
As indicated in greater detail in this Bulletin, extremely difficult market conditions throughout the Emerging Markets in the Third Quarter have changed some of EMTA's priorities, resulting in several new projects, greater emphasis on certain existing ones, and the postponement of several others. Despite these difficult conditions, EMTA's basic mission remains fundamentally unchanged -- EMTA works with market participants to promote greater efficiency and transparency, and to reduce unnecessary risk, in the trading of Emerging Markets instruments.

Now, more than ever, today's market environment requires that market participants redouble their efforts to settle outstanding trades promptly and to take other appropriate steps, such as prompt trade confirmation and maximum use of bilateral and multilateral netting facilities, to ensure that legal and counterparty credit risks are minimized.

Many market participants have worked very diligently through EMTA over the past several years to develop multiple mechanisms designed to make trading more efficient and less risky. During this period of market stress, it is EMTA's specific goal, in addition to responding to other immediate market needs, to encourage greater awareness and use of these established mechanisms.

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Save the Date!

***EMTA
Annual Meeting
and
Panel Discussions
Dec. 8, 1998***

Details inside . . .

Developments in the Russian Market

The announcements in mid-August 1998 relating to the Russian ruble devaluation and the 90-day moratorium on certain indebtedness, and their aftermath, have obviously presented an unpleasant challenge to the Emerging Markets industry. In addition to serving generally as a clearinghouse for information, EMTA has responded to the immediate needs of its Members in a number of ways, as described below. Market conditions in Russia remain volatile and EMTA is continuing to monitor this situation closely. Various other projects are also under consideration or in development.

CME/EMTA Ruble/USD Reference Rate Provides Greater Certainty

On August 28, following the suspension of the spot auction currency trading at the Moscow Interbank Currency Exchange (MICEX), the Chicago Mercantile Exchange (CME) and EMTA began publishing a Ruble/Dollar exchange rate (the "CME/EMTA Reference Rate") on a daily basis on Reuters's screen page "EMTA." Following extensive discussions with many market participants, the CME and EMTA established this rate mechanism as a back-up valuation for the settlement of the CME's ruble futures contracts in the absence of MICEX rate fixing. The CME/EMTA Reference Rate has also been used by many market participants as the basis for valuing existing non-deliverable forward contracts (NDF's) and documenting new NDF's going forward.

In order to minimize potential manipulation and reflect changes in the Moscow foreign exchange market, the CME/EMTA Reference Rate is currently determined based upon two random daily surveys of Moscow-based subsidiaries of major international financial institutions and Russian banks. The surveys are conducted during the regular SELT trading session (not during the special SELT trading session for use by exporters and importers).

The CME/EMTA Reference Rate has been included as a rate definition in Annex A of the 1998 FX and Currency Option Definitions and can be found on the web-sites of EMTA (www.emta.org), ISDA (www.isda.org) or the FX Committee (www.ny.frb.org/fxc). We remind you that copies of the 1998 FX and Currency Options Definitions are available to Members of EMTA, ISDA and the FX Committee for U.S.\$100 (non-Members U.S.\$200). Annex A is available to Members for U.S.\$50 (non-Members U.S.\$100). The User's Guide should be available shortly. To receive an order form, please contact Starla Cohen at (212) 908-5021.

EMTA is continuing to monitor this situation and will be advising the marketplace of new developments as they occur.

For more information, please contact Starla Cohen (EMTA) at (212) 908-5021, Jonathan Murno (EMTA) at (212) 980-5022, or Michael Chamberlin (EMTA) at (212) 908-5000; or Tina Lemieux (CME) at (312) 930-3151.

EMTA Urges Fair Treatment of GKO Holders

In letters dated August 17, EMTA has urged senior Russian governmental officials to treat all holders of GKO's equitably. These letters have been followed up with numerous discussions in an effort to clarify the government's intentions. Obviously, there is still considerable uncertainty, but EMTA expects that efforts by a London creditor committee to negotiate a more acceptable restructuring proposal will be successful.

Other Russian Projects

Loan Trading Working Group

The Working Group is generally reviewing settlement practices for trades of VEB Restructured Loans, as well as for Min-Fin Bonds and related instruments. In addition, the Working Group has recently finalized Buy-In and Sell-Out Remedies for failed loan trades and recommended a Market Practice for all trades entered into on or after September 15. These Remedies will be incorporated in the next revision of the Standard Terms for Assignments of Loan Assets, which is expected to be completed by year-end. This Working Group has also developed Batch Settlement Schedules for Algerian and Moroccan loans and recommended Market Practices for Nigerian P-Notes. The Working Group is currently evaluating proposals for the payment of accrued interest for, and the batch settlement of, certain other loan assets.

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

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

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.\$36.5 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.

Repos

The NY/London Repo Working Group is currently working with Clifford Chance to develop standard documentation for Repo trading of Russia VEB Restructured Loans. The Working Group is also considering Market Practices for (1) Compensation on Consideration Paid for Failed Deliveries of Non-DVP Instruments and (2) Margin Maintenance Calls on VEB Restructured Loans. The Working Group also met on September 28-29 to discuss the interplay between the buy-in/sell-out procedures for cash trades, repurchase transactions and the recall procedures for borrowings effected within the Euroclear system in order to better understand the mechanics and applicability of such various procedures and remedies.

For more information or if you would like to receive copies of draft documents, please contact Brian Morrisroe at (212) 908-5025 or Aviva Werner at (212) 908-5003.

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Making VEB Restructured Loans (Prin) Euroclearable

An EMTA working group has been working with legal counsel to develop a proposal to make Russia VEB Restructured Loans Euroclearable. Although this proposal is well-advanced, its launch has been postponed due to market conditions. For more information, please contact Michael Chamberlin at (212) 908-5000 or Starla Cohen at (212) 908-5021.

Eastern Europe

Derivatives & FX

The EMTA/ISDA Derivatives Task Force is developing a summary of issues affecting the development of derivatives markets in Central/Eastern Europe and Russia, including the status of netting, bankruptcy and collateral legislation. This project has been delayed by recent market conditions but is continuing.

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

Emerging Markets Clearing Corporation (EMCC)

EMCC is continuing to build its membership and to add new institutions and services. Sixteen new Emerging Market Sovereign Eurobonds from Argentina, Mexico, and Brazil were added as eligible instruments over the last quarter.

For the month of September, EMCC achieved an overall matching vote of over 91% on trade date, based upon average daily volumes of approximately 1100 sides.

In addition, in an effort to reduce settlement backlogs, a pair-off capability was introduced in September.

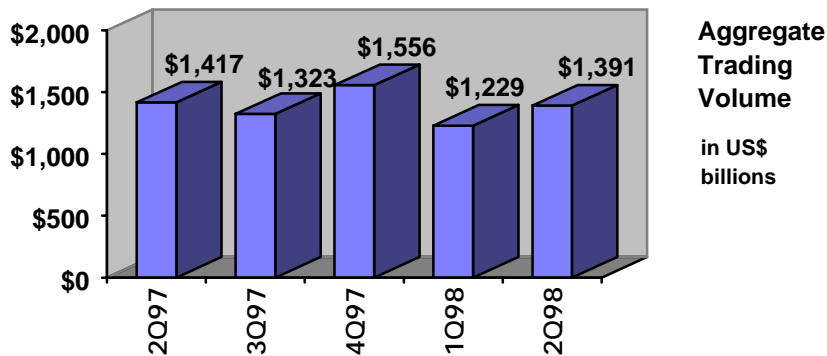
EMCC was developed by the Emerging Markets trading industry under EMTA's sponsorship to reduce counterparty and settlement risk for Emerging Markets debt trading by providing an industry-controlled clearing corporation that assumes counterparty risk for all accepted trades. EMCC provides a more creditworthy alternative to existing clearing mechanisms by netting and collateralizing trade positions. Since its launch, EMCC has achieved high average matching rates of 95% and 98% on Trade Date and Settlement Date, respectively, from a volume level that averaged 968 sides per day in August.

For further information, please contact Keith Kanaga (EMCC) at (212) 558-2779, Joe Willing (J.P. Morgan) at (212) 648-3564 or Michael M. Chamberlin (EMTA) at (212) 908-5000.

Second Quarter 1998 Debt Trading Volume Survey Available

EMTA's Second Quarter 1998 Debt Trading Volume Survey was completed and distributed to participants at the end of August.

Turnover in Emerging Markets debt instruments totaled nearly US\$1.4 trillion in the second quarter of 1998 compared to second quarter 1997 trading of US\$1.42 trillion and trading of US\$1.23 trillion in the first quarter of 1998.



EM Factoid

Percentage Share of Total Emerging Markets Instruments Traded, 2Q98

Brazil "C"	14%
Russian Prin	5%

Paulo Leme, Director of Emerging Markets Research at Goldman Sachs, noted that midyear 1998 figures remained below previous year volumes for a number of reasons. "Some cross-over investors who left the market during last year's events in Asia have not returned. In addition, capital flows have been somewhat diverted back to the US and European markets."

EMTA collected data from major financial institutions worldwide, reflecting trading of instruments originating in 90 countries. Trading volumes were measured in five major categories: Brady Bonds, Eurobonds (sovereign and corporate), loans, Local Markets instruments (local currency and U.S.\$-denominated) and debt options and warrants.

The Third Quarter 1998 Survey will be available in mid-November.

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

Other Project Reports

Brazil C-Bonds and IDU Bonds

Due to the high volume of delayed settlements of C-Bonds and IDU Bonds, market participants are urged to pursue all available opportunities to net their counterparty exposures. All possible cooperation with EMCC's and Daiwa's efforts in this regard are strongly encouraged. A recommended form of Bilateral Netting Agreement is now available by contacting Felita Tate at (212) 908-5026.

If you have any questions of a legal nature, please call Aviva Werner at (212) 908-5003.

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Euro

In August, EMTA hosted a Lawyer/Broker-Dealer meeting to discuss the implications of the introduction of the Euro on Emerging Markets instruments denominated in various European currencies. At the meeting, a Euroclear representative discussed Euroclear's plans for disseminating information on issuers' conversion initiatives for Euroclearable assets, including Emerging Markets instruments, and discussed changes to their payments system to accommodate the Euro as of January 1, 1999. With respect to contacting issuers of Emerging Markets assets and discussing their conversion plans, EMTA has learned that most discussions with issuers with respect to conversion issues are being driven by agent banks. EMTA is actively following the progress of these banks and Emerging Market issuers. EMTA expects to develop market practices with respect to Euro settlements in due course modeled after market practices issued by other industry associations such as ISMA and ISDA, recommending that (unless otherwise agreed) all settlements after January 1, 1999 be made in Euro (regardless of the denomination of the asset).

For more information, please contact Mandy Sleigh at (44171) 545-3196.

Year 2000

As a participant in the Financial Institution's Sector Group of the President's Council on Year 2000 Conversion, EMTA urges all of its members to redouble their efforts to pay special attention to the challenges that Year 2000 conversion will present to the Emerging Markets trading industry. In particular, EMTA wants you to be aware of the "Year 2000 Action Week" scheduled by the U.S. Small Business Administration for October 19-23, 1998. At the core of Year 2000 Action Week will be hundreds of educational events designed to raise awareness of the need to commit resources to address the risks posed by the Year 2000 computer problem.

For more information, please contact Don Goecks, EMTA's Director of Finance and Administration, at (212) 908-5010.

Derivatives

EMTA has been collaborating with other financial industry trade associations in response to the CFTC's recent concept release regarding the regulation of OTC derivatives in the U.S. The latest developments on this topic involve the proposal of legislation that would prevent changes in the existing regulatory status of OTC derivatives pending a formal review of the area by a high-level inter-agency group.

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

New European Master Agreement

A project is currently underway in Europe to standardize a master agreement for repos and other trading transactions (including buy/sells, securities lending, FX swaps, options and derivatives). EMTA and other industry organizations, such as ISMA, BMA and LIBA, have recently expressed their concerns to the Banking Federation of the European Union regarding the potential increased confusion by market participants, both inside and outside Europe, as to which master document to use. Currently, the Global Master Repurchase Agreement, developed by ISMA and BMA, has been accepted by the marketplace as the "standard" document for repo transactions. Introduction of yet another master agreement may, ironically, add to the non-standardization of counterparty

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documentation and subject market participants to the increased risk of entering into non-uniform documentation with differing rights, remedies and obligations.

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

Annual Meeting

Save the date! EMTA's Annual Meeting will be held on **December 8, 1998** at Citibank's Auditorium, located at 399 Park Avenue, 12th Floor. Before the Annual Meeting, EMTA will continue its popular panel series on investor attitudes toward Emerging Markets opportunities. Confirmed panelists include Larry Brainard, Chase; Tom Trebat, Citibank; Paulo Leme, Goldman Sachs; Arturo Porzecanski, ING Barings; Jose Luis Daza, JP Morgan, Moderator; Joyce Chang, Merrill Lynch; Mark Siegal, Mass Mutual; Ashwin Vassan, Oppenheimer; Luis R. Luis, Scudder, Stevens & Clark; and Arminio Fraga, Soros Fund Management. Additional panelists will be named later. For more information, please contact Jonathan Murno at (212) 908-5022 or Rachael Mark at (212) 908-5017.

Membership Update

EMTA's newest members include **Eaton Vance; Caboto Holding; Grantham, Mayo; Elliott Associates, L.P.** and **RBC Dominion Securities**. If you know of any other prospective Members, please contact Rachael Mark at (212) 908-5017 or at rmark@emta.org.

EMTA Summer Reception

EMTA hosted a summer reception on its terraces at 63 Wall Street on Thursday, July 23. We thank the more than 100 guests who attended and were able to enjoy drinks, snacks and, for the most part, good weather with us.

Website Update

Check out the new addition to our website titled, "New Developments," that details project updates and EMTA's latest efforts in response to the most recent market conditions.

EMTA Staff Addition

EMTA welcomes Rachael Mark, EMTA's new Public Relations and Communications Associate, who started on September 10, 1998. Rachael recently received her Master's degree from Columbia's School of International and Public Affairs. Previously, Rachael worked in St. Petersburg, Russia, for several years. In addition to producing EMTA's Annual Reports and the quarterly Bulletin, coordinating EMTA's Annual Meeting and general outreach to the media, Rachael will be EMTA's webmaster and will be responsible for Membership development.

EMTA Calendar

Tues., Oct. 27	EMCC Annual Meeting in NYC
Wed., Nov. 4	<u>EMTA Board Meeting</u>
Thurs.-Sat., Nov. 5-7	Conference on Securities Regulation, call 800-260-4PLI
Wed., Nov. 11	Recommended Market Close (NYC), Veteran's Day
Thurs., Nov. 12	EMCC New York Operations Committee Meeting
Tues., Nov. 17	EMCC Board Meeting
Wed.-Thurs., Nov. 18-19	<u>Capital Markets Law in Russia and the CIS</u> , Michael Chamberlin, Executive Director, and Starla Cohen, Director for Eastern Europe, will speak at this conference in London at the Royal Garden Hotel
Wed., Nov. 25	Recommended 2pm Market Close (NYC), Thanksgiving Holiday
Thurs., Nov. 26	Recommended Market Close (NYC), Thanksgiving Day
Fri., Nov. 27	Recommended 2pm Market Close (NYC), Thanksgiving Holiday
Thurs.-Fri., Dec. 3-4	<u>The 1998 FX and Currency Option Definitions</u> , Starla Cohen will speak at this conference in London at the Dukes Hotel
Tues., Dec. 8	<u>EMTA Annual Meeting</u> (NYC), to be held at the Citicorp/Citibank Auditorium
Thurs., Dec. 10	EMCC New York Operations Committee Meeting
Thurs., Dec. 24	Recommended 2pm Market Close (NYC), Christmas Holiday
Fri., Dec. 25	Recommended Market Close (NYC/London), Christmas Day
Mon., Dec. 28	Recommended Market Close (London), Boxing Day
Thurs., Dec. 31	Recommended 2pm Market Close (NYC), New Year's Holiday
Fri., Jan. 1, 1999	Recommended Market Close (NYC/London), New Year's Day

E-mail Alert

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

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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
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
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Multilateral Netting	Brian Morrisroe/Lisa Palazzola	(212) 908-5025/5019
Options/Derivatives	Brian Morrisroe/Starla Cohen	(212) 908-5025/5021
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.