EMTA

Bulletin

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EMTA 2002 SPRING FORUM

In this Issue

(click on topic for link to page):

Speakers at EMTA's Spring Forum Cover Broad Range of Topics in Emerging Markets

Over 150 Emerging Markets debt industry professionals attended EMTA's Second Annual Spring Forum in New York City on April 11, 2002. The event was hosted by Bear Stearns and featured a panel discussion by leading analysts and investors on a broad range of Emerging Markets topics, as well as a presentation by Ian Bremmer of the Eurasia Group on US foreign policy in the aftermath of the September 11 terrorist attacks. For the first time in over a year, the discussion at an EMTA forum was not dominated by Argentina, but instead speakers discussed the global economic environment and its effects on the Emerging Markets, addressed the IMF/US Treasury sovereign debt work-out proposals, compared Latin American performance to that of Eastern Europe, discussed the ramifications of Middle East tensions and gave their specific views on, and forecasts for, many individual countries.

Tel. (212) 908-5000 63 Wall Street, New York, NY 10005 Fax (212) 908-5039

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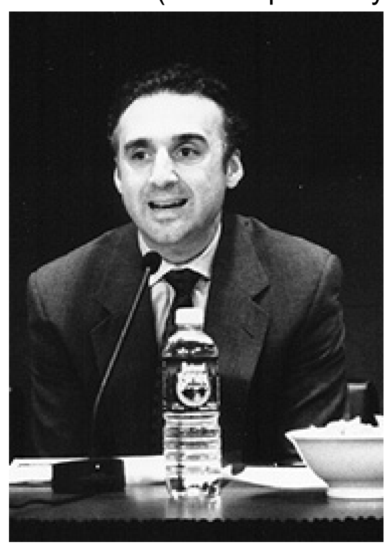
Trade Association for the Emerging Markets

Spring Forum Continued...

Criticism of Official Sector Sovereign Bankruptcy Procedure Proposals

Several panelists were critical of recent proposals by the US Treasury and IMF concerning sovereign bankruptcies. Michael Gavin (UBS Warburg) asserted that several of the drivers of this process at the IMF are "fundamentally unsympathetic to our market," noted the academic rather than market background of the new policy's proponents, and added that some of these officials wrongly believe that "to reduce capital flows to Emerging Markets would be a good thing because that would fix current account deficits and stop corruption." Gavin was more constructive on US Treasury proposals, stating that Under Secretary for International Affairs Taylor is "sensitive to the needs of, and wants to support, the market."

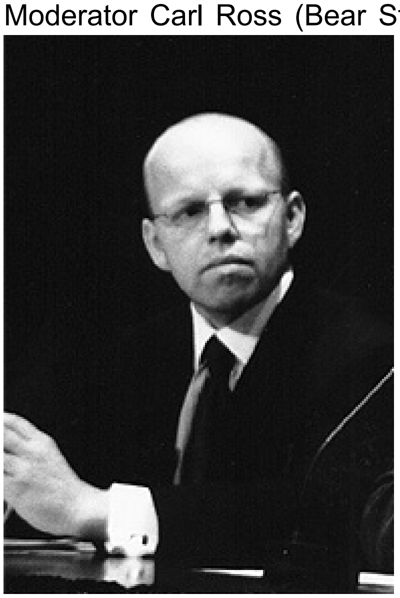
Michael Gagliardi (Trust Company of the Atlantic) spoke out against the imposition of the official sector's "generic" solutions to future defaults, and argued in favor of the market continuing to address each individual sovereign default on a case-by-case basis. "Over the last 15 years, I have continued to believe that market-based solutions work," he asserted. Gagliardi also expressed his bewilderment at the motives of the official sector, and declared that, if they were to avoid the "rogue creditor" issue (and he pointedly described such creditors as "abhorrent"), then "this is not the solution."



Ruggero De'Rossi (Oppenheimer Funds) commented that the new proposals would not affect his job "to focus on the fundamentals," adding that, because the new proposals would not change a sovereign's willingness to service debt, he was content to delegate the legal clauses to others. Eric Fine (Morgan Stanley) called the debate somewhat irrelevant and "just kind of uninteresting," and posited that in the final analysis until the issuing country wants to reaccess the capital markets, "we have no leverage over the sovereign."

Latin American Economic Performance Contrasted with Eastern Europe

Moderator Carl Ross (Bear Stearns) asked panelists why the economic and political scenarios in Eastern Europe appeared so much more positive than those in Latin America. Gavin attributed the difference in progress to a number of factors: (1) Latin constitutions that "almost guarantee political instability and weak governments," (2) differing climates and natural resources, (3) economic integration ("economic development is integration with bigger, more advanced markets," he declared) and (4) vicious circle and neighborhood effects.



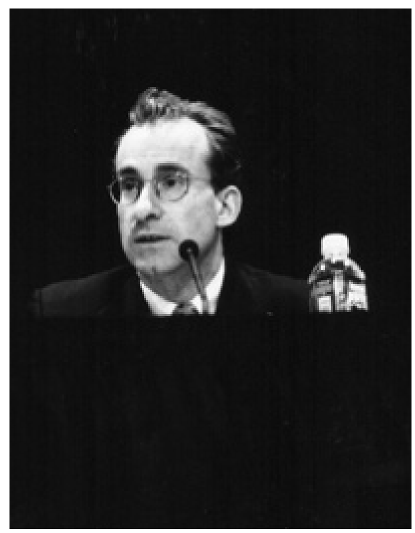
Gagliardi asserted that education levels in Eastern Europe are also largely responsible for making such a massive transformation in economic policy possible. Fine agreed that education played a large role, noting that Eastern Europe benefited from having a widely educated population with few members of an elite class; while, on the other hand, Latin America's low literacy rates mixed with a large class of elites meant, among other things, that good policies were hampered by populist backlashes. Finally, De'Rossi commented that Latin America was disadvantaged by the lack of reforms, the lack of developed domestic markets (with the exception of Brazil), and low domestic savings.

Spring Forum Continued...

Panelists Predict EMBI+ to Stay in Current Range, Recommend Brazil but Wary of Egypt

Spring Forum panelists largely concurred that the EMBI+ was unlikely to move dramatically during the remaining months of 2002, and most panelists suggested the market was not as attractive at current levels as it had been in previous months. Fine was the most optimistic of the speakers, forecasting a tightening of up to 100 bps but stating most of this would likely occur at year-end. Gagliardi predicted the EMBI+ would remain within a range of 50 bps wider or tighter than current levels. Ross agreed with the forecast made by De'Rossi that the EMBI+ was more likely to widen 50 bps than to tighten, but called the market "mostly benign," while De'Rossi had commented earlier in the discussion that his review of "top down" factors had led him to reduce Emerging Markets exposure.

As for specific assets, Ross and Gavin recommended buying Brazilian debt on weakness. Gavin also told the audience it was time to "get your toes back into Latin corporates," with Gagliardi seeing value specifically in Argentine corporate debt (the roadblocks set up in their path "will only last so long," he declared.) Fine had positive comments on Ukraine, last year's top performer, as well as Russia's MinFin Bonds. Several of the panelists also recommended Venezuela; only hours later President Chavez was somewhat unexpectedly ousted, and then reinstated, in a coup and counter-coup.



Gagliardi and De'Rossi both listed Egypt as a possible short, noting recent fiscal disappointments and spillover effects from Israeli-Palestinian violence. Gavin recommended an underweight position in Ecuadorian debt, concerned by market over-optimism about the swift conclusion of a new IMF loan; he added he was also little enthused about owning Mexico (not believing it would "implode," but suggesting there were better potential returns elsewhere).

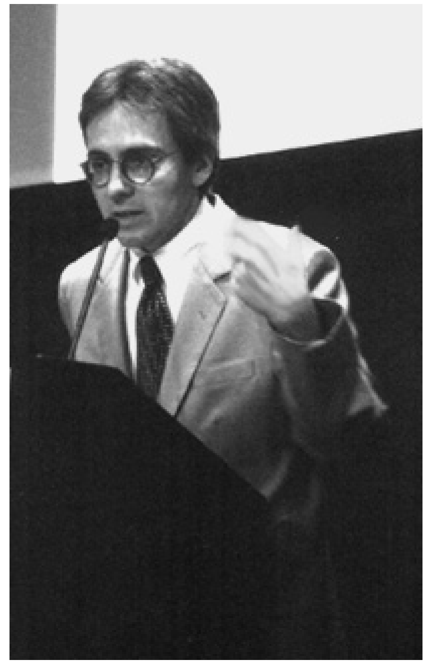
Industry and Country Progress Highlighted

During the event, Gagliardi also took a moment to point out the tremendous progress made in both the Emerging Markets themselves as well as the debt trading industry in the past two decades. "When we first started in this business, 15 or 16 years ago, there weren't phone lines in these countries, and all the debt was in loans," he reminded the audience, before also noting that the number of rated countries had skyrocketed over the past decade.

Spring Forum Continued...

Bremmer Says Washington Focus on Security Means Latin America, Balkans Bumped Down on Bush's Priority List

In his presentation on post-September 11 US foreign policy that preceded the panel discussion, Bremmer stated that a crucial shift in focus had occurred when the Bush administration took office in January 2001. According to Bremmer, instead of economic matters being the primary driver of US foreign relations, the Bush team has seen security issues as being of paramount importance. This became preceded, but became even more pronounced after the September 11 terrorist attacks. As a result of this new shift in focus, countries such as Turkey and Russia have gained in importance (although Bremmer also noted relations with the latter "were probably at their lowest point since the Soviet Union's collapsed" right after Bush became president as the new administration made it clear that US policy vis-à-vis Moscow would "be defined much more tightly on the basis of national security and mutual political and security interests, and not on this fuzzy notion of Russia being a part of the G7 and G8.")



On the other hand, countries in Latin America, the Balkans and Africa have become less relevant to the US administration, a point Bremmer noted was ironic as Bush knew Latin America better than any other region prior to taking office. "Indeed, one could make an argument somewhat cheekily that Argentina would be better served if they had a couple of hundred of Al Qaeda terrorists running through the Pampas," in order to regain the focus of Washington, Bremmer commented.

Chamberlin Announces New EM Benefit Committee in Formation

In addition to welcoming attendees to EMTA's Spring Forum and criticizing the new financial architecture proposals (see page 6), EMTA Executive Director Michael Chamberlin also used his introduction to the Spring Forum (Click Here for the text of his opening remarks) to announce that a new committee was being formed to organize the annual end-of-year benefit event for the Emerging Markets community (see page 14). Chamberlin stated that the committee should include a wide range of industry representatives to ensure that the event and its beneficiaries fully reflect the wishes of the industry as a whole.

Click Here for a transcript of the Panel (available shortly)

EMTA Board Meeting on April 24, 2002

EMTA's second Board Meeting for 2002 was held on April 24 at the offices of J.P. Morgan Chase in both New York City and London, with the usual video and teleconferencing links.

In addition to reviewing EMTA's 2001 financial results and 2002 budget, the Board elected Roberto Hoornweg (Morgan Stanley) as a Director to replace Kevin Kenny, who left Morgan Stanley in January to form his own firm. The Board also elected Michael Gagliardi (Trust Company of the Atlantic), as a Director. Michael served briefly as an EMTA Director in 1999 on behalf of Wasserstein Perella.

The Board also discussed the IMF's recently modified Sovereign Bankruptcy proposal, which has recently been revised in an effort to meet some of the substantial criticism it has received from the private sector, including a joint letter from EMTA, SIA, TBMA and IPMA.

In addition, the Board discussed a US Treasury proposal made on April 2 by John Taylor, Under Secretary for International Affairs, which advocates a more voluntary and decentralized approach toward making sovereign work-outs more orderly, including the introduction into sovereign bond documentation of majority action and other restructuring-specific clauses. (Click Here for the text of Mr. Taylor's remarks).

In general, the Board expressed skepticism about the IMF and UST proposals, but believed that EMTA should assist in a constructive effort to help develop specific clauses (or principles) in the context of the Taylor proposals that reconcile differing private sector interests and views. See page 6 for more detailed information on this topic.

Among other things, the Board also discussed (a) the formation of a new EM Benefit Committee that would be responsible for making major decisions regarding the Benefit (such as its date, venue, theme, beneficiaries and how its fundraising and production logistics will be handled) (see page 14 for more details); and (b) the extensive work that EMTA has been doing in connection with Argentina NDF's (see page 7 for more information). Looking ahead, this NDF work will involve revising the 1998 FX and Currency Option Definitions and developing new templates for confirming NDF trades for Argentina and other EM countries that better reflect recent market experience.

EMTA Continues to Oppose IMF Sovereign Bankruptcy Proposal – *More Open to Taylor Proposal*

EMTA's Executive Director Michael Chamberlin continued to speak out against recent proposals made by IMF Deputy Managing Director Anne Krueger concerning a new mechanism for resolving sovereign bond defaults. Chamberlin delivered his most recent remarks on the topic at the Institute for International Economics' Conference on "Sovereign Debt Workouts: Hopes and Hazards," in Washington, DC on April 2, 2002.

Among the criticisms Chamberlin has voiced concerning the IMF proposal are (1) the IMF plan is based on a false presumption that the existing mechanisms for resolving debt crises do not work because sovereign debt restructurings are too prone to disruption by hold-out ('rogue') creditors; (2) the IMF plan would substantially impair the rights of creditors to enforce their claims, resulting in a severe imbalance between creditor and debtor rights; and (3) the proposal does not address the real problem, which Chamberlin described as the need for Emerging Markets countries, with assistance from the G7 nations and multilateral financial institutions, to develop institutions and pursue policies which would provide long-term protection against economic and financial difficulties.

Chamberlin had previously spoken against the IMF proposal at the UN Conference on Financing for Development, the J.P. Morgan Emerging Markets Winter Conference and EMTA's own Annual Meeting (see First Quarter 2002 Bulletin).

On a more positive note, Chamberlin offered qualified support for a proposal made on April 2 by US Treasury Under Secretary for International Affairs John Taylor, who advocated a more voluntary, decentralized approach, *i.e.*, the inclusion of majority action and other restructuring-specific clauses in sovereign bond documentation. (Click Here for Mr. Taylor's remarks) "The Taylor proposal…has merit (inasmuch as it is more market-oriented, as well as much less threatening to creditor's rights, than the IMF proposal), but it still has several obvious practical problems…'' said Chamberlin. Among the flaws he described was its potential "one-size-fits-all approach…which may deprive the international financial community of…the ability to fashion responses to meet the circumstances of a specific debtor country's financial crisis.''

Chamberlin praised a proposal recently developed by J.P. Morgan as a good example of the type of creativity (unfortunately underestimated by many in the official sector) that the private sector is capable of bringing to bear in helping to resolve financial crises in the Emerging Markets. The Morgan plan (Click Here for Ed Bartholomew's paper ''Two Step Sovereign Debt Restructuring.''), envisions a two-step approach after a financial crisis has occurred, with a preliminary swap of outstanding debt into new instruments which could include majority action and other restructuring-specific clauses. Chamberlin noted, ''This proposal dovetails nicely with Mr. Taylor's call for decentralized inclusion of such clauses in debt contracts and might address some of its problems.''

Introducing majority action and restructuring-specific clauses into the interim instruments envisaged in the Morgan proposal, while reducing some of the certainty sought by the official sector, would allow for the benefits of case-by-case flexibility. In addition, Chamberlin noted that the two-step approach could also address the difficulty of how to apply the Taylor clauses across all of a sovereign's outstanding debt.

As discussed at EMTA's Board meeting on April 24, EMTA's efforts in this area will be directed toward developing specific principles or clauses that reconcile private sector interests and views.

Click Here for the full text of remarks delivered by Michael Chamberlin on April 2.

Argentina FX: NDF's and NDO's

The political and economic situation in Argentina obviously remains precarious, as evidenced by the closing of the local FX market from April 22 - 26, 2002. As a result of extensive discussions among market participants prior to such "Unscheduled Holiday" and following FX Committee encouragement on April 22 to develop a new approach to dealing with Unscheduled Holidays, EMTA amended the EMTA Template Terms for ARS Non-Deliverable FX Transactions on April 23 (effective on such date) to change the "Deferral Period for Unscheduled Holiday" from eight to 30 consecutive calendar days. This change was made as an interim step in order to provide more time for the Argentine FX market to reopen after an Unscheduled Holiday, pending development of a more comprehensive permanent approach. At the same time, EMTA also recommended that, unless otherwise agreed, market participants use the new Template going forward and amend their Confirmations for existing transactions to be consistent with the new Templates.

In the past months, EMTA has been working with the FX Committee to develop a more comprehensive solution to the Unscheduled Holiday issue (as well as some revisions to the existing ARS Template) to better reflect current market conditions. A detailed proposal that contemplates an industry-wide survey mechanism is expected before June 1.

Members Only may obtain a copy of the Argentina Market Practice recommended on April 23, as well as previous Market Practices, in the NDF Market Practices area.

In connection with the Unscheduled Holiday Market Practice recommendation, EMTA also prepared a Multilateral Amendment of Argentine Peso Non-Deliverable FX Confirmations, which would amend all existing Argentine Peso Non-Deliverable FX Confirmations between assenting counter parties. Click Here for a list of institutions that have executed such Amendment Agreement.

The ARS Survey Rate (now published daily, except holidays) is available under Activities & Services, Market Data, CME/EMTA ARS Industry Survey, Today's Rate. To ensure greater transparency, the 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 listing of historical rates (together with the usable quotes and range of such quotes) is at Activities & Services, Market Data, CME/EMTA ARS Industry Survey, Historical Rates.

From the onset of the Argentine crisis, EMTA has been monitoring the ARS Survey Rate and working to ensure the continuing integrity of the ARS Methodology, in part by monitoring survey responses on a daily basis against the changing regulatory and market environment in Argentina.

For further information regarding Argentina NDF's and NDO's, please visit the New Developments area or contact Leslie Payton Jacobs at lpjacobs@emta.org or (212) 908-5026, or Aviva Werner at awerner@emta.org or (212) 908-5003.

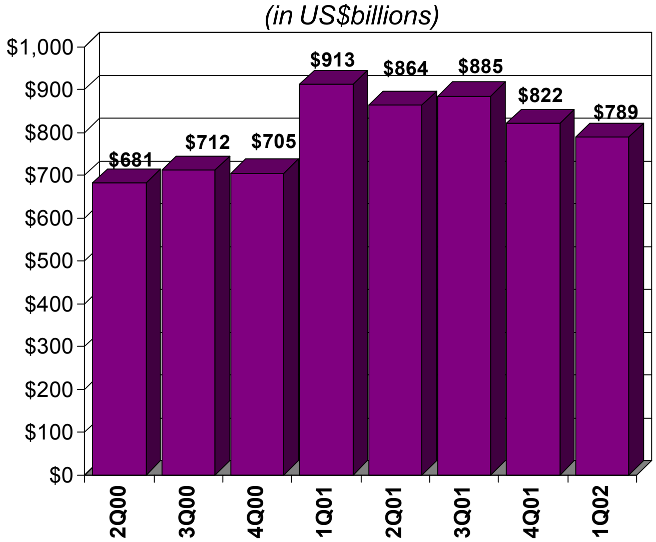
EMTA Debt Trading Volume at US$789 Billion in First Quarter 2002

Emerging Markets debt trading volume stood at US$789 billion in the first quarter of 2002. This compares with US$822 billion in the previous quarter (a 4% decline), and US$913 billion in the first quarter of 2001 (a 14% drop).

Mohammed Grimeh, Managing Director at Lehman Brothers Inc., noted that, “Usually, we see a pick up in first quarter volume over the previous fourth quarter because of new money entering the market.” However, the usually predictable first quarter jump in volume was “offset this year by redemptions and defensive strategies on the back of the announcement of a debt moratorium from Argentina,” Grimeh stated.

Aggregate Trading Volume

(in US$billions)



Argentine Volumes Collapse in the Wake of Default

Following Argentina’s debt moratorium announcement in December, volumes in Argentine debt instruments plummeted. EMTA Survey participants reported US$21 billion in Argentine volumes, down 82% from the first quarter of 2001 (US$117 billion) and a 66% decrease from the prior quarter (US$61 billion). Volumes on Argentine FRBs, once the industry benchmark, dropped 90% from first quarter 2001 levels (US$43 billion) to US$4 billion, and were down 75% vs. the fourth quarter of 2001 (US$16 billion). Local instrument trading (US$393 million), which was also affected by the dramatic depreciation of the Argentine peso following its flotation, declined 85% on a quarter-on-quarter basis (from US$3 billion) and 98% compared to the previous year (US$17 billion). EMTA noted that year-on-year comparisons of Argentine debt volumes are skewed by the removal of large amounts of outstanding Argentine debt from the marketplace via large exchange offers which occurred during 2001, and the resulting lower weighting of Argentina in industry benchmark indices. Grimeh added, “the debt swaps led to a concentration of Argentine debt in the hands of local investors, who do not or cannot actively trade the assets,” and continued that Argentina volumes also dried up because, “a number of Emerging Markets debt dealers had their credit limits with Argentine counterparties, or Argentine assets, cut.”

Turnover in Mexican debt instruments remained the highest of all countries in the Survey, as it has since taking over the top spot from Brazil in 2000. Mexican trading volume stood at US$214 billion, down marginally from US$216 billion in the previous quarter, though volumes were 36% below first quarter 2001 levels (US$335 billion). 70% of Mexican instrument trades occurred in Mexican local treasury instruments, including US$96 billion in Cetes trades. Mexican instrument volumes accounted for 27% of total reported trading, up from 26% in the previous quarter but down from 37% in the first quarter of 2001.

EMTA Volume Survey (continued)

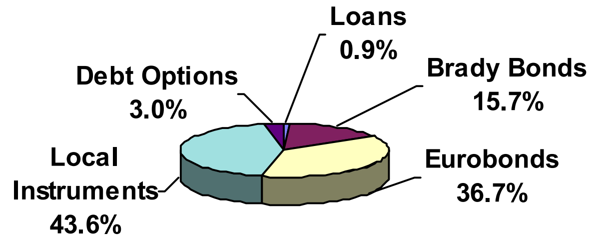
Brazilian volumes (US$199 billion) increased 4% vs. the previous quarter (US$191 billion) and rose 10% vs. the first quarter of 2001 (US$180 billion). Brazilian instruments (25% of total Emerging Markets debt trading) remained the second most frequently traded instruments, although Brazil's C-Bond (US$64 billion in turnover) remains the most frequently traded individual instrument. Grimeh commented that he expected Brazilian volumes to continue to grow, as he believes they will continue to benefit from the country's increased weighting in most Emerging Market Indices as part of index rebalancing following the reduction in the amount of outstanding Argentine debt.

Russian volumes, after reaching post-Russian crisis highs in recent quarters, dropped 19% on a quarter-on-quarter basis (US$65 billion vs. US$80 billion), while remaining 8% above first quarter 2001 transactions (US$61 billion). Grimeh opined, "The whole market has been overweight Russia for the last two years, and most of the players opted for a strategy of holding, rather than trading, Russian debt and riding the upside." Grimeh reasoned that, as there has been no unexpected shock from Russia, there has been no reason for volatility or for a large sell-off to be triggered.

Other frequently traded instruments include debt issued by Hong Kong (US$39 billion), South Africa (US$35 billion), Venezuela (US$29 billion) and Poland (US$24 billion).

Trading in Colombian assets continued its positive upswing, reaching its highest level ever in EMTA's quarterly Surveys at US$13 billion. "Colombian volume is up because local pension funds and banks have been increasingly involved in the marketplace," commented Grimeh, who expects this trend to continue and to bolster trading levels of Colombian debt further.

Volume by Type of Instrument, 1st Quarter 2002



Local Instruments 44% of Volume, Eurobonds with 37% Market Share

Local instrument trading declined by 5% to US$344 billion from US$364 billion in the fourth quarter and from US$413 billion in the first quarter of 2001, although local instrument share of total volume remained constant, at 44%. Mexican local treasury instruments accounted for nearly 44% of all local instrument trading, with US$150 billion in quarterly turnover. Survey participants also reported trading US$33 billion in local Hong Kong debt, US$30 billion in South African treasury instruments and US$24 billion in local debt issued by Brazil.

Eurobond volumes stood at US$290 billion (a 3% decrease vs. the previous quarter, and a 4% year-on-year decrease). Market share for Eurobonds, at 37%, was consistent with its share in the two previous quarters. Sovereign Eurobond transactions accounted for 83% of Eurobond trading, with the remaining 17% of Eurobond volumes in corporate trades. Russia's 2030 bond remained the most frequently traded individual Eurobond (US$33 billion), followed by the Brazil 2040 bond (US$14 billion) and Venezuela 2027 bond (US$9 billion). According to Merrill Lynch, first quarter 2002 Emerging Market issuance was US$15.6 billion, a 15% decrease from first quarter 2001 issuance.

EMTA Volume Survey (continued)

Brady Bonds accounted for 16% of trading activity, at US$124 billion (down from US$131 billion in the fourth quarter and US$156 billion in the first quarter of 2001), with Bulgaria, Peru and Mexico the latest countries to reduce outstanding Brady stock during the first quarter. (According to a report by Merrill Lynch, to date 61% of the original US$175 billion face amount of Brady Bonds has been retired via exchanges, buybacks, calls, amortizations and restructurings.)

Options transactions accounted for 3% of all Emerging Markets debt trades at US$24 billion. Loan assignments, at US$7 billion, accounted for 1% of volume.

Going forward, Grimeh, who is forecasting that the EMB+ ex-Argentina will be in the 500 to 425 basis point range in six months, believes that "volume is likely to pick up as the new issue market recovers for both sovereigns and blue chip corporates in Emerging Markets." He also sees new money being directed away from the stock market and other credit markets, including the US corporate debt market, and instead being allocated to Emerging Markets debt.

For a copy of EMTA's First Quarter 2002 Debt Trading Volume Survey, please contact Jonathan Murno at +(44) 207 545-3196.

EMTA Discusses Indonesia with the Paris Club

Bob McCarthy of Spinnaker Capital represented EMTA at a meeting with Paris Club Secretariat to discuss private sector views on the Paris Club's rescheduling of Indonesian debt. Following on several previous working sessions between the Paris Club and representatives of the private sector, the meeting on Indonesia took place in Paris on April 3, just one week before the Paris Club's official talks with Indonesia. London Club banks and MBIA Insurance (which has insured Indonesian private sector debt) also attended.

At the meeting, McCarthy urged the Paris Club not to rigidly apply its principal of "comparable treatment" across commercial debt owed by Indonesia, including the Republic of Indonesia Standby Loans, 1998 and 1999 Exchange Loans and a US$400 million Eurobond due in 2006. McCarthy noted that the private sector has gradually been returning to Indonesia since the country's 1997 economic crisis, with new voluntary bond issues being placed in recent weeks, and that a forced default of Indonesia's commercial debt would send the wrong message to investors, effectively cutting off capital that has been slowly trickling back into the country.

On April 12, the Paris Club announced a US$5.4 billion restructuring accord with Indonesia that exempted the country's 2006 Eurobond and 1998 and 1999 Exchange Loans from a "comparable treatment" clause. The Paris Club cited the impracticality of including such debt in its request for comparable treatment.

Warrant Trading & Settlement

Mexico VRR's

Reference Prices

Since March 1, 2001, EMTA has been publishing 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.

Payments

The March 31, 2002 payment was made on April 1 to VRR holders of record (and holders of Par Bond Units, if any) as of March 15, and EMTA recommended that trades be settled 'ex-dividend' on March 13. Click Here for a copy of the Fiscal Agent's notice regarding the VRR payment's calculation.

The June 30, 2002 payment is expected to be made on July 1 to VRR holders of record (and holders of Par Bond Units, if any) as of June 14, 2002, and EMTA recommended that trades be settled 'ex-dividend' on June 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 the April and July payments, as well as for previous payments, are expected.

Redemption of Bonds/New ISIN Nos. to be Assigned to Series B, C and D VRR's

As of June 5, 2002, Mexico will have redeemed all of its USD Discount Rate Bonds due 2019. Market participants are reminded that such redemptions do not affect the outstanding Series B, C and D VRR's (whose Separation Dates have occurred on July 1, 1999, July 1, 2000 and July 1, 2001, respectively), and, therefore, holders of the redeemed Bonds that received cash for such bonds are also entitled to receive Series B, C and D VRR's.

Redemption of Bonds...(continued)

EMTA has been informed that Citibank (the Fiscal Agent), Euroclear and Clearstream are currently working on a plan to "distribute" Series B, C and D VRR's to holders of the redeemed Mexico Bonds, as well as to holder of bonds that have not yet been redeemed. This plan will obviously require that separate ISIN Nos. be assigned to such Series B, C and D VRR's.

Pursuant to EMTA's recommended Market Practice, effective February 1, 2001, unless otherwise agreed, Mexico USD Par Bonds should trade with all their related Series B-Q VRR's, but without their related Series A VRR's (which have previously been assigned ISIN No. XS0038529110). The Market Practice also contemplated that Series B-Q VRR's will trade separately from their related Bonds at such time as separate ISIN Nos. are assigned to the relevant Series of VRR whose Separation Dates have occurred. As soon as the clearing systems assign separate ISIN Nos. for Series B, C and D VRR's, EMTA expects to recommend a Market Practice for the separate trading of Mexico USD Par Bonds and Series B-D VRR's.

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.

Warrant Trading & Settlement (continued)

Venezuela Oil Obligations (continued)

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.

Nigeria Payment Adjustment Warrants

Market Practices for the separate trading of Nigeria's Bonds and Payment Adjustment Warrants, as well as a background Primer on the Warrants, are expected to be available shortly.

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For further information, please Click Here for the revised Mexico Primer and Click Here for the revised Venezuela Primer, or visit the New Developments area or contact Aviva Werner at awerner@emta.org or (212) 908-5003.

Sovereign Immunities Act Update

A working group of the International Litigation Committee of the American Bar Association (ABA) proposed last summer certain changes in the U.S. Foreign Sovereign Immunities Act (FSIA). As previously reported, a key proposed change, which would have explicitly provided a temporary stay (initially for 6 months, but extendable up to 3 years) of legal actions against a sovereign upon a showing that the legal action would cause extreme hardship, was withdrawn due primarily to concerns expressed by EMTA and others.

As of January 22, 2002, the International Litigation Committee had also withdrawn its revised report to the ABA, which included other proposed changes to the FSIA that were problematic. EMTA will continue to work with representatives of the Financial Markets Lawyer's Group and the SIA to ensure that concerns of the financial markets (such as any proposed change that would, in effect, overturn the Supreme Court decision in Weltover by requiring a direct and substantial effect in the U.S. for subject matter jurisdiction over a sovereign) are properly reflected in the ABA's final decision regarding recommended changes to the FSIA (now expected in August 2002).

For more information, please contact either Michael Chamberlin at mchamb@emta.org or (212) 908-5000, or Aviva Werner at awerner@emta.org or (212) 908-5003.

Website Updates & Additions

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

Key Industry Views

Highlights Industry Responses to UST/IMF Sovereign Bankruptcy Proposals

EMTA continues to recognize publications by leading research analysts that highlight important industry topics. In recent weeks, EMTA has made several important additions to the Key Industry Views area, most of which focus on recent proposals by the IMF and the US Treasury concerning sovereign restructuring:

- "The Importance of a Sound Financial System in Helping Countries Overcome Financial Crises: Seven Principles for Policymakers." May 13, 2002 - Remarks by Nicholas Brady (Darby Overseas Investments) at the Institutional Investor Roundtable, Shanghai, People's Republic of China.
- ''Two-step Sovereign Debt Restructuring: A Market-based Approach in a World without International Bankruptcy Law.'' April 24, 2002 - Ed Bartholomew (J.P. Morgan).
- "A Critique of Sovereign Bankruptcy Initiatives." April 17, 2002 - Arturo Porzecanski (ABN Amro).
- "Don't Kill the Asset Class." April 8, 2002 - Walter Molano (BCP Securities).
- "Revisiting the IMF's Sovereign Bankruptcy Proposal and the Quest for More Orderly Sovereign Work-Outs." Remarks of Michael M. Chamberlin (EMTA Executive Director) at the Institute for International Economics Conference on "Sovereign Debt Workouts: Hopes and Hazards" April 2, 2002.
- "A Note on the International Debt Commission." March 31, 2002 - Lex Rieffel (Guest Scholar, Brookings Institution).

Recent Developments

These and other recent news items can be found in the New Developments area.

- May 21, 2002 – EMTA 2001 Annual Report Now Available.
- May 8, 2002 – EMTA Announces First Quarter 2002 Debt Trading Volume Stood at US$789 Billion.
- May 3, 2002 – Argentina Bondholders' Committee Issues Principles for the Restructuring of Argentina International Bonds.
- May 3, 2002 – EMCA's Model Covenants for New Sovereign Issues
- May 2, 2002 – Mexico Redeems USD Collateralized Floating Rate Bonds due 2019 (USD Discount Series D).
- April 23, 2002 – New ARS Market Practice and Template Terms for a 30-Day Deferral Period.
- April 18, 2002 – Notice from Republic of Cote d'Ivoire Private Creditors Advisory Committee.
- April 10, 2002 – Letter to the Republic of Argentina's Bondholders from Finance Secretary Lisandro Barry.
- April 5, 2002 – Citibank Notice on Argentina's FRBs Confirming Non-Payment of Interest and Principal Amortization.
- April 3, 2002 – Mexico Redeems USD Collateralized Floating Rate Bonds due 2019 (USD Discount Series C).
- April 2, 2002 – Remarks Delivered by John Taylor, Under Secretary for International Affairs at the US Treasury, on Sovereign Debt Workouts at the IIE Conference in Washington, DC.
- March 19, 2002 – Mexico Redeems Floating Rate Notes.
- March 18, 2002 – Russian FTO Debt Exchange Materials.
- March 18, 2002 – Bulgaria Exchange Offer to Swap New Eurobonds for Outstanding Bradys.
- March 15, 2002 – Calculations for Payments on Mexico VRR's, Series A.
- March 8, 2002 – Slide Presentation Made by Paris Club Officials at a Meeting with Private Sector Representatives Concerning Indonesia's Restructuring.

Miscellany

Save these Dates...

June 26 – EMTA Summer Forum in London

EMTA's Fifth Annual Summer Forum is scheduled for 9:15 a.m., Wednesday, June 26, 2002 in London. Salomon Smith Barney will be hosting the event at 111 Buckingham Palace Road.

EMTA's sterling panel of sell-side analysts will be moderated by Jerome Booth of Ashmore Investment Management, and will be include Jose Luis Daza (Deutsche Bank), Philip Poole (ING Barings), Jonathan Bayliss (J.P. Morgan), and Eric Fine (Morgan Stanley). Citigroup Investments' Mark Franklin will again lead a discussion of distinguished investor panelists, including Simon Treacher (Blue Bay Asset Management), Michael Sonner (DIT), John Cleary (INVESCO) and Amit Gupta (MN Services).

EMTA members should have already received invitations to this event. For questions regarding the Forum, please contact Jonathan Murno at jmurno@emta.org or at +(44) 207-545-3196.

December 4 – EMTA Annual Meeting

EMTA's Annual Meeting will be held on Wednesday, December 4, 2002 in New York City. Salomon Smith Barney will once again host the event at its office at 388 Greenwich Street. Further information will be available later this year.

EM Benefit Committee in Formation

As announced at EMTA's Spring Forum on April 11, 2002, EMTA is helping to form a new Committee to plan for the Emerging Markets industry benefit held annually in December. The new EM Benefit Committee, which will also include representatives from EMTA, held its kick-off meeting on May 15, with the primary purpose of beginning to identify Committee members. The general consensus of participants was that the Committee should be as inclusive as possible in the interests of representing the EM trading and investment community as broadly as possible, and attendees were encouraged to contact additional market professionals who would be interested in participating in planning this year's event. The 2002 Benefit was discussed in general terms and the following ideas were preliminarily agreed: the event should be "top-notch" but not "over the top;" the target date for the event is Thursday, December 5 (the day after EMTA's Annual Meeting) and the proceeds of the Benefit are expected to be earmarked for persons/causes located in Emerging Markets countries (specific beneficiaries to be discussed at subsequent meetings after the Committee's composition has been expanded).

EMTA will be distributing further information about the Committee and the 2002 Benefit regularly as plans progress. Those wishing to become involved in the new Committee, which will determine the date, place, type and theme of the Benefit Event, as well as logistics and the evening's beneficiaries, may contact Jonathan Murno at jmurno@emta.org or at +(44) 207-545-3196.

* *

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.

Miscellany (continued)

EMTA Membership Update

EMTA's newest member is **NIKoil Investment Banking Group**. If you are interested in EMTA membership, or if you know of other prospective members, please contact either Jonathan Murno at jmurno@emta.org or +(44) 207-545-3196, or Suzette Ortiz at sortiz@emta.org or (212) 908-5015. Also, in EMTA's Membership area, we now offer information about joining the Association.

EMTA 2001 Annual Report

EMTA's 2001 Annual Report is now available online. In the report, EMTA Co-Chairs Juan del Azar, George Grunebaum and Mark Coombs note that, despite events in Argentina, 2001 was a good year for the Emerging Markets, while Executive Director Michael Chamberlin discusses the burden-sharing debate as well as EMTA's evolving role in the EM community. Click Here to view the report.

EMTA Staff Update

EMTA welcomes Leslie Payton Jacobs as Senior Legal Counsel to its staff. Leslie comes to EMTA with a wealth of experience in the Emerging Markets gained over the past 17 years at Shearman & Sterling, Bear Stearns and Merrill Lynch. She has assumed responsibility for EMTA's FX work and can be reached at lpjacobs@emta.org or at (212) 908-5026.

In order to bolster EMTA's presence in the European market, EMTA's Research Czar Jonathan Murno will be on extended foreign assignment in London from April 15 through the Summer. Jonathan's e-mail remains jmurno@emta.org; he can be reached in London at +(44) 207-545-3196.

EMTA Hotlines

Topic	Contact	Telephone
Argentina	Michael Chamberlin/Aviva Werner	(212) 908-5000/(212) 908-5003
Burden-Sharing	Michael Chamberlin	(212) 908-5000
Clearing Corp. (EMCC)	Keith Kanaga (EMCC)	(212) 855-1675
Code of Conduct	Michael Chamberlin	(212) 908-5000
Corporate Governance	Michael Chamberlin	(212) 908-5000
Derivatives/NDF's	Leslie Payton Jacobs/Aviva Werner	(212) 908-5026/(212) 908-5003
Electronic Trading	Michael Chamberlin	(212) 908-5000
EM Benefit	Jonathan Murno	+(44) 207-545-3196
Foreign Exchange	Leslie Payton Jacobs/Aviva Werner	(212) 908-5026/(212) 908-5003
Global Equities	Bruce Wolfson (Bear)	(212) 272-2571
Information/Research	Jonathan Murno	+(44) 207-545-3196
Investor Rights	Michael Chamberlin/Aviva Werner	(212) 908-5000/(212) 908-5003
Legal/Compliance	Aviva Werner	(212) 908-5003
Loan Trading	Aviva Werner	(212) 908-5003
Local Markets	Aviva Werner	(212) 908-5003
Market Practices	Aviva Werner	(212) 908-5003
Market Price & Volume Data	Jonathan Murno/Lisa Palazzola	+(44) 207-545-3196/(212) 908-5019
Membership	Jonathan Murno/Suzette Ortiz	+(44) 207-545-3196/(212) 908-5015
Multilateral Netting	Aviva Werner	(212) 908-5003
Paris Club	Jonathan Murno	+(44) 207-545-3196
Repos/Securities Lending	Aviva Werner	(212) 908-5003
Warrants/VRR's	Aviva Werner	(212) 908-5003
Website	Lisa Palazzola/Eric Brenner	(212) 908-5019/5013

EMTA staff can also be reached through the general telephone number (212) 908-5000, 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
Lisa Palazzola	lpalazzola@emta.org

EMTA Calendar

Mon., April 1	Recommended Market Close (London) Easter Monday
Wed., April 3	Legal and Compliance Group Meeting 12:00 noon at Shearman & Sterling (NYC)
Thurs., April 11	**Spring Forum** **Bear Stearns (NYC)**
Wed., April 24	**EMTA Board Meeting (NYC/London)**
Mon., May 6	Recommended Market Close (London) May Day Bank Holiday
Fri., May 24	Recommended 2:00 p.m. (NYC) Market Close
Mon., May 27	Recommended Market Close (NYC) Memorial Day
Mon., June 3	Recommended Market Close (London) Bank Holiday
Tues., June 4	Recommended Market Close (London) Bank Holiday
Thurs., June 6	Legal and Compliance Group Meeting 12:00 noon at Shearman & Sterling (NYC)
Wed., June 26	**London Summer Forum** **9:15 a.m. at Salomon Smith Barney, 111 Buckingham Palace Road (London)**
Wed., July 3	Recommended 2:00 p.m. (NYC) Market Close
Thurs., July 4	Recommended Market Close (NYC) Independence Day Recommended 12:00 noon (London) Market Close
Wed., July 17*	**EMTA Board Meeting (NYC/London)**
Tues., July 23	Legal and Compliance Group Meeting 12:00 noon at Shearman & Sterling (NYC)
Mon., Aug. 26	Recommended Market Close (London) Summer Bank Holiday
Fri., Aug. 30	Recommended 2:00 p.m. (NYC) Market Close
Mon., Sept. 2	Recommended Market Close (NYC) Labor Day Recommended 12:00 noon (London) Market Close
September**	**Autumn Forum (NYC)**
Wed., Oct. 2	Legal and Compliance Group Meeting 12:00 noon at Shearman & Sterling (NYC)
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
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. 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
Wed., Dec. 4	**EMTA Annual Meeting** **Salomon Smith Barney, 388 Greenwich Street (NYC)**

*** Tentative Date**
**** Date TBA**