asian currencies. The Tokyo Foreign Exchange Market Committee and the Treasury Markets Forum of Hong Kong support the co-sponsors in their publication of the updated documentation for the benefit of market participants.

The co-sponsors believe that this revised documentation will enhance efficient settlements across the market for non-deliverable foreign exchange transactions in the event of a long-term disruption in a local market. This project continues the efforts made to improve documentation for non-deliverable foreign exchange transactions used for various Latin American currencies.

Updated standard template terms for non-deliverable foreign exchange transactions for each of CNY, IDR, INR, KRW, PHP and TWD (the "2004 Templates") are now available for use by the market with a recommended effective date of December 1, 2004, to ensure market-wide coordination in their adoption. The 2004 Templates are intended to replace in their entirety the template terms for these currencies published by EMTA in 2001.

By separate publication, ISDA, Inc., EMTA and the FXC have published new and amended rate source definitions for Annex A of the 1998 FX and Currency Option Definitions for the six currencies that are the subject of the 2004 Templates. These new and amended definitions also will have an effective date of December 1, 2004.

The 2004 Templates, the new and amended rate source definitions and other related documentation are on the websites of the SFEMC, EMTA and the FXC, as co-sponsors, at: www.sfemc.org (see Market Practice), www.emta.org (see Standard Documentation/FX and Derivatives Documentation) and www.newyorkfed.org/fxc (see Reports and Documents/FX Options and NDFS).

Highlights of the 2004 Templates include:

1. The current eight-calendar day Drop-dead Date in the 2001 Templates is replaced with a longer Deferral Period of fourteen calendar days, to give a local market greater opportunity to resume normalcy following the occurrence of an Unscheduled Holiday. A parallel approach of a fourteen-day period for a Valuation Postponement following the occurrence of a Price Source Disruption is introduced.

2. A new first Fallback Settlement Rate Option is added for purposes of obtaining a market-oriented rate following a fourteen-day Deferral Period or Valuation Postponement. This new Fallback Settlement Rate Option is a survey-based rate quotation, which the SFEMC will sponsor and Telerate will administer. The SFEMC would activate the survey during a market disruption, and participants in the survey (offshore banks) will be asked to quote an indicative rate at that time. Test surveys were conducted by Telerate earlier this year, demonstrating the operational viability of the survey methodologies. The results of the test surveys are posted on the SFEMC's website (http://www.sfemc.org/AsianNDF.asp).

3. To give the Indicative Survey a chance to function when it is commenced, a second fallback rate option is introduced in the 2004 Templates, called Fallback Survey Valuation Postponement. This new term can extend the valuation date of a contract for up to an additional three calendar days (for a total of up to seventeen calendar days of deferral or postponement), to the extent needed to obtain an indicative survey rate quotation based on the required minimum number of responses.

4. Calculation Agent Determination is retained as the final fallback option for determining a rate.

In addition, for the convenience of their constituencies and the marketplace, EMTA and the SFEMC will sponsor the signing of a multilateral amendment for their members and other market participants who wish to amend their outstanding contracts to incorporate the new template terms. For those institutions who wish to participate, information pertaining to the multilateral amendment for such currencies may be found on the websites of EMTA and the Singapore Institute of Banking and Finance ("IBF") (www.ibf.org.sg), which is administering the amendment on behalf of the SFEMC.

The co-sponsors encourage institutions to use the 2004 Templates in recognition of the benefits that would accrue to the marketplace. They are committed to providing on-going support to the industry as it continues to improve documentation of non-deliverable foreign exchange transactions to promote smooth market functioning.

Loh Boon Chye
Chairman
The Singapore Foreign Exchange Market Committee

Michael Chamberlin
Executive Director
EMTA, Inc.

Mark Snyder
Chairman
Foreign Exchange Committee