

**1st Quarter 1995**

Volume 1995: No.1

Following a difficult year that began with rising interest rates and ended with changed perceptions regarding Mexico's economic situation, EMTA looks forward to the challenges of helping to make our industry more efficient and transparent in 1995.

The fourth quarter saw continued progress on several important EMTA initiatives, including the successful development of a Multilateral Netting Facility and Standard Terms for Assignments of Loan Assets. Early in 1995, EMTA will be unveiling its Match-EM System for the automated confirmation and matching of both Brady Bonds and Loan Assets. Newly-elected Directors, as well as several new EMTA projects, also signal great EMTA responsiveness to the needs of investors and participants in the equity markets.

**EMTA 1994 Annual Meeting/New Directors**

On December 13, 1994, EMTA held its Annual Meeting at the offices of Chemical Bank in New York City, which was attended by over 200 guests. The keynote speaker was Alexander N. Shokhin, former Russian Deputy Prime Minister and Minister of the Economy, who described Russia's current economic and financial situation, noting that:

“There are now many new opportunities for Emerging Markets traders. ...We in Russia are very interested in working together with EMTA to demonstrate the real role of Russian financial markets and Russian debt and financial instruments in the world marketplace.”

In his review of the market and EMTA's recent activities, 1994 EMTA Chair Alexis Rodzianko of Chemical Bank remarked:

“The year's difficult market conditions have underscored the critical role EMTA must play in furthering the development of our marketplace. For 1995, EMTA is well-positioned to face the challenge of becoming the market's operating partner for settling and clearing trades.”

Finally, in his closing remarks, EMTA Executive Director Michael Chamberlin described EMTA's 1995 agenda, noting:

“EMTA's aggressive approach toward promoting efficiency and transparency in our marketplace will continue...[along with an] expansion of our activities, beyond sovereign debt trading, to include much greater emphasis on the equity markets and on other issues of direct importance to the investor community.”

At the Annual Meeting, EMTA Primary Members elected the following new Directors:

Wayne D. Lyski (Alliance Capital)  
Richard E. Greer (Baring Securities)  
Alexis F. Habib (Banque Indosuez)

The election of these new Directors signals EMTA's increased commitment to meeting the needs of investors as well as the greater geographic diversity of today's marketplace for Emerging Markets instruments.

The three new Directors join the following individuals on EMTA's 1995 Board of Directors:

Joseph W. Boyle (Chase Manhattan Bank)  
Mark Coombs (ANZ Grindlays)  
Abelardo S. Curdumi (First Chicago)  
Peter R. Geraghty (ING Securities)  
Frederic Z. Haller (Morgan Grenfell)  
Paul A. Masco (Salomon Brothers)  
Daniel M. McEvoy (Goldman Sachs)  
Alexandra P. McLeod (Bank of America, Illinois)  
Jose Pedreira (Merrill Lynch)\*  
Vicente S. Perez (Lazard Freres)  
Alexis O. Rodzianko (Chemical Bank)  
Nicolas S. Rohatyn (J.P. Morgan)  
Angel Santamarina (Banco Santander)  
Hugo P. Verdegaal (Citibank)  
Bruce Wolfson (Bear Stearns)

\*Replacing Manuel Mejia-Aoun, who resigned from EMTA's Board on January 18, 1995.

In addition to the Annual Meeting and Board elections, EMTA conducted a series of short seminars on its new automated post-trade confirmation and matching system (Match-EM), Standard Terms for Assignments of Loan Assets and Master Agreement for Options. Seminar information packets are available to Members along with copies of the Annual Meeting remarks. If you would like to receive this information, please contact Cristina von Barga at (212) 235-2709.

### **EMTA's 1995 Officers**

At its first 1995 meeting, EMTA's Board of Directors elected Alexis O. Rodzianko (Chemical Bank) and Peter R. Geraghty (ING) to serve as Co-Chairs and re-elected Frederic Z. Haller (Morgan Grenfell) and Nicolas S. Rohatyn (J.P. Morgan) to serve as Vice Chairmen for 1995. The Board welcomed Paul A. Masco (Salomon Brothers) as a new Vice Chair and expressed its great appreciation to Manuel Mejia-Aoun (Merrill Lynch) for his many contributions to EMTA's activities during his tenure as an EMTA Vice Chair.

## January 18 EMTA Board Meeting in New York/New EMTA Membership Structure

EMTA's Board of Directors held its first regular meeting for 1995 on January 18 at Chemical Bank in New York. After electing 1995 officers and reviewing EMTA's finances and on-going projects, the Board approved a new EMTA membership and dues structure for 1995. Under the new structure, EMTA's membership will be divided into three new membership categories (instead of the two current categories):

<u>Category</u>	<u>Annual Dues</u>	<u>Privileges</u>
<b>Full Members:</b> Institutions that, directly or through affiliates, trade Emerging Markets instruments.	\$15,000	- Full Voting Rights - Eligible for Board - Receive all EMTA information - May chair and participate in Working Groups - Invitations to all EMTA Events - Participation in Match-EM
<b>Associate Members:</b> Other institutions which trade Emerging Markets instruments.	\$ 7,500	- 1/2 Voting Rights - Receive all EMTA information - May participate in Working Groups * - Invitations to all EMTA Events
<b>Affiliate Members:</b> Institutions that do not directly trade Emerging Market instruments, but have a strong interest in the Emerging Markets trading industry, such as advisors, vendors, law firms, etc.	\$ 3,000	- Receive all EMTA information - May participate in Working Groups * - Invitations to all EMTA Events

\* Requires special permission.

As a condition of membership, all Members are expected to participate in EMTA's Annual Survey of Trading Volumes and to comply with EMTA's Code of Conduct. If you have any questions regarding this new membership structure or wish to upgrade your membership, please call EMTA's Membership Coordinator, Mary Ellen Martinelli, at (212) 235-1521.

In addition, the Board reaffirmed several of its actions taken at its November 1994 meeting, as described below, and preliminarily recommended the adoption of T+3 settlement for Brady Bonds, effective June 1, 1995, in accordance with the international and domestic U.S. securities markets.

The next EMTA Board Meeting is scheduled for March 28 in New York.

## November 9 EMTA Board Meeting in New York

EMTA's Board of Directors' fifth and last regular meeting for 1994 was held on November 9 at J.P. Morgan in New York. After finalizing the slate of nominations for Directors, the Board reviewed and approved the Match-EM, Multilateral Netting and Interest Day of Reckoning projects.

In addition, the Board confirmed its prior recommendation to the marketplace that all Brady Bonds should be traded (orally and when confirmed) on a "Series specific" basis.

## **Match-EM Going On-line**

EMTA's Match-EM System, developed in conjunction with General Electric Information Services, is scheduled to become fully operational during the first quarter of 1995. The System will enable participants to confirm and match their trades of Emerging Markets debt instruments (including both Brady Bonds and sovereign loans) on a nearly automatic and immediate basis and at nominal cost. The Match-EM System, which was developed and extensively tested during its 1994 pilot phase, will better enable market participants to manage their inventories and to comply with the shortened settlement periods that are contemplated for both Brady Bond and loan asset trades. In the future, Match-EM will also enable EMTA to collect and disseminate market-wide trading volume and price data on a nearly real-time basis. The Match-EM System was developed by a working group consisting of Alex Rodzianko and Lou Bonavita (Chemical Bank), Vito Sabatelli (Swiss Bank Corp.), Betsy Freedman and Robyn Spillane (Chase Manhattan), John Schipano (Daiwa Securities), Vivianne Hernandez (ING), Mary Hurd (J.P. Morgan) and Joe Brennan (J.P. Morgan, formerly of Merrill Lynch), Anthony Cetta (Merrill Lynch) and Izzy Franco, Al Abrams, John Welch and Hans Kernast (GE Information Services), whose institutions have participated in the extensive pilot program using the System.

To enroll in Match-EM, please contact either Sophie Pompea or Don Goecks at EMTA (212) 235-1997 or Lou Bonavita at Chemical Bank (212) 270-1049.

## **Standard Terms for Assignments of Loan Assets**

As previously announced, EMTA has substantially completed the development of its Standard Terms for Assignments of Loan Assets. With the Standard Terms, market participants will be able to confirm and document the assignment of Emerging Markets loan assets by sending a standard form confirmation to their counterparties. The confirmation incorporates by reference the Standard Terms, and, together with a closing certificate that records the settlement of the assignment, constitutes the entire documentation for such assignments.

Use of the Standard Terms, which contains standard unwind and other provisions (and permits some alternative selections), will enable market participants to substantially reduce the paperwork and time necessary to complete the preparation of loan assignment documentation, thereby making individual assignment agreements unnecessary.

The Standard Terms were developed by a Working Group consisting of Kathleen Wells, Mary Cascio and Ovidio E. Diaz-Espino (J.P. Morgan), Ellie Winberg, Aviva Werner and Frances Stoffo (Chase Manhattan), Gary Dolan (Merrill Lynch), David Skoblow and Robert Salvador (Chemical), Andrew Alter (Salomon Brothers), Mandy Sleigh (Bank of America Illinois), Jacqui Brett and Rehana Rajah (Morgan Grenfell), Alex Sheers (Bear Stearns) and Karen Becker (Santander Merchant Bank), whose institutions are now using the Standard Terms for assignments between them. By mid-February, it is expected that the Standard Terms will be supplemented to include a standard provision ("Buy-In/Sell-Out" clause) regarding a party's rights in the event that the assignment fails to settle as scheduled.

For further information regarding the Standard Terms, please contact Kate Campana at EMTA (212) 235-1768 or any of the above Working Group participants.

## Multilateral Netting Facility

For the past several months, a growing number of market participants have been using EMTA's Multilateral Netting Facility to net and settle their assignments of loan assets, especially assignments of Russian Vnesh Loans. To date, a total of 942 trades of loan assets aggregating U.S.\$2.2 billion in face amount have been netted and settled under the Facility.

At its January meeting, EMTA's Board approved the operation of the Facility on a regular basis, subject to a continuing review of its need based on market wide trading volumes. Accordingly, EMTA has announced the following schedule of future nettings:

<u>Asset</u>	<u>Settlement Date</u>	<u>Trade Cut-off Date</u>
US Dollar-Vnesh	2/10/95	1/20/95
Deutsche Mark-Vnesh	2/10/95	1/20/95
Swiss Franc-Vnesh	2/10/95	1/20/95

Under this Facility, participants will use EMTA's Standard Terms and settle their loan trades on a T+21 day basis (i.e., settlement will occur approximately 21 calendar days after the trade cut-off date). In the future, EMTA expects that this settlement period can be shortened to 10 business days. It is expected that the Facility will substantially increase the liquidity of these loan assets and will become the principal method of settling trades of such assets among major market participants.

Use of the Facility is not limited to the current participants. For further information, please contact Kate Campana at EMTA (212) 235-1768 or Kathleen Wells (J.P. Morgan) at (212) 648-4428 or Bob Salvador (Chemical Bank) at (212) 270-2856.

## 1994 Closing Prices for Emerging Markets Debt Instruments

On January 10, 1995, EMTA distributed 1994 closing prices for Emerging Market debt instruments. The closing bid and ask prices were calculated by EMTA based upon quotations received from 13 of the financial institutions represented on EMTA's Board of Directors. As a service to the marketplace and to further our goal of increasing market transparency, EMTA intends to calculate similar closing prices for these instruments monthly.

In addition, EMTA is undertaking a separate project to compile closing prices for a variety of Emerging Markets Eurobonds. For further information regarding these projects, please contact Cristina von Barga at (212) 235-2709.

## 1994 Trading Volume Survey (see NB below)

EMTA has recently distributed the questionnaire for its Survey of 1994 Debt Trading Volumes. The annual Survey, which last year showed 1993 debt trading volumes of nearly U.S. \$2 trillion, is compiled on a confidential basis with the assistance of Price Waterhouse. In order to ensure the timely preparation of this year's Survey, EMTA requests that Members complete their questionnaires and submit their data by February 17, 1995. This, EMTA's third annual Volume Survey, is designed to provide reliable data about the size of our marketplace, and its value and credibility depend on your participation. For further information regarding the Survey, contact Moraima Pares at (212) 235-2901. NB: a special prize will be awarded to the EMTA Member or employee that makes the closest estimate of overall 1994 debt trading volumes before the February 17 deadline.

## **Comments from EMTA's Executive Director**

During 1994, several major EMTA's projects were aimed at promoting greater efficiency in the trading market for sovereign loans. The successful development of a Multilateral Netting Facility and Standard Terms for Assignment of Loan Assets will substantially modernize this portion of our marketplace. Other projects addressed various issues relating to the Brady Bond market.

In 1995, we intend to focus greater attention on improving the transparency of the marketplace. Early in 1995, EMTA will unveil its Match-EM System for the automated confirmation and matching of trades of Brady Bonds and Loan Assets. Match-EM will enable market participants to confirm their trades electronically and match them almost immediately. Using Match-EM in conjunction with the Standard Terms and the Multilateral Netting Facility will allow the marketplace to absorb the continuing high volume of loan trades by making the loan trading market almost as efficient as the Brady Bond market.

The Match-Em System will also enable EMTA to begin to collect and disseminate more accurate trading volume and price information to the marketplace on a nearly real-time basis. This information, which has never previously been available, should vastly improve the transparency of the marketplace.

Since its formation in late 1990, EMTA's goal has been to promote the orderly development of the trading market for Emerging Markets instruments. Despite its volatility in 1994, the marketplace was generally orderly and should become even more efficient and transparent during 1995.

Beyond this, it is too early to make accurate predictions for 1995. Despite the recent decline in investor confidence in the Emerging Markets, we expect continued economic reforms throughout the Emerging Markets and considerable progress to be made in the restructuring of the so-called "exotic" assets. The recent volatility in Emerging Markets instruments cannot be justified by economic fundamentals, but clearly underscores that investors must approach the Emerging Markets with realistic expectations. As the year unfolds, I would remind market participants, and especially investors, that the Emerging Markets are remarkably diverse. Yields available in the Emerging Markets reflect greater diversity and, in many cases, magnitude of risks. A continuing case-by-case analysis of these risks will continue to be a necessary discipline of the successful Emerging Markets investor.

## **Working Group Reports**

### ***Russia/Eastern Europe Working Group***

***Russia:*** Draft Market Practices relating to the proposed escrow for 1992 and 1993 interest were distributed on December 21, 1994. The Market Practices proposed that amounts in the escrow not be considered paid until actually disbursed to creditors. Accordingly, the right to receive payment from such escrowed amounts shall be included in the accrued and unpaid interest that is transferred with assignments of Russian Loans. EMTA expects that future announcements of the terms of the Russian rescheduling will include a Trading Cut-Off Date as per other country reschedulings. EMTA will endeavor to ensure that the marketplace receives adequate prior notice of any such Trading Cut-Off Date.

On November 29, 1994, MinFin market makers formed a new trade association, affiliated with EMTA, to establish settlement procedures and market practices for trading dollar-denominated MinFin bonds. The new Association intends to make real progress towards creating an independent settlement and clearing system for MinFin Bonds by early 1995. Founding Members include: Banque Indosuez, Morgan Grenfell, BCEN-Eurobank, ICIFI-Moscow Partners, New Alliance Corp., Moscow Narodny Bank and Vneshtorgbank. Contacts: Sophie Pompea at (212) 235-1725 and Dean Menegas (Banque Indosuez) at 33/1/ 44-20-1954.

**Poland:** A draft Market Practice for settlement of Poland RSTA interest was distributed on January 4, 1995. The Market Practice referred to the 1994 Financing Proposals dated May 23, 1994 pursuant to which holders of RSTA principal may either receive Interest Bonds or cash for their accrued but unpaid interest. The draft Market Practice proposes that obligations for RSTA interest owed to prior holders should be settled in cash at the buyback price of 38% on the amount of interest payable.

### ***Exotics/Loan Trading Working Group***

**Ecuador:** In its role as agent bank, Lloyds New York has issued a notice to all lenders advising that the anticipated closing date under the Exchange Agreement for Ecuador's 1994 Financing Plan is February 15, 1995 and the reconciliation cut-off date is February 1, 1995. Accordingly, because Ecuador's reconciliation period is in its final stages, Lloyds encourages all holders of eligible principal debt to meet with them to resolve any issues which may prevent the timely completion of the reconciliation process.

EMTA is in the process of preparing recommended trading market practices for Ecuador concerning the issuance of bonds under the 1994 Financing Plan.

**Peru, Panama:** The proposed Market Practices for Peru and Panama debt instruments were revised and distributed on December 22, 1994 for comment. EMTA Members should have responded to these recommended Market Practices by January 23, 1995. Please call Kate Campana at (212) 235-1768 or Moraima Pares at (212) 235-2901 with your comments.

### **Miscellany**

#### ***EMTA Holiday Donation***

You may have noticed that you did not receive a holiday card from EMTA last December. In lieu of spending money on holiday cards, EMTA made a small charitable donation of \$1,000 to Accion Internacional on behalf of its Members. Accion Internacional is a not-for-profit organization that, through various microlending programs, creates income and employment in more than 14 countries in Latin America and the U.S. Through its support of Accion Internacional's grass roots endeavors, EMTA hopes to further contribute to the development of the Emerging Markets.

#### ***EMTA News on Reuters***

EMTA now 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.

#### ***EMTA Open Meetings***

Instead of regularly scheduled "Open" Meetings, EMTA is proposing to hold several seminars during the first quarter of 1995 regarding specific topics such as Match-EM and the Standard Terms for Assignments of Loan Assets. Details about these seminars will be confirmed shortly. If there is sufficient demand, regular "Open" meetings will resume in the second quarter.

#### ***EMTA Staff Changes***

As of January 1, EMTA welcomes Mary Ellen Martinelli as Membership Coordinator. Before joining EMTA in mid-1994, Mary Ellen was employed by U.S. Trust as a Database Administrator. Mary Ellen will now assume principal responsibility for managing EMTA's membership database and attracting new Members.

Also, as of January 1, Jonathan Murno became a full-time employee of EMTA. Recently graduated from Columbia University's School of International and Public Affairs (SIPA), Jonathan joined EMTA as an Analyst in 1994 and will now assume responsibility for various financial and research projects.

Last December, Donald Goecks has joined EMTA full-time as Finance Director, with responsibility for all accounting and financial functions. Before joining EMTA in late 1993 as part-time Controller, Don was first an Audit Manager with Price Waterhouse, then Chief Financial Officer with Petersburg Press, Inc. and Assistant Controller with Russell Reynolds Associates, Inc., before establishing his own C.P.A. practice. In addition to his finance duties, Don has also assumed in-house responsibility for operating EMTA's Multilateral Netting Facility and for coordinating EMTA's responsibilities in connection with Match-EM.

### ***EMTA to Get New Office Space***

EMTA has signed a lease for new office space at 63 Wall Street to accommodate its increased staff and activities. Assuming that office construction goes as expected, EMTA should be moving to its new offices sometime during the second quarter of 1995.

### ***Membership Update***

Following EMTA's efforts to increase membership in 1994, the Association now has 157 Member institutions with an even greater number of prospective Members being attracted from around the world. New Members joining EMTA in the fourth quarter included: Diffusion Finance, Luxembourg; AIG Financial; Cleary Gottlieb Steen & Hamilton; Ceres Capital Management and Arthur Andersen & Co. EMTA continues to open its doors to new Members. If you know of any prospective Members, please contact Mary Ellen Martinelli at (212) 235-1521.

### ***EMTA is Your Association***

EMTA continues to need your input to efficiently employ our resources and fulfill our role in the market. Please contact Michael Chamberlin, EMTA's Executive Director, or Cristina von Barga, EMTA's Communications Manager, at (212) 235-1997, 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:

<b><u>Topic</u></b>	<b><u>EMTA Contact Person</u></b>	<b><u>Telephone</u></b>
Code of Conduct	Michael M. Chamberlin	(212) 235-1997
Volume Survey	Moraima Pares	(212) 235-2901
Match-EM	Don Goecks/Sophie Pompea	(212) 235-0640/1725
European Committee	Don Pearce (Samuel Montagu)	44/71/260-0667
Exotics/Loan Trading	Moraima Pares	(212) 235-2901
Russia/Eastern Europe	Sophie Pompea	(212) 235-1725
Technology	Sophie Pompea	(212) 235-1725
Global Equities Regulation	Bruce Wolfson (Bear Stearns)	(212) 272-2571
Other Equities Issues	Kate Campana	(212) 235-1768
Options/Derivatives	Michael M. Chamberlin	(212) 235-1997
Broker-Dealer Compliance	Fred Krieger (Salomon)	(212) 783-7453
Legal Issues	Kate Campana	(212) 235-1768
Accounting/Finance	Don Goecks	(212) 235-0640
EMTA Meeting Schedule	Cristina von Barga	(212) 235-2709
Emerging Markets Conferences	Jonathan Murno	(212) 235-0174
EMTA Membership	Mary Ellen Martinelli	(212) 235-1521

For general inquiries, please call Kate Campana or Cristina von Barga at (212) 235-1997.



## EMTA 1st Quarter Calendar

- January 18**            EMTA Board Meeting. Meeting at Chemical Bank, 270 Park Avenue, 7th Floor, Conference Room A, New York City at 1:30 p.m.
- January 24**            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 at (212) 235-1725.
- January 25**            European Committee. Luncheon meeting at Samuel Montagu in London at 12:15 p.m. Contact: Don Pearce (Samuel Montagu) at 44/71/260-0667.
- January 25**            Lawyers Working 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: Moraima Pares at (212) 235-2901, David Skoblow (Chemical) at (212) 270-2177 or Fred Krieger (Salomon) at (212) 783-7453..
- February 17**           European Committee. Luncheon meeting at Samuel Montagu in London at 12:15 p.m. Contact: Don Pearce (Samuel Montagu) at 44/71/260-0667.
- February 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 at (212) 235-1725.
- February 22**           Broker-Dealer Compliance Working Group. Luncheon meeting at India House, One Hanover Square, New York City at 12:15 p.m. Contacts: Sophie Pompea at (212) 235-1725 or Fred Krieger (Salomon) at (212) 783-7453.
- February 22**           Lawyers Working Group. Breakfast meeting at Shearman & Sterling, 599 Lexington Avenue, New York City, Conference Center at 8:00 a.m. Contacts: Moraima Pares at (212) 235-2901 or David Skoblow (Chemical) at (212) 270-2177.
- March 15**            European Committee. Luncheon meeting at Samuel Montagu in London at 12:15 p.m. Contact: Don Pearce (Samuel Montagu) at 44/71/260-0667.
- March 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 at (212) 235-1725.
- March 27-28**           Emerging Markets Derivatives Conference presented by Risk Magazine at the Langham Hilton in London. The conference will be chaired by EMTA Co-Chair Peter Geraghty (ING).
- March 28**            EMTA Board Meeting.
- March 30**            Broker-Dealer Compliance Working Group. Luncheon meeting at India House, One Hanover Square, New York City at 12:15 p.m. Contacts: Sophie Pompea at (212) 235-1725 or Fred Krieger (Salomon) at (212) 783-7453.
- March 30**            Lawyers Working Group. Breakfast meeting at Shearman & Sterling, 599 Lexington Avenue, New York City, Conference Center at 8:00 a.m. Contacts: Moraima Pares at (212) 235-2901 or David Skoblow (Chemical) at (212) 270-2177.