

3rd Quarter 1995

Volume 1995: No.3

Price levels for most assets in our marketplace recovered substantially during the second quarter, as investors regained confidence in the efforts of Emerging Markets countries to pursue sound economic policies. In the latest round of progress in implementing the Brady plan, Panama and its BAC announced agreement in principle on a Brady restructuring on May 5.

EMTA's Match-EM System, which permits instantaneous confirmation and matching of bond and loan trades, went on-line on May 1, and EMTA announced the results of its 1994 Volume Survey on May 15. T + 3 settlement for Brady Bonds began on June 1.

June 22 EMTA Board Meeting

EMTA's Board of Directors held its third regular meeting for 1995 at the offices of Chemical Bank in London on June 22, 1995, with a videolink to New York. In addition to reviewing EMTA's finances and discussing ongoing projects and the future direction of the marketplace, the Board elected Felix Robyns (CS First Boston) as a new Director. In addition, the Board accepted the resignation of Co-Chair Alexis O. Rodzianko (Chemical) and elected Daniel Canel (Chemical) as his replacement. Alexis Rodzianko was one of EMTA's original Directors and served as Chair in 1994 and Co-Chair in 1995. His many contributions to EMTA's activities have played a large part in the development of the Emerging Markets trading industry. To continue EMTA's practice of having Co-Chairs resident in New York City and London, Nicolas S. Rohatyn (J.P. Morgan) will serve as New York Co-Chair for the remainder of 1995.

Among other matters:

1. Clear-EM Study. The Board gave its approval in principle to the recommendations of an EMTA Group that has been studying the need for, and feasibility of, a clearing corporation to clear and net trades of Brady Bonds, sovereign loans and other Emerging Markets debt instruments. The Study Group (which has been led by Donna Reino (J.P. Morgan) and Michelle Ehrich (Indosuez Capital)) recommended that, although a number of issues required further study, such a clearing corporation would substantially reduce counterparty and operational risk. The Study Group was instructed to explore alternatives with operators of existing clearing corporations, develop a more specific proposal and report back to the Board at its September meeting.

2. EMTA Equities and FX Activities. The Board reviewed proposals for a number of projects in the areas of Emerging Markets equities and foreign exchange. In particular, the Board authorized EMTA to work with local stock exchanges and depository and custodian institutions to promote better disclosure to the marketplace of such corporate actions as dividend declarations, mergers and stock splits. In addition, EMTA will continue to work with the Russian SEC, Moscow Brokers Association, Interbank Credit Union and others on a variety of issues (including clearance and settlement) to promote the development of the Russian equities market. Finally, the Board authorized EMTA to form a Working Group to focus on issues relating to Emerging Markets foreign exchange trading.

The next EMTA Board Meeting is scheduled for September 27 in New York City.

1994 Volume Survey Shows Trading Volume of U.S. \$2.76 Trillion

EMTA's third annual trading Volume Survey was completed and distributed to Members on May 15, 1995. The 1994 Survey reports Emerging Market debt trading volume of U.S.\$2.76 trillion, a 40% increase from 1993's volume of just under U.S.\$2 trillion. Brady Bonds represented 61% of overall market volume, up from about 52% in 1993. The Survey also shows strong trading interest in the "emerging" Emerging Markets, with several countries reporting triple-digit percentage increases in 1994 trading volumes, such as post-Brady Bulgaria, up 258%; Russia, up 189%, and India, up 172%. Also reported was a 148% increase in options transactions, from U.S.\$57 billion in 1993 to U.S.\$142 billion in 1994.

With Price Waterhouse's assistance, EMTA collected data from more than 80 major financial institutions worldwide, reflecting trading in instruments originating in 38 countries. Trading volumes were measured in six major categories: loans; Brady Bonds; non-Brady bonds (sovereign and corporate); local instruments (local currency and U.S. dollars); debt options and warrants, and short-term instruments (local currency and U.S. dollars).

For more information regarding the 1994 Volume Survey, please contact Jonathan Murno at (212) 293-5022.

Match-EM Goes Live

EMTA's Match-EM System, which permits the almost instantaneous electronic confirmation and matching of Brady Bond and sovereign loan trades, was formally brought on-line on May 1, 1995. Match-EM, which is operated for EMTA by GE Information Services, processed a total of 22,095 trade inputs from 11 participants during May and recorded a successful matching rate of 91%.

On June 12, the System began accepting trades directly from three brokers (Tullet & Tokyo, RMJ and EuroBrokers). Matched trades for these brokers are now being submitted to Daiwa Securities for acceptance through the System, and several other brokers are expected to begin entering trades during July.

Match-EM brings new levels of efficiency and risk reduction to Emerging Markets debt trading. **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 already netted and settled 600 trades of Russian loans, aggregating approximately U.S.\$1.4 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.

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 at EMTA (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

EMTA's Standard Terms for Loan Assignments and related Market Practice Guide were amended on May 22 to incorporate several changes addressing T + 21 settlement. With these amendments, the Standard Terms now provide for the Buyer to pay interest on the amount of the Consideration from the later of the Settlement Date (defined as the 21st day after Trade Date) and the date on which the Seller tenders delivery of an acceptable Asset (in accordance with Market Practice). In addition, on June 26, 1995, EMTA proposed the addition to the Standard Terms, effective August 1, of a requirement that Seller pay Buyer a fee equal to 20% per annum on the face amount of the Asset from the Settlement Date (T + 21) until the date on which Seller tenders delivery of an acceptable Asset (in accordance with Market Practice). Finally, in an effort to ensure timely settlement, it is expected that the Standard Terms will eventually include Buy-In/Sell-Out remedies and reduce settlement time to 10 business days.

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 Jonathan Ladd (EMTA) at (212) 293-5009.

Standard Terms for Participation of Loan Assets

EMTA's Documentation Group for Loan Trading is also preparing Standard Terms for Participations in Loan Assets and a related Market Practice Guide. The Working Group is currently discussing proposed drafts with 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 August 1995. For further information, please contact Jonathan Ladd at EMTA (212) 293-5009.

Interest Day of Reckoning -- Argentina

On May 23, EMTA sent a communication to all EMTA Members announcing 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 would 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 October 1995). This netting approach 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 is currently analyzing the data submitted and assessing the Facility’s feasibility. Despite this Facility, EMTA continues to urge all market participants to endeavor to settle such claims promptly, whether bilaterally or through other netting arrangements.

For more information about this project, please contact Jonathan Ladd at EMTA (212) 293-5009.

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 June 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.

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 have become mis-allocated within the Euroclear and Cedel systems. In an effort to address this problem, EMTA, in conjunction with Euroclear and Cedel, is finalizing a proposed Warrant Project, which will (i) re-allocate among bondholders related Mexico Value Recovery Rights, Venezuela Oil-Indexed Payment Obligations and Nigeria Warrants and (ii) create a “bond cum warrant” instrument (with a single ISIN code) to help avoid matching and settlement problems in the future.

For additional information, please contact Jonathan Ladd (EMTA) at (212) 293-5009.

Proposed Improvements for Brady Bond Issues

EMTA has proposed several changes relating to the structuring of Brady Bond transactions which, if adopted by debtor countries and their bank advisory committees, would substantially benefit Brady Bond investors. These proposals are designed to reduce or limit restrictions that now unduly fragment the trading market and reduce liquidity and instrument prices in the secondary market. For further information regarding these proposals, please contact Michael Chamberlin at EMTA (212) 293-5000 or Bart Breinin (Chase) at (212) 552-6884.

Agent Bank Procedures

An EMTA Group consisting of representatives from J.P. Morgan, Chemical Bank and Chase Manhattan Bank, with the assistance of Price Waterhouse, has been working with agent banks to evaluate current market practices regarding assignment processing and interest reconciliation procedures for Emerging Market loan assets. As a result of these meetings, a Best Practices Guide for use by market participants and agent banks is expected to be distributed to the marketplace sometime during the third quarter. For further information, please contact Bob Salvador (Chemical) at (212) 270-2856.

T + 3 Settlement for Brady Bonds

In accordance with the international and U.S. domestic securities markets, the settlement period for Brady Bonds was reduced to T + 3, effective for trades occurring on and after June 1, 1995. Although Euroclear reported some settlement difficulties for trades entered into on June 1, the Brady Bond marketplace has generally not experienced significant problems during its transition to T + 3 settlement. EMTA's Match-EM system (described above), which permits nearly instantaneous trade matching, has been specifically designed to help facilitate this reduction of settlement time. EMTA expects that T + 3 settlement will only be a temporary stop on a relatively quick transition to T + 1 settlement for many trades, and traders and investors interested in preparing for further reductions in settlement periods are urged to subscribe to the Match-EM System.

Working Group Reports

Russia/Eastern Europe

Russia:

This Working Group met on June 22 to review, among other things, the status of agency arrangements for Russian bilateral loans, a proposal by Vnesheconombank to charge assignment fees and certain proposed Market Practices for trading Slovenian loans. For further information, please contact Sophie Pompea at (212) 293-5012.

Exotics/Loan Trading Working Group

Ecuador:

On April 14, EMTA distributed recommended forms for confirming trades of Ecuador PDI Bonds. Market Practices for When-Issued and When-Released Trades in Ecuador PDI Bonds were also distributed on March 29 and June 23. The Market Practices recommended first, that all market participants settle their when-released and when-issued trades on at least a 50% basis on April 7, and second, that all remaining trades of PDI Bonds on a when-issued and when-released basis be settled as soon as reasonably practicable thereafter. In addition, a March 30 memorandum was distributed that clarified certain procedures relating to the reconciliation of stripped interest claims. For further information regarding these issues, please contact Sophie Pompea at (212) 293-5012.

Miscellany

EMTA 1994 Annual Report

EMTA's 1994 Annual Report was distributed to Members in late June. The Annual Report contains EMTA's 1994 financial statements, 1994 accomplishments and 1995 goals, and includes market commentary by EMTA's 1994 and 1995 chairs, Alexis Rodzianko (Chemical) and Peter Geraghty (ING/Baring). All Members are encouraged to review the Annual Report and to give it appropriate distribution internally and to customers. If you would like to receive one or more copies, or have any other questions about it, please contact Cristina von Barga (EMTA), who coordinated its production, at (212) 293-5013.

Open Meeting Update

Open Meetings for EMTA Members were held on April 17 and May 24 in New York City. Topics discussed included Peru/Panama Market Practices; Ecuador PDI; Warrant Reconciliation; T + 3; Argentina -- Interest Day of Reckoning; Volume Survey; Match-EM; Standard Terms for Loan Assignments; Standard Terms for Loan Participations; and Agent Bank Procedures.

Open House Reception

Following the May 24 Open Meeting, EMTA hosted an Open House Reception to celebrate its recent move to new headquarters at 63 Wall Street. Over 200 people attended the reception inaugurating EMTA's new office space, and celebrated the return to warm weather (as well as healthier market conditions). In addition, representatives of Accion International, the Smithsonian Institution and the Puerto Rican Traveling Theatre attended the Open House and discussed goals of their respective organizations with EMTA Members.

EMTA Staff Update

As of June 7, EMTA welcomes Kofi Bentsi-Enchill as a Summer Intern. Kofi is currently studying for his bachelor's degree in Economics and English at Bowdoin College (Brunswick, ME). He will be working with Kate Campana and Jonathan Murno on various projects in the equity area and is also assisting with research related to EMTA's upcoming Asia Roadshow.

Membership Update/EMTA Membership Handbook

EMTA continued to enlist new Members during the first quarter, including RMJ Securities and Millburn Corporation. If you know of any other prospective Members, please contact Mary Ellen Martinelli at (212) 293-5028.

As previously reported, a new membership and dues structure was approved for 1995 at EMTA's January Board Meeting. Invoices for 1995 dues have been sent out, and, if you have not already done so, please send in your dues payment as soon as possible.

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 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.

Asia Roadshow

EMTA representatives will be participating in a series of seminars and briefings this Fall in Tokyo, Hong Kong and Singapore. The presentations will be designed to promote a greater awareness of investment opportunities in the Emerging Markets and to describe EMTA's various activities to bring greater efficiency and transparency to the marketplace. Further details regarding these presentations will be made available at a later date. For more information, please contact Cristina von Barga (EMTA) at (212) 293-5013.

Conference News

During the second quarter, EMTA's Executive Director, Michael Chamberlin participated in a panel discussion on globalization at the 1995 SIA Operations Conference on May 10. Michael also spoke on "The Outlook for Emerging Markets Trading" at the Spring Membership Meeting of the Institute for International Finance on April 26; "Emerging Markets Trading: The Outlook for Brazil" at the Brazilian-American Chamber of Commerce seminar meeting on June 7 and moderated a panel on the Emerging Markets at the Frank Fabrozzi Fixed-Income Conference in New York City on June 13. For information about these 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. Also, in order to help improve our communications to Members, please complete the Questionnaire accompanying this Bulletin, and return it, by fax or mail, by August 4, 1995.

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
Volume Survey	Jonathan Murno	(212) 293-5022
Match-EM	Don Goecks/Sophie Pompea	(212) 293-5010/5012
European Working Group	Don Pearce (Samuel Montagu)	441/71/260-0667
Exotics/Loan Trading	Jonathan Ladd	(212) 293-5009
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
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 3rd Quarter Calendar

- July 18** Technology Working Group. Luncheon meeting (for 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.
- July 19** Open Meeting. For all Members at J.P. Morgan, 60 Wall Street, 29th Floor, New York City at 5:00 p.m. Contact Hillary Ellner (EMTA) at (212) 293-5015.
- July 20** 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.
- July 26** 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.
- August 15** Technology Working Group. Luncheon meeting (for 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.
- August 30** 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.
- September 6** Open Meeting. For all Members at J.P. Morgan, 60 Wall Street, 29th Floor, New York City at 5:00 p.m. Contact Hillary Ellner (EMTA) at (212) 293-5015.
- September 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.
- September 27** EMTA Board Meeting.
- September 27** 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.
- October 8** EMTA IMF/IBRD Reception, Union Station, Washington D.C. at 6:30 p.m.
- November 15** EMTA Board Meeting.
- December 12** Annual Meeting. Salomon Brothers Downtown Conference Center, 7 World Trade Center, New York City at 5:00 p.m.