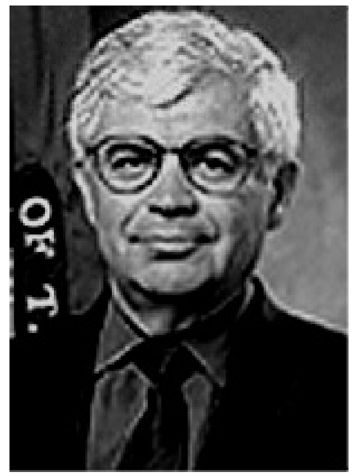
E M T A

Bulletin

4th Quarter 2002 Volume 2002: No. 4

Key US Treasury Official to Deliver Keynote Address at EMTA Annual Meeting



JOHN B. TAYLOR, US Treasury Under Secretary for International Affairs, will deliver the keynote address at EMTA's 2002 Annual Meeting. The all-afternoon event will again be hosted by Salomon Smith Barney at 388 Greenwich Street in lower Manhattan. The meeting will convene at 2:00 p.m., ending in time to permit market participants to attend the Emerging Markets Charity Benefit later that evening.

As Under Secretary for International Affairs, Mr. Taylor serves as the principal advisor to the Secretary of the Treasury on international economic and financial issues. He is responsible for developing and implementing policies in the areas of international finance, trade and investment, economic development, international debt, and US participation in the International Monetary Fund, the World Bank, and other multilateral organizations. Mr. Taylor also helps to coordinate US Treasury policy with the finance ministries of the G-7 industrial nations.

In his remarks last April 2 before a conference hosted by the Institute for International Economics, Mr. Taylor proposed that EM sovereign bonds include collective action clauses, as a more voluntary, decentralized alternative to the IMF's unpopular Sovereign Debt Restructuring Mechanism. In recent months, EMTA has been working with a broad coalition of financial trade groups to develop marketable collective action clauses for implementation under the Taylor proposal (see page 5).

(continued on following page)

In this Issue

(click on topic for link to page):

EMTA is Moving

On Monday, November 18, EMTA's New York office relocated (together with ISDA 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 15 or view the updated Staff Directory in the EMTA website; EMTA's new general number is (646) 637-9100 for voice, (646) 637-9128 for fax. Staff e-mail addresses remain the same.

EMTA Annual Meeting (continued)

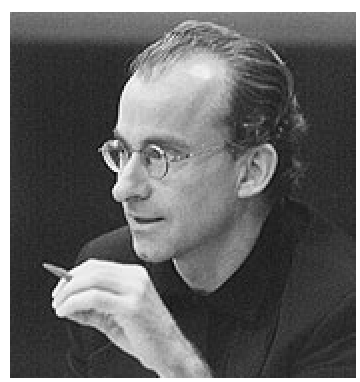
In addition to Mr. Taylor's keynote address, the Annual Meeting will also include its two ever-popular panel discussions featuring some of the industry's most highly regarded analysts and investors. Jose Luis Daza (Deutsche Bank) will moderate a panel of sell-side experts including Arturo Porzecanski (ABN Amro), Paulo Leme (Goldman Sachs), Joyce Chang (J.P. Morgan) and Tulio Vera (Merrill Lynch).

Tom Trebat (Salomon Smith Barney) will be in the unenviable position of trying to live up to the fascinating buy-side panel he moderated last year, which many attendees cited as EMTA's best investor panel ever. Investors participating on Tom's panel include Mark Siegel (Babson Mass Mutual), Dave Rolley (Loomis Sayles). Abigail McKenna (Morgan Stanley Investment Management) and Hari Hariharan (NWI Investment).

For further information regarding EMTA's Annual Meeting, please contact Jonathan Murno at jmurno@emta.org or (212) 908-5022.

Panelists at EMTA's Fall Forum Agree Outlook for Brazil Challenging…but not Unmanageable

Understandably, the outlook for Brazil again dominated the discussion at EMTA's first Fall Forum on October 5, 2002. In contrast, however, to the considerable pessimism expressed at EMTA's Summer Forum in London, speakers at the Fall Forum indicated that, while they remained seriously concerned, they were somewhat more hopeful about Brazil's economic and political future. The event, which was hosted by UBS Warburg, attracted an audience of over 150 professionals from the Emerging Markets community.

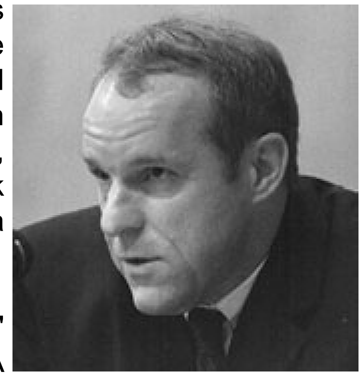


Moderator Michael Gavin (UBS Warburg) opened the session by inviting each panelist to offer an assessment on the current state of the world economy, and to discuss consequent effects on emerging countries. John Welch (West LB) compared the current economic rebound to the tepid recovery of 1991, observing that the current mild rebound mirrored the mild downturn preceding it. Renewed market access for Latin countries was "somewhere down the road," according to Welch, with current credit spreads indicating that Latin American markets would remain closed for "quite some time."

Ruggero de'Rossi (Oppenheimer Funds), notably more upbeat than during his appearance at EMTA's Spring Forum, argued that global risk aversion was now largely priced in. De'Rossi noted that, despite lower capital flows to the Emerging Markets,

Fall Forum (continued)

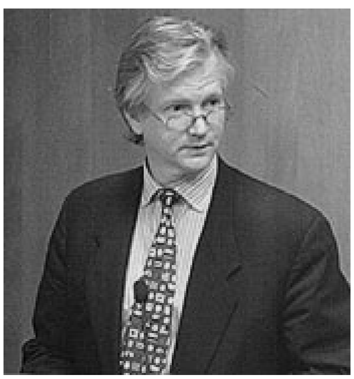
countries such as Brazil and Colombia continued to benefit from substantial IFI support, while oil exporters such as Russia were able to rely on high oil prices.



Though worried by the global economic outlook, Paulo Leme of Goldman Sachs commented that of even greater concern to him were a number of qualitative factors, such as "a very strong lack of leadership among policy makers," and "a tremendous lack of confidence in financial markets." Investment in Latin countries still has a lot of potential downside for the next six to twelve months, according to Leme, who stated that selective capital inflows and generally weak commodity pricing (other than oil) continued to put many Latin countries in a difficult situation.

Alliance's Jim Barrineau called the outlook for Emerging Markets "subdued," placing himself in between the opinions expressed by de'Rossi and Leme. A "real deal" by the G-7 to trim agricultural subsidies might result in upside for the Emerging Markets, declared Barrineau, who intimated that developing countries should be rewarded for pursuing the "right policies."

Official Sector's SDRM Proposal Criticized



Moderator Gavin then returned to a theme introduced by EMTA Executive Director Michael M. Chamberlin in his opening remarks. Chamberlin had welcomed attendees to the Forum with a brief description of EMTA's position against the IMF's Sovereign Debt Restructuring Mechanism (SDRM) proposal, asserting that "this is a genuinely bad idea." Gavin followed up by requesting panelist opinions on how much damage the sovereign bankruptcy proposal would cause the industry, and to what extent the speakers believed it had exacerbated the recent decline in Brazilian asset prices.

Barrineau acknowledged that it was probably impossible to determine how much of the market sell off was attributable to the official sector's SDRM stance, but added that Washington's actions were effectively discouraging capital flows to developing nations. Barrineau further criticized the US Treasury for not finding a more constructive policy to support emerging countries, challenging officials to "think outside of the box," and remarking that "if [SDRM] is all they have, then…it's discouraging."

Leme opined that the SDRM "fast-forwarded" a loss of confidence in Brazil that had already begun as a result of domestic factors. Implementation of the SDRM would prove to be a "nightmare," predicted Leme, who advocated that the G-7 should instead focus on improving agricultural and trade policies, which would alleviate the number of crises. De'Rossi concurred with other speakers that the timing of the SDRM announcement during a period of market turbulence was inopportune but reiterated that investors should focus on countries' ability to pay.

Risk of Brazilian Default Overstated

Fall Forum panelists agreed that the market was overstating the probability of Brazil defaulting in the next twelve to twenty-four months, while also recognizing that such an eventuality was not impossible. The initial conditions facing the incoming Lula administration, including the debt profile, are not unsustainable, argued Barrineau, who nevertheless admitted it would be "a tough climb up in the context of a constrained global environment."

Fall Forum (continued)

De'Rossi, who estimated the likelihood of default as "maybe 20-30% at most," predicted that, even in case of default, recovery value would likely be greater than in the cases of the Russian and Ecuadorian defaults. With large multilateral support, Lula still has options, according to de'Rossi, including the ability to name a great economic team and to pursue prudent fiscal measures, etc.; and a default could be avoided with the pursuit of appropriate policies.

"Brazil is solvent," pronounced Leme, "however, in order to get out of this problem…they are going to have to generate an enormous [positive] confidence shock…via an outstanding – not simply good (there is no room for error) – economic team." Welch concurred, and believes the IMF will give Lula sufficient opportunity to demonstrate prudent economic policies before any possible disruption in IMF aid. Instead, Welch pointed out risks that haven't been making headlines, including the fact that both second round presidential candidates were running on platforms to re-regulate gasoline prices. He also described the "hidden risk" of Brazilian governors, who have previously voiced their opposition to the 1997 debt negotiation, demanding better terms.

<u>Panel Divided on Venezuelan Risks</u>

Gavin concluded his questioning by polling the panelists for their thoughts on Venezuela. Welch stressed "the only enemy of external debtholders is chaos," and that, while the heightened risk of chaos in Venezuela is something new to Venezuela's creditors, only significant violence would cause him to downgrade his view on Venezuelan debt. In contrast, Barrineau believed that Venezuela has outperformed its fundamentals, and that only a quick embrace of the IMF in a post-Chavez government would push him to buy Venezuelan debt. Leme noted that the economy continues to contract despite higher oil prices, a historic anomaly, and warned that the situation could spiral out of control as large demonstrations continue.

Immediately following the Forum, attendees enjoyed cocktails and hors d'oeuvres in UBS' reception area, which features original artwork by contemporary artists such as Cindy Sherman and David Hockney.

Click Here for a transcript of the Panel

EMTA Board Meeting on October 23, 2002

EMTA's fourth Board Meeting for 2002 was held on October 23 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 finances, the Board elected Ruth Laslo (UBS Warburg) as a Director to replace Geoff Nielsen, and Dean Menegas (Spinnaker Capital) as a Director to replace Alexis Habib, who has served on EMTA's Board since 1995 on behalf of Credit Agricole Indosuez and, most recently, Spinnaker Capital.

The Board also reviewed EMTA's work to develop a more voluntary alternative to the IMF's Sovereign Debt Restructuring Mechanism (SDRM) (see page 5), as well as a proposal for a multilateral netting facility to settle, once and for all, the nagging problem of stale interest claims on EM loan assets.

EMTA Board Meeting (continued)

Finally, the Board reviewed and approved EMTA's move from 63 Wall Street to shared space with The Bond Market Association (TBMA), the International Swaps and Derivatives Association (ISDA) and several other financial industry groups at 360 Madison Avenue, pursuant to a lease and administrative resource sharing arrangement that is expected to reduce annual operating expenses without compromising EMTA's independence (see page 1).

Private Sector Offers Marketable CAC's as Alternative to SDRM

Despite a concerted effort by the major financial trade associations to develop an acceptable market-based alternative, the G-7 has stepped up its support for the IMF's Sovereign Debt Restructuring Mechanism.

At a dinner meeting with the G-7 Deputies on September 26, representatives of six trade associations (EMTA, EMCA, SIA, TBMA, IIF and IPMA) and others roundly criticized the IMF's sovereign bankruptcy regime (or, as the official sector prefers to call it, the SDRM) as likely to drive up borrowing costs and to drive away EM investors, and proposed a specific approach for including limited collective action clauses in sovereign bond documentation as a more viable and market-oriented alternative (see Executive Summary (Discussion Draft 9/26/02)). The G-7 Deputies were not very receptive, and over the ensuing weekend of the joint IMF/World Bank meetings, the G-7 announced that they had endorsed a twin-track approach of supporting both the SDRM and voluntary CAC's and looked forward to reviewing more concrete proposals for an SDRM at the April 2003 IMF/World Bank meetings.

Since early Spring, EMTA has been working to unite the private sector in a constructive effort to shape official sector policies (with admittedly more success on the 'uniting' part than on the 'shaping' part). EMTA's specific role has been to provide technical/legal/market input into the policy debate and to help find common ground for market participants and thus form more effective working coalitions among the financial trade associations.

In response to the G-7 announcement of its two-track approach, the trade associations have been continuing to develop marketable CAC's that would be acceptable to both issuers and investors on the assumption that they could be implemented without significantly increasing borrowing costs and would render the IMF's SDRM unnecessary. On October 17, the trade associations met in London with representatives from Mexico, Brazil, Poland, Turkey and South Africa, to hear first-hand EM countries' concerns about the SDRM and to receive input on the marketable CAC's alternative. Further meetings with issuers have been scheduled for early December in New York.

The G-7 is pushing for the SDRM approach because it considers making bonds easier to restructure as the necessary antidote to so-called official sector "bail-outs" (despite strong advice from the private sector that large financial support packages are sometimes necessary and appropriate and have not, to date, "bailed-out" investors at taxpayer expense). The private sector has argued that making bonds easier to restructure should not be taken to the point of making default and restructuring more likely, and that the proposed SDRM is unnecessary and abrogates investor rights. The focus of the private sector is now on supplementing the CAC's with mechanisms that will help protect investor rights by providing for clearer and better documentation standards, as well as earlier warning of possible credit deterioration.

Whether marketable CAC's would, at this point, effectively pre-empt an SDRM is unclear. The private sector and issuers together have a good chance at implementing marketable CAC's as an alternative to the SDRM, but that effort will require much coordination and its success at pre-empting the SDRM is not a foregone conclusion.

EMTA Survey: THIRD QUARTER 2002 EM DEBT TRADING AT US$670 BILLION

Down 24% from Third Quarter of 2001
Steepest Volume Declines in Riskier Assets

Emerging Markets debt trading volume stood at US$670 billion for the third quarter of 2002, according to EMTA's Third Quarter 2002 Debt Trading Volume Survey. This compares with US$841 billion in the previous quarter (a 20% decrease), and US$885 billion in the third quarter of 2001 (a decrease of 24%). EMTA noted that, while the third quarter is often one of the slowest trading quarters of the year, trading volumes during the period this year were at the lowest level reported to EMTA in over two years.

Alberto Ades, Managing Director and Director of Emerging Markets Bond and Currency Research at Goldman Sachs, attributed the reduced activity to greater investor caution in the global financial markets, asserting that "low volumes are characteristic of high risk aversion." In addition, he noted that bond exchange offers, which have increased Emerging Markets trading levels in the recent past, did not occur during the third quarter as a result of market speculation regarding the Brazilian presidential race and economy.

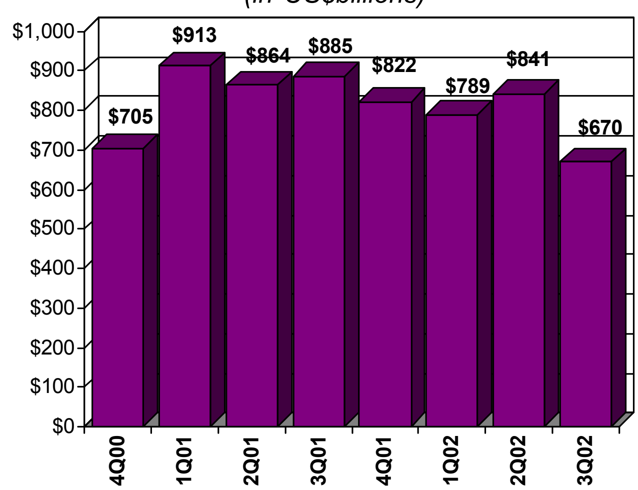
Jim Barrineau, Vice President of Research at Alliance Capital, also suggested that the reduction in volumes might be linked to recent proposals by G-7 officials to create a new Sovereign Debt Restructuring Mechanism (SDRM) to resolve Emerging Markets debt crises. While acknowledging that it was not possible to determine what specific percentage of the recent reduction in trading volumes was attributable to the official sector's SDRM stance, Barrineau commented that, "Washington's recent actions are not only working to reduce trading levels but also effectively discouraging new capital flows to developing nations ."

Participants in EMTA's Survey indicated substantially decreased volumes in riskier countries such as Brazil (down 32% qoq), Venezuela (down 53% qoq) and Ecuador (down 45% qoq), while reporting that their trading of higher-rated countries rose or declined less sharply (South African debt volumes rose 14%, while Russian and Mexican volumes were down 13% and 15%, respectively). EMTA noted this trading pattern mirrored portfolio recommendations from several market strategists.

Mexican, Brazilian Instruments Remain Most Frequently Traded

With US$195 billion in third quarter turnover, Mexican debt remained the most frequently traded instruments. Turnover in local treasury instruments, which account for three-fourths of Mexican instrument trading, stood at US$143 billion, contracting 7% from US$154 billion in the previous quarter and 42% from third quarter 2001 volume of US$246 billion. Mexican eurobond trading, at US$34 billion, declined 40% from the US$56 billion Survey participants reported in the second quarter.

Aggregate Trading Volume
(in US$billions)



Brazilian volumes shrunk by almost one-third vs. the previous quarter, but remained the second most frequently traded assets. Third quarter volumes stood at US$154 billion, compared to US$227 billion in the previous quarter (and US$172 billion in the third quarter of 2001). Volume decreases were consistent throughout Brazilian instruments, with C-Bond volume off 33% to US$69 billion from US$102 billion, Brazilian eurobond trading down 40% at US$34 billion (including Brazil 2040 Bond trading of US$9 billion, down 44%) and local instrument trading declining by 37%.

EMTA Volume Survey (continued)

EMTA noted that several analysts recommended that investors cut exposure to Brazil during the third quarter. Ades commented, "We have stayed underweight on Brazil for most of the past seven or eight months on the view that the macro challenges facing Brazil, including weaker capital flows, lower growth and rising net public debt, were independent of the winner in the elections." He added, however, that most investors made any adjustments to their investment strategy decisions on Brazil by August and "we have not seen massive changes in strategy from them since."

South African Volumes Rise, Mild Decrease in Russian Trading

South African volumes (at US$57 billion) were third most frequently traded, the highest volume ranking ever for such instruments. Survey participants reported trading US$50 billion in South African debt in the second quarter and US$37 billion in the third quarter of 2001. Volumes remain largely comprised of local instrument trading (US$45 billion), or 79% of all South African trading.

Trading of Russian assets declined 13% to US$52 billion in the third quarter vs. US$60 billion in the second quarter. Russian 2030 Bond trading accounted for the majority of Russian turnover at US$31 billion (down 18% qoq). Ades suggested that reduced volumes in Russian trading may be related to the generally low amount of trading done by hedge funds during the third quarter, stating "they tend to be quite active in Russia."

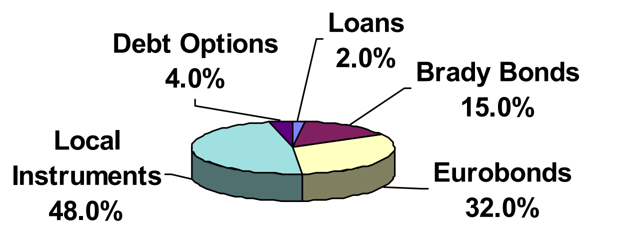
Volume in Venezuela Off 53%

Venezuelan volumes dropped by 53% vs. the previous quarter as political tension remained high following the April coup and countercoup. "Fundamentals in Venezuela are still quite weak," opined Ades, "and a number of accounts refuse to play in the credit." Ades equated owning Venezuelan debt to being "long two options: one on oil and one on a resolution of the political impasse." Turnover in Venezuelan debt declined to US$16 billion from US$34 billion in the second quarter and from US$20 billion in the third quarter of 2001.

Argentine volumes contracted further to US$4 billion, down from US$7 billion in the second quarter (a 25% decrease) and US$87 billion in the third quarter of 2001 (a 95% decline). Analysts attribute this to the continued elusiveness of an IMF agreement, or any other significant positive development in the country since its announcement last December that it would default on outstanding foreign debt.

Local market volumes accounted for 48% of total Emerging Markets trading, the highest share ever in EMTA's quarterly report. 32% of volumes were in Eurobonds, compared with a 36% share in the previous quarter. Brady bonds accounted for 15% of volumes with 4% of trading in options and 2% in loans.

Volume by Type of Instrument, 3rd Quarter 2002



Remaining Cautious on EM Outlook

Going forward, Ades remains careful in his view on Emerging Markets debt. "We are still cautious about Brazil, and political prospects are still quite unclear in Argentina, Ecuador and Venezuela," said Ades, who believes that a possible recovery in the US equity market is "pretty much all we expect in terms of good news." Thus, Ades continues to recommend a portfolio which is biased against high yielding, high beta Emerging Markets credits.

For a copy of EMTA's Third Quarter 2002 Debt Trading Volume Survey, please contact Jonathan Murno at jmurno@emta.org or (212) 908-5022.

FX and Derivatives: Argentina NDF Documentation Update

A formal proposal to address the possibility of a long-term market closure in Argentina and its impact on the settlement of open NDF and NDO contracts was circulated to the marketplace in late August and early September. As informal response to the proposal was very positive, EMTA turned its attention in the early fall to the preparation of draft documentation that would reflect the concepts outlined in the proposal as well as other learning from the market since the publication of the original EMTA Template Terms for ARS Non-Deliverable Forwards in 2001.

In general terms, the proposal contemplates the replacement in the Template of the ARS Official Rate with the EMTA ARS Industry Survey Rate as the first settlement rate option and the incorporation into the architecture of the ARS Template of a new back-up survey rate (also sponsored by EMTA) to be used in times of market dislocation such as an extended closure or extreme illiquidity. In order to implement these concepts, existing documentation will be revised and new documentation will be introduced.

The draft documentation, which was circulated on November 12, 2002 to the Argentina NDF Working Group for its review and consideration, consists of revised Template Terms for ARS Non-Deliverable Forwards, a revised EMTA ARS Industry Survey Rate Definition (ARS03), a revised EMTA ARS Industry Survey Rate Methodology, a new EMTA ARS Indicative Survey Rate Definition (ARS04) and a new EMTA ARS Indicative Survey Rate Methodology.

EMTA is anticipating feedback from the Argentina NDF Working Group to determine whether the draft documentation satisfactorily reflects the terms of the new proposal and appropriately addresses the need to eliminate documentation uncertainty and settlement concerns in the situation of a long-term market closure. Suggestions and changes to the documentation will be made as necessary and, if the Working Group ultimately approves the implementing documentation, EMTA will make it available to its membership.

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.

As a reminder, the ARS Industry Survey Rate (published daily, excluding holidays) is available on EMTA's website at Activities and Services, Market Data, CME 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, CME/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, CME/EMTA ARS Industry Survey, Historical Rates.

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 and Warrant Trading & Settlement

Argentina Bonds

Last quarter, EMTA made available to the market 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 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 immediate 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 on June 30, 2002. (For the upcoming interest payment due on November 30, the grace period would expire on December 30.)

The Primer also clarifies how the release of Interest Collateral provisions in the Collateral Pledge Agreement relate to the record date provisions in the Fiscal Agency Agreement.

The record date provisions of the Fiscal Agency Agreement complicate the question of who was entitled to receive the proceeds of the Interest Collateral when such proceeds were 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 record date for the distribution of Interest Collateral proceeds (September 3, 2002 for the Par Bonds and September 6, 2002 for the Discount Bonds).

Since new record dates were established for the Interest Collateral proceeds, a bondholder must have been a record holder of the Par and/or Discount Bonds on the new record dates 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" operated to transfer a seller's right to receive 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 an 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 dates 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.

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 dates 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.

Bond and Warrant Trading & Settlement (continued)

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.

Partial Redemption of Poland PDI Bonds

Poland redeemed a portion of its PDI Bonds on October 28 (see Fiscal Agent's Notice). As a result of such partial redemption and past amortizations, Euroclear has confirmed that the pool factor to be applied for Poland PDI Bond settlements is 0.4472172660.

Mexico VRR's

New Market Practices Effective on June 21

As indicated previously, Market Practices for the separate trading of Mexico's USD Par Bonds and their related Series of VRR's were recommended on June 17, 2002 (effective for all trades entered into after June 21, 2002).

In connection with the redemption by Mexico of all of its USD Discount Bonds and the recent distribution by the clearing systems of Series B, C and D VRR's to redeemed bondholders (as of the relevant dates of redemption) and to holders of USD Par Bonds as of a June 21, 2002 Record Date, EMTA recommended that, unless otherwise agreed, USD Par Bonds should trade without their related Series A, B, C and D VRR's, but the Series E-Q VRR's would be included in any such separate Bond trades. Click Here for this

New Market Practices... (continued)

Mexico VRR Market Practice. A similar Market Practice was also recommended for option, forward and repo trades entered into on and after June 21, 2002. Click Here for this Mexico VRR Market Practice.

As of the date of the Market Practice, the Series E VRR's had not yet been distributed, but the Market Practice also clarified that Series E-Q VRR's would not generally be separately tradable until the relevant Separation Dates had occurred and the VRR's had been assigned their own separate ISIN Nos. Accordingly, for the Series E VRR's whose Separation Date had occurred on July 1, 2002, Mexico USD Par Bonds should trade, unless otherwise agreed, on and after July 1, 2002, without their related Series A-E VRR's, but the Series F-Q VRR's would be included in any such separate Bond trades.

Although all of the foregoing Market Practices are generally intended to apply only to Mexico USD Par Bonds and their related VRR's, market participants may wish to adopt analogous practices for trades of Mexico Par Bonds denominated in non-USD currencies to the extent practicable.

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

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.

Payments

The September 30, 2002 payment amount was zero for Series A VRR's. Click Here for the Fiscal Agent's notice regarding the VRR payment's calculation.

Warrant Trading & Settlement (continued)

Payments (continued)

The December 31, 2002 payment (if any) is expected to be made to VRR holders of record (including holders of Par Bond Units) as of December 16, 2002, and EMTA has recommended that trades be settled 'ex-dividend' on December 12. (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 upcoming payments, as well as for previous payments, are expected.

Venezuela Oil Obligations

Fails in settlements of Venezuela's Oil Obligations, which accompany its Par and Discount 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 old failed Oil Obligation transfers.

Market participants are strongly encouraged to continue their efforts to reconcile internally and with their counterparties their individual accumulated failed Oil Obligation 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 Oil Obligation 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 been made on the Oil Obligations.

Nigeria Payment Adjustment Warrants

Fails in settlements of Nigeria's Payment Adjustment Warrants, which accompany its Bonds, have been a continuing problem, similar to the VRR fails in Mexico and the Oil Obligation fails in Venezuela.

Adequate and accurate reconciliation among market participants continues to be the key to resolving disputes regarding old failed Payment Adjustment Warrant transfers.

Market participants are strongly encouraged to continue their efforts to reconcile internally and with their counterparties their individual accumulated failed Payment Adjustment 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 Payment Adjustment Warrant trade amounts.

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 the 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.

Uruguay VRR's

Market Practices for the separate trading of Uruguay's Bonds and Value Recovery Rights, as well as a background Primer on the VRR's, are under development and expected to be available shortly.

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.

E M T A

Bulletin

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:

- "EMTA Position Regarding the Quest for More Orderly Sovereign Work-Outs." October 17, 2002.
- "Sovereign Debt Contracts: What Do We Need to Change?" October 17, 2002 - Michael M. Chamberlin (Remarks Delivered at IIF Conference in London).
- "Current Proposals for Sovereign Debt Restructuring - Do We Really Need a Two-track Approach." October 17, 2002 - David C. Mulford (CSFB) (Remarks Delivered at IIF Conference in London).
- "Can We Break the Crisis Cycle for Emerging Markets." October 17, 2002 - Jacques de Larosiere (BNP-Paribas) (Remarks Delivered at IIF Conference in London).
- "Global Economic Outlook and Policy Responses." September 28, 2002 - Statement by Pedro Malan, Minister of Finance of Brazil to the International Monetary and Financial Committee.
- "Sovereign Defaults: Moving Higher Again in 2003?" September 24, 2002 - David T. Beers and John Chambers (Standard & Poor's).
- "Frequently Asked Questions Regarding Brazilian External Accounts." September 11, 2002 - Central Bank of Brazil.

Recent Developments

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

- November 21, 2002 - Mexico VRR Record Date of December 16 and Payment Date of December 31 Expected. Trades are 'Ex-Dividend' on December 12. Calculations for Payments on the VRR's will be Announced by the Fiscal Agent Shortly.
- November 20, 2002 - John B. Taylor, Under Secretary for International Affairs at the US Treasury, to Deliver Keynote Address at EMTA's Annual Meeting on Thursday, December 5, 2002.
- November 13, 2002 - Brady Bond Holiday Schedule for US Thanksgiving Holiday.
- November 12, 2002 - EMTA Announces 3Q 2002 Debt Trading Volume Stood at US$670 Billion.
- October 30, 2002 - Brady Bond Holiday Schedule for US Veterans Day Holiday.
- October 30, 2002 - The Fiscal Agent has Confirmed that the November 15 Payment Amount Relating to Nigeria Warrants is Zero.
- October 25, 2002 - Emerging Markets Charity Benefit Scheduled for December 5, 2002 (following EMTA's Annual Meeting).

Recent Developments (continued)

- October 25, 2002 - For Information on the FTO Trade Debt Restructuring, visit the Russia Ministry of Finance Website at www.minfin.ru/ex_debt/debt.htm.

- October 21, 2002 - New Nigeria Market Practices for the Separate Trading of USD Par Bonds and their Related Payment Adjustment Warrants, together with a Revised Primer.

- October 17, 2002 - Private Sector Representatives Speak Out Against SDRM and in Favor of Marketable Contractual Alternative at IIF Conference in London.

    - EMTA's Position Regarding the Quest for More Orderly Sovereign Work-Outs.
    - "Can We Break the Crisis Cycle for Emerging Markets?" Remarks of Jacques de Larosière, BNP Paribas.
    - "Current Proposals for Sovereign Debt Restructuring - Do We Really Need a Two-Track Approach?" David C. Mulford, CSFB.
    - Remarks of Michael M. Chamberlin, EMTA.

- October 17, 2002 - EMTA Announces Annual Meeting to be Held on Thursday, December 5, 2002.

- October 15, 2002 - Panelists at EMTA's Fall Forum Agree Outlook for Brazil Challenging...but Not Unmanageable.

- October 11, 2002 - Primer on Nigeria Payment Adjustment Warrants.

- October 8, 2002 - Poland Redeems PDI Bonds on October 28.

- October 8, 2002 - Brady Bond Holiday Schedule for US Columbus Day Holiday.

- October 4, 2002 - **SPECIAL REPORT** - IMF to Present Concrete Proposals for its Sovereign Bankruptcy Regime ('SDRM') for Consideration at its Spring 2003 Meetings; At Same Time, G-7/G-10 Welcome Private Sector Progress in Developing Collective Action Clauses ('CAC's')

    - G-7 Statement (9/27/02)
        - Welcomes Progress both on CAC's and SDRM
    - G-10 Communiqué (9/27/02)
        - Describes CAC's and SDRM's as Complementary
    - IMF Communiqué (9/28/02)
        - Welcomes Progress on CAC's but Calls for a Concrete SDRM Proposal to be considered By IMF Membership at its Spring Meetings
    - Statement of Pedro Malan, Brazil's Minister of Finance, to the IMFC on behalf of the IMF Constituency comprising Brazil and 8 other Latin American Countries (9/28/02)
        - Questions the Benefits, and Expresses Concerns about Potential Costs, of the SDRM
        - CAC's Offer Better Prospects for Improving the Sovereign Debt Restructuring Process
    - Executive Summary (9/26/02) of Private Sector Trade Ass'n Views on CAC's
        - CAC's as the Preferred Approach to SDRM
        - CAC's must be Marketable
        - Principles for Marketable CAC's
        - SDRM and CAC's are Not Compatible
    - EMTA Position (10/15/02) regarding the Quest for More Orderly Sovereign Work-Outs

Recent Developments (continued)

- September 30, 2002 - For Information Only, Notice from Legal Counsel Representing the Republic of Moldova.
- September 18, 2002 - Letter from the IIF to Gordon Brown, Chairman of the G-7 International Monetary and Financial Committee.
- September 17, 2002 - EMTA's Third Quarter Bulletin is Now Available in our Bulletin Section.
- September 17, 2002 - Calculations for Payments on Mexico VRR's, Series A, Announced.
- September 11, 2002 – In Memoriam, Francis N. McGuinn, Managing Director, Cantor Fitzgerald, EMTA Director 2000-2001.

Miscellany

EM Charity Benefit Set to Follow EMTA's Annual Meeting on December 5

The sixth Annual Emerging Markets Charity Benefit will be held on Thursday, December 5, 2002. This year's event will benefit EMPower, Save the Children and World Wildlife Fund, and will take place at Studio 545, a photography studio in midtown Manhattan.

The theme of this year's benefit is "Sushi Samba." The program for the evening will include dinner, dancing, an authentic Mariachi band and a live, as well as silent, auction. Over the past five years, the benefit has raised over $1.2 million for a variety of worthy causes in the emerging markets.

Hats off to the members of this year's planning and fundraising committees, who include Sue Waterbury (Goldman Sachs), Denise Simon (The Atlantic), Adam Weiner (ING Barings), Don Leitsch (Morgan Stanley), Mary Ross (J.P. Morgan), Craig Cramer and Marta Cabrera (EMPower), Peg Blackburn (Save the Children), Gayle Brown (WWF) and Jonathan Murno (EMTA).

If you are interested in purchasing a table for the event, please contact Sue Waterbury of Goldman Sachs at (212) 902-5789 or Mary Ross at J.P. Morgan at (212) 834-4070. For other information regarding the event, please contact Denise Simon (The Atlantic) at (646) 364-2312 or Jonathan Murno (EMTA) at (212) 908-5022.

* *

Although 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 member is **MarketAxess**. If you are interested in EMTA membership, or if you know of prospective members, please contact either Jonathan Murno at jmurno@emta.org or (212) 908-5022, 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.

Miscellany (continued)

EMTA Staff Update

With EMTA's relocation come increased hours and responsibilities for Leslie Payton Jacobs – EMTA's newest staff member. In her role as Senior Legal Counsel, Leslie will be responsible for EMTA's work in the areas of FX and Derivatives. Leslie comes to EMTA with 17 years of experience in finance and the Emerging Markets, from sovereign restructuring projects in Latin America dating back to the mid-1980's through the development of capital markets access for emerging market issuers and the subsequent growth of complex financial products for and on emerging market issues and issuers, gained through her years at Shearman & Sterling, Bear Stearns and Merrill Lynch. Leslie can be reached at lpjacobs@emta.org or at (646) 637-9103.

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	(212) 908-5022
EMTA Membership	Jonathan Murno/Suzette Ortiz	(212) 908-5022/(646) 637-9106
EMTA Website	Eric Brenner	(646) 637-9102
FX/NDF's/Derivatives	Leslie Payton Jacobs	(646) 637-9103
Global Equities	Bruce Wolfson (Bear)	(212) 272-2571
Information/Research	Jonathan Murno	(212) 908-5022
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 Practices	Aviva Werner	(646) 637-9110
Market Price & Volume Data	Jonathan Murno	(212) 908-5022
Multilateral Netting	Aviva Werner	(646) 637-9110
Paris Club	Jonathan Murno	(212) 908-5022
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
Donald Goecks	dgoecks@emta.org
Jonathan Murno	jmurno@emta.org
Leslie Payton Jacobs	lpjacobs@emta.org
Aviva Werner	awerner@emta.org
Eric Brenner	ebrenner@emta.org
Suzette Ortiz	sortiz@emta.org

EMTA Calendar

Fri., Oct. 11	Recommended 2:00 p.m. (NYC) Market Close
Mon., Oct. 14	Recommended Market Close (NYC) Columbus Day Recommended 12:00 noon (London) Market Close
Tues., Oct. 15	**EMTA Fall Forum** **UBS Warburg, 1285 Avenue of the Americas (NYC)**
Wed., Oct. 23	**EMTA Board Meeting (NYC/London)**
Fri., Nov. 8	Recommended 2:00 p.m. (NYC) Market Close
Mon., Nov. 11	Recommended Market Close (NYC) Veterans Day Recommended 12:00 noon (London) Market Close
Wed., Nov. 13	Legal and Compliance Group Meeting 12:00 noon at Shearman & Sterling (NYC)
Wed., Nov. 27	Recommended 2:00 p.m. (NYC) Market Close
Thurs., Nov. 28	Recommended Market Close (NYC) Thanksgiving Day Recommended 12:00 noon (London) Market Close
Fri., Nov. 29	Recommended 2:00 p.m. (NYC) Market Close
Thurs., Dec. 5	**EMTA Annual Meeting - 2:00 p.m.** **Salomon Smith Barney, 388 Greenwich Street (NYC)** **2002 EM Benefit (NYC) - 6:30 p.m.** **Studio 545, 545 West 45th Street (NYC)**
December*	**EMTA Housewarming at 360 Madison (NYC)**
Tues., Dec. 24	Recommended 2:00 p.m. (NYC) Market Close
Wed., Dec. 25	Recommended Market Close (NYC/London) Christmas
Thurs., Dec. 26	Recommended Market Close (London) Boxing Day
Tues., Dec. 31	Recommended 2:00 p.m. (NYC) Market Close
Wed., Jan. 1, 2003	Recommended Market Close (NYC/London) New Year's Day
Wed., Jan. 15	Legal and Compliance Group Meeting 12:00 noon at 360 Madison Avenue (NYC)
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., Jan. 22	**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

*** Date TBA**