EMTA

Bulletin

2nd Quarter 2004 Volume 2004: No. 2

Brazilian Analyst Murillo de Aragao Addresses EMTA Spring Forum

A standing room only crowd of 150 EM professionals attended EMTA's Spring Forum in New York on Thursday, April 15, 2004. Bear Stearns hosted the event, which included a panel discussion on prospects for emerging countries, as well as a presentation by noted Brazilian economic and political advisor Murillo de Aragao.

De Aragao began his talk by noting that, "clearly after a great year in 2003, the Brazilian administration lost its pace, especially after last October when we saw a succession of mistakes that impaired the ability of the government to promote reforms and to produce good news." He subsequently addressed what he termed five important "vectors of influence" which would confront the administration of President Lula: economic factors, social pressure, management capacity, political factors and the reform agenda.

On the economic front, Lula seems to have given his full support for Finance Minister Palocci, "and this means the major fundamentals of economic policy – fiscal pragmatism, realistic exchange policy and high tax collection — will be protected," de Aragao opined. He asserted that the financial markets can be confident that Lula will continue to stick to the current economic plan in the short term.

As for social pressure, Lula is "trapped by his past in some manner – the speeches he gave and the huge expectations he created," declared de Aragao. Without spectacular performance with the economy and with poverty alleviation programs, social pressure on Lula will mount. However, de Aragao pointed out that currently Lula has no obvious rival for the leadership of Brazil, as former President Cardoso is not seriously interested in challenging Lula in the next presidential election.

Briefly addressing recent investor "preoccupation" with the MST, the landless movement, and its campaign to accelerate the agrarian reform program, de Aragao speculated that the MST "will remain a problem for many years because the government doesn't have the funds to implement the reform program MST is fighting for." He

Inside

(click on topic for link to page):

Tel. (646) 637-9100 360 Madison Avenue, New York, NY 10017 Fax (646) 637-9128

www.emta.org

Trade Association for the Emerging Markets

EMTA Spring Forum (continued)

quickly added, however, "The good news is that Lula can control the MST, and he is the best person in Brazil to have a dialogue with them, and to contain them." De Aragao also analyzed the "management capacity" of the administration. He commented the level of government efficiency is "to be elegant, uneven" because of the division of the left into so many factions.

As for politics, de Aragao stressed that important reforms last year were passed because of the cooperation of opposition parties. He reasoned that, in the future, opposition parties might not cooperate as they seek to distinguish themselves prior to the next election. In addition, he advised the audience, municipal elections will lead to confrontations between allies contesting local votes and will have spillover effects on the federal level.

The upcoming elections will no doubt impede reforms, warned de Aragao, while he also expressed cautious optimism that if the administration pushes Congress, at least debate on some important reforms could go forward. He argued that it was not impossible that reforms such as the regulatory agency bill, the new bankruptcy bill, judiciary reform and union reform legislation could be passed. De Aragao acknowledged that such reforms were not as important as the social security and tax reforms, but their passage would "nonetheless improve the conditions in Brazil."

De Aragao concluded his prepared remarks by stating that, while the current picture "is not a rosy scenario, there is a sort of window of opportunity for Brazil to progress and continue to implement reforms." He underscored the importance of the apparent "decision or intention of the government to protect current economic policy to create and restore economic credibility in Brazil."

De Aragao fielded a wide variety of audience questions after his formal presentation. Among his responses was a prediction that Brazilian GDP growth could approach 3% ("a good result, not a great result") and a discussion of Central Bank autonomy.

Panel Discusses Brazilian Sell-Off, Argentine Deal Prospects

A panel discussion of EM industry sages followed De Aragao's presentation. Moderator Carl Ross of Bear Stearns reviewed his notes from the 2003 Spring Forum panel as a prelude to this year's debate. Last year, he reminded the audience, the mood was one of cautious optimism, but speakers were hard-pressed to offer any "compelling ideas" because of the high valuations in the market. Comparing the strong returns on EM debt last year and the lackluster returns to date in 2004, Ross commented, "It feels as if we borrowed last year from this year's performance."

Prompted to offer his assessment on Brazil, Citigroup's Tom Trebat argued that Brazil's importance in the EM marketplace had been somewhat inflated even beyond its justifiably heavy influence due to the awarding of investment grade ratings to EM countries such as Mexico and Russia, and the disappearance of Argentine debt from benchmark indices following the country's default. "To have a view on Emerging Markets debt today, as I think my colleagues on the panel will agree, is to have a view on Brazil," declared Trebat.

EMTA Spring Forum (continued)

Trebat observed that the most important question for the marketplace was whether the sell-off in Brazilian assets debt in the weeks preceding the Forum should be attributed to fundamentals or “market hysteria.” Trebat discussed Brazilian economic statistics and concluded “the fundamentals look all right to me but Brazil is in the way of an emotional freight train that seems to be gathering steam,” a reference to industry concern over US rate hikes. Trebat voiced his positive impression of the dedication of Lula administration officials, including lower level staff members, “and how much they stick to the game plan.” Even some of the major opposition parties, while delighting in “making Lula’s life as miserable as possible,” agree with the Lula administration’s economic plan, according to Trebat. “Politics in Brazil continues to be noisy and messy, but fundamentally governability is not an issue today,” Trebat asserted. Despite his analysis that Brazilian fundamentals remained relatively good, Trebat concluded he was not “favorably disposed” about the outlook for Brazilian external debt in the context of interest rate uncertainty, but remained more positive on local currency opportunities.

Evaluating the prospects for Brazil’s neighbor, Trebat predicted an Argentine debt deal could be accomplished over the next couple of months, “maybe somewhere between a strict interpretation of Dubai terms and current market prices of about 30…but there are huge risks of miscalculation on both sides,” he warned. Trebat conceded his optimism on a deal was greater that current market consensus.

In response, Mike Gagliardi (TC) acknowledged he had a gut feeling that Argentina was a buy at current levels, while conceding he had “no intelligent reason” to justify his instinct. He concurred with Trebat’s assessment that a deal, or at least “some solid progress,” could be achieved within three months.

Asked for his thoughts on the large amount of new issues in recent months, Gagliardi declared that, while a lot of the new issuance is in investment-grade paper, in line with new money entering the market, he is concerned that “every Tom, Dick and Harry is out borrowing money.” Gagliardi encouraged investors to remain diligent in their purchases of new bonds. “Most of us in the market don’t know second tier banks in Kazakhstan or third tier banks in Russia,” and we are going to have to do a lot more credit work, he advised.

Karim Abdel-Motaal (Morgan Stanley) spoke enthusiastically of the potential for credit derivatives. “The credit derivative market is the most exciting development in the emerging financial markets in a decade,” he declared. These instruments offer investors the ability to take positions that might not be available on a country’s bond curve, to short a credit for any length of time and to avoid the “idiosyncrasies of bonds that are collateralized, puttable or callable.”

Tom Cooper (GMO) noted he was also a fan of credit derivatives, opining that it was easier to buy credit derivatives with some new accounts than to buy bonds. Cooper confirmed that money continues to enter the asset class, “maybe a couple of hundred million here and there, but nothing in the billion dollar range.” Cooper attributed recent inflows to European or Japanese accounts, rather than US investors.

EMTA Spring Forum (continued)

Ross polled the panelists for their assessments of risks in the market in addition to US interest rate concerns. Cooper voiced concern that a major reversal of course in Brazil would lead to a collapse in Latin America generally. Abdel-Motaal reasoned that the strongest components of the asset class were also its most vulnerable – an accident in the "consensus bullish trades" of Brazil, Russia (oil prices) and Turkey (EU accession) were potentially more dangerous than a rise in US rates, he warned. Gagliardi replied that he did not foresee a major country "blowing up," and affirmed, "everyone in the sandbox is trying to play by the rules."

At the conclusion of the discussion, Ross requested panelist investment recommendations. Trebat conceded that, while he maintained a "guarded outlook" on EM debt, he found it hard to argue with owning Russian debt, and Mexican debt "makes sense for some investors." Trebat also spoke positively on Uruguay, and urged investors to continue to watch Venezuela with the "possibility" of a favorable political outcome. Abdel-Motaal recommended long positions in the Brazilian real and Polish zloty, while shorting the South African rand.

Gagliardi stressed his interest in trading local currencies ("not taking a long or short view, but to trade them"). He reiterated being intrigued by distressed Argentine paper, as he had previously discussed at the 2003 Spring Forum. Moderator Ross plugged for the Bear Stearns Caribbean index, noting the underperformance of the region last year was thus far in 2004 being replaced by an overperformance vis-à-vis the broader market.

EMTA Survey: Emerging Markets Debt Trading Over US$1 Trillion in First Quarter 2004

Emerging Markets debt trading totaled over US$1.045 trillion in the first quarter of 2004, according to EMTA's First Quarter 2004 Debt Trading Volume Survey released on June 1, 2004. The report shows volumes increased 3% from fourth quarter 2003 levels of US$1.015 trillion, and were up 25% vs. the US$839 billion reported in the first quarter of 2003.

Arturo Porzecanski, Head of Emerging Markets Sovereign Research at ABN Amro in New York commented, "First quarter data revealed a growing concentration in Brazilian instruments, especially Brazilian Brady's and Eurobonds, which grew to represent 42% of total turnover excluding local market instruments, up from less than 38% in the fourth quarter and the first quarter of 2003." Porzecanski attributed the increase in Brazilian volumes, as well as increased volumes in other non-investment grade countries such as Argentina, Ecuador and Turkey, to "the bullish environment that characterized most of the first quarter, which encouraged heavy trading in the riskiest of bonds."

In fact, trading in Brazilian instruments surpassed volumes of any other instruments for the first time since the third quarter of 2000. Brazilian volumes stood at US$299 billion, a 38% increase vs. fourth quarter levels of US$217 billion and a 75% increase compared to the first quarter of 2003 (US$170 billion). Brazilian turnover increased throughout each asset category, with Brazilian sovereign Eurobond volumes up 65% to US$142 billion, Brazilian Brady volume up 4% to US$77 billion, Brazilian local instruments up 57% to US$43 billion and options on Brazilian debt up 12% to US$22 billion. Brazilian market share equaled 29% of total overall volume, vs. 21% in the previous quarter. Brazil's C-Bond and 2040 Bond were the two most frequently traded individual instruments, at US$69 billion and US$66 billion in turnover, respectively.

In contrast, investment-grade rated Mexican instrument trading retreated 36% compared to the previous quarter and stood at US$246 billion (vs. US$383 billion). Survey participants reported a 45% decline in their trading of Mexican local instruments, to US$177 billion in the first quarter vs. US$318 billion in the fourth quarter of 2003 (and US$210 billion in the first quarter of 2003). Mexican instrument volumes dropped to second place in the Survey.

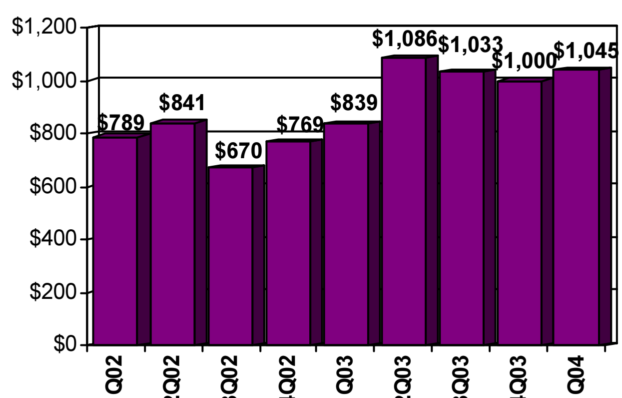
Russian volumes remained in third place, at US$74 billion. This compares with US$63 billion in reported activity in the previous quarter and US$64 billion in first quarter 2003 trading. Russian transactions accounted for 7% of total Survey volume.

Trades in Turkish instruments were fourth, at US$52 billion (vs. US$37 billion in the fourth quarter). South African volume was fifth, at US$45 billion compared with US$41 billion in the previous quarter.

Survey participants also reported a notable increase in Argentine instrument volumes, up 106% quarter-on-quarter to US$35 billion (and up 389% from US$7 billion in the first quarter of 2003). Argentine instrument trading stood in 8th place overall, up from 13th place in the fourth quarter.

Aggregate Trading Volume

(in US$billions)



EMTA Volume Survey (continued)

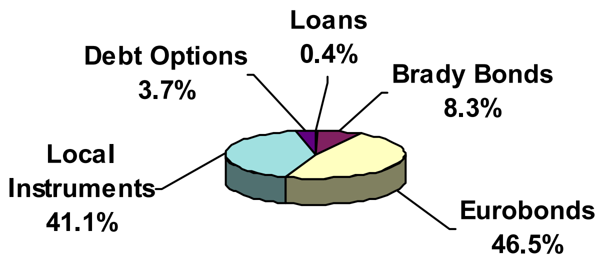
Eurobonds at 47% of Volume, Local Instruments 41%

Eurobond volume stood at US$486 billion, compared to US$367 billion in the previous quarter (a 32% increase) and US$276 billion in the first quarter of 2003 (up 76%). Brazilian instruments accounted for nearly one-third of all Eurobonds (US$157 billion including corporate issues), followed by Mexican (US$63 billion), Russian (US$60 billion), Turkish (US$37 billion) and Argentine issues (US$30 billion).

Eurobond trading accounted for 47% of total reported volumes, with 38% of all turnover in sovereign issues and 8% in corporate debt. Porzecanski remarked that, "with a record amount of new bond issuance, estimated at $54 billion in the first quarter, more than double what Emerging Market issuers placed in the first quarter of 2003 or 2002, it is no wonder that turnover excluding local market instruments increased by more than 20% relative to the fourth quarter of 2003, and by over 40% when compared to the first quarter of 2003."

Results from the EMTA Survey also showed that total corporate Eurobond trading reached its highest level in six years at US$80 billion (vs. US$61 billion in the fourth quarter). "The bullish environment that prevailed at the time encouraged trading in corporate bonds, the liquidity of which usually is inversely related to the general level of bond spreads," Porzecanski noted.

Volume by Type of Instrument 1Q 2004



Survey respondents reported US$430 billion in local instrument trading, vs. US$509 billion in fourth quarter volumes (a 15% decrease) and US$405 billion in the first quarter of 2003 (a 6% increase). This was attributed to a large decrease in Mexican local instrument volumes, which fell to US$177 billion in the first quarter from US$318 billion in the previous quarter, and was only partially offset by increases in local instrument trading in Brazilian, South African and Polish instruments. Local instrument volumes accounted for 41% of total Survey volume, vs. 50% in the fourth quarter of 2003.

Brady bond trading stood at US$87 billion, or 8% of overall volume, and was virtually unchanged from the previous quarter (US$86 billion), while down 21% from first quarter 2003 Brady volume of US$110 billion. Option trading stood at US$38 billion vs. US$44 billion in the prior quarter and represented 4% of total volumes. Loan trading, at US$4 billion, accounted for less than 1% of Survey volume.

Turnover Remaining at High Levels?

Despite speculation that higher US Treasury yields and upcoming Federal Reserve interest rate hikes are dampening interest in the Emerging Markets asset class, Porzecanski believes that volume levels -- as opposed to bond prices -- have not yet felt any spillover effect. "Our impression is that turnover levels have held up quite well so far in this second quarter, despite the widening of bond spreads and the drop in new issuance activity. However, there has been a further concentration in the trading of a few instruments involving Brazil," he observed.

EMTA's Survey includes turnover in Brady bonds, sovereign and corporate bonds, local instruments, debt options, warrants and loans issued by over 90 emerging countries. 67 firms involved in Emerging Markets debt trading participated in the Survey.

For a copy of EMTA's First Quarter 2004 Debt Trading Volume Surveys, please contact Jonathan Murno at jmurno@emta.org or at (011-44207) 996-3165.

EMTA Annual Survey: EM Credit Derivative Transactions at US$197 Billion in 2003

Asian Volumes 41% of Market

Reported annual trading volumes in Emerging Markets Credit Derivatives totaled US$197 billion in 2003, according to a Survey released on May 12, 2004 by EMTA. The Survey covered 43 Credit Derivative markets from Asia, Latin America, Eastern Europe, the Middle East and Africa.

EMTA began compiling Credit Derivatives data in the first quarter of 2003, and 22 financial institutions, including major dealers and investment firms, participated in the Annual Survey. Nevertheless, EMTA noted that, because several significant market participants had not contributed to this Survey, it should not be interpreted as accurately representing actual industry-wide trading volumes in Credit Derivatives, but rather as a general reflection of overall industry trends.

Participants Report Heaviest Volume in South Korean Credit Derivatives

South Korean Credit Derivatives were the most active instruments, according to Survey participants, at US$23 billion. Karim Abdel-Motaal, Global Head of Emerging Markets Research at Morgan Stanley, commented, "There has been a significant increase in investor exposure to Asia in countries such as South Korea and Taiwan over the past six months, and some equity positions have had credit default swap hedges applied to them." Asian Credit Derivatives accounted for 41% of total reported Credit Derivatives, with South Korea alone claiming a 12% share of total reported volume.

Brazilian Credit Derivatives were just slightly behind South Korean volume, also at about US$23 billion (and a 12% market share). Venezuelan Credit Derivatives stood at US$21 billion, and Mexican transactions equaled US$20 billion. Abdel-Motaal attributed the strength in Mexican Credit Derivatives to the recent authorization of local pension funds (AFORES) to trade derivatives, as well as to investors hedging their long equity positions in Mexican stocks.

The growth of the Credit Derivatives market has been a frequent topic of conversation in the Emerging Markets industry, and Abdel-Motaal did not hesitate to offer his opinion. "I am very confident that Credit Derivative volumes will continue to increase and will eventually overtake bond volumes," declared Abdel-Motaal, who further predicted that within five years, "I suspect that when one refers to the credit market, one will essentially be speaking of credit default swap curves." Abdel-Motaal cited the emergence of first to default baskets as a new innovation that offers evidence of the evolution and deepening of the Credit Derivatives market, as well as the "willingness of dealers to take risk and their greater ability to hedge it."

Survey Adds to Market Transparency

EMTA Executive Director Michael M. Chamberlin stated that the Survey was conceived as a way to further EMTA's goal of contributing to market transparency. Chamberlin added that, "although the markets' participation in this Survey is not yet on par with our Debt Trading Volume Survey, we are confident that over time participation will improve as traders and investors gain more experience with it, giving greater validity and significance to the collected data."

For a copy of EMTA's 2003 Annual Credit Derivatives Volume Survey, please contact Jonathan Murno at jmurno@emta.org or at (011-44207) 996-3165.

EMTA Annual Survey: EM NDF Trading at US$1.021 Trillion in 2003

Reported annual trading volumes in Emerging Markets Non-Deliverable Forward (NDF) contracts totaled US$1.021 trillion in 2003, according to EMTA's Annual Emerging Markets NDF Volume Survey released on April 14, 2004.

EMTA, which has been regularly publishing its Volume Survey for Emerging Market debt instruments since 1992, began compiling NDF data in the first quarter of 2003, and 25 financial institutions, including major dealers and investment firms, participated in the first Annual Survey. Nevertheless, EMTA noted that, because several significant market participants had not contributed to this Survey, it should not be interpreted as accurately representing actual industry-wide trading volumes in NDFs, but rather as a general reflection of overall industry trends.

"We are very pleased to be able to collect and release NDF volume information," EMTA Executive Director Michael M. Chamberlin stated, "as it furthers EMTA's goal of contributing to the transparency of the marketplace." Chamberlin added that, "although the participation in this Survey is not yet on par with our Debt Trading Volume Survey, we are confident that over time participation will improve as NDF traders and investors gain more experience with it, giving greater validity and significance to the collected data."

In the Survey, Korean won NDF transactions accounted for 30% of the total reported to EMTA, at US$307 billion. Juan Barranco, Head of Emerging Markets Foreign Exchange Trading at Bank of America, noting that market share decreased compared to Surveys published by EMTA in the first two quarters of 2003, commented that, "market share for the Korean won decreased over the year due to increased Central Bank intervention in the spot market, speculation whether restrictions would be placed on the currency which began last summer, and the restrictions actually announced at year-end."

Chilean peso NDF volumes stood in second place at US$180 billion in volumes in 2003. Chilean NDFs accounted for 18% of total volume. Brazilian real NDFs were a close third at US$179 billion (and an 18% share). Taiwanese dollar NDFs accounted for US$163 billion in volumes and a 17% share.

Barranco predicted that volumes in Chinese yuan NDFs (which stood in fifth place in 2003 at US$68 billion in volume) currently show the largest growth potential, describing trading in the yuan as "far from an open, deliverable market." He also named the Malaysian ringgit and Russian ruble as two NDF currencies in which trading could grow substantially, adding that he expects gradual liberalization of the Malaysian currency market.

The Survey covered 13 NDF markets from Latin America and Asia, as well as Russia. NDFs are synthetic forward contracts for currencies that foreign investors are not able to settle in local forward markets due to illiquidity or regulatory, transferability or other restrictions. Unlike a conventional forward, an NDF is normally settled in US dollars, based on the difference between the contracted NDF forward rate and the prevailing spot rate, and involves no physical exchange of the underlying currency at maturity.

For a copy of EMTA's 2003 NDF Annual Volume Survey, please contact Jonathan Murno at jmurno@emta.org or at (011-44207) 996-3165.

EMTA Board Meeting on May 19, 2004

EMTA's second Board Meeting for 2004 was held on May 19 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 were Greg Tebbe (Goldman Sachs), Peter Albano (one of EMTA's early Board Directors from Bear Stearns) and Bruce Wolfson (who previously represented Bear Stearns and now represents The Rohatyn Group).

The Board also considered a preliminary proposal to expand EMTA's Board 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 March 31 actual results against its 2004 budget (a small surplus is projected), the Board approved a new Buy-Side dues and Board assessment structure in the interest of fairness and transparency. The newly adopted dues structure establishes two Buy-Side dues levels - firms with US$1 Billion or more EM assets under management would be assessed annual dues of $10,000 and smaller firms would pay $5,000.

EMCC Chief Operating Officer Jeffrey Ingber and his colleague Loretta Stack made a presentation to the Board regarding the future of EMCC. Essentially, they conveyed that DTCC, EMCC's parent company, no longer believes that EMCC is financially viable, due in large part to the failure to expand its membership beyond a core group of major dealers. EMCC is currently at a crossroads – either it is unwound or its services are expanded with the expectation that more participation of key non-members would be attracted. Any unwinding of EMCC is likely to result in greater risks for the dealer community (and indirectly its clients) in continuing to trade through broker screens as now configured. Whether this increased risk is acceptable to the EM trading community is a question worth examining carefully. An EMTA Working Group will be assembled to review EMCC and its viability and to prescribe an appropriate course of action.

In light of a current TBMA project underway to develop practice guidelines for trading in distressed bonds (apparently including EM sovereign and corporate bonds), the Board also briefly discussed the possibility of EMTA's recommending new Market Practices for EM sovereign (and possibly corporate) bonds for when trading 'flat' should begin (i.e., clarifying how flat trading works, how and when decisions to trade flat should be made, and, whether or not flat trading begins, who is entitled to receive interest paid after its due date in the various relevant scenarios). An EMTA Working Group will also be assembled to address these questions.

The next EMTA Board meeting will be held on or about July 22.

CAC's - Unfinished Business?

The IMF and UN have recently commented favorably on the progress that has been made in incorporating collective action clauses (CAC's) into Emerging Markets sovereign bond documentation. Granted, since Mexico's ground-breaking issue in April 2003, at least 29 EM sovereigns have brought to market bond issues with CAC's under NY or English law aggregating over US$47 billion in face amount. During much of this time, general market conditions have been very favorable for new EM issues, and these CAC bond issues have generally been well-received by investors.

EMTA has developed a format for summarizing the terms of CAC bonds that is loosely based on IPMA's existing architecture for the launch of new debt issues in the Euromarkets, and has prepared and posted a number of the completed summaries on its website in the New Developments area (see the category EM Sovereign Bond Documentation Charts). Even a quick review of the summaries shows some significant variations in their terms.

Unfortunately, while the CAC bonds issued to date have included provisions that permit payment and other key terms to be changed by majority action (thus responding to what had been perceived as a potential hold-out or 'rogue' creditor problem), with the exception of two issues (one by Hungary and the other by Latvia), they have failed to address concerns that EM sovereign bonds lack adequate mechanisms to facilitate the constructive engagement of debtors and their creditors in times of financial distress.

To some, the lack of such engagement mechanisms (which include the formation of negotiating bodies and reimbursement of their reasonable legal and financial advisory expenses) constitutes a remaining 'hole' in the existing architecture for resolving financial crises in the Emerging Markets that permits 'rogue' debtors to avoid negotiating their way out of default.

EMTA has also compiled a cumulative list of the CAC bonds issued since April 2003 that have been brought to EMTA's attention. EMTA welcomes your input regarding the format of the EM sovereign bond charts and their utility. Questions and comments in this area may be directed to Michael Chamberlin at mchamb@emta.org or (646) 637-9101.

FX & Derivatives

NDF Update

Latin America

To complete its documentation library in the non-deliverable forward arena, and to provide further service to the market, EMTA has undertaken a project to develop template terms for non-deliverable forward transactions for the Russian Ruble (RUB), the Colombian Peso (COL), the Chilean Peso (CLP) and the Peruvian Sol (PEN). These are the remaining currencies actively traded in the NDF market for which there is currently no industry-wide standardized documentation. The templates will be developed taking into account the specifics of each individual currency, and also the framework laid out by the ARS and BRL template terms to provide for (other than in the case of the fairly illiquid PEN market) back-up survey rate quotation mechanisms. Updates on the progress of this project will be posted on EMTA's website.

Brazil

In February, following almost a year of development, EMTA published its NDF Market Practice No. 33 recommending to the market the adoption of the newly revised template terms for BRL/USD FX transactions. In connection with that Market Practice, EMTA hosted the signing of a multilateral amendment for outstanding BRL/USD FX transactions. As of the time of publication of this Bulletin, EMTA has received signed multilateral amendments from 21 market participants. Signatories to the multilateral amendment can be found on EMTA's website. Click Here for this information.

Asia - General

EMTA continues to be an active participant in the Asia NDF Working Group, supporting the Foreign Exchange Committee in its efforts in this region. The FXC is coordinating its efforts through the Singapore Foreign Exchange Market Committee (SFEMC) and EMTA as co-sponsors as well as liaising with the Tokyo Foreign Exchange Market Committee and the Hong Kong Foreign Exchange Committee. The FXC, working on the framework introduced by EMTA in 2001 with the publication of template terms for CNY, PHP, INR, KRW and TWD, proposes the issuance of updated template terms for all of these currencies as well as the introduction of template terms for IDR. Following EMTA's approach in Latin America (with the published ARS and BRL template terms and current proposals for other Latin American NDF-traded currencies noted above), the revised documentation for each of the Asian currencies proposes to introduce back-up survey mechanisms to provide a rate quotation mechanism in times of market disruption. However, distinguishing itself from the model being followed for Latin American currencies, the model for NDF template terms that is under development for Asian currencies currently does not incorporate a price materiality disruption event. The terms of the proposal for the Asian currencies will undergo further consideration by the various parties involved in its development (including EMTA) over the course of the next several weeks. EMTA will continue to post information regarding this project in the Bulletin and/or on its website.

FX Derivatives Update

Options Products

EMTA has recently joined the FXC's Operations Managers' Working Group Exotic Definitions Project. This effort currently involves a proposed supplement to the 1998 FX and Currency Option Definitions (the "Definitions") which will incorporate terms for "exotic" option products (binaries, knock-outs, etc.) not currently covered in the Definitions and will introduce forms of confirmations for these products in an effort to reduce documentation and settlement risk.

FX & Derivatives: Update (continued)

Market Activities and Services

FX and Derivatives Information on www.emta.org

EMTA's website hosts a variety of information relating to the EM FX and Derivatives markets. If you are not aware of WHAT and WHERE this information can be found, here is a brief description:

Standard Documentation

In October 2000, EMTA began to develop and standardized documentation for the NDF market. These efforts (undertaken either alone or in conjunction with the FXC and ISDA) have included the development of template terms for a variety of currencies, rate source definitions, and the recently published compendium, among other items. Click Here to access the FX/Derivatives Documentation area on EMTA's website.

NDF Market Practices

From time to time, in response to market events and Member initiatives, EMTA has published Market Practices relevant to the NDF markets. These NDF Market Practices are collected on EMTA's website. Click Here for this information.

New Developments

EMTA's "New Developments" area contains postings of general interest to the Emerging Markets trading and investment community. A subsection of this area is dedicated to items relating specifically to the FX and Derivatives segments of the market (Click Here). Note also the "Country" subcategory where posted items are sorted country-by-country (Click Here).

EMTA Rate Quotation Information

EMTA currently provides its Members access to primary and/or back-up rate quotations for the Russian Ruble (in conjunction with the CME), for ARS/USD, and with the implementation of the changes to the BRL NDF architecture described above, for BRL/USD (Click Here).

* *

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.

Bond & Warrant Trading & Settlement

Bulgaria Discount Bonds

EMTA has received several inquiries regarding the GDP interest payments on Bulgaria's Collateralized Discount Bonds due 2024. Click Here for the relevant documentation on the GDP interest payments and redemption procedures relating to the bonds.

Mexico VRR Payment

The June 30, 2004 payment is expected to be made to Series B VRR holders of record as of June 15, 2004, and EMTA has recommended that trades be settled 'ex-dividend' on June 11. (A copy of the Fiscal Agent's notice regarding the payment's calculation will be published in the New Developments area of EMTA's website as soon as it is made available.)

Numerous claims among market participants for this payment, 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. In addition, EMTA encourages EMCC members to work with EMCC in pairing off as many failed trades as possible so that any buy-ins of those failed trades can be executed for much lower net Warrant trade amounts.

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. No payments have yet become due on the Oil Obligations.

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.

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.

* *

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 & 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:

- "Bulgaria Update: Additional Interest Component of Discount Bonds." May 18, 2004 - Tim Ash (Bear Stearns).
- "Bulgaria: The Balkans' 'Other' GDP-Linked External Debt." April 2004 - Richard Segal (Exotix).
- "The Pari Passu Clause - What is Fair Treatment?" April 2004 - Michael M. Chamberlin (EMTA).
- "Bosnia Herzegovina Update: Major Revision to GDP Statistics." April 19, 2004 - Tim Ash (Bear Stearns).
- "The Making of Argentina's Restructuring Trade: A Self-Fulfilling Deal?" April 16, 2004 - Martin Anidjar and Leland Wei (Morgan Stanley).
- "Capital Flows to Emerging Market Economies." April 15, 2004 - (Institute of International Finance).
- "Argentina Debt Outlook: Light at the End of the Restructuring Tunnel?" April 8, 2004. Marc Balston, Gustavo Canonero and Piero Ghezzi (Deutsche Bank).
- "The Decline of Brady Debt." April 5, 2004 - Jane Brauer and Ryan McDuffy (Merrill Lynch).
- "Iraqi Debts to the Private Sector: A Comparative Analysis." March 2004 - Peter Bartlett (Exotix).
- "Bulgaria Update: View on Bulgaria Discount Brady Bond Additional Interest Liability." March 25, 2004 - Tim Ash (Bear Stearns).

New Developments

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

- June 1, 2004 - EMTA Announces 1Q 2004 Debt Trading Volume Stood at US$1.045 Trillion.
- June 1, 2004 - EMPower Receives $50,000 Grant from the Ford Foundation.
- May 26, 2004 - UN Draft Resolution on Iraq (Subject to Change).
- May 19, 2004 - EMTA Annual Summer Forum in London to be Held on June 21, 2004.
- May 13, 2004 - Brady Bond Holiday Schedule for US Memorial Day and UK Spring Bank Holidays.
- May 12, 2004 - EMTA Announces 2003 Annual Emerging Markets Credit Derivatives Stood at US$197 Billion.
- May 12, 2004 - Mexico VRR, Series B, Record Date of June 15 and Payment Date of June 30 Expected. Trades are 'Ex-Dividend' on June 11. Calculations for Payments on the VRR's will be Announced by the Fiscal Agent Shortly.

EMTA is paperless. Visit www.emta.org for the latest information.

New Developments (continued)

- May 10, 2004 - EM Job Opportunities Area Now at EMTA Website.
- May 10, 2004 - SAVE THE DATE! EMTA Summer Forum Scheduled for June 21, 2004 in London. Further information to follow shortly.
- May 5, 2004 - EM Sovereign Bond Chart for Philippines.
- April 30, 2004 - Iraq Creditors Club Launched.
- April 24, 2004 - Brady Bond Holiday Schedule for UK May Day Bank Holiday.
- April 21, 2004 - EM Sovereign Bond Chart for Croatia.
- April 21, 2004 - EMPower Invitation to a Presentation by Fundacion Leer.
- April 20, 2004 - Bulgaria Discount Bonds - Relevant Documentation for Additional GDP Interest Payments and Redemption Procedures.
- April 16, 2004 - English Translation of the Law on the Official Currency of the Republic of Turkey (effective 01/01/05).
- April 16, 2004 - EM Sovereign Bond Chart for Pakistan.
- April 16, 2004 - Paris Club Press Release on Its Agreement to Restructure $193 Million of the Dominican Republic's Debt.
- April 15, 2004 - "A Political View of the Lula Administration in 2004." Presentation by Murillo de Aragao (Latin Source and Arko Advice) at the EMTA Spring Forum.
- April 15, 2004 - Final Disbursements From $200,000 Raised at 2003 NYC Emerging Market Charity Event Paid to Beneficiaries.
- April 14, 2004 - EMTA Announces 2003 Annual Emerging Markets NDF Trading Stood at US$1.021 Trillion.
- April 12, 2004 - EMCA Letter to Russian Government Officials Regarding FTO Debt.
- April 5, 2004 - EMTA Spring Forum to be Held in New York on April 15, 2004.
- April 2, 2004 - EM Sovereign Bond Chart for Poland.
- April 1, 2004 - The Pari Passu Clause — What is Fair Treatment? (Michael M. Chamberlin).
- April 1, 2004 - Brady Bond Holiday Schedule for Good Friday/Easter Monday Holidays.
- March 31, 2004 - EMTA's First Quarter Bulletin is Now Available in our Bulletin Section.
- March 29, 2004 - EM Sovereign Bond Charts for Indonesia, Latvia, Philippines, Romania, Slovak Republic and Thailand.
- March 27, 2004 - "An Update on Argentina," Presentation Made By Guillermo Nielsen, Secretary of Finance of Argentina at the IADB Meeting in Lima.
- March 24, 2004 - Argentina's March 10, 2004 Letter of Intent to the IMF.
- March 23, 2004 - Brussels Court Decision Reversed in Nicaragua vs. LNC Investments and Euroclear.
- March 23, 2004 - EM Sovereign Bond Charts for Bahamas, Lithuania and Tunisia.
- March 19, 2004 - EMTA Spring Forum to be Held in New York on April 15, 2004.

Other Industry Projects/Initiatives

FAS Statement 140

A White Paper by the US Financial Accounting Standards Board (FASB) recently requested the financial industry's response to its proposed amendments to FAS Statement 140 (which sets forth U.S. accounting standards for transfers of financial assets). The proposed amendments may preclude true sales treatment for transfers of assets through loan participations or otherwise for a variety of reasons.

For further information on this topic, please Click Here for the White Paper. Click Here for the comment letters from TBMA, LSTA and others on this topic or contact Aviva Werner (EMTA) at awerner@emta.org or (646) 637-9110.

TBMA's Guiding Principles for Fixed Income Research

The Bond Market Association's (TBMA) "Guiding Principles to Promote the Integrity of Fixed Income Research" were finalized on March 19 and are available on their website at: www.bondmarkets.com/Market/Guiding_Principles_for_Research.pdf.

Through TBMA, the U.S. securities industry has voluntarily undertaken the job of creating a comprehensive baseline set of standards that member firms can use in developing their own procedures to promote the integrity of fixed income research. Though clearly an exercise that is largely driven by high-level, non-EM factors, EMTA has helped coordinate Emerging Markets input on the EM asset commentary included in the finished product.

For further information on this topic, please contact Aviva Werner (EMTA) at awerner@emta.org or (646) 637-9110.

Miscellany

Final Disbursements Made to Beneficiaries from $200,000 raised at 2003 NYC Charity Event

Organizers of the NYC Emerging Markets Charity Benefit recently made final disbursements from the industry gala held on Thursday, December 4, 2003, at which over $200,000 was raised to improve living standards in Emerging Markets countries. Checks for $29,945.06 to each of the evening's three beneficiaries were distributed on April 15, 2004, and followed preliminary payments made at the end of December 2003; each of the three grant recipients thus receiving a total of $66,945.06.

The beneficiaries from the 2003 Benefit were EMPower, ProMujer and World Education and Development Fund. Former EM professionals founded both EMPower and World Education and Development Fund, while ProMujer counts a number of EM professionals among its Board of Directors. Further information on these organizations can be found at: www.empowerweb.org, www.promujer.org and www.worldfund.org.

The proceeds from the Benefit will be used to fund a wide variety of projects around the Emerging Markets, including classrooms in Argentina and Brazil, HIV/AIDS prevention in Uganda, healthcare for street children in Mexico, India and Vietnam, children's centers in South Africa and scholarships in Mexico. A total of over $5 million has been raised for charities by the Emerging Markets debt industry in New York and London over the past decade.

The Benefit Committee noted a number of major accomplishments in its management of the 2003 Benefit. Overhead was reduced to 25%, an exceptionally low figure for a gala event of this size (and compared to an expense ratio of 37% for the 2002 event, a more common percentage). The Benefit Committee also made final disbursements to the charities three months earlier than it had last year. Finally, greater coordination with the London Charity event resulted in the exchange of auction prizes, the donation of commemorative shot glasses and other services. Members of the Emerging Markets debt industry are thanked once again for their exceptional generosity in supporting the event.

The 2004 NYC Benefit has been scheduled for Thursday, December 2, 2004. Those interested in joining the Benefit Committee are encouraged to contact Denise Simon at the Atlantic Company at (646) 364-2312, Sue Waterbury of Goldman Sachs at (212) 902-5789 or Jonathan Murno at EMTA at (011-44207) 996-3165.

SAVE THE DATE!
Thursday, December 2, 2004

EMTA Annual Meeting

Annual NYC EM
Charity Benefit

Miscellany (continued)

London Summer Forum Slated for June 21

EMTA's 7th Annual Summer Forum will be held on Monday, June 21, 2004. Merrill Lynch will host the event at its office at 2 King Edward Street in London. The event will feature two panels of Sell-Side and Buy-Side sages discussing the prospects for the Emerging Markets and will be followed by a cocktail reception.

Panelists include Jerome Booth (Ashmore), Simon Treacher (BlueBay Asset Management), Michael Sonner (DIT), Arnab Das (Dresdner Kleinwort Wasserstein), Christian Kopf (DWS Investment), Joyce Chang (J.P. Morgan), Tulio Vera (Merrill Lynch), John Cleary (Standard Asset Management), Alex Garrard (UBS) and Larry Brainard (WestLB). EMTA Co-Chair Mark Coombs (Ashmore) will deliver welcoming remarks at the Forum.

Invitations to the event were emailed to EMTA Members on May 26, 2004. Attendance is complimentary for Members; the non-Member registration fee is $500. EMTA also presents a Winter Forum in London in January and will co-sponsor the Emerging Markets Benefit in London tentatively scheduled for October 2004.

For further information, please contact Jonathan Murno at (011-44207) 996-3165 or by email at jmurno@emta.org.

EMTA Launches EM Job Opportunities Area on its Website

EMTA is pleased that its new Job Opportunities area went live on its website at http://www.emta.org/jobopportunities/ on May 10, 2004. This 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.

While employment positions may be posted for a fee by any firm, this area is sponsored by Central Search, an international executive search firm that specializes in senior Emerging Markets fixed income placements. Further information about Central Search can be obtained by contacting them at (44207) 628-0000, by email at benworsley@centralsearch.com, or by visiting their website at www.centralsearch.com.

If your firm is interested in posting a job listing on the website, please contact Jonathan Murno at EMTA at (011-44207) 996-3165 or by email at jmurno@emta.org. Members will receive special discounted rates.

Miscellany (continued)

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 **Lazard**, **The Rohatyn Group**, **Sullivan & Cromwell** and **Unibanco Securities**. 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, Jonathan R. Murno at jmurno@emta.org or (011-44207) 996-3165, Suzette Ortiz at sortiz@emta.org or (646) 637-9106. Also, in the Membership area of EMTA's website, we offer information about our various Membership categories and benefits and about how to join the Association.

EMTA Staff Moves

Jonathan Murno, EMTA's Director of Research, will be returning to London for the summer months on June 14. As in previous years, Jonathan will organize EMTA's Summer Forum and next Fall's London Charity Benefit (as well as handling his normal responsibilities including Volume Surveys and other research projects) while in the UK.

Starla Griffin, EMTA's Managing Director for Europe, will be relocating permanently to London effective July 15. Her main responsibilities remain coordinating EMTA's European activities and broadening EMTA's European agenda, as well as developing EMTA membership in Europe. (For those who may be interested, Starla's first book, 'Girl, 13' (a look at growing up in our modern world through the eyes and words of a very special group of 13-year old girls in 30 countries around the world), will become available this Fall (ISBN No. 1-59258-112-9)!)

Jonathan can be reached at (011-44207) 996-3165 and until further notice, Starla can be reached through (646) 637-9100.

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)	Jeffrey Ingber (EMCC)	(212) 855-7630
Corporate Governance	Michael Chamberlin	(646) 637-9100
EM Benefit Events	Jonathan Murno	(011-44207) 996-3165
EM Bond Charts	Michael Chamberlin/Aviva Werner	(646) 637-9100/9110
EM Code of Conduct	Michael Chamberlin	(646) 637-9100
EMTA Code of Conduct	Michael Chamberlin	(646) 637-9100
EMTA Membership	Starla Griffin/Jonathan Murno/ Suzette Ortiz	(646) 637-9100/(011-44207) 996-3165/ (646) 637-9106
EMTA Website	Suzette Ortiz	(646) 637-9106
FX/NDFs/Derivatives	Leslie Payton Jacobs/Starla Griffin	(646) 637-9103/9100
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	Aviva Werner/Starla Griffin	(646) 637-9110/9100
Market Information/Research	Jonathan Murno	(011-44207) 996-3165
Market Practices	Aviva Werner	(646) 637-9110
Market Price & Volume Data	Jonathan Murno	(011-44207) 996-3165
Multilateral Netting	Aviva Werner	(646) 637-9110
Paris Club	Starla Griffin/Jonathan Murno	(646) 637-9100/(011-44207) 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.

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

Thurs., April 15	**Spring Forum - (3:15 p.m.)** **Bear Stearns, 383 Madison Avenue (NYC)**
Mon., May 3	Recommended Market Close (London) May Day Bank Holiday
Wed., May 19	**EMTA Board Meeting (NYC/London)**
Wed., May 26	Legal and Compliance Group Meeting - 12:00 Noon Global Financial Markets Conference Center 360 Madison Avenue, 18th Floor (NYC)
Fri., May 28	Recommended 2:00 p.m. (NYC) Market Close
Mon., May 31	Recommended Market Close (NYC/London) Memorial Day/Spring Bank Holidays
Mon., June 21	**London Summer Forum - (2:30 p.m.)** **Merrill Lynch, 2 King Edward Street (London)**
Fri., July 2	Recommended 2:00 p.m. (NYC) Market Close
Mon., July 5	Recommended Market Close (NYC) Independence Day Recommended 12:00 Noon (London) Market Close
Wed., July 14	Legal and Compliance Group Meeting - 12:00 Noon Global Financial Markets Conference Center 360 Madison Avenue, 18th Floor (NYC)
Thurs., July 22	**EMTA Board Meeting (NYC/London)**
Mon., Aug. 30	Recommended Market Close (London) Summer Bank Holiday
Fri., Sept. 3	Recommended 2:00 p.m. (NYC) Market Close
Mon., Sept. 6	Recommended Market Close (NYC) Labor Day Recommended 12:00 Noon (London) Market Close
Wed., Sept. 15	Legal and Compliance Group Meeting - 12:00 Noon Global Financial Markets Conference Center 360 Madison Avenue, 18th Floor (NYC)
October*	**2004 Emerging Markets Benefit Charity Ball (London)**
Oct./Nov.*	**EMTA Board Meeting (NYC/London)**
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

* **Details TBA**

Calendar (continued)

Wed., Oct. 20	Legal and Compliance Group Meeting - 12:00 Noon Global Financial Markets Conference Center 360 Madison Avenue, 18th Floor (NYC)
Thurs., Oct. 21*	**Fall Forum (NYC)**
Thurs., Nov. 11	Recommended Market Close (NYC) Veterans Day Recommended 12:00 Noon (London) Market Close
Thurs., Nov. 18	Legal and Compliance Group Meeting - 12:00 Noon Global Financial Markets Conference Center 360 Madison Avenue, 18th 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** **2004 Emerging Markets Benefit (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

* **Details TBA**