

4th Quarter 1995

Volume 1995: No. 4

After slowing somewhat during the summer months, trading activity in Emerging Markets debt instruments picked up considerably during September. Prices continued to be stable to trending upward. EMTA foresees brisk activity for the remainder of 1995 - both in trading volumes and in connection with a number of EMTA projects (including the Global Day of Reckoning for settling old Argentina interest payments).

September 27 EMTA Board Meeting

EMTA's Board of Directors held its fourth regular meeting for 1995 at the offices of Chemical Bank in New York City on September 27, 1995, with a videolink to London. In addition to briefly reviewing EMTA's finances and discussing ongoing projects and the future direction of the marketplace, the Board accepted the resignation of Angel Santamarina (Banco Santander) and elected Alberto Garcia Roche (Banco Santander) as his replacement. The Board expressed its appreciation to Mr. Santamarina for his many contributions to EMTA's activities since joining the Board in 1992.

The next EMTA Board Meeting is scheduled for November 15, 1995 in New York City.

Proposed New Brady Bond Trading Procedures

EMTA has recently distributed to the marketplace a new proposed Market Practice, to become effective October 31, 1995, that would permit the bearer and registered forms of certain Brady Bonds (including Brazil C-Bonds and IDU Bonds, Argentina FRB's and Ecuador PDI Bonds) to trade more fungibly. Under this new Market Practice, unless otherwise agreed at the time of trade, a Seller of such Bonds could deliver either registered or bearer Bonds to the Buyer, subject to certain legal constraints (such as limitations on offers, sales and deliveries of bearer Bonds into the U.S., particularly before the expiration of a 40-day "seasoning" period after their issuance). For further information about this newly proposed Market Practice, please contact Paul Masco (Salomon Brothers) at (212) 783-3221, George Grunebaum (Chase Manhattan) at (212) 552-6307, Ovidio Diaz-Espino (J.P. Morgan) at (212) 648-9015 or Michael M. Chamberlin (EMTA) at (212) 293-5000.

OTC Principles

On August 17, in a formal press briefing at the Federal Reserve Bank of New York, EMTA announced its support of the year-long effort to develop the Principles and Practices for Wholesale Financial Market Transactions (OTC Principles). The OTC Principles were developed by a drafting committee consisting of EMTA, the Foreign Exchange Committee of the FRBNY, the International Swaps and Derivatives Association (ISDA), the New York Clearing House Association (NYCHA), the Public Securities Association (PSA) and the Securities Industry Association (SIA), under the coordination of the FRBNY. Diane Genova (J.P. Morgan), along with Michael Chamberlin (EMTA), represented EMTA on the drafting committee.

The OTC Principles have been widely heralded as a successful, industry-wide cooperative effort to provide greater clarity regarding market practices in the U.S. OTC financial marketplace and a better common understanding among market participants of their relationship to each other. The OTC Principles confirm the arms-length nature of the relationship between institutional participants in the U.S. OTC financial markets and prescribe various guidelines and best practices in such areas as supervision and training of employees, control and compliance, risk management, confidentiality and the mechanics of specific transactions. For more information regarding the OTC Principles, please contact Michael Chamberlin (EMTA) at (212) 293-5000.

Match-EM

Match-EM, EMTA's electronic confirmation and matching system, has been successfully operating with a next-day matching rate of over 90% since its formal introduction on May 1, 1995. Match-EM brings new levels of efficiency and risk reduction to Emerging Markets debt trading and has recently been approved for use in lieu of written confirmations otherwise required by SEC Rule 10b-10. **Now is the time to begin taking advantage of this System.** For subscription information, please contact either Sophie Pompea or Don Goecks at EMTA (212) 293-5000 or Lou Bonavita at Chemical Bank (212) 270-1049.

Multilateral Netting Facility

In 1995, EMTA's Multilateral Netting Facility has thus far netted and settled 765 trades of Russian loans, aggregating approximately U.S.\$1.9 billion face amount. In addition, a total of 942 trades of loan assets aggregating U.S.\$2.2 billion in face amount were netted and settled under the Facility in 1994. EMTA will continue to operate the Facility on a regular basis, subject to on-going review of its need based on market-wide trading volumes and settlement delays.

The Facility has substantially contributed to making the settlement of loan trades more efficient. Use of the Facility is not limited to the current participants. For further information, please contact Don Goecks (EMTA) at (212) 293-5010 or Kathleen Wells (J.P. Morgan) at (212) 648-4428 or Robert Salvador (Chemical) at (212) 270-2856.

Standard Terms for Assignments of Loan Assets:

Settlement Time for Loan Assets Moving from T + 21 to T + 10, Effective January 1, 1996

Following discussions with major market participants, the effective date of Proposal B, a revision to EMTA's Standard Terms for Assignments of Loan Assets (which provides for Seller to pay compensation to Buyer for delayed delivery), was postponed until January 1, 1996 in order to give the marketplace additional time for the Proposal's implementation. Proposal A (which provides that Buyer must pay interest on the Consideration from the later of T +21 and the date of Seller's tender) remains in effect. As currently envisioned, Proposal B will be part of a set of revisions to the Standard Terms that will include a change in the settlement time for Loan Assets from T + 21 calendar days to T + 10 business days and more specific requirements for the delivery of asset details. To facilitate the market's understanding of these changes, EMTA will be distributing the proposed text of these revisions in October, to be followed by a series of explanatory meetings.

For information regarding the Standard Terms, please contact Kathleen Wells (J.P. Morgan) at (212) 648-4428, Robert Salvador (Chemical) at (212) 270-2856 or Brian Morrisroe (EMTA) at (212) 293-5025.

Interest Day of Reckoning -- Argentina

On May 23, EMTA announced the formation of a Multilateral Netting Facility for interest payments on Argentina GRA. Following the submission of claims and other data from market participants, the Facility will net payables against receivables on an agreement-by-agreement basis and require settlement of all net amounts payable on a single "day of reckoning" (expected to occur before January 1996). This netting facility would not attempt to reconstruct trading chains and actually reconcile interest claims, but only net total amounts based upon claims submitted by market participants. EMTA has postponed operation of this facility, pending further progress or completion of Deutsche Morgan Grenfell's effort to net claims of major market participants. It is now expected that the Grenfell project will be combined with EMTA's project.

For more information about the status of this project, please contact Brian Morrisroe (EMTA) at (212) 293-5025.

Warrant Settlement

For various reasons (including the failure of market participants to submit correct settlement instructions), value recovery and similar payment obligations relating to several Brady Bond issues ("warrants") have become mis-allocated within the Euroclear and Cedel systems. Following extensive discussions with Euroclear, EMTA has determined that its previously proposed reallocation of warrant balances would not be feasible. Instead, EMTA is now exploring the possible netting of unmatched and unsettled warrant transfers to reduce a large settlement backlog. Further details regarding this netting facility are expected to be released shortly.

For additional information, please contact Brian Morrisroe (EMTA) at (212) 293-5025.

Standard Terms for Participation of Loan Assets

EMTA's Documentation Group for Loan Trading is preparing Standard Terms for Participations in Loan Assets and a related Market Practice Guide. The Working Group is currently reviewing comments on the proposed draft received from various representatives of institutional investors. The Standard Participation Terms and Market Practice Guide are expected to be distributed for review and comment by EMTA Members by the end of November 1995. For further information, please contact Brian Morrisroe (EMTA) at (212) 293-5025.

Monthly Closing Prices for Emerging Markets Debt Instruments

EMTA continues to calculate and distribute average prices for Brady Bonds and loans on a month-end basis. Prices for the months of January through August have already been calculated and sent to Members. The release of this pricing information on a regular basis is part of EMTA's efforts to substantially increase transparency in the Emerging Markets marketplace during 1995.

For further information, please contact Jonathan Murno (EMTA) at (212) 293-5022.

Corporate Action Information Dissemination

Under the leadership of Bruce Wolfson (Bear Stearns), EMTA has been working with Emerging Markets equity traders and Corporate Action personnel to improve the dissemination of information about corporate actions taken by Emerging Markets issuers.

For more information regarding this project, please contact Bruce Wolfson (Bear Stearns) at (212) 272-2571 or Jonathan Murno (EMTA) at (212) 293-5022.

Local Market Activity

During the past quarter, EMTA staff focused on identifying local markets where market and infrastructural support is needed and where EMTA's methodology might prove effective. EMTA staff traveled to Russia, Asia and Argentina to meet with market participants, including local banks, foreign banks, stock exchanges and regulatory bodies. As a result of these meetings, EMTA is forming an Argentine Working Group which will work on standardized documentation for fixed income instruments and on the development of a securities lending program at the Buenos Aires Stock Exchange. EMTA is also creating a Moscow Working Group to advise Russian regulatory authorities on equity clearance and settlement in Russia. Many EMTA Members, especially J.P. Morgan, ING, Citibank, Lazard Asia Ltd. and Banco Santander, were instrumental in providing assistance, contacts and valuable input. For more information about local market developments, please contact Cristina von Barga or Kate Campana (EMTA) at (212) 293-5000.

Working Group Reports

Russia/Eastern Europe Working Group

Russia: EMTA is working with the Russian SEC and the Moscow Broker's Association in forming an EMTA Moscow Working Group in support of their efforts to develop a better system of clearance and settlement for Russian equities. For further information, please contact Sophie Pompea at (212) 293-5012.

Exotics/Loan Trading Working Group

Ecuador: On August 4, the final distribution of Ecuador PDI Bonds was made under the 1994 Financing Plan.

Panama: Copies of Panama's 1995 Financing Plan were sent to its bank creditors early in October. On October 6, EMTA sent to the marketplace a timeline of certain important dates in the implementation of the Financing Plan. Meetings are being planned to discuss the reconciliation of interest claims. In addition, on October 10, when-issued bond confirmation forms were distributed to the market.

For further information regarding these issues, please contact Brian Morrisroe at (212) 293-5025.

Human Resources Working Group

At the suggestion of Banco Santander and Goldman Sachs, EMTA is forming a Human Resources Working Group that will cover human resources issues such as staffing, training and compensation. For further information, please contact Hillary E. Ellner at (212) 293-5015.

Miscellany

Open Meeting Update

An Open Meeting for EMTA Members was held on July 19 in New York City. Topics discussed included Russia Loan Trading; Panama; Ecuador PDI; Argentina -- Interest Reconciliation; Match-EM; EMTA Equities Agenda (Clearance and Settlement; Corporate Action Project); Standard Terms for Loan Assignments; and Standard Terms for Loan Participations. The next Open Meeting is scheduled for October 18.

EMTA Staff Update

As of August 29, Brian Morrisroe joined EMTA as an Analyst. Brian was previously a trading assistant at Bankers Trust, working in Emerging Markets Trading. For the next several months, he will be working primarily on projects involving loan trading.

As of August 29, EMTA welcomes John Emanuel Kasselakis as a full-time extern. John is currently completing his third year at the University of Pennsylvania's Law School. Previously, John worked with Bruce Wolfson in Bear Stearns' Legal Dept.

Membership Update/EMTA Membership Handbook

New Members joining EMTA during the 3rd quarter include **ABN-AMRO Bank N.V., E.D.& F. Man Global Markets, Inc., Refco Emerging Markets, Cedel Bank, Lopez Leon Brokers S.A. and International Asset Transactions, L.P.** If you know of any other prospective Members, please contact Mary Ellen Martinelli at (212) 293-5028.

An important membership benefit is EMTA's Membership Handbook. This Handbook includes all important EMTA documentation and Market Practices, as well as EMTA's Charter and By-Laws, Membership and Director lists, Bulletins and Press Releases, and will be updated periodically. The Membership Handbook was initially distributed to each EMTA Member institution in late June 1995. Additional copies are available at a cost of \$100. For more information about EMTA Membership and its benefits, please contact Mary Ellen Martinelli (EMTA) at (212) 293-5028.

EMTA Directory

In association with *Emerging Markets Investor*, EMTA has published a Directory of "who's who" in the Emerging Markets. The EMTA Directory has been sent to each Member institution as part of the Membership Handbook. Additional copies are available for \$30 per Directory. For more information, please contact Mary Ellen Martinelli (EMTA) at (212) 293-5028.

Conference News

Michael Chamberlin will be speaking on international settlement issues at the Securities Industry Association's 1995 Operations Update Conference on November 20, 1995 in New York City. For information about this and future conferences, please contact Jonathan Murno (EMTA) at (212) 293-5022.

EMTA News on Reuters

EMTA offers its Members up-to-the-minute news electronically on Reuters. By entering "EMTA" on the Reuters screen, subscribers may now access EMTA information on upcoming meetings, conferences and noteworthy developments such as new market practices and status of the Warrant Project.

EMTA is Your Association

EMTA needs your input to efficiently employ our resources and fulfill our role in the market. Please contact Cristina von Barga, EMTA's Director of Public Affairs, at (212) 293-5013 or Hillary Ellner, EMTA's Communications Coordinator, at (212) 293-5015, if there is any additional information you would like published in this Bulletin, or if you have a recommendation for an EMTA project.

Hotlines for Members

The number of inquiries from EMTA Members continues at a high level. To enable us to respond as rapidly as possible, EMTA offers the following hotline numbers.

<u>Topic</u>	<u>EMTA Contact Person</u>	<u>Telephone</u>
Code of Conduct	Michael M. Chamberlin	(212) 293-5000
Interest Day of Reckoning	Brian Morrisroe	(212) 293-5025
Volume Survey	Jonathan Murno	(212) 293-5022
Match-EM	Don Goecks/Sophie Pompea	(212) 293-5010/5012
Multilateral Netting	Don Goecks	(212) 293-5001
European Working Group	Don Pearce (Samuel Montagu)	44/171/260-0667
Exotics/Loan Trading	Brian Morrisroe	(212) 293-5025
Russia/Eastern Europe	Sophie Pompea	(212) 293-5012
Technology	Sophie Pompea	(212) 293-5012
Global Equities Regulation	Bruce Wolfson (Bear Stearns)	(212) 272-2571
Other Equities Issues	Kate Campana	(212) 293-5003
Foreign Exchange	Michael M. Chamberlin	(212) 293-5000
Human Resources	Hillary E. Ellner	(212) 293-5015
Month-End Pricing Survey	Jonathan Murno	(212) 293-5022
Options/Derivatives	Michael M. Chamberlin	(212) 293-5000
Broker-Dealer Compliance	Fred Krieger (Salomon)	(212) 783-7453
Legal Issues	Kate Campana	(212) 293-5003
Accounting/Finance	Don Goecks	(212) 293-5010
EMTA Meeting Schedule	Cristina von Barga	(212) 293-5013
Emerging Markets Conferences	Jonathan Murno	(212) 293-5022
EMTA Membership	Mary Ellen Martinelli	(212) 293-5028

For general inquiries, please call Kate Campana or Cristina von Barga at (212) 293-5000.

EMTA 4th Quarter Calendar

- October 17** Technology Working Group. Luncheon meeting (Match-EM participants) at General Electric, 570 Lexington Avenue, New York City at 12:30 p.m. Contact Sophie Pompea (EMTA) at (212) 293-5012.
- October 18** Open Meeting. For all Members at Salomon Brothers, Downtown Conference Center, 7 World Trade Center, 45th Floor, New York City at 5:00 p.m. Contact Hillary Ellner (EMTA) at (212) 293-5015.
- November 1** Lawyers Group/Broker-Dealer Compliance Working Group. Breakfast meeting (Place to be determined). Contacts: Evelyn Ramirez (EMTA) at (212) 293-5017, David Skoblow (Chemical) at (212) 270-2177 or Fred Krieger (Salomon) at (212) 783-7453.
- November 8** Risk Management Working Group. Luncheon meeting at J.P. Morgan, 60 Wall Street, New York City at 12:30 p.m. Contact Donna Reino (J.P. Morgan) at (212) 648-0559.
- November 15** EMTA Board Meeting in New York City.
- November 21** Technology Working Group. Luncheon meeting (Match-EM participants) at General Electric, 570 Lexington Avenue, New York City at 12:30 p.m. Contact Sophie Pompea (EMTA) at (212) 293-5012.
- November 22** Recommended 2:00 p.m. (NYC time) Market Close for Thanksgiving Holiday.
- November 23** Recommended Market Close for Thanksgiving Holiday.
- November 24** Recommended 2:00 p.m. (NYC time) Market Close for Thanksgiving Holiday.
- December 6** Lawyers Group/Broker-Dealer Compliance Working Group. Breakfast meeting at Shearman & Sterling, 599 Lexington Avenue, New York City, Conference Center at 8:00 a.m. Contacts: Evelyn Ramirez (EMTA) at (212) 293-5017, David Skoblow (Chemical) at (212) 270-2177 or Fred Krieger (Salomon) at (212) 783-7453.
- December 12** EMTA Annual Meeting. Salomon Brothers Downtown Conference Center, 7 World Trade Center, New York City at 5:00 p.m.
- December 13** Risk Management Working Group. Luncheon meeting at J.P. Morgan, 60 Wall Street, New York City at 12:30 p.m. Contact Donna Reino (J.P. Morgan) at (212) 648-0559.
- December 19** Technology Working Group. Luncheon meeting (Match-EM participants) at General Electric, 570 Lexington Avenue, New York City at 12:30 p.m. Contact Sophie Pompea (EMTA) at (212) 293-5012.
- December 22** Recommended 2:00 p.m. (NYC time) Market Close for Christmas Holiday.
- December 25** Recommended Market Close for Christmas Holiday.