

1998 EMTA Annual Meeting

“There’s too much talk about financial architecture.” - Nicholas F. Brady

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In the wake of some of the most difficult market and industry conditions in recent memory, over 300 guests attended **EMTA’s Annual Meeting** on December 8, 1998 at the offices of Citibank in New York City. Nicholas F. Brady, former U.S. Secretary of the Treasury and now Chairman and CEO of Darby Overseas Investment, Ltd., gave the keynote address.

Despite Russia’s effective devaluation and default and continuing widespread contagion from the Asian crisis, Mr. Brady gave a generally upbeat assessment of long-term investment prospects in Latin America. Reviewing the response of policymakers to recent events in the Emerging Markets, Mr. Brady remarked that there was “too much talk about new financial architecture.” In his view, such talk would “not get the downward thinking stopped. What is needed is somebody becoming operational . . . Get it done.”

In his speech, Mr. Brady discussed his role in monitoring Venezuela’s December presidential elections, at the invitation of former U.S. President Jimmy Carter, concluding that, “Democracy is alive and well in Venezuela.” He also commented upon market speculation about a Brady Plan for Asia, advocating restructuring over bailouts for Emerging Markets and

praised the work accomplished by U.S. Secretary of the Treasury, Robert Rubin, calling it, “a job well done.” In response to a question about the advantages of a fixed exchange rate regime over floating exchange rates, Mr. Brady stated that, “The virtue of it is that it forces the political process to address these problems but I don’t think it’s the answer every single time, and it certainly wasn’t the answer [in] the Far East.”

Finally, on prospects for 1999, Mr. Brady cautioned against a return to “. . . momentum investing. I’m an old goat now, but we used to call that the greater fool theory.”

Introducing Mr. Brady, EMTA Chair Frederic Haller contrasted effective IMF leadership after the Mexican devaluation in late 1994 and during the Korean crisis to its role regarding Russia, and criticized the IMF for sending misleading signals to the international banking community that Russia’s financial problems were solvable.

Mr. Haller stated, “The failure of the IMF and the G-7 to show timely leadership in Russia in August [1998] may prove to be the biggest international policy mistake of the post-Cold War era.”

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(continued)

Commenting on 1998 in general, Mr. Haller remarked that it was “. . . a year that we have to put down to experience. In this context, experience is something you get when you don't get what you want. I only hope that 1999 will prove a little less rich on the experience front.”

1999 Board of Directors

EMTA announced election results for its 1999 Board of Directors. The following 9 individuals were elected to the Board:

Mark L. Coombs (ANZ)
Christopher E. Smith (BankBoston)
Modesto Gomez (Chase Securities)
Frederic Z. Haller (Deutsche Bank)
Michael Pins (EuroBrokers)
Charles B. Seelig, Jr. (Goldman Sachs)
Guido A. Mosca (J.P. Morgan)
Simon Treacher (Morgan Grenfell Asset Management)
Michael Gagliardi (Wasserstein Perella)

These 9 Directors join 7 Directors whose terms did not expire this year:

Wayne D. Lyski (Alliance Capital)
Gail Segal (Bank of America)
Bruce A. Wolfson (Bear Stearns)
Alexis F. Habib (Credit Agricole Indosuez)
Felix E.A. Robyns (Credit Suisse First Boston)
Juan A. del Azar (Merrill Lynch)
Paul A. Masco (Salomon)

Panel Discussions Show Cautious Optimism

Two panel discussions on the Economic Outlook and Investor Perspectives in 1999 followed Mr. Brady's keynote address. Jose Luis Daza (J.P. Morgan) moderated the Sell-Side panel and research panelists included Richard Gray (Bank of America), Lawrence Brainard (Chase), Paulo Leme (Goldman Sachs), Arturo Porzecanski (ING Barings) and Joyce Chang (Merrill Lynch). Tom Trebat (Salomon Smith Barney) moderated the Buy-Side panel and investor panelists included Mark Siegel (Mass Mutual), Ashwin Vasani (Oppenheimer Management Corporation), Luis R. Luis (Scudder Kemper Investments) and Arminio Fraga (Soros Fund Management). The Sell-Side analysts were less sanguine in their economic predictions for Emerging Markets than in previous years, when countries such as Russia had been touted. Low commodity prices, fiscal deficits, unstable currencies and high local interest rates were among the concerns expressed.

Despite these concerns, panelists predicted a gradual turnaround in Emerging Markets debt prices over the longer term, reaching a general consensus that the J.P. Morgan EMBI+ index would narrow to 700 bps over US Treasuries by year-end 1999. There was also general agreement that many of the Asian economies hit by the 1997 economic crisis had bottomed out and would soon resume modest growth in 1999.

EMTA's Buy-Side Panel was also less optimistic than in previous years. However, several panelists spoke positively about local instruments and noted that earlier fears of a global recession had diminished with developed country interest rate cuts.

EMTA Board Meeting

EMTA'S Board of Directors held its last regular meeting for 1998 on November 4 at the offices of Deutsche Bank in New York City, with a videolink to London. The Board discussed finances, on-going projects, as well as the 1999 agenda.

EMTA's major priorities for 1999 were discussed, which are expected to include: monitoring developments in Russia; several derivatives-related projects, including development of a standard confirmation form and related Market Practices to accompany the 1998 FX and Currency Option Definitions (in collaboration with ISDA and the FX Committee of NY) and development of back-up valuation mechanisms for the Russian ruble and the Brazilian real (with the CME); further developing and promoting the Emerging Markets Clearing Corporation; and encouraging greater project involvement from the Buy-Side.

The next EMTA Board Meeting is scheduled for mid-February 1999.

Russian Projects

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 Starla Cohen (EMTA) at (212) 908-5021, Mandy Sleigh (EMTA) at (0171) 545-3196; or Tina Lemieux (CME) at (312) 930-3151.

Loan Trading Working Group

The Loan Trading Working Group has recently focused on several initiatives, including developments relating to Russian Prins. In late November, the recommended Market Practice for Prins was changed to reflect market consensus with respect to Prin's default status.

Under the revised Market Practice, the pricing of Russian Prins was changed, effective November 23, from a 'partially' dirty Price to a single 'dirty' Price that includes both principal and all accrued and unpaid cash interest and Interest Notes. The revised Market Practice assumes that the single price of the asset will reflect all relevant considerations, with separate settlement adjustments in respect of accrued cash interest no longer being made, and that Buyer is entitled to receive all accrued and unpaid cash interest and Interest Notes.

Due to the recent Market Practice, recommending that Russian Vnesh Loans not be considered Class I Loan Assets, and recent changes in U.K. law, EMTA has distributed a revised Standard Terms for Participations in VEB Loans, which is available by contacting Felita Tate at (212) 908-5026 (phone), (212) 908-5039 (fax) or ftate@emta.org (e-mail).

Non-Deliverable Forwards (NDFs) Generally

NDF Confirmation Standardization Project

In an effort to facilitate prompt confirmation of Emerging Market NDF transactions, and to provide

NDFs (cont.)

greater certainty in the settlement of NDFs, 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 NDFs. As background for the standard templates, EMTA has collected NDF Confirmation Charts from major NDF market participants which identify existing market consensus on a currency-by-currency basis. EMTA has also distributed to the Working Group a draft of the Market Practices.

For copies of these draft Market Practices or for more information on EMTA's work in the NDF area, please contact Starla Cohen at (212) 908-5021.

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 (212) 908-5021 (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).

CME Back-up Procedures for Brazilian Real

An EMTA Working Group and representatives of the Chicago Mercantile Exchange (CME) recently revised the CME's back-up cash settlement procedures for use in the event that publication of the Brazilian official fixing rate is suspended on a termination of trading day for the CME's Brazilian real futures contract. The revised methodology was approved by the Commodities Futures Trading Commission on January 14.

Consideration is being given to the potential use of this (or a slightly modified) methodology for settlement of NDFs in the event that publication of the Brazilian official fixing rate is suspended.

For more information and/or to obtain a copy of the CME's methodology, please contact Starla Cohen at (212) 908-5021.

Developments in the Brazilian Real Market

Starting February 1, 1999, the Central Bank of Brazil began publishing a new official Brazilian real/U.S. dollar exchange rate (the PTAX Rate) and suspended publication of separate commercial and floating rates. In response, on February 3, 1999 EMTA, the International Swaps and Derivatives Association (ISDA) and the FX Committee jointly announced the addition to Annex A of the 1998 Definitions of two new rate source definitions for the Brazilian real, amending Annex A effective as of February 1, 1999. The text of the new definitions may be found on the websites of EMTA

NDFs (cont.)

(www.emta.org), ISDA (www.isda.org) and the FX Committee (www.ny.frb.org/fxc).

For more information on the new rate source definitions, please contact Starla Cohen at (212) 908-5021 or Aviva Werner at (212) 908-5003.

Other Projects

Multilateral Netting

Since April 1998, EMTA has been operating a multilateral net delivery facility for Russia VEB Restructured Loans for each Batch Settlement Date. To date, 28 firms have participated in the Facility on an on-going basis, and over U.S.\$40 billion in aggregate net bilateral positions have been netted and settled. This facility continues to operate twice a month to reduce counterparty exposure, despite a recent reduction in trading volumes.

For more information, please contact Brian Morrisroe at (212) 908-5025.

Euro

On December 21, 1998, EMTA provided the market with recommendations relating to the introduction of the Euro. These EMTA recommendations relate to the settlement of instruments denominated in legacy currencies and reflect the practices recommended by other industry associations. EMTA will continue to monitor issues relating to the Euro during the transition period and will provide the market with updates as appropriate.

For more information or if you would like to receive a copy of the recommendations, please contact Mandy Sleigh at (44171) 545-3196.

Loan Trading

In the interest of more efficient loan settlements, the Loan Trading Working Group has recommended that certain Class I Loan Assets settle on a batch settlement basis, while other Class I Loan Assets and all non-Class I Loan Assets settle on a T+15 basis. The updated list of Class I Loan Assets, the list of Batch Settlement and T+15 Settlement Loan Assets, together with the 1999 VEB Loan Batch Settlement Schedule, the 1999 Batch Settlement Schedule for certain Class I Loan Assets, and the 1999 T+15 Settlement Schedule, are available by contacting Felita Tate at (212) 908-5026 (phone), (212) 908-5039 (fax) or ftate@emta.org (e-mail).

This Working Group has also developed a recommended Market Practice for Indonesian Loans.

EMTA has also prepared a new draft version of the Standard Terms for Assignments of Loan Assets, which is currently being circulated for comment and should be released shortly.

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

Local Equity Documentation

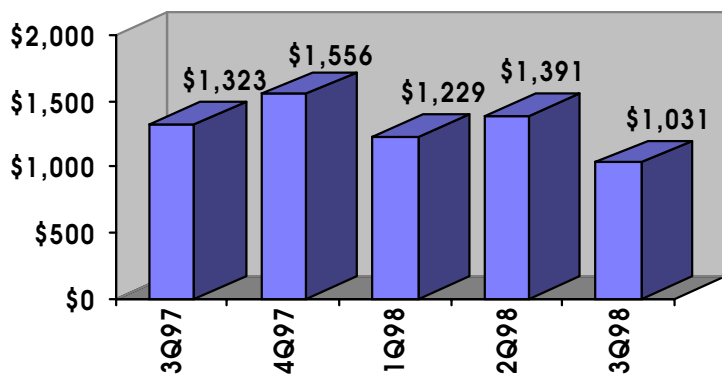
Work on the Standard Terms for Purchase/Sales of Russian Equities (and Market Practice Guide) has been temporarily postponed pending a return to more normal market conditions in Russia.

For more information, please contact Starla Cohen at (212) 908-5021 or Mandy Sleigh at (44171) 545-3196.

Third Quarter 1998 Debt Trading Volume Survey Available

Turnover in Emerging Markets debt instruments totaled just over US\$1.0 trillion in the third quarter of 1998, according to the EMTA's Third Quarter Debt Trading Volume Survey. This compares to third quarter 1997 trading of US\$1.3 trillion and trading of US\$1.4 trillion in the second quarter of 1998.

Aggregate Trading Volume
In US\$ billions



In its report, EMTA noted a continued concentration in Brazilian and Russian assets as industry benchmarks. Brazilian and Russian volume combined constituted 53% of total volume (up from 38% of trades in the same period last year) while 20% of all reported trades were in just two benchmark instruments: Brazilian C-Bonds and Russian Prins (vs. a combined 11% market share during the same period in 1997).

Following the depreciation of the Russian ruble in August 1998, and subsequent market concerns regarding other Emerging Markets currencies, trading of local markets instruments declined 48% versus the previous quarter. Local instruments constituted 22% of all reported trades, down from a 31% share in the second

quarter of 1998 yet still above the 21% share in the third quarter of 1997.

In contrast, Eurobond trading reached its highest market share ever, at 27% of reported trades. Brady Bond trading reached its highest market share since the third quarter of 1997, at 40% of volume, despite a reduction in outstanding Brady debt.

For a copy of EMTA's Third Quarter 1998 Debt Trading Volume Survey Report, please contact Jonathan Murno at (212) 908-5022.

The Fourth Quarter 1998 Debt Trading Volume Survey and the Total 1998 Debt Trading Volume Survey will be available shortly.

EM Factoid

Most Frequently Traded Instruments 3Q1998

All figures in billions of US Dollars

Brazil C	159
Arg FRB	58
Russia Prin	53
Brazil IDU	39
Brazil EI	30

Miscellaneous

1998 Annual Emerging Markets Charity Benefit for Children

EMTA was pleased to act as a co-sponsor for the 1998 Annual Emerging Markets Charity Benefit, which was held on December 4 in the World Financial Center in New York City. Over 300 guests attended this gala affair and \$640,000 dollars was raised in support of **The Children's Aid Society, Save the Children** and the **Women's Commission for Refugee Women and Children**. Other sponsors included BankBoston, Cantor Fitzgerald, Donaldson, Lufkin & Jenrette, GFI Group Inc., ING Barings, Paribas and Soci t  G n rale. Despite 1998's turbulence in the Emerging Markets, the Benefit's revelers demonstrated their commitment to the Emerging Markets industry by attending and supporting the Benefit. If you missed the 1998 Benefit, you missed not only an opportunity to help some worthy causes for children in the Emerging Markets, but also a very good time. But fear not, arrangements for the 1999 Benefit are already underway. EMTA will also be supporting the 1999 Benefit (scheduled for early December in NYC), and further details will be published when they are available.

Membership Update

EMTA's newest members include **Debevoise & Plimpton, Credit Commercial de France** and **IBJ International**. If you know of any other prospective Members, please contact Rachael Mark at (212) 908-5017 or at rmark@emta.org.

Website News

EMTA's website (www.emta.org) is undergoing a thorough revision, which is expected to be completed by March 1. As revised, the website will feature new information with additional links. The password for the Members Only section of the EMTA website changed on February 1. If you did not receive a memorandum listing the new password, please contact Rachael Mark at (212) 908-5017 or at rmark@emta.org.

EMTA Calendar

Fri., Jan. 15	Recommended 2:00 p.m. (NYC) Market Close
Mon., Jan. 18	Recommended Market Close (NYC) Martin Luther King, Jr. Day
Thurs., Feb. 11	<u>EMTA Board Meeting</u>
Fri., Feb. 12	Recommended 2:00 p.m. (NYC) Market Close
Mon., Feb. 15	Recommended Market Close (NYC) Presidents' Day
Tues., Mar. 16	EMCC Board Meeting
Thurs., April 1	Recommended 2:00 p.m. (NYC) Market Close
Fri., April 2	Recommended Market Close (NYC/ London) Easter Holidays
Wed., April 14*	<u>EMTA Board Meeting</u>
Tues., April 20	EMCC Board 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	(44171) 545-3196
Clearing Corporation (EMCC)	Keith Kanaga (EMCC)	(212) 558-2779
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) 908-5025/5021
European Working Group	Mandy Sleigh	(44171) 545-3196
Foreign Exchange	Starla Cohen	(212) 908-5021
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	(212) 908-5021/5025
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	(212) 908-5021
Repos/Securities Lending	Brian Morrisroe/Aviva Werner	(212) 908-5025/5003
Research	Jonathan Murno	(212) 908-5022
Russia	Starla Cohen	(212) 908-5021
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.

EMTA staff can be reached at the following e-mail addresses or by visiting EMTA's website at www.emta.org.

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Natalie Mendoza	nmendoza@emta.org	Felita Tate	ftate@emta.org
Brian Morrisroe	bmorrisroe@emta.org	Aviva Werner	awerner@emta.org

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Tues., Feb. 16	EMCC Board Meeting
Tues., March 16	EMCC Board Meeting
Thurs., April 1	Recommended 2:00 p.m. (NYC) Market Close (NYC) Easter Holidays
Fri., April 2	Recommended Market Close (NYC/London) Good Friday
Wed., April	<u>EMTA Board Meeting</u>
Tues., April 20	EMCC Board Meeting