EMTA

Bulletin

4th Quarter 2003 Volume 2003: No. 4

Argentina's Finance Secretary to Address EMTA Annual Meeting on December 4, 2003

EMTA's Annual Meeting will be held on Thursday, December 4, 2003. Citigroup will once again host the event at its headquarters at 388 Greenwich Street in downtown Manhattan. Invitations were sent to Members in late October.

Amidst considerable interest by the marketplace in Argentina's debt restructuring proposal, as well as some concerns about their process (see page 8), Argentina's Secretary of Finance Guillermo Nielsen will deliver the keynote address. Previous keynote addresses have been delivered by U.S. Treasury Undersecretary for International Affairs John Taylor, Mexican Finance Minister Francisco Gil-Diaz and former Brazilian Central Bank President Arminio Fraga.

Preceding Secretary Nielsen's address will be panel discussions on current events and topics in the Emerging Markets. Participants will include Arturo Porzecanski (ABN Amro), James Barrineau (Alliance Capital Management), Thomas Trebat (Citigroup), David Sekiguchi (Deutsche Bank), Paulo Leme (Goldman Sachs), Joyce Chang (J.P. Morgan), Dave Rolley (Loomis Sayles), Tulio Vera (Merrill Lynch), Mark Dow (MFS Investment Management) 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):

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 2003 Fall Forum

Fall Forum Panel: Halcyon Days Likely To Continue For Near Future, Although Rate Hikes Will Eventually Affect Prices, Growth

A standing-room only crowd of 150 EM professionals attended EMTA's Fall Forum on Thursday, October 9, 2003. UBS Investment Bank hosted the seminar in midtown New York City.

Michael Gavin (UBS Investment Bank) commenced the session with a request for views on the global economy and its impact on EM debt pricing. Ruggero de'Rossi (OppenheimerFunds) responded that he was concerned about the US current account's eventual effect on EM debt. While EM countries are currently in a good phase with economic indicators picking up, and the US Federal Reserve Bank on hold, accelerating growth will hurt the US current account, de'Rossi affirmed. The US dollar will depreciate (which would help countries which borrow in dollars), but the "income effect" would be an even more harmful ramification. De'Rossi expressed concern that capital would flow into the US and away from emerging countries.

Panelists Debate IMF Leniency

Gavin next asked if the "kinder, gentler IMF was for real," referring to recent finessing of the terms of some IMF loans. Lacey Gallagher (Credit Suisse First Boston) declared that, in contrast to prior policy, it appears that "almost any country is saved from failing by the Fund," and that countries might be "bailed out for quite a bit longer than is good for either the country itself or the markets." Ms. Gallagher suggested, specifically referring to cases such as that of Argentina, that such a strategy might lead to an even larger "blow up" than if the IMF had not initially acted to avoid a default. Waivers to IMF targets have been granted in the case of Uruguay, she noted, despite her belief that Uruguay's debt burden was sustainable. An interesting future case, stressed Ms. Gallagher, was Ecuador, which has had "substantial slips" with its IMF targets and has been warned about failure to meet current targets.

In response, Dave Rolley (Loomis, Sayles) attributed IMF leniency over the past two years not to a policy change per se but to the worldwide near recession when, "the last thing the world economy needed was a deflationary shock of any type whatsoever." Rolley opined that the IMF position might be less lenient in a more positive global economy.

Risks to Current Market Bliss

As for the market participants' concerns for the future, Merrill Lynch's Tulio Vera remarked that, "risk appetites have come back in a big way over the last twelve months" and the asset class has gained broader acceptance, with a more diversified base of investors, both geographically and in terms of investor types. This is all positive, commented Vera, but the nadir in global rates has passed and "what will kill us in the end" is if we get a more robust global growth, which will rekindle interest in the equity markets. De'Rossi concurred that the "sweet spot" has passed, and advised investors to adopt a conservative stance, and to buy default protection.

EMTA Fall Forum (continued)

Ms. Gallagher highlighted the general improvement in Latin fiscal deficits, which she reasoned has served to underpin spread tightening in the asset class. She pointed out that recent shifts towards domestic borrowing and flexible exchange rates have reduced the vulnerability of most EM countries to external shocks. The success stories of Eastern and Central Europe are more important than any negative headlines from other EM countries, she asserted.

Rolley noted that spread levels are last seen in 1997-98 prior to the Russian Crisis but declared it would be misplaced to make comparisons with that period because we are at a different point in the business cycle. “We are just starting to grow this time,” he stated.

Panel Comments on Argentine Restructuring

Gavin polled the panel for their opinions on how the Argentine restructuring would play out, and for their thoughts on possible precedents it might set. De’Rossi remained cynical. The Argentine proposal was “quite foreseeable,” he argued. “Of course they are going to come with a ridiculous offer, just as it is quite ridiculous for bondholders to be shocked about it,” he affirmed, calling recent public announcements “just the beginning of negotiations.” De’Rossi questioned, “Do I want to wait a year for all these lawsuits and be involved in a country with that legal situation?” and concluded that, without an extensive legal team, he prefers to buy Bodens (which the government considers senior debt) and will avoid Argentine global bonds.

Ms. Gallagher echoed de’Rossi’s comment that the Argentines were acting in their own self-interest in talking down the price of their external debt. The wild card is what effect investor lawsuits will have on the process, she commented. “But more importantly,” Ms. Gallagher asserted, “what is their medium-term economic vision?”

Brazil Urged to Continue on Current Path, But Should Work on Debt Profile

Gavin solicited comments from the panel on what President Lula’s administration would have to do in order that Brazilian debt spreads contract another 200 bps. Vera stressed that he is a large believer that Brazilian debt pricing is driven more by external factors than by domestic, endogenous dynamics. Thus, Vera surmised, the Lula team would simply have to continue on its current path of easing monetary policy (while signs of economic activity picking up materialize) and addressing some of the country’s weaknesses-such as reducing dependence on US dollar-linked debt, increasing foreign exchange reserves and continuing with reforms.

De’Rossi believed that continued lowering of rates and a pickup in the economy are already factored into current prices. He continued, “My concern is that the Brazilians might not be quick enough to take advantage of the current external economic environment to stretch out the maturity of their debt.” Brazilian officials are doing a better job than before, de’Rossi acknowledged, but he urged that they be more aggressive because “the window may close” in the next six months.

EMTA Fall Forum (continued)

Don't Blame China for Mexican Import Losses

Gavin asked if the recent "hint of anxiety" in the market vis-à-vis Mexico was warranted. Despite some analysts blaming China for Mexico's losing market share in the US import market, "the lack of reforms, the expensive energy costs and poor road infrastructure" are the real reasons, Ms. Gallagher declared. Rolley pointed out that Mexico actually imports gas from Texas, and recently announced an 18-year contract to import gas from Peru. "That sort of tells you something about the functionality of Mexico's exploiting its natural resources today," he observed.

Panel Recommends Non-Dollar Paper, Brazil

As for panelist recommendations for the next six-months, Vera was bullish on euro-denominated debt (forecasting a 12% return on the euro alone in twelve months). Specifically, Vera recommended Gazprom corporate bonds and Brazil '09s. De'Rossi agreed with Vera that dollar depreciation would be a key post-Dubai IMF theme, but countered he would actually prefer yen-denominated, or any Asian currency-denominated, EM paper.

Rolley predicted equity would outperform debt, and suggested that investors focus on equity-type alternatives "and that means straight corporates, although you have to be selective on the story, or busted convertibles." Ms. Gallagher advised clients to consider the short end of the Brazil curve.

Following the panel discussion, attendees were also treated to a cocktail reception, at which time they could take in UBS' collection of original works of art by contemporary artists such as David Hockney, Lucien Freud, Cindy Sherman and Damien Hirst.

EMTA Survey: Third Quarter 2003 Emerging Markets Debt Trading at US$1.033 Trillion

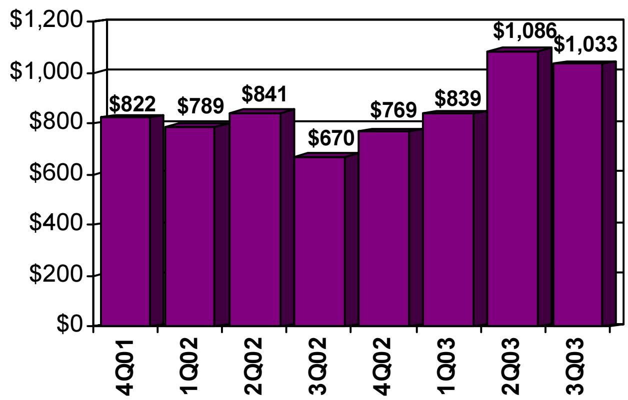
Volumes Remain Above US$1 Trillion for Second Consecutive Quarter

Emerging Markets debt trading volume stood at US$1.033 trillion in the third quarter of 2003, according to EMTA's Third Quarter 2003 Debt Trading Volume Survey. Although volume declined 5% from the US$1.086 trillion reported in the previous quarter, overall trading activity remained at levels last seen prior to the 1998 Russian debt crisis.

Arnab Das, Global Head of Emerging Markets Research and Strategy at Dresdner Kleinwort Wasserstein, observed that new money is still flowing into Emerging Markets debt instruments. "Mandates continue to come into Emerging Markets because of high Sharpe Ratios and expectations that global policy rates will remain low," he explained. However, Das cautioned that while secondary volumes will probably remain high, they are unlikely to revert to the levels of the 1996-97 boom years, "both because banks are less willing to carry balance sheet risk, and because the massive, amortizing Brady-type bonds one would normally receive from sovereign default restructurings are being replaced by a series of substantial but comparatively smaller, less liquid bullet bonds across well-populated spread curves."

Aggregate Trading Volume

(in US$billions)



Mexican, Brazilian Turnover Dominate

Mexican volumes stood at US$324 billion, vs. US$331 billion in the prior quarter and US$195 billion in the third quarter of 2002, and represented 31.4% of all volumes reported by Survey participants. Mexican local instruments accounted for the majority of Mexican trading, at US$263 billion (or 81% of Mexican turnover). Mexican instruments remained the most frequently traded (as they have since the third quarter of 2000).

24.5% of reported volume consisted of Brazilian debt instruments, which stood at US$253 billion (down 6% from US$269 billion in the second quarter, while up 64% from US$154 billion in the third quarter of 2002 when some investors were concerned about the possibility of a Brazilian default). Brazilian C-Bond volumes stood at US$72 billion, down 14% from US$84 billion in the third quarter, but up 5% from third quarter 2002 volume of US$69 billion. Brazilian assets were the second most frequently traded Emerging Markets debt instruments.

Third most frequently traded were Russian debt instruments, accounting for 8.2% of volumes at US$85 billion, up 12% from the previous quarter (US$76 billion) and up 63% from the third quarter of 2002 (US$52 billion). Das opined that the recent upgrade of Russia's sovereign credit rating to investment grade by Moody's would "eventually open up that country to more investors; some of this has happened already, though the Yukos affair has given people some pause." Das speculated that after the March 2004 presidential election, "a semblance of normality will return, validating the recent price recovery, and over time, we expect dedicated investors to get more heavily into Russian corporates, while crossover investors become more active in the sovereign."

Venezuelan volumes stood at US$40 billion, rising for the fifth consecutive quarter (from US$36 billion and US$33 billion in the last two quarters, respectively). Volumes were fairly evenly divided between Venezuelan Brady debt and Eurobonds, both at approximately US$19 billion. "Venezuela, to a signifi-

EMTA Volume Survey (continued)

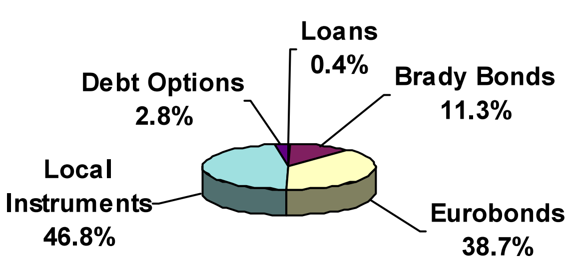
cant degree, has benefited from both global factors—high oil prices, low rates and continued funds inflows—and some easing of domestic political and financial pressures," Das remarked. "Political risk is, and will remain, high as long as the Chavez issue is unresolved, but we expect investors will continue to take exposure to Venezuela, sustaining trading volumes, as capacity to pay remains high, and doubts about willingness are being eased," Dab stated. Venezuelan instruments accounted for 3.9% of total reported volumes and were the fourth most frequently traded, up from seventh in the second quarter.

Argentine volumes stood at US$12 billion, a 30% decrease from second quarter trading of US$18 billion, but up 196% over third quarter 2002 volume of $4 billion. Survey respondants reported volumes of US$7 billion in sovereign Eurobonds and US$3 billion in corporate Eurobonds, with lesser trading in local instruments and Bradys. "There must clearly be some optimists, but we are not in this camp," affirmed Das. He continued that current debt valuations might be "way too high" because of a "lack of a strong fiscal effort to recapitalize local banks, which constrains the fiscal resources to pay coupons on the debt to be restructured." Argentine instruments ranked 13th in terms of volume and accounted for 1.2% of total volumes.

Local Markets Near 47% of Volume, Eurobonds at 39%

46.8% of volumes involved trades of local markets instruments, with reported turnover of US$484 billion in the third quarter (vs. US$440 billion in the previous quarter, a 10% increase). Mexican local instrument trading led the field (US$263 billion), followed by local treasury instruments issued by South Africa (US$33 billion), Brazil (US$32 billion), Singapore (US$30 billion) and Poland (US$25 billion).

Volume by Type of Instrument 3Q 2003



Eurobond market share equaled 38.7% of total trading. Survey participants reported trading US$400 billion in Eurobonds, including US$335 billion in sovereign issues (down 6% from the previous quarter) and US$59 billion in corporate issues (a decline of 23% quarter-on-quarter). Russia's 2030 bond dominated Eurobond volumes at US$53 billion, followed by US$25 billion in turnover in the Brazil 2040 bond, US$17 billion in the Turkey 2030 bond, US$10 billion in Venezuela's 2027 issue and US$6 billion in Brazil's 2024 bond.

Brady bond trading continued to decline, accounting for US$116 billion (vs. US$143 billion in the second quarter), an 11.3% share of overall trading. Option trading totaled US$29 billion, or 2.8% of reported volume. Loan trading stood at US$4 billon, a 0.4% share of Survey turnover.

Corporate and Local Instrument Trading Likely to Increase

"Local markets and corporates are likely to be of increasing interest to EM investors in the future," suggested Das, who acknowledged that such forecasts from other analysts in the past had proven premature. "In a world of floating FX regimes, significant external and fiscal adjustment, and hence falling sovereign supply and risks, investors will need to find excess returns by reaching out the credit curve into corporates." With sovereigns reducing their net external indebtedness, Das believes that corporate issuers will be better able to borrow abroad.

Local instruments will be boosted by increasing use of the local currency market by sovereign issuers to better match themselves currency-wise with respect to assets and liabilities, reasoned Das. "With floating FX rates, this should be very different than in the 1990s when fixed FX regimes meant limited, or even no, freedom in monetary policy," stated Das, who stressed that under the floating rate regimes of most EM countries, governments have an additional adjustment tool, reducing the risk of debt crises.

For a copy of EMTA's Third Quarter 2003 Debt Trading Volume Survey, please contact Jonathan Murno at jmurno@emta.org.

EMTA Board Meeting on November 13, 2003

EMTA's third Board Meeting for 2003 was held on November 13 at the offices of J.P. Morgan Chase in New York City and in London, with the usual video and teleconferencing links.

In addition to reviewing EMTA's September 30, 2003 financial results, and previewing the 2003 Annual Meeting and EM Benefit, the Board also discussed the status of preliminary discussions regarding a possible affiliation with EMCA. EMTA Executive Director Michael Chamberlin advised the Board that, with the right structure in place to execute a common agenda whenever possible, the Sell-Side and Buy-Side working together could be more effective going forward than either has been alone in building a stronger industry to their mutual benefit, without losing the flexibility to take individual positions or focus on different priorities when need be. As currently under discussion between leaders of the two organizations, an affiliation could be structured to enable EMCA to take advantage of EMTA's existing infrastructure and could form the basis for increased membership for both EMTA and EMCA. These discussions are expected to continue in the context of EMTA and EMCA's on-going collaboration and are in the spirit of the general trend toward greater financial industry convergence at the trade association level. Any final proposal would be subject to review and approval by the Board of Directors.

The Board also discussed some of EMTA's ongoing projects, such as the volume survey and month-end pricing, and its work in connection with EMTA events in New York and London (for the first time, EMTA is scheduling a Winter Forum in London, tentatively set for January 29, 2004 (see page 18)), with the view toward determining the best use of EMTA's present resources in delivering such services. In addition, the Board briefly reviewed the status of the TBMA fixed income research project (see page 14), as well as the Argentine situation.

The next EMTA Board meeting will be held in late January.

IMF Lending into Arrears Policy and Creditor Concerns about Argentina's Engagement with Them

Ever controversial, the IMF's Lending into Arrears policies have been revised from time to time in view of evolving market characteristics, to give the IMF flexibility to disburse credits to a troubled sovereign debtor in arrears to its private sector creditors, so long as the sovereign is not only pursuing an appropriate economic program, but is making a good faith effort to reach a collaborative agreement with them. Originally developed in the late 1980's to apply to interest arrears owed to commercial banks (then by far the largest category of private sector creditor), the Lending into Arrears policy was broadened in 1999 to include arrears on bonds. The appropriate meaning of such "good faith efforts" was explored in an IMF paper (available from the EMTA website (Click Here for the IMF paper) or the IMF website) released on July 30, 2002, in the context of the current predominance of bond debt for many EM sovereigns.

IMF policies, as articulated in the 2002 paper, generally require that the troubled sovereign debtor engage in an early and continuous dialogue with its creditors, that it share relevant, non-confidential information with the market on a timely basis and, in the interest of ensuring that its eventual debt restructuring is successful, that private sector creditors be given an early opportunity to provide input on restructuring strategy and proposals. Recognizing the need for a flexible, case-by-case approach, the current IMF policy does not specify the precise procedures that the sovereign must follow in meeting the above three standards, thus creating a somewhat 'gray' area that has led some investors to question whether Argentina's efforts to communicate with its private sector creditors meets the general requirements of the IMF's policy. Most notably, this concern was recently raised by the Institute of International Finance (IIF) in its letter of October 31, 2003 to the IMF.

The IIF letter specifically challenges Argentina's adherence to each of the three IMF standards for defining a sovereign debtor's good faith engagement with its private sector creditors. The IIF letter notes that the Argentine situation also raises "important questions regarding burdensharing and fairness among all creditors, official and private" and concludes by encouraging the IMF to conduct a thorough examination of Argentina's compliance with the Lending into Arrears standards in connection with the IMF's first review of Argentina's program this December.

Argentina's initial outline of its restructuring proposal has generally been rejected by its creditors, and the Argentina Bondholders Committee (ABC), formed in late 2001 in response to Argentina's then-impending financial crisis, has recently criticized Argentina for not engaging in a more meaningful dialogue with its creditors.

Previously, Argentina had announced the formation of several creditor consultative groups. Although some consultations have apparently taken place, the IIF letter characterizes these as having afforded creditors with little opportunity to provide input on the restructuring strategy, "nor has Argentina been willing to negotiate directly with all creditor groups represented." Several highly-publicized legal actions (generally opposed by ABC and other creditor groups) have resulted in summary judgments against Argentina that have thus far been stayed from execution. An informal polling by EMTA in mid-November found investor frustrations to be running at a very high level.

For its part, EMTA has not taken sides publicly in the Argentine crisis, but has, for the most part, watched a dismaying scenario unfold, quietly advising investors to organize themselves more aggressively and advising Argentina that formally recognizing an umbrella negotiating group would help address bondholder concerns that could potentially lead to further legal actions.

Quarterly NDF and EM Credit Derivatives Surveys Suspended Pending Further Development

EMTA's Volume Survey of EM debt trading activity for the 3rd Q of 2003 (amounting to US $1.033 trillion) was released on November 17. Under normal conditions, the Debt Survey would have been accompanied by the NDF and EM Credit Derivative Surveys.

Unfortunately, due to a lack of sufficient data from a number of leading market participants, EMTA has decided not to publish the 3rd Q Surveys for NDF's and EM Credit Derivatives at this time.

EMTA continues to believe that this type of NDF and EM Credit Derivative data is of sufficient importance and interest to the marketplace to justify the industry's efforts to produce it. Accordingly, in the interest of building greater industry participation and thus ensuring greater Survey integrity, EMTA has decided on the following action plan:

(1) The 3rd Q NDF and EM Credit Derivatives Surveys will be cancelled.

(2) Greater efforts will be made, through EMTA Board and Advisory Group members and Research Heads, to encourage industry participation, so that the 2003 Annual Surveys of NDF and EM Credit Derivatives can be published on or before March 1, 2004 (about 2 weeks later than normally scheduled).

(3) Quarterly Surveys of NDF and EM Credit Derivatives will be suspended for 2004, pending further work to refine Survey methodologies and to develop better mechanisms for the submission of firm-wide data from participating EMTA Members.

(4) The 2004 Annual Surveys will be conducted during January and February 2005, and work during 2004 will be reviewed before a decision to renew quarterly Surveys in 2005 is made.

While efforts will be made during 2004 to automate its submission procedures, publication of the EM Debt Volume Survey on a quarterly basis is not expected to be affected by the EM NDF and Credit Derivative developmental work and will continue on its normal schedule.

FX & Derivatives: NDF Update

Latin America

Brazil

Shortly after EMTA disseminated to the market its proposal to overhaul the BRL NDF architecture, a conference call among the members of the Brazil NDF Working Group was held to discuss its particulars. On the conference call a substantive discussion ensued regarding, among other things, the merits of including a Price Materiality Disruption Event, the proposed Price Materiality Percentage itself and how the surveys (Industry and Indicative) would interact with each other. In particular, the NDF Working Group requested further research into and refinement of the survey question proposed to be asked of participants in the BRL Industry Survey. A number of the Brazilian banks as well as members of the NDF Working Group have been involved in these discussions. EMTA has continued its work during the Fall to refine this issue.

In addition, EMTA has initiated its internal efforts to develop the technology to support the BRL Industry and BRL Indicative Surveys and is looking forward to the publication of a BRL User's Guide to accompany the revised NDF documentation when and as approved by the Brazil NDF Working Group.

Asia

Asia - General

EMTA continues to support the Asia NDF Working Group and has been asked by the Foreign Exchange Committee to co-sponsor the development of any templates or documentation to arise out of the effort.

Thailand

Thailand imposed currency controls on September 12 and again on October 15, with the expressed intent of inhibiting speculative activity in its currency. EMTA has been monitoring this activity on behalf of its members and is awaiting the reaction of the dealer community in Asia regarding the need for any market response.

Activities and Services

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) and for ARS/USD. Click on Activities and Services, Market Data for this information.

NDF Market Practices

Members Only requiring further or background information in the NDF area generally may review the applicable Market Practices in the NDF Market Practices area of EMTA's website.

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

Bond & Warrant Trading & Settlement

Poland Bond Redemption

On October 27, 2003, Poland redeemed its entire remaining outstanding principal amount of Debt Conversion Bonds due 2019. Click Here for the Redemption Notice.

Mexico VRR Payment

The December 31, 2003 payment (if any) is expected to be made to Series B VRR holders of record as of December 15, 2003, and EMTA recommended that trades be settled 'ex-dividend' on December 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 the Fiscal Agent has provided such calculation.)

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.

Argentina and Brazil Bonds

EMTA has previously distributed Primers on Argentina USD Par and Discount Bonds and on Brazil's most heavily traded Brady Bonds (Par and Discount Bonds, C-Bonds, EI Bonds and Debt Conversion Bonds).

The Primers detail principal and interest payment terms; release of interest collateral provisions; redemption and repurchase provisions; cross-default and cross-acceleration provisions; and provisions relating to bondholder meetings (including minimum percentage requirements necessary to change non-payment terms).

Click Here for the Argentina Primer and Click Here for the Brazil Primer.

Venezuela Oil Obligations and Nigeria Payment Adjustment Warrants

Fails in settlements of Venezuela's Oil Obligations and Nigeria's Payment Adjustment Warrants (collectively, "Warrants"), which accompany their respective Bonds, 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 Payment Adjustment 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.

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

Website Updates & Additions

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

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:

- "The Constructive Role of Private Creditors." Arturo Porzecanski (ABN Amro). Reprinted from "Dealing Justly with Debt," Ethics and International Affairs Volume 17, No. 2, with the kind permission of the Carnegie Council on Ethics and International Affairs.
- "Trends in Sovereign Indebtedness." October 22, 2003 - Arturo Porzecanski (ABN Amro).
- "Spreads vs. Yields." October 21, 2003 - Walter Molano (BCP Securities).
- "Russia's Upgrade and the Impact on Market Technicals." October 9, 2003 - Jonathan Bayliss (J.P. Morgan).
- "Russia: Investment Grade At Last." October 8, 2003 - Alex Garrard and Al Breach (UBS Investment Bank).
- "Argentina's Dubai Proposal: Worse Than Already Lowered Expectations." September 23, 2003 - Filippo Nencioni, Lacey Gallagher, Igor Arsenin, Paul Fage, Linan Liu and Carola Sandy (Credit Suisse First Boston).
- "Argentina: Impact of Recent Legal Decisions." September 16, 2003 - Andres Lederman (Citigroup).

New Developments

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

- November 24, 2003 - Declaration of Troland Link in LNC Investments vs. Nicaragua and Euroclear.
- November 21, 2003 - Quarterly NDF and EM Credit Derivatives Surveys Suspended Pending Further Development.
- November 17, 2003 - Brady Bond Holiday Schedule for US Thanksgiving Holiday.
- November 13, 2003 - EMTA Announces 3Q 2003 Debt Trading Volume Stood at US$1.033 Trillion.
- November 5, 2003 - Revised Brady Bond Holiday Schedule for US Veterans Day Holiday.
- October 30, 2003 - Brady Bond Holiday Schedule for US Veterans Day Holiday.
- October 29, 2003 - Mexico VRR, Series B, Record Date of December 15 and Payment Date of December 31 Expected. Trades are 'Ex-Dividend' on December 11. Calculations for Payments on the VRR's will be Announced by the Fiscal Agent Shortly.
- October 28, 2003 - Guillermo Nielsen, Secretary of Finance, Republic of Argentina, to Deliver Keynote Address at EMTA's Annual Meeting on Thursday, December 4, 2003.

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

New Developments (continued)

- October 27, 2003 - New Feature on EMTA's New Developments Page! Argentine Economic News Can Now Be Found By Clicking Argentina Economic News on the Right Side of This Screen. Argentine Economic News Previously on the New Developments Main Page Have Been Moved to This Location, and New Items Will Be Listed in This New Section.

- October 15, 2003 - The Central Bank of Thailand Imposes Further Capital Controls on the Thai Baht.

- October 9, 2003 - Invitation and Booking Form for Annual Emerging Markets Charity Benefit Scheduled for December 4, 2003 in New York City.

- October 6, 2003 - SAVE THE DATE! EMTA Annual Meeting and EM Charity Benefit Scheduled for December 4, 2003 in New York City.

- October 2, 2003 - Emerging Markets Benefit Attendees in London Raise Money While Dancing to a Samba Beat.

- October 2, 2003 - Emerging Markets Benefit Ball Held in London (Article Posted with the Permission of IFR).

- October 2, 2003 - Brady Bond Holiday Schedule for US Columbus Day Holiday.

- October 1, 2003 - Citibank Notice on Argentina's Floating Rate Bonds.

- September 30, 2003 - Poland Redeems Remaining Debt Conversion Bonds on October 27.

- September 29, 2003 - EM Sovereign Bond Documentation Chart for Turkey.

- September 24, 2003 - Brussels Court Decision in Nicaragua vs. LNC Investments and Euroclear. For further info, pls contact awerner@emta.org.

- September 22, 2003 - EMTA's Third Quarter Bulletin is Now Available in our Bulletin Section.

- September 20, 2003 - Argentina's Ministry of Economy Releases IMF Agreement.

Other Industry Projects/Initiatives

Guiding Principles for Fixed Income Research

The Bond Market Association (TBMA) has formed a fixed income research task force to develop guiding principles to promote the integrity of fixed income research. The exposure draft of “Guiding Principles to Promote the Integrity of Fixed Income Research” is expected to be issued for public comment in early December.

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. This is clearly an exercise that is driven by high level, non-EM factors. The draft also contains separate asset class commentaries, and EMTA has helped coordinate Emerging Markets input on the EM asset commentary.

This timely endeavor was recently the subject of an article in the Financial Times that characterized the proposed TBMA guidelines as “tough curbs”.

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

Miscellany

2003 EM Benefit Attendees in London Raise Money to a Samba Beat

800 Emerging Markets professionals attended one of the largest industry benefits ever in London on Thursday, October 2, 2003. The net profits from the evening will be distributed to three charities, including organizations working with street children in Brazil and AIDS orphans in South Africa.

The event was held at the Old Billingsgate Market on the Thames, a 19th Century listed building which offered an unobstructed view of Tower Bridge to the many foreign visitors (including a large Russian contingent) in attendance. The evening's theme was Brazil, and a Carnival-like energy filled the evening. Batacada, a Brazilian drumming troupe which merges a traditional samba beat with new fusion, was brought over from Paris for the event, while Viramundo provided the evening with additional music and dancers. Both groups ensured that the dance floor was at maximum decibels and overflow capacity for the bulk of the evening.

Mark Franklin (Citigroup Investments) revealed yet again that he is a man of many talents, when he auctioned off a number of unique prizes, including stays at holiday homes in Scotland, Switzerland and St. Lucia, as well as the opportunity to literally create one's own wine at a French vineyard. Some items even attracted telephone bids from New York professionals unable to attend in person. The bidding got into a frenzy when a holiday to Rio de Janeiro went on the block; it finally sold for £13,000. A silent auction which included a day's use of a fully-crewed sailboat, use of a vacation home in France and Chelsea vs. Manchester United tickets also raised funds for the charities. Kelly Shea of Julius Baer proved to be the undisputed casino queen in one of the other activities of the evening.

Event organizers included Brigitte Dowsett and Clare Turnbull of Bear Stearns, Simon Treacher of BlueBay Asset Management, Elaine Skinner and Paul Charman of West LB, and Jonathan Murno of EMTA. The group planned the entire event, a smashing success by any measure, in a record twelve weeks.

Emerging Markets Benefit Ltd committee members: (from L to R): Paul Charman, Elaine Skinner, Simon Treacher, Brigitte Dowsett, Jonathan Murno and Clare Turnbull.

Miscellany (continued)

Organizers noted that the EM debt community in London had "really stepped up to the plate," volunteering their time, assistance and some of the evening's supplies. One of the most generous gifts was from former EMTA Board Member Alex McLeod, who donated 500 bottles of wine to the event, while Unibanco picked up the cost of the Brazilian bands. A number of restaurants, travel agents and other companies also pitched in with prizes.

The Emerging Markets debt community in New York will be holding its own charity bash on Thursday, December 4, and the two groups have been informally trading ideas. A London event organizer couldn't help but point out that one of the auction items fetched almost three times the price paid in New York last year when it was auctioned off in October in London, apparently throwing the gauntlet down to the New York trading and investment community!

EM Charity Benefit to follow EMTA Annual Meeting on Dec. 4, 2003

The EM Charity Benefit is currently putting final touches on plans for the 2003 New York benefit, which has been scheduled for Thursday December 4, 2003, in order to coincide with EMTA's Annual Meeting. This year, the Benefit Committee reduced the cost of tables at the event to $5,000 in order to encourage greater participation.

The evening's theme is Exotica, and will feature various exotic foods and festivities. A silent and live auction will be held to raise additional funds for the evening's beneficiaries.

This year's beneficiaries include EMPower, Promujer and World Education and Development Fund. Both EMPower and World Education and Development Fund were founded by former Emerging Markets professionals, while ProMujer counts a number of Emerging Markets professionals among its Board of Directors.

EMTA's Research Director Jonathan Murno served on both London and New York charity committees in 2003, and succeeded in some cross-pollinating between the two events, including a swap of auction items (thanks to Marta Cabrera of EMPower, Simon Treacher of BlueBay Asset Management, Monika Machon of AIG and former Bank of America EM trading head Alex McLeod), improvements on the souvenir program booklets, the donation of souvenir shot glasses from the London event to New York, additional fund raising ideas, and, of course, the spectacular event invitation (produced by Guy Cross of Bear Stearns).

Those interested in joining the NYC Benefit Committee next year are urged to contact Denise Simon at The Atlantic Company at (646) 364-2312, Sue Waterbury at Goldman Sachs at (212) 902-5789 or Jonathan Murno at EMTA at (646) 637-9105.

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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 (continued)

EMTA Discusses Survey Construction at the FRBNY's Chief Dealers Meeting

EMTA Research Director Jonathan R. Murno discussed "The Construction and Maintenance of an Industry Survey" at a meeting of the Federal Reserve Bank of New York's Chief Dealer's Working Group on October 30, 2003 hosted by CIBC. EMTA Senior Legal Counsel Leslie Payton-Jacobs also participated.

The construction of EMTA's Debt Trading Volume Survey for Emerging Markets bonds, as well as the NDF and EM Credit Derivatives Surveys, which were launched in the first quarter of 2003, were reviewed. Members of the Chief Dealers Group posed many questions on such additional topics as determining the appropriate survey methodology, data submission mechanics and insuring adequate participation, data confidentiality and accuracy of reported data.

The FRBNY's Chief Dealers Working Group is evaluating the possibility of launching a survey of foreign exchange.

Month-End Pricing To End Unless EMTA Sees Greater Interest

EMTA is considering suspending its month-end pricing report (currently featuring the average bid and ask prices of approximately 120 frequently traded EM instruments) after 2003, unless market participants indicate greater interest in it. The monthly charge to market participants wishing to receive the month-end pricing report is $100. Market participants interested in this product should contact Jonathan Murno at jmurno@emta.org or (646) 637-9105.

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.

Miscellany (continued)

EMTA's First London Winter Forum to be held January 29, 2004

EMTA will also initiate a Winter Forum in London on January 29, 2004. As other EMTA forums, this one will feature one or more panels of buy-side and sell-side commentators, with a possible Keynote Address. J.P. Morgan will host the initial London event at its offices located at 125 London Wall.

EMTA hopes that the hosting of two annual forums in London (EMTA has held a Summer Forum there since 1998), in addition to the re-invigorated London Emerging Markets Benefit, will lead to a greater sense of cohesion in the London EM community, as well as enhancing EMTA membership in London and in Europe generally.

Invitations to the event, including a complete program, will be emailed to EMTA members shortly.

EMTA Membership Update

EMTA's newest member is **BCP Securities**, whose Walter Molano will participate as a panelist at a future EMTA Forum in London. If you are interested in EMTA membership, or if you know of prospective members, please contact Starla Cohen at scohen@emta.org or (011-331) 4418-9005, Jonathan Murno at jmurno@emta.org or (646) 637-9105, or Suzette Ortiz at sortiz@emta.org or (646) 637-9106. Also, in the Membership area of EMTA's website, we offer information about our various membership categories and benefits and about how to join the Association.

EMTA Website Updates

EMTA is pleased to announce that, as of October 2003, an Argentina Economic News section has been added to our website. This section is reserved for the latest economic developments regarding Argentina. This new section is located in the New Developments area.

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

Also, as a reminder, in September EMTA added a Cultural Events section to its website. From time to time, EMTA receives information on upcoming cultural events, which may be of particular interest to our emerging markets friends, as well as others. This area is located in the Activities & Services section and serves as a posting board for functions, both entertaining and interesting.

If you know of any functions to be added, please contact Suzette Ortiz at sortiz@emta.org or (646) 637-9106. Please take advantage of this opportunity to enhance your EM cultural experience. Enjoy! Click Here to visit the new Cultural Events section.

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 Benefits	Jonathan Murno	(646) 637-9105
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 Cohen/Jonathan Murno/ Suzette Ortiz	(011-331) 4418-9005/(646) 637-9105/ (646) 637-9106
EMTA Website	Suzette Ortiz	(646) 637-9106
FX/NDFs/Derivatives	Leslie Payton Jacobs/Starla Cohen	(646) 637-9103/(011-331) 4418-9005
Global Equities	Bruce Wolfson (Bear)	(212) 272-2571
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 Cohen	(646) 637-9110/(011-331) 4418-9005
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 Cohen/Jonathan Murno	(011-331) 4418-9005/(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 Cohen	scohen@emta.org
Donald Goecks	dgoecks@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. 10	Recommended 2:00 p.m. (NYC) Market Close
Mon., Oct. 13	Recommended Market Close (NYC) Columbus Day Recommended 12:00 Noon (London) Market Close
Mon., Nov. 10	Legal and Compliance Group Meeting - 12:00 Noon Global Financial Markets Conference Center 360 Madison Avenue, 17th Floor (NYC)
Tues., Nov. 11	Recommended Market Close (NYC) Veterans Day Recommended 12:00 Noon (London) Market Close
Thurs., Nov. 13	**EMTA Board Meeting (NYC/London)**
Wed., Nov. 26	Recommended 2:00 p.m. (NYC) Market Close
Thurs., Nov. 27	Recommended Market Close (NYC) Thanksgiving Day Recommended 12:00 Noon (London) Market Close
Fri., Nov. 28	Recommended 2:00 p.m. (NYC) Market Close
Thurs., Dec. 4	**EMTA Annual Meeting - 1:45 p.m.** **Citigroup, 388 Greenwich Street (NYC)** **2003 EM Benefit - 6:30 p.m.** **The Altman Building, 135 West 18th Street (NYC)**
Wed., Dec. 24	Recommended 2:00 p.m. (NYC) Market Close
Thurs., Dec. 25	Recommended Market Close (NYC/London) Christmas Day
Fri., Dec. 26	Recommended Market Close (London) Boxing Day
Wed., Dec. 31	Recommended 2:00 p.m. (NYC) Market Close
Thurs., Jan. 1, 2004	Recommended Market Close (NYC/London) New Year's Day
Fri., Jan. 16	Recommended 2:00 p.m. (NYC) Market Close
Mon., Jan. 19	Recommended Market Close (NYC) Martin Luther King Jr. Day Recommended 12:00 Noon (London) Market Close
Wed., Jan. 28	Legal and Compliance Group Meeting - 12:00 Noon Global Financial Markets Conference Center 360 Madison Avenue, 18th Floor (NYC)
Thurs., Jan. 29*	**EMTA Board Meeting (NYC/London) - 12:00 noon**
Thurs., Jan. 29*	**EMTA Winter Forum - (Time TBD)** **J.P. Morgan Chase, 125 London Wall (London)**
Fri., Feb. 13	Recommended 2:00 p.m. (NYC) Market Close
Mon., Feb. 16	Recommended Market Close (NYC) Presidents' Day Recommended 12:00 Noon (London) Market Close
Wed., Mar. 31	Legal and Compliance Group Meeting - 12:00 Noon Global Financial Markets Conference Center 360 Madison Avenue, 18th Floor (NYC)

* Details TBA