EMTA

Bulletin

1st Quarter 2003 Volume 2003: No. 1

John Taylor, US Treasury Undersecretary for International Affairs, Delivers Keynote Address at EMTA 2002 Annual Meeting

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Despite a considerable snowstorm, over 250 Emerging Market professionals braved the weather to attend EMTA's Annual Meeting on December 5, 2002. John Taylor, Under Secretary for International Affairs, delivered the keynote address to an audience which included Argentine Secretary of Finance Guillermo Nielsen. The event was again held at the headquarters of Salomon Smith Barney, which has hosted the event since 1994.

Taylor Reviews "Market-Based" CAC Proposal

In prepared remarks, Taylor provided a brief overview of the US Treasury's proposal for new collective action clauses in sovereign bond documentation. Taylor emphasized that this approach was market-based and decentralized (as the clauses themselves would be developed by both creditors and debtors), and that any eventual restructuring would be resolved by sovereigns and bondholders using the clauses as a guide, but without a centralized body.

EMTA has Moved

On Monday, November 18, EMTA's New York office relocated (together with ISDA, LSTA and TBMA) to 360 Madison Avenue, 18th Floor, New York, NY 10017-7111. All individual telephone and fax numbers have changed; please note the new numbers on page 26 or view the updated Staff Directory in the EMTA website; EMTA's new general number is now (646) 637-9100 for voice, (646) 637-9128 for fax. Staff e-mail addresses remain the same.

EMTA Annual Meeting (continued)

Taylor explained the rationale behind the proposal, asserting, “The lack of a clear, well-defined process for sovereign debt workouts is a design weakness in the Emerging Markets that impedes broader participation in the market.” He continued that uncertainty prevents the markets from accurately pricing in the possibility of a debt restructuring and increases the susceptibility of Emerging Market countries to crises, because of more complicated official and private sector decision-making.

EMTA CAC Contributions Praised, Now is the Time to Implement CACs

Taylor praised EMTA for its October 17, 2002 position paper, “Regarding the Quest for More Orderly Sovereign Work-Outs,” noting that it assisted in fleshing out some of the details of how collective action clauses (CACs) could be developed. “We agree wholeheartedly,” Taylor affirmed, with the two principles of EMTA’s position papers: that amended CACs must be acceptable to both debtors and creditors, and that the new clauses must not increase the likelihood of a sovereign’s decision to seek a restructuring.

In September 2002, EU members committed themselves to using CACs in their external bond issuances, Taylor pointed out, while announcing that he expected emerging countries entering the EU (such as Poland and Hungary) would eventually follow suit. G-7 countries have also pledged to include CACs in its own external debt. “Conditions now appear ripe” for the actual writing of new clauses, Taylor declared, and he termed 2003 the time for market participants and sovereign issuers to “roll up their sleeves and get to work.”

Taylor Responds to Market Criticisms of Collective Action Clauses

Taylor addressed a number of concerns that he had heard expressed by the market. He rejected feedback from some market participants that the clauses are unnecessary, avowing that in recent debt restructurings, uncertainty about the process complicated the decision-making process, and may have exacerbated the amount of time some countries may have been unable to access the capital markets.

The Under Secretary refuted apprehensions that new clauses would raise borrowing costs for Emerging Markets issuers, commenting “this is at odds with empirical evidence and with comments we have received from many Buy-Side participants.” He expressed skepticism at concerns that new clauses would not allow for aggregation of debt across different instruments, but reasoned that this was outweighed by the greater benefits of predictability. Likewise he disagreed with assertions that by only, at least initially, applying to new bonds, the impact would have relatively little impact, chiding participants for not having begun work on revising clauses in 1996 when a G-10 working group first proposed the idea.

Rogue creditors were not even mentioned in one of his previous speeches, stressed Taylor, as he dismissed comments that the CAC solution was focused on a “not so bad” rogue creditor issue. Finally, Taylor stressed that the US Treasury would also attempt to address other sources of financial crises, in response to allegations that the CAC approach was not too focused on one specific issue while exchange rate pegs, insufficient banking supervision and indexed domestic debt remain potential financial crisis catalysts.

EMTA Annual Meeting (continued)

Further Analysis of SDRM Should Not Preclude Implementation of CACs

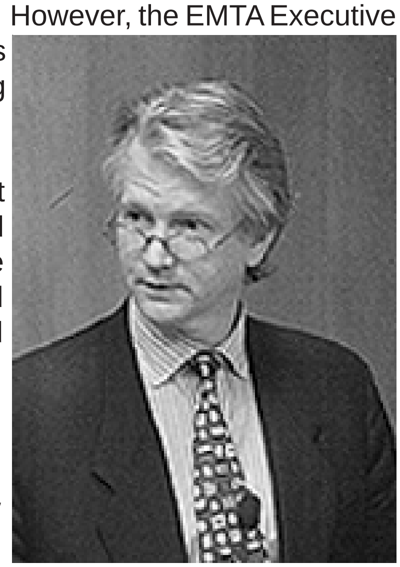
In the remainder of his keynote presentation, Taylor addressed market skepticism on the IMF's Sovereign Debt Restructuring Mechanism (SDRM) proposal, a second approach to resolving international financial crises. He acknowledged EMTA's strong criticism of the SDRM proposal in its position paper, and responded that "good public policy requires carefully investigating all alternatives and pursuing the option or combination of options that will work best." Taylor affirmed that US policy would continue to pursue both the CAC and SDRM tracks to resolving financial crises, while conceding that implementation of the SDRM raises many issues such as legislative approval, the procedure for appointing a panel or court, and to whom such a body would be accountable.

Taylor concluded by affirming that the CAC approach offers an "effective approach to reforming the Emerging Markets sovereign debt restructuring process." However, while recognizing the "strong reservations" expressed about the SDRM, the US Treasury would continue to research the possibility of a centralized approach to resolving sovereign defaults. Furthermore, Taylor reaffirmed that the two paths were not mutually exclusive, and ended his remarks by stating that ongoing analysis of the SDRM should not preclude implementation of the decentralized bond clause approach.

(Less than three months following Mr. Taylor's presentation, Mexico surprised the markets by becoming the first Emerging Markets sovereign to include CACs in its bond documentation. The US Treasury issued a statement praising the decision.)

EMTA Executive Director Speaks Out Against SDRM

EMTA's Michael Chamberlin also delivered prepared remarks to the crowd. Like Taylor, Chamberlin focused much of his remarks on the recent debate in international finance. However, the EMTA Executive Director opined that, "Unfortunately, the focus on restructuring bonds has distracted attention from the larger picture of how best to meet the financing needs of developing economies."

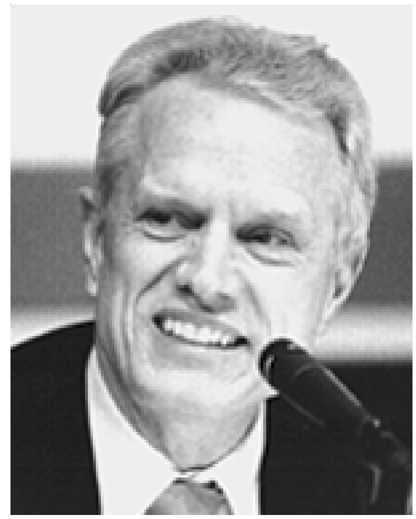


Chamberlin reiterated EMTA's opposition to the SDRM proposal, calling it "a bad idea that will drive investors away from the Emerging Markets and drive up borrowing costs for debtor countries." On the other hand, he indicated that properly constructed CACs could potentially be useful, and pointed out that EMTA was involved in drafting model clauses that would be made available in the weeks following the Annual Meeting.

Speaking on EMTA's future contributions to the industry, Chamberlin pledged that EMTA will "work harder, and in closer collaboration with other private sector groups, to engage policymakers in a constructive dialogue of how best to catalyze stable flows of private sector capital into the Emerging Markets in support of sound economic programs and long-term development."

EMTA Annual Meeting (continued)

Despite Concerns, Investor Panel Sees New Money Entering EMs in 2003



EMTA's Investor Panel commenced with moderator Tom Trebat (Salomon Smith Barney) polling Buy-Side experts for their predictions on the global economic environment in 2003. First to speak, Hari Hariharan (NWI Investment Management) listed a sizable number of factors an investor should consider in 2003, and evaluated their effects on EM debt performance. Among the factors that could benefit EM investments, according to Hariharan, were the positive long-term effects of a potential increase in liquidity in the US, European and Japanese economies.

On the other hand, Hariharan remained concerned by the need for a new approach by the official sector vis-à-vis Brazil, declaring that if some new approach isn't taken, "I don't see anything short of an involuntary restructuring of the domestic debt with all its consequences." Other items troubling Hariharan included low spreads on some Asian and Eastern European country debt (which he declared "pathetically absurd" and "a bubble"), and an industry benchmark still heavily weighted towards two countries (Mexico and Russia) whose performance is linked to the same commodity (oil). Despite all these concerns, Hariharan later commented, "you have to be deaf; I think next year is going to be a phenomenal market to make money."

Remarks by other panelists were more firmly optimistic in nature, with Morgan Stanley Investment Management's Abigail McKenna stating, "Strangely, or ironically enough, we may just be in a situation where we're coming off of three years of negative equity returns and that might reflect a huge positive for our markets because you have plan sponsors out there who are scratching their heads, desperately trying to justify eight or nine percent returns." McKenna further predicted that managers who had written off EM debt in the past, or who made only small allocations, might start giving more dedicated mandates to the asset class.

Jim Barrineau of Alliance Capital concurred, adding that, "What I see, judging from the guys who run different asset classes in our firm, is that there is actually room to increase allocations to Emerging Markets, in many cases substantially." Barrineau remarked that past performance of EM debt compared to returns in equities has made selling the asset class easier.

EMTA Annual Meeting (continued)

Investors Criticize Official Sector Proposal on Financial Architecture as Harmful and Unnecessary

Investor panelists condemned the current official sector proposal to create a Sovereign Debt Restructuring Mechanism (SDRM). McKenna, who opined that there remains a "tremendous" amount of confusion in the marketplace as to what US Treasury policy actually is, commented that investors continue to wonder why the official sector is "focusing so much on these issues of collective action clauses and creating a sovereign bankruptcy mechanism when, by anyone's analysis, these aren't the biggest problems plaguing our market, nor do any of us believe that they're going to prevent future crises, mitigate them or slow them down." McKenna declared, "I can't think of a worse policy" in attempting to encourage capital flows to the emerging countries, with potential investors discouraged by the knowledge that current international financial policy is subject to change with repercussions on one's portfolio.

There remain significant questions as to the need for any change in policy, observed Mark Siegel of Babson Mass Mutual, and discussions with official sector representatives "always really gets back to questions that at some level they hate, which is: tell me again what the problem is that you're solving, and then we can explore whether or not these architectural shifts are appropriate." He echoed McKenna's recommendation that investors would be wise to stay on top of the discussions, and express their objections to the policymakers, as implementation of current proposals could cause great harm to investors.

Barrineau pronounced the SDRM proposal as "symptomatic of the lack of imagination at the Treasury and IMF in dealing with these problems." He reiterated a call previously made at EMTA's Fall Forum for the US Treasury to instead rethink agricultural subsidies and steel tariffs, a plea seconded by Hariharan.

The official sector has prioritized the SDRM while ignoring larger issues, such as Brazil, lamented Hariharan. He sarcastically suggested that Brazilian officials should announce "the discovery of some sleeper cells" in order to gain the attention of preoccupied US officials.

Criticism of the SDRM was later repeated by most of the panelists of the Sell-Side panel that followed the investor discussion.

EMTA Annual Meeting (continued)

Argentina and Official Sector Criticized in Handling of Post-Default

Trebat solicited comments on prepared remarks provided by Dave Rolley of Loomis Sayles, who was prevented from speaking at the meeting by the closing of New York's LaGuardia Airport. Rolley posited that last year's Argentine default actually helped the EM debt asset class.

McKenna largely agreed, but took the opportunity to strongly rebuke Argentine authorities, as well as the official sector, for their posture toward creditors. McKenna categorized Argentina as yet another sovereign defaulter, "going into hiding, not speaking to its creditors, playing a lot of games…" while speaking only to its least sophisticated retail investors (in order to be able to claim it is entering into a dialogue with creditors). The official sector is more cooperative and cognizant now than previously, according to McKenna; however, "at the end of the day, they really don't care what private bondholders think," and the private sector should not expect Argentina to have its "feet held to the fire" by G-7 officials and to be forced to enter into negotiations with creditors as part of IMF loan talks.

Panel Disagrees on Russia, Effects of US Equity Market Recovery on EMs, and 2003 EM Debt Returns

Panelist opinion was divided on a number of topics. Siegel expressed misgivings about less sophisticated investors who are indiscriminately buying Russian assets. "It still astonishes me that there are people who have spent only a day and a half there in the last four years but who tell you about the balance of payments and how it's incredibly robust and will remain that way, even though they can't tell you the particulars about the balance of payments," Siegel declared, adding "Then they go buy a third-tier oil company which may or may not exist…" In contrast, Barrineau asserted that, while acknowledging the "lack of transparency" in Russia, "it does look like a freight train on the way to investment grade…unless oil prices collapse."

The panel also offered a variety of opinions on how a potential improvement in the US equity market would affect the EM debt market. Barrineau believed a pickup in US stocks would be "absolutely good." Siegel and McKenna were more qualified in their responses, with McKenna forecasting that EM debt would benefit in the short-term, but that over the longer term, fund managers would allocate away from debt in favor of equity. Hariharan objected to the question's assumption that the correlation would be between US growth and US equities, predicting that Brazil would become an issue for equity markets in G-7 countries.

Also controversial on the panel was the strong issuance of EM debt in the weeks preceding the Annual Meeting. Hariharan expressed bewilderment at the recent "pummeling" of the market with new paper and further articulated, "at this point in time, any new paper in the marketplace is just an embarrassment." Barrineau, on the other hand, responded, "We don't view the recent spate of issuance as anything other than a normal taking of opportunity" by countries, which had been prevented from tapping the capital markets for much of the year because of global market conditions.

As for potential returns on the EM debt asset class, Barrineau stood out as the most optimistic, boldly forecasting a 17% return. Siegel offered 9% as a prediction, while estimates by McKenna and Hariharan were more conservative, with Hariharan speculating that returns would be flat to up 3% for 2003.

EMTA Annual Meeting (continued)

Sell-Side Panel Stresses Importance of
'Confidence Boost' in Brazil, Mexican Performance Difficult to Repeat in 2003

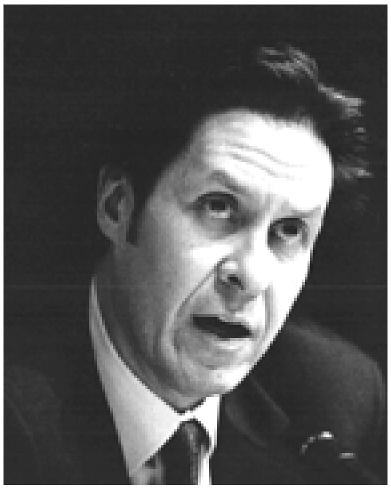
Jose Luis Daza (Deutsche Bank) once again served as moderator for EMTA's Sell-Side panel, and divided up the Emerging Markets universe for commentary by fellow panelists. Daza set the discussion in motion by polling Sell-Side speakers for their thoughts on Brazil's prospects under newly elected President Lula. Several panelists prescribed a confidence shock as necessary to get the Brazilian economy back on track. Paulo Leme (Goldman Sachs) stressed that the "announcement of an economic team…cannot be [just] good; it has to be extraordinary." In addition, Leme underscored the importance of a harmonious economic team, opining that the focus on the replacement for the widely lauded Central Bank President Fraga was misplaced. "You can bring in the best cello player…but you have to have good harmony, a good conductor and a good purpose for the music to be good," he affirmed. Daza quickly declared himself to be in complete agreement. ABN Amro's Arturo Porzecanski surmised that "the only good thing that can come from all the agony of recent months is that by now it is patently clear to the incoming team in Brazil that, unless they get the markets to like them, their administration is going to have very short legs."

Taking the lead on Mexico, Joyce Chang (J.P. Morgan) predicted that Mexico's performance in 2002 would be difficult to repeat, but called Mexico "attractive" when compared to fellow investment grade sovereigns in Eastern Europe and Asia. However, the lack of progress in the electricity sector has disappointed many in the marketplace, observed Chang, and looked even less likely to take place in the run-up to mid-term elections.

EMTA Annual Meeting (continued)

Colombia Has Credit Upgrade Potential...
Ecuador Least Financially Secure Andean Country

Daza invited Tulio Vera (Merrill Lynch) to evaluate the prospects of the Andean nations. Vera expressed his belief that a default was unlikely for any of the Andeans, but that Ecuador was the only possible candidate, commenting that "they will have to do further fiscal adjustment in a political environment that is traditionally fractured." Vera refused to rule out the possibility of the Ecuadorian dollarization regime being altered in the future, speculating that, if yield from the country's new oil pipeline was lower than expected, it could potentially set off a balance of payments crisis.



As for Colombia, Vera conceded that the country has recently demonstrated "some ingredients of a 'moral hazard' play," with the recent visit of US Secretary of State Powell, potential increased bilateral aid and increasing accommodation by the international financial institutions; on the other hand, he posited, reforms and a local bid should help support Colombian debt in the longer term. "Colombia represents probably the only country in Latin America that has the potential for a ratings improvement next year," concluded Vera.

Argentine Officials Have Missed Reform Opportunities

Porzecanski pointed out that the good news in Argentina in 2002 was the avoidance of the hyperinflation seen in the 1989 crisis, and that some semblance of confidence is keeping unfrozen funds in the local banking system. Unfortunately, Porzecanski lamented, "this crisis has not been turned into an opportunity to reform the economy, the institutions and the political setup. A set of band-aids have been applied, and good luck to the next administration; that's basically the policy."

Prodded by Daza to comment on Uruguay's prognosis, Porzecanski remarked that, despite the fact that the country's economic future remained largely tied to Argentina, it would restructure external debt only if Brazil did so, as the small amount of Uruguay's Eurobond debt was not a major problem, even for the small country. (He noted, however, that "elegant refinancing" of dollar-denominated local debt was already occurring.)

EMTA Annual Meeting (continued)

Strong New Government, Geopolitics Help Turkey; Russian Dependence on Commodities 'Excessive'

Daza requested that Porzecanski explain the large spread differential between Turkey and Brazil, observing that, despite Turkey's higher debt burden, higher real interest rates and a larger fiscal deficit, Turkish bonds traded with much tighter spreads than their Brazilian counterparts. Porzecanski attributed this to a number of factors: the strong mandate for the new Turkish government with its pro-Western orientation, Turkey's falling debt to GDP ratios (in contrast to an increasing ratio in Brazil), the EU "umbrella," geopolitics and Turkey's loyal local and external, bid, (in contrast to "a fast-footed investor base that has been having Brazil exposure up to its gills.")

"I don't think that Russia is on its way to investment grade in the next three years," asserted Porzecanski. He alleged that Mexico and Russia have benefited from fear over Brazil more than from their own inherent strengths, and cited Russia's "excessive dependence" on commodities, which he noted was increasing, while the manufacturing and service industries remain static. Finally, Porzecanski declared that the political situation is more fragile than meets the eye, and criticized the slow pace of the reform process.

Greater Differentiation Between Credits Translates into Reduced Contagion

In addition to country analysis, the panel also touched on a number of general trends in Emerging Markets debt. Chang revealed that a J.P. Morgan analysis of the standard deviation between country spreads indicated that the market is now more "healthy" because a greater differentiation on the part of investors vis-à-vis EM credits translates into a "much reduced" risk of contagion. "Investors are more selective and they are dodging the crisis better," commented Chang, adding "a lot of traditional financial markets contagion will not be repeated."

Ms. Chang foresaw inflows of money still coming into the asset class but suggested that, because many of the new mandates are high-grade mandates, new investors are not taking advantage of the universe of EM debt vehicles. Many investors still don't buy local markets instruments, Chang pointed out, and, according to another internal study, only 29% of 180 investors surveyed use credit default swaps (although 60% of the investors surveyed planned to use them in the future).

EMTA Annual Meeting (continued)

Panel Debates Role of US in Latin American Economies

Porzecanski lamented that Latin America, in contrast to the states of Central and Eastern Europe, doesn't "have a rabbi, doesn't have a godfather" which would take countries under its wing and promote institutional reform, trade openness, etc. Porzecanski called for the US administration to "open trade," and to "come up with a new deal for Latin America."

Playing devil's advocate, Daza responded by asking why the US should be blamed for "problems that are evidently self-created." Daza offered South Korea as a model of a country that had found its own solutions to overcome a financial crisis. Leme concurred that most Latin economic problems are "locally induced or produced," while recognizing the importance of trade policy. Leme declared that reforming US trade policy would not be charity but would benefit the US consumer with access to cheaper agricultural goods. Chang summarized "that bringing the focus back to trade and some of the issues that Mexico had begun talking about with the US before September 11th is what would be most helpful right now."

Click Here for a Transcript of Remarks by US Treasury Under Secretary for International Affairs John Taylor.

Click Here for a Transcript of the Buy-Side Panel.

Click Here for a Transcript of the Sell-Side Panel.

Click Here for a Transcript of Remarks by Michael M. Chamberlin, EMTA Executive Director

EMTA Board Meeting on February 5, 2003

EMTA held its first Board Meeting for 2003 on February 5 at the offices of J.P. Morgan Chase in New New York City and in London, via the usual video and teleconferencing links.

The composition of EMTA's Board of Directors for 2003 is as follows:

Co-Chairs

George Grunebaum (J.P. Morgan Chase)
Juan A. del Azar (Merrill Lynch)
Mark L. Coombs (Ashmore Investment Management)

Vice Chairs

Gabriel E. Szpigiel (Deutsche Bank Securities)
Andrew W. Alter (Salomon Smith Barney)
John Cleary (INVESCO Asset Management)

Richard L. Prager (Bank of America)
Bruce A. Wolfson (Bear Stearns)
Redwan Merouani (CAI/IIF)
David A. Mayes (Credit Suisse First Boston)
Peter R. Geraghty (Darby Overseas Investments)
Michael Sonner (DIT)
John McIntire (Goldman Sachs)
Tung Siew Hoong (Government of Singapore Investment Corporation)
Mohammed Grimeh (Lehman Brothers)
Roberto Hoornweg (Morgan Stanley)
Abigail L. McKenna (Morgan Stanley Investment Management)
Ruggero de'Rossi (OppenheimerFunds)
Dean Menegas (Spinnaker Capital)
Michael E. Gagliardi (Trust Company of the Atlantic)
Ruth Laslo (UBS Warburg)
Keith J. Gardner (Western Asset Management)

In addition to reviewing EMTA's 2002 finances and 2003 budget (which included a discussion of revenue enhancement and further cost reductions), the Board also discussed EMTA's work in connection with developing marketable CAC's as a more voluntary alternative to the IMF's Sovereign Debt Restructuring Mechanism (SDRM) (see page 12), as well as the possibility of EMTA, together with EMCA (and perhaps other trade associations), filing an amicus brief in connection with a recent legal action brought against Argentina.

Finally, the Board authorized EMTA to begin compiling volume data in connection with NDF's and credit derivatives.

The next EMTA Board meeting will be held in late April or early May.

Major Trade Ass'ns Sharply Criticize IMF's SDRM Proposal and Offer Detailed Marketable CAC Package

Seven major financial trade associations (EMTA, EMCA, ISMA, IPMA, SIA, TBMA and IIF) counter-attacked the IMF's proposal for a Sovereign Debt Restructuring Mechanism (SDRM) by releasing on December 6, 2002 a detailed criticism of the proposed SDRM and offering on January 31, 2003 a comprehensive package of market-oriented measures in response to official sector concerns regarding the appropriate involvement of private sector creditors in the resolution of financial crises in the Emerging Markets. The Trade Ass'n package includes draft Marketable Collective Action Clauses, as well as a proposed Code of Conduct for Emerging Markets, a set of leading credit indicators and a new summary disclosure form for key Bond terms. The Package is designed to address the official sector's concerns effectively, but without damaging the access of Emerging Markets sovereigns to the global capital markets.

The December 6 Paper, which was distributed to G-7 finance and central bank officials, was developed in consultation with a wide range of experienced market participants and elaborated the following basic criticisms of the proposed SDRM:

(1) <u>The SDRM Would Reduce Private Sector Capital Flows and Raise Borrowing Costs.</u> Because it diminishes creditor rights and effectively subordinates private sector claims to official sector claims, the SDRM would further restrict the flow of private sector capital to the Emerging Markets and raise borrowing costs for Emerging Markets sovereigns.

(2) <u>The IMF Has a Conflict of Interest in Acting under the SDRM.</u> As a substantial creditor of Emerging Markets countries and a policy arm of the major creditor governments, the IMF has an apparent conflict of interest that raises concerns about its ability to fairly administer, or to perform other duties relating to, the SDRM.

(3) <u>The SDRM Will Tend to Precipitate Financial Crises, as well as Inhibit the Development of Market-Oriented Alternatives.</u> By making restructurings easier to accomplish, the SDRM would tend to make default and restructuring a more acceptable policy alternative for Emerging Markets sovereigns and official sector policymakers. Faced with an increased possibility of default, private sector creditors would be inclined to act defensively and seek remedies in anticipation of the possibility that the SDRM would be activated. In addition, the existence of an SDRM, and in fact its very development, will inhibit the development and implementation of more market-oriented alternatives because they would be overridden by the SDRM.

Click Here for the December 6 Paper.

On January 31, the Trade Assn's released to the marketplace their Marketable CAC Package, which has been under development since Spring of last year. EMTA's goals in supporting this Package were two-fold:

(1) <u>First</u>, to offer to the marketplace an alternative to the SDRM that would help demonstrate that the SDRM is unnecessary to address the basic concerns that had led many in the official sector to support the SDRM, and

(2) <u>Second</u>, to ensure that the alternative of collective action clauses is as market-oriented as possible so that they can be used with as little market disruption as possible and without materially increasing borrowing costs.

Major Trade Ass'ns Sharply Criticize IMF's SDRM Proposal and Offer Detailed Marketable CAC Package (continued)

The components of this Package and their essential characteristics are as follows:

Collective Action Clauses (CACs)

(1) Majority Action. Permit the amendment and waiver of certain key Bond terms (including payment terms, as well as other substantial covenants as appropriate) by approval of a Super-Majority of Bonds outstanding.

- May be approved by written resolution as well as at Bondholder meetings.

- Bonds held or controlled, directly or indirectly, by the Issuer to be excluded from voting calculation.

(2) Engagement. Provide for the appointment by Bondholders of a Committee to represent Bondholder interests, after an Event of Default has occurred or the Issuer has initiated restructuring discussions, in connection with such discussions with the Issuer and other creditors. Committee may adopt such internal rules as it sees fit and engage legal and financial advisors, subject to reimbursement by the Issuer.

(3) Initiation. Require 25% Bondholder vote to accelerate principal for Event of Default and provide for Super-Majority vote to rescind acceleration.

(4) Transparency. Provide for SDDS and rolling forecasts, as well as reporting of proposed treatment of other creditor groups in proposed restructurings. Provide for better use of financial community websites for notices and other information.

Other essential characteristics of the two legal structures (including their distinctive approaches to administration, enforcement and distribution of proceeds) to remain unchanged.

Code of Conduct for Emerging Markets. Outline of expectations for conduct by debtors, creditors and official sector.

Bond Documentation Chart. Add to IPMA launch data a chart-style disclosure of key Bond terms. Set up documentation library. Goal is greater transparency of key Bond Terms.

Credit Barometer. Set of leading performance indicators to be calculated from SDDS data and published on websites, etc., with the goal of highlighting them for market and policymakers.

Click Here for the full Marketable CAC Package.

2002 Annual EM Debt Trading at US$3.068 Trillion

Emerging Markets debt trading volume stood at US$3.068 trillion in 2002, according to EMTA's 2002 Annual Debt Trading Volume Survey released on February 10, 2003. Trading volumes for 2002 were down 12% from 2001's level of US$3.484 trillion, but still 8% above 2000's total of US$2.846 trillion. Despite the continuing default in Argentina, and considerable uncertainty during much of 2002 regarding political transition in Brazil, overall Emerging Markets debt returned over 14% in 2002, according to the main industry benchmark index, the EMBI+, outperforming all other US dollar asset classes.

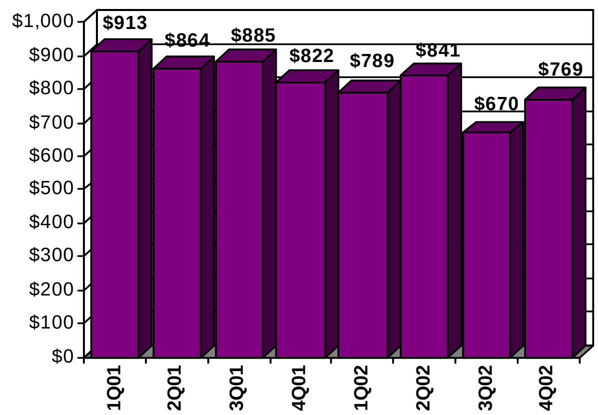
Fourth quarter of 2002 stood at US$768 billion, a 15% increase compared to third quarter volume of US$670 billion (but down 7% from the US$822 billion recorded in the fourth quarter of 2001).

Joyce Chang, Managing Director and Global Head of Emerging Markets Research at JP Morgan, noted that the heterogeneous behavior of the asset class in 2002, as well as overall strong returns, "brought home the point to crossover investors that country selection is rewarded, while also removing some of the worst fears about contagion." Chang stated that high-grade investors remained the single largest market participants, accounting for 32% of JP Morgan's own trading volume in 2002, up from 9% in 1998. "The fact that high-grade investors, who are less prone to trade their portfolios, and dedicated investors, who accounted for 20% of JP Morgan's 2002 volume, have become the dominant market forces for Emerging Markets debt is providing greater stability and reducing volatility to the market," according to Chang.

Mexican, Brazilian Instruments Remain Most Frequently Traded

Mexican volumes, which remained the most frequently traded instruments for the third consecutive year, totaled US$949 billion in 2002, a 15% decrease from the US$1.111 trillion reported in 2001. Mexico accounted for 31% of all Emerging Markets debt trading in 2002, a slight decrease from its 32% share in 2001 but well above its share in previous years. The vast majority of Mexican turnover included market activity in Mexican local treasury instruments, including Cetes (US$306 billion), Bondes (US$200 billion) and Pagares (US$189 billion). Mexican Eurobond volumes reached US$218 billion, while Brady activity fell to under US$14 billion as the Mexican government redeemed its Discount Brady bonds last spring. In February 2002, Mexico received an investment-grade rating from Standard & Poor's, as well as an additional upgrade one level above investment grade by Moody's.

Aggregate Trading Volume
(in US$billions)



Turnover in Brazilian assets declined 2% to US$707 billion in 2002 (23% of overall volume), vs. US$721 billion in 2001 (21% of total volume). Brazilian volumes remained the second highest overall despite the fact that Brazilian turnover was at its lowest level since 1994, as market speculation on last year's presidential elections and Brazil's debt profile dominated the market, and led many industry analysts by mid-year to downgrade their recommendations on Brazil. The downward trend in trading activity continued into the fourth quarter of 2002 as Survey participants reported trading only US$127 billion in Brazilian debt instruments, down 18% from US$154 billion in the third quarter (and a 33% decline from US$191 billion in the fourth quarter of 2001).

Aversion to Argentina Until Political Outlook Becomes Clear

An even more dramatic decline occurred in Argentine volume, following its debt default in December 2001. Trading in Argentine assets dropped 90% to US$39 billion compared with US$384 billion in the previous year, with fourth quarter Argentine volume at US$7 billion, vs. US$4 billion in the previous quarter. Argentine assets

EMTA Volume Survey (continued)

dropped from the third most frequently traded assets in 2001 to 14th in 2002, and the Argentine share of 2002 volume dropped to 1%, compared with 11% the previous year. Despite the recent conclusion of an interim IMF deal, few analysts expect Argentina to begin serious negotiations with creditors on its defaulted debt in the foreseeable future.

Ms. Chang noted that, while there is a perception that the Argentine economy has hit rock bottom, "downside risks to debt prices remain, given the government's limited payment capacity; the political outlook holds the key." She added, "Current opinion polls offer little insight into the April presidential elections as no candidate picks up more than 20% of voter preferences."

Russia, South African and Hong Kong instruments ranked as the third, fourth and fifth most frequently traded assets respectively in 2002, benefiting from greater risk aversion during much of the year. Russian volumes stood at US$245 billion, down 18% from US$299 billion in 2001. South African assets turnover jumped 25% to US$164 billion from US$131 billion, and Hong Kong volumes stood at US$120 billion, compared with 2001's US$87 billion.

Greater Trading in Asian Debt but Investor Attention May Be Diverted in 2003

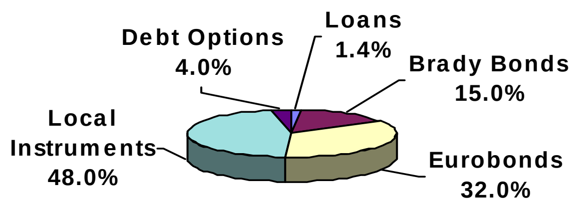
EMTA noted that Survey results indicate a general pick-up in trading activity for Asian debt instruments over the course of 2002, primarily in local treasury instruments issued by Asian countries. Notable volume increases involved debt instruments from South Korea (up 74% yoy to US$77 billion), India (up 60% to US$25 billion), Philippines (up 47%), Taiwan (up 39%), Hong Kong (up 38%) and Malaysia (up 27%). Asian market share stood at 14% in 2002, compared with 10% in both 2001 and 2000, and 5% in 1999.

Ms. Chang predicted that Asian debt instruments would face increased competition from other regions and asset classes this year, such as equities and US corporate bonds. "Nascent signs of a US economic recovery could divert investor attention away from investment-grade Asia toward US high grade corporate bonds," she stated, "while opportunities in other Emerging Market regions will look more attractive, given the rich spread levels of Asian bonds."

Local Markets Rise to 52% of Overall Volume in Fourth Quarter

At US$1.411 trillion, local market volumes accounted for 46% of total Emerging Markets trading (vs. 44% in 2001). Local market share rose to as high as 52% of all volume in the fourth quarter of 2002. 35% of overall 2002 volumes were in Eurobonds (US$1.062 trillion), compared with a 36% share in the previous year. Brady bonds (US$459 billion) accounted for 15% of volumes (16% in 2001) with 3% of trading in options (US$93 billion and the same share as in 2001) and 1% in loans (US$42 billion and also 1% in 2001).

Volume by Type of Instrument, 2002



The publication of EMTA's most recent Survey marks the eleventh year EMTA has published information on Emerging Markets debt trading activity levels. In its 1992 report, market participants reported trading US$734 billion in Emerging Markets debt instruments, or less than one quarter of current volumes. Overall trading activity peaked in 1997, at nearly US$6 trillion, before falling off sharply in the wake of the Asian and Russian financial crises.

EMTA plans to begin collecting trading volumes on credit derivatives as part of its quarterly Debt Trading Volume Survey beginning the first quarter of 2003.

EMTA's Debt Trading Volume Survey includes data provided on a confidential basis by over 70 financial institutions involved in Emerging Markets debt trading, and is based on the face value of their trading activity.

For a copy of EMTA's Fourth Quarter and 2002 Annual Debt Trading Volume Surveys, please contact Jonathan Murno at jmurno@emta.org or (646) 637-9105.

FX & Derivatives: Update on NDFs

Argentina

In early January, the ARS NDF documentation project, which had been underway for much of 2002, was successfully completed and implemented by the market. Effective January 2, 2003, market participants signed on to a protocol involving the amendment of existing ARS NDF confirmations, and the documentation of new ARS NDF transactions, each based upon revised Template Terms for ARS Non-Deliverable Forwards. In conjunction with the new Template terms, EMTA, ISDA and the FX Committee jointly published two new ARS rate definitions: a revised EMTA ARS Industry Survey Rate Definition (ARS03) and a new EMTA ARS Indicative Survey Rate Definition (ARS04). A revised EMTA ARS Industry Survey Rate Methodology, and a new EMTA ARS Indicative Survey Rate Methodology were also part of the new documentation package.

As a reminder, the ARS Industry Survey Rate (published daily, excluding holidays) is available on EMTA's website at Activities and Services, Market Data, EMTA ARS Industry Survey, Today's Rate. To promote greater transparency and market integrity, a list of reference banks and their respective daily quotes is also available at Activities & Services, Market Data, EMTA ARS Industry Survey, Reference Banks and Quotes, and a list of historical rates (together with the usable quotes and range of quotes) is at Activities & Services, Market Data, EMTA ARS Industry Survey, Historical Rates.

Taiwan

On March 3, 2003, EMTA, ISDA and the FX Committee jointly announced a new Taiwanese Dollar rate source definition (TWD03).

Venezuela

On January 22, 2003, the Venezuelan government closed its foreign exchange markets pending the announcement of a new foreign exchange regime. In response, in an effort to bring stability to the market and to permit the market the opportunity to reopen in an orderly fashion, EMTA issued its NDF Market Practice No. 29 recommending that market participants observe a "drop-dead date" in existing and future VEB NDF contracts of the 30th (instead of the 8th) calendar day following the onset of the Unscheduled Holiday in Venezuela.

On February 6, 2003, the Venezuelan government promulgated a law establishing the new foreign exchange regime, but as of our publication deadline the market was still awaiting clarifying information regarding the market's reopening.

Commencing February 21 (the 30th day after the onset of the Unscheduled Holiday), market participants began to value their outstanding NDF contracts.

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.

* *

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

Argentina Bonds

EMTA has previously published a Primer on Interest Collateral for Argentina's USD Par and Discount Bonds (Click Here for the Argentina Primer).

As described in the Primer, the terms of the Bonds provide for a grace period of 30 days for non-payment of interest. Accordingly, although holders are entitled to receive payment of interest on the due date (and, as a technical matter, may bring legal action to enforce such right), they could not either accelerate the principal of the Bonds, or request the release of Interest Collateral, until the expiration of the 30-day grace period (for the interest payment due on November 30, the grace period expired on December 30).

The Primer also attempts to explain how the release of Interest Collateral provisions in the Collateral Pledge Agreement relate to the record date provisions in the Fiscal Agency Agreement which govern distribution of payments.

On January 31, 2003, the Fiscal Agent announced that the 25% voting threshold had been met to release Interest Collateral to pay the November 30 interest payment on both the USD Par and Discount Bonds. Click Here for the Fiscal Agent's request to FRBNY, as Collateral Agent, for the release of Interest Collateral on the Par Bonds. Click Here for the Fiscal Agent's request to FRBNY, as Collateral Agent, for the release of Interest Collateral on the Discount Bonds. The Fiscal Agent set February 26, 2003 as the new Record Date and March 5 as the new Payment Date for the Interest Collateral proceeds on the Bonds.*

Accordingly, trades became 'ex-dividend' as of February 24.

The record date provisions of the Fiscal Agency Agreement complicate the question of who is entitled to receive the proceeds of the Interest Collateral when such proceeds are actually distributed to the bondholders.

The right to receive payment of interest from the Interest Collateral proceeds will be affected by Bond transfers that occurred between the original record date for the interest payment and the new February 26, 2003 record date for the distribution of Interest Collateral proceeds.

Because of the new record date, a bondholder must have been a record holder of the Bonds on the new record date in order to receive a share of the proceeds. Unless a bondholder retained such Bonds until the new record date for the payment of such Interest Collateral proceeds, it could, for example, be among the 25% of holders that requested the release of Interest Collateral, but not be entitled to receive the Interest Collateral proceeds.

Market participants that traded the Bonds are reminded that they should consider not only the record date provisions of the Bonds, but also how current Market Practice for trading such Bonds "flat" operates to transfer a seller's right to receive accrued interest to the buyer.

On December 24, 2001, EMTA recommended that, unless otherwise agreed, Argentina's Brady Bonds and other sovereign global and Eurobonds should trade "flat", with settlement at an all-in (or "dirty") price and without the usual additional payment in respect of accrued interest. Accordingly, a buyer (or existing holder) would, unless otherwise agreed, be entitled to any Interest Collateral proceeds, *provided* that it was the record holder on the new record date established by the Fiscal Agent for the distribution of such Interest Collateral proceeds.

This result may not seem obvious to a holder who (i) sold a Par or Discount Bond after voting to release Interest Collateral proceeds but settled such trade before the new record date for such release or (ii) bought a Par or Discount Bond before such new record date in a trade that settled after such new record date.

* The Fiscal Agent has informed EMTA that the 25% threshold with respect to the DM Par and Discount Bonds has also been met, and that payment was made on January 21, 2003 through the Kassenverein (Clearstream AG).

Bond & Warrant Trading & Settlement (continued)

Argentina Bonds (continued)

Market participants are also reminded that (absent an agreement to the contrary), if they sold Argentina Par or Discount Bonds at any time (including after sellers had submitted their request for a release of the Interest Collateral), only buyers who were the record holders on the record date established by the Fiscal Agent for the distribution of such Interest Collateral proceeds would be entitled to such proceeds, and, under such circumstances, sellers would have no right to claim their buyers for such proceeds (adjustments or claims only in the case of delayed settlement were permitted).

Therefore, the "dirty" price for the Par and Discount Bonds presumably reflects the current "flat" Market Practice and its ramifications regarding the proceeds of Interest Collateral (as detailed above).

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

Brazil Bonds

EMTA has also distributed a draft Primer on Brazil's most heavily traded Brady Bonds (Par and Discount Bonds, C-Bonds, EI Bonds and Debt Conversion Bonds). While a default on these Bonds is not anticipated, the Primer should facilitate a better understanding of their basic terms.

The Brazil Primer details principal and interest payment terms; release of interest collateral provisions (similar to those contained in Argentina's USD Par and Discount Bonds, as further described in the Argentina Primer (see above for a more detailed description)); 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 Brazil Primer, or contact Aviva Werner at awerner@emta.org or (646) 637-9110.

Mexico VRR's

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

VRR Payment

The December 31, 2002 payment was made to VRR, Series A, holders of record (and holders of Par Bond Units, if any) as of December 16, and EMTA recommended that trades be settled 'ex-dividend' on December 12. Click Here for the Fiscal Agent's notice regarding the VRR payment's calculation.

The March 31, 2003 payment (if any) is expected to be made to VRR, Series A, holders of record (including holders of Par Bond Units) as of March 14, 2003, and EMTA has recommended that trades be settled 'ex-dividend' on March 12. Click Here for the Fiscal Agent's notice regarding the VRR payment's calculation.

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

VRR Reference Prices

Since March 1, 2001, EMTA has been publishing (mainly for possible use in connection with coordinated VRR buy-ins) a composite reference price for Mexico VRR's based upon quotes received from seven Reference Dealers. The methodology used by EMTA in determining such VRR Reference Price, as well as the most recent weekly VRR Reference Prices (which are published every Monday for the preceding week) and the historical VRR Reference Prices to date, can be located in the Activities & Services, Market Data, Mexico VRR Reference Prices area of EMTA's website.

Bond & Warrant Trading & Settlement (continued)

Venezuela Oil Obligations and Nigeria Payment Adjustment Warrants

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

As indicated previously, Market Practices for the separate trading of Venezuela's Bonds and Oil Obligations were recommended and became effective as of January 2, 2002. Click Here for a copy of the Market Practices, as well as a revised background 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.

Market Practices for the separate trading of Nigeria's Bonds and Payment Adjustment Warrants were recommended and became effective as of November 1, 2002. Click Here for a copy of these Market Practices, as well as a background 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.

The November 15, 2002 payment amount in respect of the Payment Adjustment Warrants was zero; however, numerous claims among market participants for previous payments are expected.

Nigeria Exchange Offer

Following EMTA's recommendation, Nigeria's Exchange Offer was extended from December 6 to December 20, 2002 to provide creditors with more time to reconcile their positions, and various clarifications were made to the market relating to the warrants. Click Here for more information regarding these clarifications, and Click Here for information regarding the collateral value of the Par Bonds.

* *

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

Key Industry Views

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

- "A Comment on the Sovereign Debt Restructuring Debate." March 17, 2003 - Michael Gavin (UBS Warburg).
- "Cumulative EM Returns Best over Last 11 Years." March 10, 2003 - Jane Brauer (Merrill Lynch).
- "Sovereign Bankruptcy Initiatives: A Critique." March 2003 - Arturo Porzecanski (ABN Amro).
- "Democracy's Pains." (A Book Review of "In the Shadow of the Liberator: Hugo Chavez and the Transformation of Venezuela" by Richard Gott). February 3, 2003 - Naomi Daremblum (The New Republic).
- "A Cautiously Bullish View on the EM Debt Market." January 17, 2003 - Kasper Bartholdy (Credit Suisse First Boston).
- "Market Outlook: The Year Ahead 2003." January 10, 2003 - Tulio Vera, Felipe Illanes, Isaac Tabor and Vincent Low (Merrill Lynch).
- "2003 Outlook and Themes." January 2003 - Michael Gavin, Alex Garrard, Guido Cipriani, Javier Kulesz and Boris Vladimirov (UBS Warburg).
- "Macroeconomic Outlook for Latin America for 2003." December 20, 2002 - Paulo Leme, Jesus Viejo, Pablo Morra and Monica Fuentes (Goldman Sachs).
- "Looking Back at 2002." December 19, 2002 - Javier Kulesz (UBS Warburg).
- "Blockbuster Returns Will Be Hard to Achieve in 2003." December 10, 2002 - Joyce Chang (J.P. Morgan).
- "Brazil: There is No Quick Fix." December 9, 2002 - Drausio Giacomelli (J.P. Morgan).
- "Using Clauses to Reform the Process for Sovereign Debt Workouts: Progress and Next Steps." December 5, 2002 - John B. Taylor, Under Secretary of Treasury for International Affairs (Remarks Delivered at the EMTA Annual Meeting).
- "The Latin Economic Outlook for 2003-2004." December 4, 2002 - Thomas Trebat (Salomon Smith Barney)
- "The Debt Crisis Debate." November 2002 - Whitney Debevoise (Arnold & Porter).
- "Argentina: The Implications of the Terms Set by the World Bank for the Reimbursement of the Guarantee." October 30, 2002 - Martin Anidjar (J.P. Morgan).

Recent Developments

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

- March 27, 2003 - Argentina's INDEC Releases Report on 4Q 2002 Balance of Payments.
- March 24, 2003 - Argentina's INDEC Releases Reports on Industrial Production and Consumer Price Index (February 2003).
- March 21, 2003 - Argentina's INDEC Releases Report on Economic Activity Index (January 2003).
- March 21, 2003 - EMTA Issues New NDF Market Practice for Chilean Peso/U.S. Dollar Non-Deliverable FX and Currency Option Transactions.
- March 20, 2003 - Argentina's INDEC Releases Report and Data Tables on 4Q 2002 GDP.
- March 18, 2003 - Argentina's INDEC Releases Report on Industrial Production.
- March 17, 2003 - Calculations for Payments on Mexico VRR's, Series A, Announced. Please note that Value Recovery Payment indicated is per $1,000 notional amount of VRRs.
- March 7, 2003 - Argentina's INDEC Releases Basic Food Index for February 2003.
- March 3, 2003 - Amendment to Annex A Taiwanese Dollar Rate Source Definition.
- February 28, 2003 - Argentine Ministry of Economy Issues Communiqué to Its Creditors.
- February 26, 2003 - EMCA Releases Statement on Mexico's Decision to Issue Bonds Containing Collective Action Clauses (CACs).
- February 26, 2003 - Argentina's INDEC Releases Reports on Supermarket Sales, Shopping Centers Sales and Construction Activity.
- February 25, 2003 - Argentina's INDEC Releases Report on 2002 Foreign Trade Statistics.
- February 24, 2003 - U.S. Treasury Statement Regarding the Decision by Mexico to Issue Bonds with Collective Action Clauses.
- February 24, 2003 - Mexico VRR Record Date of March 14 and Payment Date of March 31 Expected. Trades are 'Ex-Dividend' on March 12. Calculations for Payments on the VRR's will be Announced by the Fiscal Agent Shortly.
- February 20, 2003 – Argentina's INDEC Releases Report on Economic Activity Index (December 2002).
- February 18, 2003 - Argentina's INDEC Releases Report on Industrial Production.
- February 13, 2003 - Argentina's Economy Ministry Releases National Treasury Account (Cash Basis) for January 2003.
- February 10, 2003 - EMTA Announces 2002 Annual EM Debt Trading Volume Stood at $3.068 Trillion.
- February 7, 2003 - Argentina Announces Information on Third Quarter 2002 Public Debt Now Available at www.infoarg.org Under Public Debt Section.
- February 7, 2003 - Argentina's INDEC Releases Report on Basic Food Index.
- February 6, 2003 - The Gaceta Oficial de la Republica Bolivariana de Venezuela Dated February 5, 2003 Publishes New Regulations Establishing a New Foreign Exchange Regime in Venezuela Centralizing the Buying and Selling of Foreign Exchange with the Banco Central de Venezuela, Fixing an Official VEB/USD Exchange Rate and Establishing a New Administration (CADIVI) to Administer the New Regime and to Issue Implementing Regulations.
- February 6, 2003 - Brady Bond Holiday Schedule for US Presidents' Day Holiday.
- February 4, 2003 - Argentina's INDEC Releases Report on Tax Collection for January 2003.

Recent Developments (continued)

- February 3, 2003 - EMTA, Other Financial Trade Ass'ns Distribute Marketable Bonds Package to G-10 Finance Ministers.

- January 31, 2003 - Argentina's INDEC Releases Reports on Public Services, Foreign Trade Statistics and Poverty and Employment in Buenos Aires.

- January 31, 2003 - Citibank, as Fiscal Agent, Requests FRBNY, as Collateral Agent, to Release Interest Collateral on Argentina's Par Bonds and Discount Bonds. Record Dates of February 26 and Payment Dates of March 5 Expected.

- January 28, 2003 - EMTA Issues New VEB NDF Market Practice.

- January 27, 2003 - Argentina Releases IMF Letter of Intent, including Cover Letter, Memorandum of Economic Policies, Quantitative Performance Targets, and Technical Memo of Understanding.

- January 27, 2003 - Argentina's INDEC Releases Reports on Super Market Sales, Shopping Center Sales and Construction Activity.

- January 23, 2003 - Argentina's INDEC Releases Report on Industrial Production.

- January 23, 2003 - The Bond Market Association Posts an Exposure Draft of the Cross-Product Master Agreement (Cross-Affiliate Version 2.1) and Guidance Notes.

- January 21, 2003 - Argentina Bondholders Committee Issues Press Release on Argentina's Agreement with the IMF.

- January 17, 2003 - Argentina's INDEC Releases Reports on Industrial Production and Economic Activity.

- January 17, 2003 - Argentina's Economy Ministry Releases National Treasury Account (Cash Basis) for December 2002.

- January 16, 2003 - Argentina Announces It Has Reached an Agreement with the IMF for a Stand-By Program.

- January 9, 2003 - Argentina's INDEC Releases Report on Basic Food Index.

- January 9, 2003 - Brady Bond Holiday Schedule for Martin Luther King, Jr. Holiday.

- January 7, 2003 - IMF Board Discusses Possible Features of a Sovereign Debt Restructuring Mechanism. CLICK HERE for IMF Paper "The Design of the Sovereign Debt Restructuring Mechanism — Further Considerations."

- January 7, 2003 - Nigeria Announces Collateral Value for Par Bond Invitation.

- December 27, 2002 - Argentina's INDEC Releases Reports on Super Market Sales, Shopping Center Sales and Construction Activity.

- December 20, 2002 - Amendments to Annex A Argentine Peso Settlement Rate Options; Adoption of revised EMTA Template Terms for ARS Non-Deliverable FX Transactions; Revision of EMTA ARS Industry Survey Methodology, and Adoption of a new EMTA ARS Indicative Survey Rate Methodology.

- December 17, 2002 - EMTA, Other Trade Ass'ns Sharply Criticize IMF's SDRM Proposal and Offer Market-Based Alternative, in Comprehensive Paper Sent to G-7 Officials on December 6.

- December 17, 2002 - Nigeria Exchange Offer: Citigroup Press Release, Nigeria Press Release, Amended Letter of Transmittal and Clarification on Nigeria Warrants.

- December 17, 2002 - Calculations for Payments on Mexico VRR's, Series A, Announced.

- December 16, 2002 - 2003 Holiday Schedule and 2003 Batch Settlement Schedule for Certain Class I Loan Assets are Now Available.

- December 12, 2002 - Brady Bond Holiday Schedule for Christmas, Boxing Day and New Year's Holidays.

Recent Developments (continued)

- December 5, 2002 - EMTA 2002 Annual Meeting Highlights:
    - "Using Clauses to Reform the Process for Sovereign Debt Workouts: Progress and Next Steps." Prepared Remarks at the EMTA Annual Meeting Delivered by John B. Taylor, Under Secretary of Treasury for International Affairs.
    - "EMTA Position Regarding the Quest for More Orderly Sovereign Work-Outs."
    - "EMTA and the Emerging Markets in 2002/2003." Prepared Remarks at the EMTA Annual Meeting Delivered by Michael M. Chamberlin, EMTA Executive Director.
- December 5, 2002 - Nigeria Exchange Offer Extended from December 6 to December 20. Bond Instructions Must be Submitted by 3:00 PM (London Time) on December 19; Letters of Transmittal Must be Submitted by 3:00 PM (London time) on December 20; and the Clearing Price for the Bonds will be Announced on December 23.
- December 3, 2002 -EMTA's Fourth Quarter Bulletin is Now Available in our Bulletin Section.
- December 3, 2002 - Primer on Brazil's USD Par and Discount Bonds, Capitalization Bonds, Eligible Interest Bonds and Debt Conversion Bonds.
- December 2, 2002 - Exchange of Argentine Provincial Bonds.

Miscellany

Cross-Product Master Agreement (Cross-Affiliate Version 2.1)

The Bond Market Association (TBMA) has recently distributed an exposure draft of the Cross-Product Master Agreement (Cross-Affiliate Version 2.1), together with Guidance Notes, which is intended to help harmonize agreements among a broad range of counterparties in several different areas of the financial markets, including the repo, swaps, currency and securities lending markets. The new Agreement creates contractual netting benefits when one counterparty, which has transactions with several affiliates of another counterparty, defaults. As set out in the first version of the Agreement, which was released in February 2000, counterparties agree to set-off or net differences in the event of a default. The initial CPMA only dealt with bilateral netting involving transactions directly between two legal entities.

The initial CPMA was endorsed by EMTA and eight other trade associations representing a broad range of financial markets, which believed that managing counterparty risk across different financial products and widely used industry master agreements is a goal that should be pursued to reduce systemic financial risk. It is anticipated that the CPMA 2.1 will also be widely endorsed. By broadening the scope of the original CPMA to include transactions by affiliated entities, the CPMA 2.1 will further enable sophisticated market participants to effect cross-product netting and harmonize standard close-out and termination provisions, and will serve as an important means of reducing risks and enhancing liquidity in global financial markets.

Click Here for copies of the CPMA 2.1 and Guidance Notes. We encourage you to review the documents carefully.

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

Miscellany (continued)

EM Charity Benefit raises over $175,000

Despite adverse weather, the Annual Emerging Markets Charity Benefit (EMCB) raised approximately $175,000 at its gala "Sushi Samba" dinner on Thursday evening, December 5, 2002. The event was held at Studio 545, a photography studio in midtown Manhattan, and immediately followed EMTA's Annual Meeting.

EMTA's Michael M. Chamberlin opened the event by saluting the industry firms which sponsored it, while also thanking Benefit Committee members for their excellent work in organizing the gala. Chamberlin also took the opportunity to express the industry's appreciation to Glenn Grossman for his efforts over the past several years in founding the Charity Benefit and organizing past years' events.

Michael Gagliardi (The Atlantic), ably assisted by Logistics Committee Chair Denise Simon (The Atlantic), served as the evening's auctioneer extraordinaire, raising over $31,000 from an extremely enthusiastic crowd. Attendees were also entertained by both a seven-member mariachi band and a live d.j., and fundraising Co-Chair Sue Waterbury (Goldman) was not shy about leading her fellow EM professionals in some very funky dance moves.

The proceeds of the December 2002 event will be divided among EMPower, Save the Children and the World Wildlife Fund. To date, the Annual Benefits have raised over $1.7 million for charities assisting people throughout the Emerging Markets. Checks totaling $92,000 were distributed to the three beneficiaries on February 11, 2003, with a final distribution scheduled to occur as soon as remaining pledges have been collected.

Following the event, the tireless Benefit Committee met on January 9, 2003 to discuss preliminary plans for the 2003 benefit. EM professionals interested in becoming involved may contact Denise Simon (The Atlantic) at (646) 364-2312, Sue Waterbury (Goldman Sachs) at (212) 902-5789 or Jonathan Murno (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.

EMTA Membership Update

EMTA's newest members include **Banco Itau**, **Capitalgest**, **Carr Futures**, **Richards Spears Kibbe & Orbe** and **SEB Merchant Banking**. If you are interested in EMTA membership, or if you know of prospective members, please contact either 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 now offer information about our various membership categories and benefits and about how to join the Association.

EMTA Hotlines

Topic	Contact	Telephone
Argentina	Michael Chamberlin/Aviva Werner	(646) 637-9100/9110
Brazil	Michael Chamberlin/Aviva Werner	(646) 637-9100/9110
Burden-Sharing/SDRM	Michael Chamberlin	(646) 637-9100
Clearing Corp. (EMCC)	Keith Kanaga (EMCC)	(212) 855-1675
Code of Conduct	Michael Chamberlin	(646) 637-9100
Corporate Governance	Michael Chamberlin	(646) 637-9100
EM Benefit	Jonathan Murno	(646) 637-9105
EMTA Membership	Jonathan Murno/Suzette Ortiz	(646) 637-9105/9106
EMTA Website	Suzette Ortiz	(646) 637-9106
FX/NDFs/Derivatives	Leslie Payton Jacobs	(646) 637-9103
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	(646) 637-9110
Market Information/Research	Jonathan Murno	(646) 637-9105
Market Practices	Aviva Werner	(646) 637-9110
Market Price & Volume Data	Jonathan Murno	(646) 637-9105
Multilateral Netting	Aviva Werner	(646) 637-9110
Paris Club	Jonathan Murno	(646) 637-9105
Repos/Securities Lending	Aviva Werner	(646) 637-9110
Uruguay	Aviva Werner	(646) 637-9110
Warrants/VRR's	Aviva Werner	(646) 637-9110

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

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Suzette Ortiz	sortiz@emta.org

EMTA Calendar

Wed., Jan. 1, 2003	Recommended Market Close (NYC/London) New Year's Day
Fri., Jan. 17	Recommended 2:00 p.m. (NYC) Market Close
Mon., Jan. 20	Recommended Market Close (NYC) Martin Luther King Day Recommended 12:00 noon (London) Market Close
Wed., Feb. 5	**EMTA Board Meeting (NYC/London)**
Fri., Feb. 14	Recommended 2:00 p.m. (NYC) Market Close
Mon., Feb. 17	Recommended Market Close (NYC) Presidents' Day Recommended 12:00 noon (London) Market Close
Thurs., Feb. 20	Legal and Compliance Group Meeting 12:00 noon at The Global Financial Markets Conference Center (NYC)
Wed., April 16	Legal and Compliance Group Meeting 12:00 noon at The Global Financial Markets Conference Center (NYC)
Thurs., April 17	Recommended 2:00 p.m. (NYC) Market Close
Fri., April 18	Recommended Market Close (NYC/London) Good Friday
Mon., April 21	Recommended Market Close (London) Easter Monday
May*	**EMTA Board Meeting (NYC/London)**
May*	EMTA Housewarming at The Global Financial Markets Conference Center (NYC)
Thurs., May 1	**Spring Forum** **Bear Stearns, 383 Madison Avenue (NYC)**
Mon., May 5	Recommended Market Close (London) May Day Bank Holiday
Fri., May 23	Recommended 2:00 p.m. (NYC) Market Close
Mon., May 26	Recommended Market Close (NYC/London) Memorial Day/Spring Bank Holidays
Mon., June 9	Legal and Compliance Group Meeting 12:00 noon at The Global Financial Markets Conference Center (NYC)
Thurs., June 12**	**Summer Forum (London)**
July*	**EMTA Board Meeting (NYC/London)**
Thurs., July 3	Recommended 2:00 p.m. (NYC) Market Close
Fri., July 4	Recommended Market Close (NYC) Independence Day Recommended 12:00 noon (London) Market Close
Wed., Aug. 6	Legal and Compliance Group Meeting 12:00 noon at The Global Financial Markets Conference Center (NYC)
Mon., Aug. 25	Recommended Market Close (London) Summer Bank Holiday
Fri., Aug. 29	Recommended 2:00 p.m. (NYC) Market Close
Mon., Sept. 1	Recommended Market Close (NYC) Labor Day Recommended 12:00 noon (London) Market Close
October*	**Autumn Forum (NYC)**
Wed., Oct. 15	Legal and Compliance Group Meeting 12:00 noon at The Global Financial Markets Conference Center (NYC)
November*	**EMTA Board Meeting (NYC/London)**
Thurs., Dec. 4	**EMTA Annual Meeting**

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