

EMERGING MARKETS SHOW SIGNS OF LIFE

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The bleak trading environment precipitated by Russia's effective devaluation of the ruble and GKO default seems to have run out of steam. Following unusually light trading activity in late 1998, market conditions improved considerably during the first quarter of 1999. Debt and equity asset values have shown strong recoveries for many countries, and trading volumes have started to pick up. Most notably, Brazil seems to have succeeded in turning investor sentiment around, and, by mid-April, the primary markets had re-opened, particularly for Latin American sovereign issuers. Unfortunately, the market has suffered through a series of Russian defaults.

Market optimism is restrained, however, and it is clear that recovery from last year's events has not been marked by the exuberance of the past. Which may be a good thing.

This Bulletin describes EMTA's activities over the first quarter of 1999, and highlights several issues of immediate concern to market participants - Daiwa's announced intention to exit the clearing business and recent efforts by the G-7 official sector to include Eurobonds in sovereign reschedulings.

Save the Date!

**EMTA London
Summer Forum**

Thursday, July 8, 1999

Daiwa to Stop Clearing by June 30

Ending months of speculation, Daiwa Securities America recently announced that it intends to stop clearing Brady bonds and sovereign Eurobonds on behalf of interdealer brokers (IDB's) by June 30, 1999. In its letter of March 26 to its IDB customers, Daiwa indicated that they had been, and still were, exploring opportunities to move their clearing business to another firm. As of April 23, EMTA was unaware that any such opportunity had materialized; nor had any other clearing firm publicly announced that it was prepared to enter the business.

EMTA is monitoring this evolving situation closely and has met with a number of IDB's and other market participants to review their contingency plans.

Although the precise implications of

Daiwa (cont.)

Daiwa's announcement on the future operations of the IDB screens are unlikely to become apparent until later this Spring, a preliminary survey indicates that at least several IDB's are thinking about introducing either an EMCC-members-only screen or a split screen that would limit anonymous ("no-name-give-up") trading to EMCC members. Trading through such IDB's by other screen users would presumably continue on a "name-give-up" basis.

In view of these developments, EMTA members and other market participants are urged to review their screen arrangements with their contacts in the IDB community well before June 30 to ensure that they can plan for any changes that may occur in the operation of screens. Moreover, EMTA is currently considering a proposal that any new screen arrangements be

developed and implemented by mid-June to ensure adequate time for testing.

In addition, IDB's and dealers that are not currently EMCC members may wish to contact EMCC as soon as possible for information regarding EMCC membership eligibility requirements (Keith Kanaga at (212) 855-2779 or Sean Delap at (212) 855-2726). EMTA has encouraged EMCC to establish expedited procedures for the admission of new members before June 14, but cautions market participants that there is no assurance that EMCC will be able to admit all qualifying applicants by such date unless the application process is begun immediately and pursued diligently.

For further information, please contact Michael Chamberlin at (212) 908-5000.

Four New Directors Join EMTA's Board

EMTA held its first Board meeting for 1999 on February 11 at the offices of J.P. Morgan in New York City, with a videolink to London. Four new Directors were elected to EMTA's Board at the meeting: Richard Johnson (ING Barings) and Albert Chinappi (UBS) are replacing Jose Berenguer (ING Barings) and Cliff DeSouza (UBS), respectively; Rick Haller (Deutsche Bank) has decided to step down from the Board as a Director in favor of Manuel Mejia-Aoun (Deutsche Bank Securities); and Glenn Grossman (Cantor Fitzgerald) was also named to the Board as a Director.

Rick Haller, former EMTA Co-Chair, was a founding EMTA Director and has served on EMTA's Board since 1990. The Board and EMTA's Executive Director expressed their appreciation to Mr. Haller for his long service and many contributions to EMTA over many years. Manuel Mejia-Aoun, who was also a

founding Director, rejoins the Board after an absence of several years.

In addition to discussing EMTA's budget and various projects (including the first year's operations of the Emerging Markets Clearing Corporation, several proposed amicus curiae briefs, the CME/EMTA Reference Rate for the Russian ruble and the current situation regarding Russian VEB Restructured Principal), the Board elected its 1999 Board officers.

Guido Mosca (J.P. Morgan) and Paul Masco (Salomon) were elected as EMTA's 1999 Co-Chairs, with Paul Masco assuming principal responsibility for the first half of 1999. Modesto Gomez (Chase), Manuel Mejia-Aoun (Deutsche Bank Securities) and Juan del Azar (Merrill Lynch) were elected as EMTA Vice-Chairs.

The next EMTA Board Meeting is scheduled for early May 1999.

Non-Deliverable Forwards (NDF's) Generally

NDF Confirmation Standardization Project

In an effort to facilitate prompt confirmation of Emerging Markets NDF transactions, and to provide greater certainty in the settlement of NDF's, an NDF Confirmation Working Group has been formed to develop (1) standard templates for certain basic NDF transactions; (2) specific Market Practices for the Emerging Markets NDF market; and (3) proposals for determining final settlement rate sources for NDF's.

A trader's meeting to discuss the templates was held on March 9. The consensus of the meeting was that EMTA should focus its efforts on developing proposals for determining back-up settlement rate sources for NDF's. There was a follow-up trader's meeting on March 22, at which preliminary guidance was provided for developing methodologies for back-up settlement rates. The CME Back-Up Procedures for the Brazilian Real will serve as a starting point for developing the Brazil Real methodology. Subcommittees will be formed to develop these methodologies on a currency-by-currency basis. The Latin American currencies have been prioritized, and the first methodology to develop will be for the Brazilian Real. A template for Brazilian Real NDF's will be developed simultaneously. Both the methodology and the template will be distributed for comment.

For copies of these draft Market Practices or for more information on EMTA's work in the NDF area, please contact Starla Cohen at (+33140) 65-90-03 or e-mail (scohen@emta.org).

CME/EMTA Ruble/USD Reference Rate Provides Greater Certainty

In the on-going absence of a MICEX rate fixing, EMTA and the CME are continuing to publish the CME/EMTA Reference Rate for the Russian ruble/U.S. dollar on Reuters page "EMTA" on a daily basis.

For more information, please contact Jonathan Murno (EMTA) at (212) 908-5022, Mandy Sleight (EMTA) at (+44171) 545-3196; or Tina Lemieux (CME) at (312) 930-3151.

Update & Website Publication of Annex A to 1998 Definitions

EMTA, ISDA and the FX Committee are preparing to publish Annex A of the 1998 FX and Currency Option Definitions (the 1998 Definitions) on the websites of the sponsoring organizations. In connection with this project, we are collecting comments on the rate source definitions contained in Annex A in order to complete a thorough update of Annex A.

Please forward comments/corrections to Starla Cohen at EMTA (+33140) 65-90-03 (scohen@emta.org), Bob Pickel at ISDA (212) 332-1200 (rpickel@isda.org) or Diane Virzera at FRBNY (212) 720-7798 (diane.virzera@ny.frb.org) as soon as possible.



Mark it On Your Calendar!
EMTA Annual Meeting
Thursday, December 9, 1999

EMTA Files Two Amicus Briefs

EMTA has recently filed amicus curiae ('friend of the court') briefs in connection with two pending legal actions. EMTA does not file amicus briefs very often because they can be expensive, time-consuming and sometimes controversial. The two briefs were filed because of the importance to the Emerging Markets of the issues raised by the two pending legal cases.

The first case, Alliance Bond Fund (and others including CSFB) v. Grupo Mexicano de Desarrollo, S.A. ("GMD"), decided on appeal by the Second Circuit in favor of the plaintiffs, is now pending before the U.S. Supreme Court. EMTA joined the Securities Industry Association in an amicus curiae brief which supports the district court's authority to issue an injunction sought by the plaintiffs. In that case, plaintiffs sought to restrain GMD, a Mexican corporation that had defaulted on its obligations to the plaintiffs, from dissipating its assets to its local Mexican creditors in preference to its foreign creditors. EMTA believes that upholding this power of the district court would make U.S. court powers more consistent with the powers of English courts and would provide greater protection to investors in Emerging Markets debt instruments.

The second case, Elliott Associates v. Republic of Peru, on appeal to the Second Circuit, involves the application of the NY champerty statute (a somewhat 'medieval' law that prohibits the purchase of a debt claim "with the intent and for the purpose" of bringing suit) in the context of a sovereign debt restructuring. In a lengthy, fact-intensive opinion, the district court found by "clear and convincing evidence", that Elliott had purchased debt, after Peru had reached agreement-

in-principle to restructure under the Brady plan, for the purpose of bringing suit during the pendency of the restructuring, conduct that, in the district court's words, was "undoubtedly within the language of the statute and the mischief the statute was intended to remedy".

EMTA's brief, while formally not taking sides in the case, urges the Second Circuit to narrow the district court's opinion and minimize its potential effect on the secondary marketplace by holding that:

(1) The champerty defense should affect only the enforcement of debt claims and not the validity of debt assignments, and

(2) The champerty defense should be narrowly limited to require clear and convincing proof of substantial 'mischief,' as well as sole or primary intent to bring suit.

For more information, please contact Aviva Werner at (212) 908-5003.

Loan Trading Working Group

EMTA is preparing a revised version of the Standard Terms for Assignments of Loan Assets, which is currently being circulated for comment. This document and its accompanying Market Practice Guide should be released shortly.

Additionally, EMTA continues to operate its Russia VEB Multilateral Net Delivery Facility twice a month to reduce counterparty exposure.

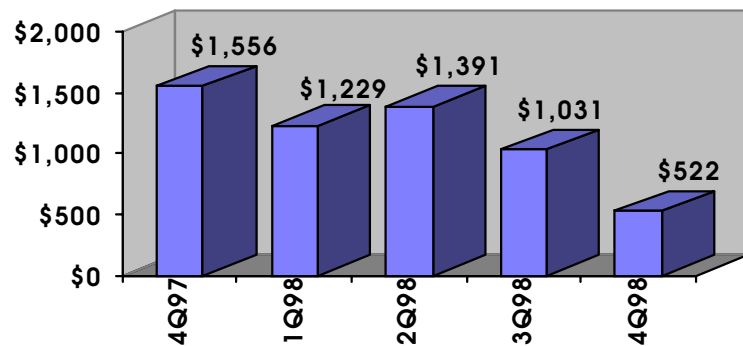
For more information, please contact Aviva Werner at (212) 908-5003, Brian Morrisroe at (212) 908-5025 or Mandy Sleigh at (+44171) 545-3196.

1998 Annual Trading Volume Amounted to Nearly US \$4.2 Trillion

EMTA's 1998 Annual and Fourth Quarter 1998 Debt Trading Volume Surveys were completed and distributed to participants on February 22, 1999.

Turnover in Emerging Markets debt instruments amounted to nearly US\$4.2 trillion for the full-year 1998 (down from a peak of almost US\$6 trillion in 1997). Volume in the final quarter of 1998 stood at only US\$522 billion compared with US\$1.03 trillion in the third quarter of 1998, and US\$1.56 trillion in the fourth quarter of 1997.

Aggregate Trading Volume
In US\$ billions



While volume had been averaging approximately US\$1.2 trillion for each of the three previous quarters, trading fell sharply in the fourth quarter in the aftermath of the effective devaluation of the Russian ruble and Russia's default on certain domestic - and later external - debt. In addition, analysts cited concerns regarding the health of the Brazilian economy as another contributor in late 1998 to reduced volume levels.

Brazilian and Russian Assets Led Trading in 1998

Brazilian instruments remained the most frequently traded debt, at US\$1.27 trillion in full-year 1998 (down 30% from 1997 levels). Brazil C-Bonds continued to be the industry's most frequently traded individual instrument, with US\$544 billion in trading in 1998, and accounting for 13% of all reported trades. Brazilian EI and IDU Bonds were also among the top ten individual instruments, with volumes of US\$108 billion and US\$96 billion, respectively.

Russian instruments were second in terms of annual volume, at US\$684 billion, a 6% increase from 1997 volume of US\$648 billion. Total Russian trading increased in 1998 despite a sharp decline in volumes in the fourth quarter when Russian market share fell to 10% from 20% in the previous quarter. In fact, while most Russian instruments showed gains on an annual basis, volumes on several instruments in the fourth quarter were down more than 80% from the summer months.

Mexican debt accounted for US\$640 billion in trades. In contrast to general Survey trends, the majority of Mexican trades were local instrument transactions (52%), followed by sovereign Eurobonds (20%). Mexican Brady's accounted for only 15% of Mexican volume.

Other frequently traded debt was that of Argentina (US\$612 billion in volume) and Venezuela (US\$180 billion).

Growth in Turkish, South Korean Debt Volumes

Among the few areas showing growth in 1998 were Turkish instruments, which had reported volume of over US\$145 billion vs. US\$54 billion in 1997. More than two-thirds of Turkish volume included local instrument trades. Trading in Turkish assets was particularly strong in the fourth quarter of 1998, when such turnover claimed an 8% share and for the first time in the Survey surpassed Venezuelan volumes.

Trading in South Korean debt also rose in 1998 on an annual basis vs. the prior year. South Korean volume stood at nearly US\$61 billion, a 900% increase from US\$6 billion in 1997. Trading in two South Korean global bonds issued mid-year stood at US\$27 billion, with much of the balance of South Korean trading in corporate bonds (US\$17 billion).

Despite the drop in annual volume figures, Michael Chamberlin, EMTA's Executive Director, remains optimistic about the industry's prospects for 1999. "We were pleased that, despite the difficult market conditions - particularly in the second half of 1998 - the marketplace generally continued to function in a disciplined and orderly way. So far in 1999, there have been several encouraging developments, most notably a rapid turnaround in investor sentiment toward Brazil. As a result, prices have firmed and there has been encouraging talk of buying opportunities and signs of renewed trading activity, indicating that the low trading volumes of the fourth quarter were an aberration."

The First Quarter 1999 Survey will be available in mid-May.

For more information, please contact Jonathan Murno at (212) 908-5022.

EMTA London Summer Forum to be Held on July 8

ETMA will hold its Second Annual Summer Forum in London on Thursday, July 8. Mark Franklin (Salomon Smith Barney) will moderate a Buy-Side Panel composed of EMTA Board Director Simon Treacher (Morgan Grenfell Asset Management), Beatrice Hollond (Credit Suisse Asset Management), Tom Fallon (FP Consult) and Ingrid Iversen (Rothschild Asset Management). For the Sell-Side Panel, Jerome Booth (Ashmore Investments) will moderate and speakers will include Robin Hubbard (Chase Manhattan) and Philip Poole (ING Barings).

The Forum is expected to focus on recent developments in the Emerging Markets, including Brazil's recovery, Russia's prospects, G-7 proposals to reschedule sovereign Eurobonds, and marketplace liquidity.

For more information, please contact Jonathan Murno at (212) 908-5022.

EM Factoid

Share of Total Emerging Markets Trading Volume by Country, Full-Year 1998

All figures in billions of US Dollars

Brazil	30%
Russia	16%
Mexico	15%
Argentina	15%
Venezuela	4%
Turkey	3%
South Africa	3%
All Other	14%

Miscellaneous

1999 Annual Emerging Markets Charity Benefit for Children

Be a sponsor for this important event! The 1999 Annual Emerging Markets Charity Benefit for Children, to be held in early December, needs your help in raising money for **The Children's Aid Society, Save the Children** and the **Women's Commission for Refugee Women and Children**.

If you are interested in helping to sponsor the 1999 Charity Benefit or would like to contribute in some other way, please contact Rachael Mark at (212) 908-5017.

EMTA Paris Contact

Starla Cohen, EMTA Legal Counsel & Director of Special Projects, has relocated from New York to Paris, where she will continue to work for EMTA. She can now be reached at (+33140) 65-90-03 (phone), (+33145) 66-52-64 (fax) and by e-mail (scohen@emta.org).

www.emta.org

Comments or questions about EMTA's website?

Please e-mail Rachael Mark at

rmark@emta.org

Membership Update

EMTA's newest member is **Thomson Financial**. If you know of any other prospective Members, please contact Rachael Mark at (212) 908-5017 or at rmark@emta.org.

EMTA Calendar

Mon., May 3	Recommended Market Close (London only) May Bank Holiday
Tues., May 4*	EMTA Board Meeting
Wed., May 12	EMTA Lawyers Group 8:00 a.m., Shearman & Sterling 599 Lexington Avenue
Tues., May 18	EMCC Board Meeting
Fri., May 28	Recommended 2:00 p.m. (NYC) Market Close
Mon., May 31	Recommended Market Close (NYC/London) Memorial Day/ Spring Bank Holiday
Tues., June 15	EMCC Board Meeting
Fri., July 2	Recommended 2:00 p.m. (NYC) Market Close
Mon., July 5	Recommended Market Close (NYC) Independence Day
Wed., July 7*	EMTA Board Meeting
Thurs., July 8	EMTA London Summer Forum
Tues., July 20	EMCC Board Meeting
Thurs., Dec. 9	EMTA Annual Meeting

* Tentative

Hotlines

<u>Topic</u>	<u>EMTA Contact Person</u>	<u>Telephone</u>
Accounting/Finance	Don Goecks/Lisa Palazzola	(212) 908-5010/5019
Argentina	Brian Morrisroe	(212) 908-5025
Africa/Asia	Brian Morrisroe/Mandy Sleigh	(212) 908-5025/(+44171) 545-3196
Brazil	Brian Morrisroe	(212) 908-5025
Central/Eastern Europe	Mandy Sleigh/ Starla Cohen	(+44171) 545-3196/(+33140) 65-90-03
Clearing Corporation (EMCC)	Keith Kanaga (EMCC)	(212) 885-2779
Code of Conduct	Michael Chamberlin	(212) 908-5000
Conferences	Jonathan Murno	(212) 908-5022
Daily Market Price/Volume Data	Jonathan Murno/Lisa Palazzola	(212) 908-5022/5019
Derivatives	Brian Morrisroe/Starla Cohen	(212) 908-5025/(+33140) 65-90-03
European Working Group	Mandy Sleigh	(+44171) 545-3196
Foreign Exchange	Starla Cohen/Aviva Werner	(+33140) 65-90-03/(212) 908-5003
Global Equities Regulation	Bruce Wolfson (Bear Stearns)	(212) 272-2571
Legal/Compliance	Aviva Werner	(212) 908-5003
Loan Trading	Brian Morrisroe/Aviva Werner	(212) 908-5025/5003
Local Markets	Starla Cohen/Brian Morrisroe	(+33140) 65-90-03/(212) 908-5025
Market Practices	Brian Morrisroe/Aviva Werner	(212) 908-5025/5003
Match-EM	Don Goecks	(212) 908-5010
Membership	Rachael Mark	(212) 908-5017
Mexico	Brian Morrisroe	(212) 908-5025
Month-End Pricing	Jonathan Murno/Lisa Palazzola	(212) 908-5022/5019
Multilateral Netting	Brian Morrisroe/Lisa Palazzola	(212) 908-5025/5019
Poland	Starla Cohen	(+33140) 65-90-03
Repos/Securities Lending	Brian Morrisroe/Aviva Werner	(212) 908-5025/5003
Research	Jonathan Murno	(212) 908-5022
Russia	Starla Cohen/Aviva Werner	(+33140) 65-90-03/(212) 908-5003
Volume Survey	Jonathan Murno	(212) 908-5022
Warrants	Brian Morrisroe	(212) 908-5025
Website	Rachael Mark	(212) 908-5017

All EMTA staff can be reached through the general reception number (212) 908-5000.

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