Emerging Markets Traders Association

Bulletin

2000 - EMTA's 10th Anniversary Year
3rd Quarter 2000 Volume 2000: No. 3

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Another Kind of August

Two years ago, Russia's financial crisis shook the markets during the normal August 'dog days' and plunged the marketplace into a downward spiral that has had lasting effects on dealer commitment and investor confidence despite a lengthy period of generally positive developments throughout the Emerging Markets. Of course, much of the market's malaise over the past two years has been due to other factors, such as the bearish state of the fixed income markets generally and the almost dizzyingly rapid ascent of the U.S. equities markets, particularly in the so-called New Economy sector, followed by its sharp correction in the 2nd Quarter.

While Emerging Markets asset values have recovered sharply, trading activity has not, quite, as many market participants have become less active or, in some cases, withdrawn entirely. Dealers and investors that stayed the course, however, are generally glad that they did.

Now comes another August, showing signs (at least as this Bulletin is written) that many of the market's positive trends are continuing. Russia's restructuring offer, first announced in February and formally on July 18, is scheduled to close during August, and even Ecuador threatens to complete its own proposed restructuring soon. These restructurings, together with Brazil's own exchange offer, have combined to lift both market and EMTA activity levels (see 'Russia Restructuring Offer' on Page 9 and 'Ecuador Exchange Offer' on Page 10).

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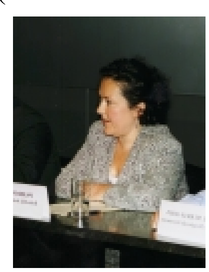
Attendees at EMTA's Third Annual London Summer Forum Hear Cautious Optimism from Panelists

Over 180 EMTA members and guests attended EMTA's Third Annual London Summer Forum, held on July 13, 2000. The event, which was hosted by Deutsche Bank, included two wide-ranging panel discussions which addressed many current issues throughout the Emerging Markets.

Sell-side panelist Karim Abdel-Motaal (J.P. Morgan) characterized the Emerging Markets debt markets as "healthier, but not totally healthy," while restating his firm's year-end EMBI forecast of 600 bps. He noted the disappearance of the large hedge funds from the market but observed that liquidity was becoming more healthy as trading volumes picked up. Generally agreeing with Morgan's EMBI prediction, Philip Poole (ING Barings) told attendees that there is still upside potential for Mexican debt despite a widely-anticipated credit rating upgrade by Standard & Poor's because some funds cannot buy debt until it is actually rated investment grade by both major ratings agencies.

Robin Hubbard (Chase) warned the audience not to be too complacent about the probability of a "soft landing" in the U.S., and also noted his longer-term concern of the "classic over-valuation" of the Argentine peso. Stuart Parkinson (Deutsche Bank) agreed with other panelists that Turkish debt remained attractive in the near term, although he expressed long-term concerns. Finally, Sell-side panel moderator Jerome Booth (Ashmore Investment Management) opined that, while there is still much industry confusion over "burden sharing," there has been a softening of position at the U.S. Treasury ("they know they made a mistake"), which may become more pronounced in the next U.S. Administration. All of the Sell-side panelists agreed that voluntary exchange offers were far preferable to forced reschedulings and that "most deals so far have been reasonably favorable".

On the Buy-side panel, DIT's Michael Sonner spoke positively on Brazil Bradys and stated that he has recently seen some new money enter the Emerging Markets, though in smaller amounts than in the past. He cautioned that Mexico's political transition between now and December "was not a non-event". Ingrid Iversen (Rothschild Asset Management) spoke positively on Kazakhstan and Russia, calling Russia's new President Putin "bad for democracy but good for the economy". She also gave credit to debtor countries that had not defaulted on their external debt despite official sector encouragement to do so. Paul Murray-John (Scudder Threadneedle Investments) said that he foresaw Russian debt tightening by 150 bps; while implementation risks remain for the government's reforms, he was impressed by the declining role of barter in the economy.



Of greatest concern for Invesco's John Cleary: President Putin could reverse course, stop addressing Western concerns and assert Russia's right as a world power. Finally, panel moderator Mark Franklin (Citigroup) gently chided the panel for having remarkably similar portfolio allocations, while suggesting that they may be too bullish on the prospects for reform in Russia; he also forecast another short-term Paris Club deal for Russia, which would allow MinFin IV's and V's to be excluded. Franklin also expressed surprise that bondholders had thus far brought few, if any, lawsuits against sovereign debtors and suggested that, given its expertise, EMTA take a more active role in reviewing sovereign bond documentation.

A full transcript of EMTA's Third Annual Summer Forum will be made available to EMTA members on EMTA's website shortly.

EMTA Board Meetings on April 26 and July 12

EMTA's Board of Directors held its second meeting for 2000 on April 26 at the offices of ING Barings in New York City, and its third meeting on July 12 at the offices of Deutsche Bank Securities in London, in each case with video and teleconference links.

At the April 26 meeting, Richard Prager was elected to replace Gail Segal, who had served as an EMTA Director since 1996 before leaving Bank of America in April. Gabriel Szpigiel was also elected to replace Manuel Mejia-Aoun, who has undertaken new responsibilities at Deutsche Bank in connection with its e-commerce activities. Manuel had represented Deutsche as an EMTA Director since 1999 and, while previously at Merrill Lynch, had been a founding EMTA Director dating back to 1990. In addition to reviewing EMTA's financial results for the 1st Quarter, the Board focused attention on the on-going effort to address the settlement backlog in Mexican Value Recovery Rights (see 'Mexican Value Recovery Rights' on Page 4) and determined that EMTA should make a greater effort to incorporate Buy-side input into EMTA's agenda and activities.

At the July 12 meeting, consistent with the Board's desire to include the Buy-side more effectively in EMTA's activities, the following five new Directors were elected, which brings the total number of Buy-side Directors to seven out of 24 Directors on EMTA's current Board: Michael Sonner (DIT), John Cleary (Invesco Private Capital), Abby McKenna (Morgan Stanley Dean Witter Investment Management), Mohamed el-Erian (PIMCO) and Keith Gardner (Western Asset Management). In addition, the Board elected Jorge Maortua to replace Bernardo Villela as J.P. Morgan's representative and Andrew Alter to replace Paul Masco as Salomon Smith Barney's Director. Mr. Masco had served as an EMTA Director since 1993 and on EMTA's Executive Committee as a Vice-Chair or Co-Chair since 1994. Mr. Maortua agreed to serve as EMTA Board Treasurer.

In presenting Mr. Masco with an outgoing gift in recognition of his long service to EMTA, Mr. Chamberlin noted that Mr. Masco's contributions of time, energy and wisdom to EMTA and to the Emerging Markets trading industry had been 'tremendous'. Mr. Masco reaffirmed Salomon Smith Barney's continuing committment to supporting EMTA's activities.

In addition to reviewing EMTA's 2nd Quarter financial results, EMTA's Board discussed in greater detail its desire to integrate Buy-side concerns and input more fully into EMTA's agenda. Buy-side Directors were encouraged to contribute their ideas for EMTA projects, individually or as a group. Finally, at its July 12 meeting, the Board again reviewed the various efforts to remedy the existing backlog in unsettled VRR transfers and ratified EMTA's VRR action plan for the remainder of 2000.

Mexican Value Recovery Rights

As expected, the June 30, 2000 payment on the Mexico Series A Value Recovery Rights ("VRR's") was made to VRR holders of record and holders of the Mexico Par Bond Units as of June 15, 2000. Copies of the Fiscal Agent and Euroclear notices regarding the payment's calculation were published in the New Developments area of EMTA's website (www.emta.org) on June 15.

Since early last Spring, EMTA has considered a series of proposals to make the trading of Mexican Brady bonds and VRR's more efficient. These proposals have understandably generated a great deal of market interest. On June 1, EMTA announced that insufficient market consensus and heightened concerns about the large backlog of failed VRR transfers (and potential resulting liabilities) were preventing EMTA from moving forward with its latest proposal to recommend measures to encourage separate trading of Bonds and VRR's. Because of the embedded value currently locked up in Bond trades, reconciling and cleaning up the VRR settlement backlog has become EMTA's highest priority so that the question of separate Bond/VRR trading can be revisited as soon as possible. A secondary, but important, concern is the avoidance of a cumbersome claiming process every time VRR payments are made.

To assist in reducing this backlog, EMTA expects to operate a marketwide Multilateral Netting Facility, as soon as possible in the Fall, to net out accumulated bilateral positions in VRR's and, to the extent necessary, related VRR payment claims. To participate in the Facility, market participants will be required to submit reconciled bilateral VRR positions, and related payment claims, that have been agreed with other participating firms. Participation in the Facility will ensure that claims are recognized and netted, and processed and settled where possible to do so.

More information about this Facility (including timing, data formats and settlement implications) will be made available this Summer through EMTA's website in the New Developments area.

In order to enable market participants to participate in the VRR Facility, as well as for its own sake, EMTA urges all market participants to step up their efforts to reconcile their individual trades, and resulting net VRR and VRR payments positions, bilaterally with their counterparties. Such reconciliation and bilateral netting of individual trades is necessary to establish the net bilateral positions that will be eligible for inclusion in the VRR Facility. To encourage and support more effective bilateral reconciliation efforts, EMTA:

(1) has prepared and published a VRR Primer with extensive background information on VRR's and the transfer backlog (available on EMTA's website under the May 5 New Developments item);

(2) has collected and published a database of counterparty contact information to enable market participants to communicate more effectively with each other (see EMTA's website under the July 25 New Developments item); and

(3) has sponsored a series of information meetings in New York City and Boston designed to raise the awareness of custodians and other market participants to the VRR problem and current efforts to address it. Further meetings will be held over the remainder of the Summer and into the Fall.

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The Record Date for the next VRR payment is September 15, 2000 (with a Value Date of October 2, for payment due on September 30), and market participants are urged to complete their bilateral reconciliation and netting efforts before September 15. Assuming that this deadline proves feasible, the Multilateral Netting Facility would be scheduled to close on or about September 29, 2000. If this deadline cannot be met by a substantial critical mass of market participants, the VRR Netting Facility will be postponed and progress toward a revision of Bond and VRR trading practices will be necessarily delayed.

Because of the VRR settlement backlog, numerous claims among market participants for the June 30 payment are expected. Please visit EMTA's website under the July 28 New Developments item for a table of formulas for calculating the Series A VRR's attributable to each Series of Mexico Discount and Par Bond, together with ISIN Nos. and Conversion Rates, to aid market participants in reconciling and claiming amounts owed in respect of VRR's that have not been delivered.

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For further information regarding VRR's and the on-going efforts to address failed VRR transfers, as well as further information regarding prospective changes in recommended Market Practices going forward, please continue to visit the New Developments area of EMTA's website or contact Aviva Werner at awerner@emta.org or (212) 908-5003.

10 YEARS

EMTA was formally incorporated in December 1990. To help mark its 10th anniversary, EMTA's Bulletin has been presenting a series on various periods in EMTA's history. Last Quarter's Bulletin included Bruce Wolfson's recollections of the informal trader's meetings beginning in 1989 that led to EMTA's formation as the LDC Debt Traders Association. This issue features Tom Winslade's description of EMTA's early years, 1992 and 1993. During this time, Tom served on secondment from J.P. Morgan as EMTA's first Executive Director, guiding EMTA's growing agenda of activities and building EMTA's credibility as an effective industry forum.

EMTA's Early Years (1992 and 1993): EMTA Emerges as an Independent Trade Association for the Emerging Markets Trading Industry

by Thomas Winslade, Vice President and Assistant General Counsel at J.P. Morgan*

1992 and 1993 was a visionary period for EMTA, as it developed into an established, independent trade association for the Emerging Markets trading industry. Led by a public board of directors of leading professionals in the industry and chaired by Nicolas Rohatyn from J.P. Morgan, the industry leaders took the initiative to promote the development of the Emerging Markets trading industry, as described by Mr. Rohatyn at EMTA's 1992 annual meeting… **"to show leadership, and to ensure that our market continues to develop in an orderly and responsible manner, consistent with applicable laws and high standards of integrity, open to all participants, promoting growth in the capital markets, and increasing transparency in the marketplace".** This effort coincided with a profound transformation in Emerging Markets trading, from a market for trading commercial loans of Emerging Markets obligors to a broadening and recognized market for Emerging Markets securities and related derivatives. EMTA's Board of Directors and rapidly growing number of member firms (more than 100 by the end of 1993) recognized that this presented an unusual opportunity for industry leadership.

In 1992 and 1993, EMTA's Board of Directors developed and implemented a strategy to pursue five major industry goals: continuing development of consistent market practices and standard trading documentation; establishment of a Code of Conduct; creating an on-going forum for industry issues; advancing market transparency; and providing leadership for industry advocacy. This effort culminated in the formation of EMTA's independent staff and headquarters in 1994.

Market Practices and Standard Documentation. Documentation and market practices were the core of EMTA's activities in 1992 and 1993. For documentation, EMTA's standard procedure was to prepare a detailed set of confirmation forms and related papers for the most frequently traded Emerging Markets instruments, together with explanatory material, and to distribute these widely to its members and other firms in the industry and hold a series of

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* Mr. Winslade would like to thank J.P. Morgan, and especially Nick Rohatyn and Diane Genova, for their generous commitment and support throughout his tenure as EMTA's first Executive Director.

open meetings to answer questions and provide more details. Major documentation efforts in 1992 and 1993 included documentation for trading Brady bonds for Argentina, Brazil and Venezuela and related instruments. During this time, EMTA also continued to lead the development, adoption and distribution of voluntary industry market practices. A group of market professionals engaged in trading specific instruments would meet initially to identify the need for fair and transparent practices for those products, the proposed practice was then drafted and distributed for comment throughout the industry, subsequently adopted in final form by the EMTA Board, and then explained in open meetings and distributed to the industry and to the press. In 1992 and 1993, EMTA developed and issued a wide range of market practices for Emerging Markets instruments relating to Mexico, Argentina, Brazil, Venezuela, Eastern Europe, and for less widely traded instruments, usually relating to other Latin American countries. Long-time market participants will remember how many of EMTA's early meetings to develop and adopt market practices were chaired by Chase's Kathy Galbraith ("I think this should be the market practice...anyone disagree?").

Code of Conduct. One of EMTA's most significant initiatives in 1992 and 1993 was the development of a Code of Conduct for the industry. EMTA's Board of Directors determined that a voluntary industry code of conduct would not only respond to many of the concerns expressed by industry regulators but would promote the integrity and credibility of the industry. An EMTA working group developed and drafted the Code in 1992. Progress was slow, but steady, as many controversial issues were tackled by traders and lawyers. In 1993 the resulting Code was adopted by the Board of Directors, distributed to EMTA's membership, financial regulators and the press, and was the focus of a series of seminars and presentations during that year. The Code has two major components; broad industry standards, and more detailed trading principles for specific financial instruments. The industry can be justifiably proud that individual firms put aside their differences and achieved consensus on a Code of Conduct that was widely accepted by market participants and drew quiet approval from industry regulators and observers.

Market Transparency and the EMTA Volume Survey. Promoting transparency in the Emerging Markets trading industry was a major objective of the EMTA Board of Directors in 1992 and 1993. Although many of EMTA's activities (its market practices, its open meetings, many of the provisions of its Code of Conduct) are consistent with and provide greater transparency, in 1992 EMTA commenced a major initiative, the first of its periodic volume surveys of trading volumes for Emerging Markets instruments, directly designed to promote market transparency. The initial survey, covering Emerging Markets trading during calendar year 1992, took a number of months to prepare and was tremendously welcomed in the industry and the press. 58 major firms participated in the initial survey, a substantial majority of the active participants in the industry at that time. The results were astounding and highly revealing of the extent and depth of Emerging Markets trading. Total volume of Emerging Markets assets traded in 1992 was US$733 billion, relatively small in the context of trading volumes in the 21st century, but at that time the equivalent of Brazil's GDP. Since the initial survey, EMTA's volume surveys have expanded and continue to be a leading source of information for Emerging Markets trading.

Forum for Industry Issues. Another of EMTA's major strategic goals in 1992 and 1993 was to establish an open forum for industry issues. EMTA launched a major expansion of its practice of having open "town hall" meetings for its members, and started a series of industry working groups, industry lunches and speaker presentations, both in New York and London. These groups, based on the Board of Directors' concept of EMTA as a "working democracy" of

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its member firms, served to raise relevant issues for the industry to consider, as well as produce much of the flow of market practices and other materials. A highlight was the EMTA 1992 annual meeting, where Domingo Cavallo addressed several hundred members of the industry and the broad financial press to review the details of Argentina's Brady plan.

Industry Advocacy. The fifth major initiative for EMTA during 1992 and 1993 was to act as an industry advocate for important industry issues. The volume survey and statistics from EMTA's member firms showed that the Emerging Markets trading industry had grown exponentially since the late 1980's, and had created thousands of jobs, both in the United States and abroad, reaching the point where a trade association could be an effective industry advocate. EMTA's efforts as an advocate began in 1992 with EMTA informally participating in the Emerging Markets debt restructuring process, providing input to the creditor steering committees in creating tradable and more liquid debt securities in the Brady debt exchanges. In 1992, EMTA also assisted in issues such as obtaining licenses permitting expanded trading of Yugoslavian instruments, and a proposal to the U.S. Treasury Department for relief from some of the onerous compliance requirements under TEFRA. In late 1992, EMTA also started an ongoing press relations program, involving press releases, interviews with both the industry press and the broader financial media, and a series of articles and presentations. EMTA's advocacy efforts expanded in 1993 with briefings to government agencies such as the Federal Reserve System and the Comptroller of the Currency, and culminated with EMTA's active participation in the multi-industry effort to ensure passage of NAFTA, the landmark free trade agreement between the United States and Mexico.

Independent Headquarters and Staff. Early in 1992, it became clear that EMTA's aggressive industry strategy required full-time support. With Nick Rohatyn as EMTA's chair for those two years, J.P. Morgan seconded Tom Winslade to work full-time as the first Executive Director of EMTA, initially with a staff of only two. EMTA's staff grew slowly in 1992 and 1993, as member firms contributed additional staff. In late 1993, EMTA's Board determined that EMTA's successful initiatives had proven that EMTA was ready for a fully independent, more permanent infrastructure. Following an extensive search, EMTA named Michael Chamberlin as its independent Executive Director, and in 1994 EMTA acquired independent office space at 63 Wall Street and additional staff.

Russia Restructuring Offer

On July 18, Russia launched its long-awaited exchange offer of Bonds due 2030 and Bonds due 2010 to restructure US$22.2 billion principal amount of Restructured Principal, US$6.8 billion face amount of Interest Notes ('IAN's') and accrued interest thereon at March 31, 2000 amounting to US$2.8 billion. The offer was scheduled to expire on August 11, but Russia continued to accept Letters of Transmittal until August 14. The offer is scheduled to close on August 25. The restructuring is widely expected to be a large step in the normalization of Russia's relations with the global financial community.

When-issued Trading of 2010 Bonds

On July 13, in response to uncertainty that arose as the market became aware of the way that the 2010 Bonds would receive a 9.5% principal payment on their issuance date, and the settlement implications of such early amortization, EMTA distributed a communication intended to clarify that W/I trades of 2010 Bonds would settle on an adjusted basis comparable to that used generally for bonds that amortize. The July 13 communication was, at its time of issuance, believed to reflect market consensus relating to an unprecedented bond amortization structure. Shortly after the July 13 communication was issued, however, it became clear that many EMTA members had second thoughts about the appropriateness or fairness of retroactively applying a settlement convention, however logical it seemed when considered by the working group that developed it, that was contrary to the expectations of many market participants at the time trades were entered into.

Following extensive discussions and consultations with market participants on both the Sell- and Buy-sides, culminating in a special EMTA Board meeting on July 24, EMTA determined that the July 13 communication should not be given retroactive effect. Accordingly, on July 26 EMTA issued a second communication recommending that, unless otherwise agreed, trades of 2010 Bonds entered into on or before July 13 settle on a literal basis (i.e., that deliveries not be adjusted downward to give effect to the up-front 9.5% amortization payment). For more complete information regarding these market practice recommendations, please visit the New Developments area of EMTA's website.

Draft Market Practices

Draft Market Practices relating (1) failed transfers of IAN's, (2) claims in respect of assignment or participation trades settled during the 'Negative Accrued Period' and (3) delivery obligations under existing participations have been distributed for comment (see the August 11 New Developments item on EMTA's website). For details regarding the nature of 'Negative Accrued Period' claims, Members may access Market Practice No. 64 in the Market Practices, Members Only section on EMTA's website.

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Reflections on EMTA Market Practices

The July 13 recommendation relating to W/I trading of Russia's 2010 Bonds and its later clarification reflect a somewhat extraordinary response to an extraordinary set of circumstances and deserve several comments that illustrate the nature of EMTA's recommendations:

(1) EMTA's market practices are generally made as recommendations only and, as such, are generally not binding unless, and until, they are voluntarily adopted by market participants bilaterally in connection with their specific trading transactions. Market practice recommendations are widely followed, particularly by the dealer community, in part because they reflect a consensus view of the appropriate practice that should be followed in connection with a particular type of trade. It is worth noting that, although they reflect a consensus view, EMTA market practices always are phrased to recognize that counterparties may agree on a different approach from the recommended market practices if they specifically agree to do so. In this way, EMTA market practices tend to promote an orderly, liquid and efficient trading market without unduly sacrificing the flexibility of counterparties to enter into trades on different terms.

(2) Though not generally binding, EMTA's market practices do acquire some legal significance when, as they often do, they become the generally accepted approach to a particular type of trading transaction. Under some circumstances, parties that are aware of such a market practice may be deemed to be bound by it unless they explicitly agree otherwise. Because it is a practice's general acceptance by the market, and a market participant's awareness of it, that gives the market practice its legal weight, market practices necessarily have much greater legal significance prospectively than they do retroactively.

(3) In clarifying that the July 13 recommendation should not be applied retroactively, EMTA made a practical determination that reflected a more fully considered market consensus and that provided a fairer result because it most closely coincided with market expectations at the time of trade.

(4) In making its market practice recommendations, EMTA values consistency, clarity, fairness, common sense and how quickly the necessary consensus can be reached. In connection with its July 13 and July 26 recommendations for W/I trading of Russia's 2010 Bonds, some consistency and clarity may have been sacrificed in the interest of first quickness and then fairness.

Ecuador Exchange Offer

On July 27, the Republic of Ecuador announced its offer to exchange its Brady Bonds and existing Eurobonds for U.S. Dollar Denominated Step-Up Global Bonds due 2030 and 12% U.S. Dollar Denominated Global Bonds due 2012. The Expiration Date of the offer (originally, August 9) was extended to August 11 at 5:00 p.m. (NYC time). The results of the offer were expected to be announced on August 14 and the closing is scheduled for August 23.

W/I Trading

On August 3, EMTA recommended that W/I trading in the Global Bonds begin on August 4, and, on August 7, EMTA distributed confirmation forms (with an expiration date of October 31, 2000) to facilitate when-issued trading in such Bonds, together with a Bilateral Netting Agreement to enable Members, on a voluntary basis, to reduce aggregate credit exposures between counterparties and to simplify and expedite the settlement of such when-issued trades. For copies of the confirmation forms and Bilateral Netting Agreement, please visit EMTA's website under the August 7 New Developments item.

Draft Market Practices

Draft Market Practices relating to failed transfers of existing Ecuador Brady Bonds and Eurobonds have been distributed for comment (see the August 8 New Developments item on EMTA's website). Updated information on these recommended Market Practices and the Ecuador Exchange Offer generally will be made available from time to time in the New Developments area of EMTA's website.

Release of Collateral

Payment in respect of the August 28, 1999 interest payment was distributed on July 21, 2000 to Discount Bondholders of record on July 14, 2000. This payment was made from the proceeds of collateral released for this purpose in accordance with instructions received from Discount Bondholders.

For questions regarding the confirmation forms, Bilateral Netting Agreement or Market Practices, please contact Aviva Werner at awerner@emta.org or (212) 908-5003.

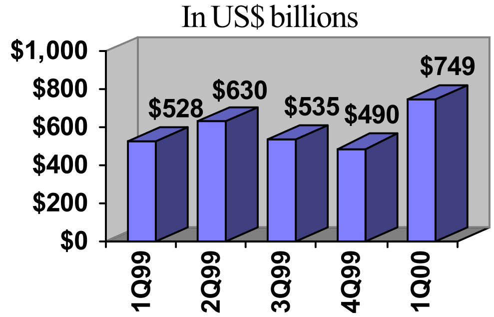
First Quarter 2000 Emerging Markets Debt Trading Shows Sharp Gain To US$749 Billion

Rebounding from a trough in the fourth quarter of last year, Emerging Markets debt trading in the first quarter of 2000 reached US$749 billion, as previously announced. This represents a 53% increase from the US$490 billion reported in the final quarter of 1999; and a 42% increase vs. first quarter 1999 volume of US$529 billion. In the first quarter, turnover reached its highest level since the onset of the Russian financial crisis in the third quarter of 1998. Overall activity, however, continues to fall far short of pre-crisis levels.

The results of the survey indicate strong across-the-board increases in the trading of debt from most Emerging Market countries, as well as throughout all instrument categories. Among the major Emerging Market countries, gains in trading were largest in Russia (a 131% increase compared to the previous quarter) and Mexico (an 81% jump). Arturo Porzecanski, former Chief Economist for the Americas at ING Barings, noted that, "the survey confirms that first quarter debt turnover benefited not only from a glitch-free transition into 2000, but from plenty of good news coming out of the Emerging Markets." Porzecanski cited Argentina's renewed agreement with the IMF, Russia's London Club deal and Moody's decision to upgrade Mexican debt to investment grade as reasons for stepped-up investor interest in the asset class.

Aggregate Trading Volume

In US$ billions



Eurobond Volumes Surpass Brady Trading

For the first time in EMTA's Surveys, Eurobond trading volume surpassed that of Brady bonds. Participants reported US$264 billion in turnover in Eurobond trading (a 72% increase vs. the US$153 billion reported in the fourth quarter), with sovereign debt comprising three-quarters of Eurobond trading. Brady bond trading stood at US$215 billion (up 40% vs. the US$153 billion in Brady trades reported in the previous quarter).

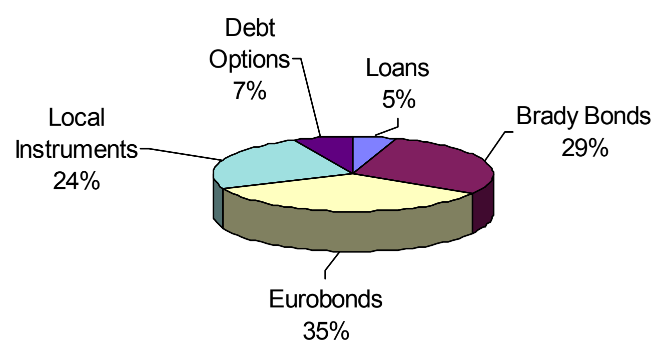
Porzecanski further commented, "Governments and corporations in Emerging Markets took advantage of the favorable underlying conditions to place more Eurobond debt than they had been able to sell in the first quarter of 1999 or even the first quarter of 1998." According to ING Barings, Latin American issuers alone placed US$15.4 billion in the first three months of 2000, up from US$9.5 billion in the first quarter of the prior year. In contrast to an increase in outstanding Eurobond stock, a number of debt exchanges carried out in the first quarter continued to reduce the amount of outstanding Brady debt. (US$60 billion in Brady debt has been retired or amortized, or 35% of all originally issued Brady debt, according to Merrill Lynch).

Brazilian Volume at US$228 Billion

Brazilian debt instruments remained the most frequently traded instruments, at US$228 billion and with a 30% share of the market. Mexican debt was second at US$131 billion (an 18% share), followed by instruments from Argentina (US$111 billion, and a 15% share) and Russia (US$78 billion, accounting for 10% of reported volume). Trading in the instruments from these four countries alone accounted for nearly three-quarters of total reported trading.

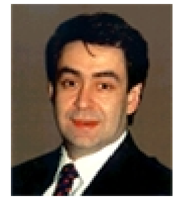
Volumes increased in the two countries that have defaulted on Brady debt. Ecuadorian debt turnover rose 22% to US$5.9 billion, following the coup d'état and the announcement of dollarization in January. Cote d'Ivoire debt instrument trading stood at US$1.5 billion, a near 200% increase on fourth quarter volume, as the market speculated on whether the country would miss interest and principal payments due at the end of the first quarter.

Volume by Type of Instrument



For a copy of EMTA's First Quarter 2000 Volume Survey, please contact Jonathan Murno at (212) 908-5000.

Igor Kostikov, Chair of the Russian SEC, Speaks at Special EMTA Meeting



Igor Kostikov, Chairman of the Russian Federal Commission for the Securities Market, (FCSM) spoke at a special meeting for EMTA Members in New York on June 22, 2000. The event, which was hosted by CLSA Emerging Markets, drew an audience of over 75 interested market participants and observers and was presented in association with the Global Equity Market Association (GEMA).

Dr. Kostikov, who was appointed to his position in February 2000 by Russian President Vladimir Putin, emphasized that "Russia is part of the global economy," but had to catch up with the financial markets of other countries.

In his presentation, Dr. Kostikov noted that he well understood investor concerns and recognized that investors want increased enforcement and protection of shareholder rights in Russia. However, he noted that, in contrast to the securities watchdog organizations in countries such as the U.S., Russia's securities commission lacks investigative and enforcement powers, and thus must work closely with other agencies such as the tax authorities. In addition, proposed reforms such as a ban on the commingling of brokerage proprietary and customer accounts require legislative action by the Russian Duma.

Addressing investor concerns over corporate governance in Russia, Dr. Kostikov noted that the phrases "corporate governance" and "conflict of interest" "cannot even be translated accurately into Russian," which he said underscores the need for a change in psychology among his countrymen. He said he would use as part of his gauge for success a "babushka barometer," meaning that he would feel he had made progress in developing confidence in the Russian market when Russia's grandmother pensioners, who are stereotypically suspicious, feel comfortable with investing their own savings in the Russian equity market.

Dr. Kostikov told the crowd that, in the past, he had lobbied for various changes in the Russian financial markets and had written letters to the Commission. Now that he has been appointed Chairman of the FCSM, he was the person who would be reviewing such letters and responding to them.

Loan/Bond Trading & Settlement

New Version of Standard Terms

The new Standard Terms for Assignments of Loan Assets (with related Market Practice Guide) have been distributed for trades entered into on and after June 26, 2000.

EMTA Members may obtain copies through EMTA's website (www.emta.org) in the Members Only area. Please contact Aviva Werner at (212) 908-5003 (awerner@emta.org) with any questions.

Ivory Coast Market Practices

Despite the final portion of interest payments to be made on July 17, 2000 to July 7, 2000 PDI, Discount and Front-Loaded Interest Bondholders, EMTA continues to recommend that all Ivory Coast Bonds trade 'flat' (effective for all trades entered into on and after May 1, 2000).

Multilateral Netting

EMTA operated its final Russia VEB Restructured Principal ('Prins') Multilateral Net Delivery Facility on August 3, consistent with Russia's request for Prin holders to stop trading Prins on Friday, July 28, and to settle any trades of Prins no later than Thursday, August 3. This Facility, which operated twice a month since April 1998, has reduced counterparty exposure and transaction settlement costs. During the first half of 2000, the Facility netted and settled 1,818 net positions aggregating US$14.8 billion face amount. From its inception, the Facility has netted and settled 8,744 net positions aggregating US$66.5 billion face amount.

Similar to the Multilateral Net Delivery Facilities operated by EMTA just before the closing date of the December 1997 restructuring, EMTA expects to operate a Multilateral Net Delivery Facility in connection with claims relating to the 'Negative Accrued Period' shortly after the closing date of the current restructuring offer. For details regarding the nature of such claims generally, Members may access Market Practice No. 64 in the Market Practices, Members Only section on EMTA's website, and the draft market practice relating to the 'Negative Accrued Period' may be obtained in the August 11 New Developments area (also see Page 9). More information about this 'Negative Accrued' Facility (including timing, data formats and settlement implications) will be available shortly on EMTA's website in the New Developments area.

If you are interested in participating in the 'Negative Accrued' Facility (or would like to nominate another institution as a participant), or if you have questions of a general nature, please contact Aviva Werner at (212) 908-5003 (awerner@emta.org). Technical questions should be addressed to Suzette Ortiz at (212) 908-5015 (sortiz@emta.org).

Non-Deliverable Forwards (NDF's)

Global NDF Confirmation Standardization Project

On June 5, the NDF Lawyer Sub-committee met to finalize revisions to Annex A, and to discuss standardized language for the Unscheduled Holiday/Market Close provision. The revised Annex A, incorporating final comments from the Lawyer Sub-committee, was sent to the FX Committee and ISDA on June 24 for final approval, and should be posted on the websites of the Sponsoring Organizations shortly. A meeting of the NDF Lawyer Sub-committee was then held on July 18 to further discuss standardized language for the Unscheduled Holiday/Market Close provision and to discuss a standard approach to defining the roles of Joint Calculation Agents, particularly in the event of a dispute. A memorandum summarizing the comments received to date on these provisions is now available. Once finalized, the standard provisions, to be incorporated into trade confirmations if agreed on a bi-lateral basis until the 1998 Definitions are amended to incorporate the new provisions, will be posted on EMTA's website. Meanwhile, the NDF Market Practices adopted to date in the New York, London and Asian NDF markets are being prepared for publication on EMTA's website. The process of developing Template Terms and Industry Surveys for Back-up Rates continues on a currency-by-currency basis as more fully described below.

Asia

Lawyers in the Asia NDF Working Group participated in a conference call on May 23. The Asian currency Template Terms, which were distributed following the April 12 meeting were discussed. Re-drafts of these Templates were then circulated and included proposed lists of Reference Dealer institutions in the Principal Financial Centers of the relevant currencies. Comments on the draft Templates are still be collected.

Central/Eastern Europe

The EMTA Hungarian Forint/U.S. Dollar and Hungarian Forint/Euro Template Terms are available in draft form. In both cases, the Template Terms contemplate that the primary Settlement Rate Option will be the Hungarian Official Rate for the U.S. Dollar and the Euro (as appropriate) published by the National Bank of Hungary. Market participants support the development of an Industry Survey procedure to determine a back-up rate in the event of a Price Source Disruption. Draft HUF Methodologies for both the U.S. Dollar and the Euro that would be used in the Industry Survey are available for comment.

CME/EMTA Ruble/USD Ref. Rate

EMTA and the CME continue to publish the CME/EMTA Reference Rate for the Russian ruble/U.S. Dollar on Reuters page "EMTA". Daily and historically rates are now available on EMTA's website at www.emta.org/aservices/aservframe.htm.

Latin America

The Argentine NDF Sub-committee will be meeting at the end of August to begin drafting Template Terms and discussing an Industry Survey methodology for Argentine Peso NDFs.

For more information on these projects, please contact Starla Cohen at (331) 4306-7416 (scohen@emta.org) or Mandy Sleigh at (44207) 545-3196 (msleigh@emta.org).

EMTA Website Continues to Expand

www.emta.org now features 'New Developments' and 'Key Industry Perspectives' areas

Since March 6, 2000, EMTA members and other surfers on the net have been able to access EMTA's newly-redesigned website, *www.emta.org*. A number of new pages have been added to the site in recent weeks, including new sections: New Developments and Key Industry Perspectives.

EMTA's New Developments Page includes current information relevant to the Emerging Markets debt industry. Recent additions include updates on EMTA's recommendations for trading Russian debt, information on EMTA's proposals regarding Mexican VRRs and the announcement of record dates for overdue Cote d'Ivoire Brady bond payments. EMTA will use this section of the website to communicate all the latest news on EMTA trading recommentations, as well as to distribute important market information, so Members are advised to check it regularly.

EMTA has also recently launched a Key Industry Perspectives area, which features important commentary and critical insights about the Emerging Markets by leading industry experts. To start, EMTA has posted six pieces by Karim Abdel-Motaal, Joyce Chang, Michael Gavin, Filippo Nencioni, Philip Poole and Arvind Rajan on topics such as comparing Emerging Markets debt returns to other markets; market liquidity; burden-sharing; dollarization, etc. By including Key Industry Perspectives on its website, EMTA hopes to promote the longer-term interests of our marketplace by giving greater visibility to industry perspectives on important issues relevant to investors in the Emerging Markets.

EMTA's Bulletin goes paperless.

Visit

www.emta.org

for the latest information.

Please contact Michael Chamberlin (mchamb@emta.org) or Jonathan Murno (jmurno@emta.org) if you have a suggestion for a piece that should be included on this page. Ideal candidates for posting should be general in nature rather than making specific investment recommendations.

Please note that, in recent weeks, EMTA has begun to make space on its website available to market participants and others on a selective basis to distribute information deemed useful or important to the marketplace.

EMTA's goal is to create a site that serves as the primary information source for not only EMTA activities, but also for valuable industry-related information. Please visit us there and give us your comments and suggestions on ways the site can best meet your needs.

Happy surfing!

EMTA Members: To obtain your password for the Members Only section, e-mail emtanyc@emta.org

Emerging Markets Charities Update

The Emerging Markets Benefit Committee has announced that it will hold its Fourth Annual Benefit on Thursday evening, December 7, 2000. The event will be held at a new venue this year, the Manhattan Center at 311 West 34th Street in New York City, immediately following EMTA's 2000 Annual Meeting.

Last year, over $370,000 was raised in support of the Children's Aid Society, Save the Children and the Women's Commission for Refugee Women and Children. Since the Benefit's inception in 1997, a total of **$1.2 million** has been raised by the Emerging Markets debt trading community for these charities.

The event will include a cocktail reception, dinner and--*by popular demand*--a repeat performance by the Marty Stevens Band.

BNP Paribas has graciously offered to underwrite the benefit, and sponsors include Deutsche Bank, ING Barings and J.P. Morgan. EMTA ***strongly encourages*** its Members to support this worthy event. Once again, Glenn Grossman and Mary Moglia are spearheading the effort to organize the Benefit. Please join in. Let's see if the industry can improve on its 1999 record.

For further information, please contact event co-chairs Glenn Grossman at (718) 549-6999 (Glenn1718@aol.com) or Mary Moglia at (212) 841-3913 (Mary_Moglia@Paribas.com), or Jonathan Murno at EMTA at (212) 908-5022 (jmurno@emta.org).

* *

EMPower, a not-for-profit foundation created by a group of individuals in Wall Street's Emerging Markets community, held a reception on June 28th in New York City. More than 70 Emerging Markets professionals and members of the press attended to learn more about EMPower, which seeks to support local community-based social initiatives in Emerging Market countries.

The reception was the first of a number of efforts to introduce EMPower to the wider Emerging Markets community. Until now, EMPower has been supported by a core group of over 30 Emerging Markets professionals, including several current or former EMTA Board members. Over the coming weeks, EMPower plans to further its efforts to broaden its supporter base by approaching other individuals at different firms to introduce the organization and its goals. Additionally, EMPower has been reviewing its first grant applications and will begin disbursing its first grants within the coming weeks.

For more information about EMPower, please visit www.empowerweb.org or contact Craig Cramer at ccramer@earthlink.org or Barbara Magnoni at bmagnoni@mindspring.org.

* *

Although EMTA is not affiliated with, and does not officially support, any charitable organization, EMTA does believe in promoting and giving greater visibility to the industry's efforts to support charitable and other public service activities.

Global Equity Markets Association (GEMA)

The second and third meetings of the Founding Directors of the Global Equity Markets Association (GEMA) were held at EMTA's offices on April 18 and June 29. Coming from a spectrum of Buy-side and Sell-side firms, as well as custodians and industry vendors, GEMA's Founding Directors now include the following institutions: Allen & Overy, Andersen Consulting, Bear, Stearns, Bloomberg Financial Markets, CLSA Global Emerging Markets, Merrill Lynch, Montgomery Asset, Nicholas Applegate Capital Management, PricewaterhouseCoopers LLP, Standard & Poors and State Street Global Advisors. GEMA membership is open to all participants in the global equity markets.

GEMA's mission is to promote greater efficiency, fairness, transparency and professionalism in the global equity capital markets. To this end, GEMA has formed action committees to focus on specific areas such as improved corporate governance and regulatory reform in the Emerging Markets, and the sound development of global information systems and electronic trading of equities.

GEMA is preparing its global launch, which will involve a kick-off event in NYC on September 27.

Any EMTA Member interested in receiving further information about GEMA should contact GEMA Chair Rob Jafek (Nicholas Applegate) at (619) 652-5423 (rjafek@nacm.com) or visit GEMA's new website at *www.gemanet.org*. You may also wish to contact EMTA's Aviva Werner at (212) 908-5003 (awerner@emta.org).

EMTA Miscellaneous

Toward a Marketwide Agenda (Redux)

EMTA needs your input on ways in which it can meet the changing needs of a broader segment of the marketplace. In particular, EMTA is looking for greater involvement from the Buy-side in developing and implementing its agenda.

Please take a few moments to complete the enclosed questionnaire and return it by fax.

EMTA Membership Update

EMTA's newest member is **Apogean Capital**. If you know of any other prospective Members, please contact Jonathan Murno at (212) 908-5022 (jmurno@emta.org) or Suzette Ortiz at (212) 908-5015 (sortiz@emta.org).

EMTA Hotlines

Topic	Contact Person	Telephone
Accounting/Finance	Don Goecks/Lisa Palazzola	(212) 908-5010/5019
Africa/Asia	Mandy Sleigh	(44207) 545-3196
Central/Eastern Europe	Mandy Sleigh	(44207) 545-3196
Clearing Corp. (EMCC)	Keith Kanaga (EMCC)	(212) 701-9701
Code of Conduct	Michael Chamberlin	(212) 908-5000
Conferences	Jonathan Murno	(212) 908-5022
Derivatives/NDF's	Starla Cohen/Aviva Werner	(331) 4306-7416/(212) 908-5003
Electronic Trading	Michael Chamberlin	(212) 908-5000
European Working Group	Mandy Sleigh	(44207) 545-3196
Foreign Exchange	Starla Cohen/Aviva Werner	(331) 4306-7416/(212) 908-5003
Global Equities	Starla Cohen/Bruce Wolfson (Bear Stearns)	(331) 4306-7416/(212) 272-2571
Information/Research	Jonathan Murno	(212) 908-5022
Legal/Compliance	Aviva Werner	(212) 908-5003
Loan Trading	Aviva Werner	(212) 908-5003
Local Markets	Starla Cohen	(331) 4306-7416
Market Practices	Aviva Werner	(212) 908-5003
Market Price & Volume Data	Jonathan Murno/Lisa Palazzola	(212) 908-5022/5019
Membership	Jonathan Murno/Suzette Ortiz	(212) 908-5022/(212) 908-5015
Multilateral Netting	Don Goecks/Suzette Ortiz	(212) 908-5010/5015
Repos/Securities Lending	Aviva Werner	(212) 908-5003
Russia	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 by visiting EMTA's website at *www.emta.org*.

Michael Chamberlin	mchamb@emta.org	Suzette Ortiz	sortiz@emta.org
Starla Cohen	scohen@emta.org	Lisa Palazzola	lpalazzola@emta.org
Donald Goecks	dgoecks@emta.org	Mandy Sleigh	msleigh@emta.org
Jonathan Murno	jmurno@emta.org	Aviva Werner	awerner@emta.org

EMTA Calendar

Mon., July 3	Recommended 2:00 p.m. (NYC) Market Close
Tues., July 4	Recommended Market Close (NYC) Independence Day Recommended 12:00 noon (London) Market Close
Wed., July 12	**EMTA Board Meeting (London)**
Thurs., July 13	**EMTA Summer Forum in London**
Mon., Aug. 28	Recommended Market Close (London) Summer Bank Holiday
Sept. 2000*	**EMTA Gathering for Past & Present EMTA Board Members**
Fri., Sept. 1	Recommended 2:00 p.m. (NYC) Market Close
Mon., Sept. 4	Recommended Market Close (NYC) Labor Day Recommended 12:00 noon (London) Market Close
Wed., Sept. 27	**EMTA Board Meeting (NYC)**
Fri., Oct. 6	Recommended 2:00 p.m. (NYC) Market Close
Mon., Oct. 9	Recommended Market Close (NYC) Columbus Day Recommended 12:00 noon (London) Market Close
Wed., Nov. 22	Recommended 2:00 p.m. (NYC) Market Close
Thurs., Nov. 23	Recommended Market Close (NYC) Thanksgiving Day Recommended 12:00 noon (London) Market Close
Fri., Nov. 24	Recommended 2:00 p.m. (NYC) Market Close
Thurs., Dec. 7	**EMTA Annual Meeting (NYC)** **Emerging Markets Charity Benefit (NYC)**
Fri., Dec. 22	Recommended 2:00 p.m. (NYC) Market Close
Mon., Dec. 25	Recommended Market Close (NYC/London) Christmas Day
Tues., Dec. 26	Recommended Market Close (London) Boxing Day
Fri., Dec. 29	Recommended 2:00 p.m. (NYC) Market Close
Mon., Jan. 1, 2001	Recommended Market Close (NYC/London) New Year's Day

* Date TBA

*E*merging
*M*arkets
*T*raders
*A*ssociation

August 2000

EMTA QUESTIONNAIRE

As our marketplace evolves and the investor base broadens, it is important that EMTA respond to the needs of our marketplace. Please take a few minutes to fill out this brief questionnaire. Thank you for your input.

NAME OF INSTITUTION: ____

I Please rate the value of the following on a scale from 1 to 10 (10 being the highest):

Market Practices	______________	EMTA Policy Papers (Burden-Sharing, etc.)	______________
Standard Documentation	______________	Distribution of Information (Holiday Schedule, Ecuador Restructuring, etc.)	______________
EMTA Bulletin	______________	CME/EMTA Ruble Rate	______________
EMTA Website	______________	Multilateral Netting Facility	______________
Volume Survey	______________	EMTA Working Groups	______________
Monthly Price Report	______________		
Annual Meeting / London Summer Forum	______________		
EMCC	______________		

II In addition to the projects and services listed above, what else should EMTA provide?

III What new topics should an EMTA Working Group address?

IV What suggestions do you have for improving a current EMTA project?

V Should EMTA change its vision or constituency? If so, how?

VI What type of new project would bring particular value to the Buy-Side?

VII Please write any additional comments below.

VIII Please indicate your job function:

Trading/Sales	______________	Risk Management	______________
Settlement/Operations	______________	Compliance	______________
Research	______________	Legal	______________
		Other	______________

Please return your response to Suzette Ortiz by fax at (212) 908-5039.