

Emerging

Markets

Traders

Association

Bulletin

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Following a challenging 1st Quarter of 1994, EMTA has expanded the range of its activities substantially and is actively involved in a number of key projects that will benefit our industry in the remainder of 1994 and in years to come. Your input remains a critical part of EMTA's effort to efficiently employ our resources and fulfill our role in the market. Please contact Michael Chamberlin, EMTA's Executive Director, at (212) 235-1997, or Lisa Corinne Abrams, EMTA's Director of Sales and Marketing, at (212) 235-0423, if there is any additional information you would like published in the Bulletin, or if you have a recommendation for an EMTA project.

March 10 Board Meeting/Working Groups Formed

EMTA's Board of Directors held its second regular meeting for 1994 at the offices of Chemical Bank in New York City on March 10, 1994. In addition to reviewing EMTA's finances and discussing a number of ongoing projects (see Activities Report below), the Board formally approved the following Committees and Working Groups for 1994:

Market Practices Committee
Options/Derivatives Working Group
Technology Working Group
Exotics/Loan Trading Working Group
Russia/Eastern Europe Working Group
Equities Working Group
Securities Compliance Working Group

Chair
Manuel Mejia (Merrill Lynch)
Peter Geraghty (ING)
Nicolas Rohatyn (J.P. Morgan)
Marc Helie (Merrill Lynch)
Alexis Rodzianko (Chemical)
Bruce Wolfson (Bear Stearns)
Frederick Krieger (Salomon Brothers)

The formation of additional Working Groups to cover Local Markets and Africa/Southern Asia was discussed but action was deferred.

The Board also encouraged the periodic Open Meetings in New York and London, as well as the monthly meetings of the London Documentation Group and the New York Lawyers Group. Bruce Wolfson and Michael Chamberlin explained that, while standardized documentation remained a high priority, a separate

Loan Trading Backlog

One of the major challenges facing our industry is how to efficiently process the continuing high volume of loan trading, which has now led to a large backlog of unsettled assignments. Many of these trades date from 1993. The Exotics/Loan Trading Working Group has recently recommended that, in view of the size of the current backlog, EMTA should consider implementing a multilateral netting facility to reduce the number of outstanding unsettled loan trades. While complex, such a facility may be necessary if other steps fail to address the current situation adequately.

Simply put, loans were never designed to be as liquid as bonds, and the current procedures for transferring loans are generally inadequate to keep up with current loan trading volume. As a result, bottlenecks arise at nearly every stage of the transfer process. Some of these bottlenecks may seem unavoidable; others can be remedied, but it is unlikely that these remedies will come quickly or easily.

It would, of course, be helpful for trading houses to devote greater resources to the settlement of loan trades or to otherwise make their back offices a higher priority. But, in the short run, this may not be very practical, and in any event should not divert attention away from the need for the industry as a whole to attack these bottlenecks more aggressively and creatively.

EMTA is pushing ahead on several projects that will eventually make the processing of loan assignments more efficient. The automated confirmation/matching pilot program and several of the other initiatives described below in the Activities Report for the Exotics/Loan Trading Working Group should help a great deal to streamline the documentation process, but these projects will realistically take more than several months to complete. Absent more radical changes, however, probably much less can be done about those procedures that involve agent bank recordkeeping and obligor consent.

Market participants are reminded that, despite the current backlog, the market practice that loan trades be settled within 21 days is, while somewhat aspirational, nevertheless to be taken seriously.

The current backlog is a compound problem. The inability of some sellers to deliver assets promptly makes it more difficult for other sellers to deliver their assets, and so forth. Accordingly, under current market conditions, all market participants should use their best efforts to settle all loan trades within 21 days after the trade date and should be both realistic and responsible, before they sell, about their ability to deliver promptly.

Code of Conduct/Trading Practices

EMTA's Code of Conduct has been well-received since its adoption last year. However, EMTA is currently reviewing the Code with a view to determining what changes or additions would be appropriate. If you have any suggestions, please contact Michael Chamberlin at (212) 235-1997.

1993 Debt Trading Volume Survey

With Price Waterhouse's assistance, EMTA is now collecting data for the 1993 Debt Trading Volume Survey. All EMTA Members should have received a survey questionnaire by now. Please return the completed questionnaire to Price Waterhouse as soon as possible, so that data evaluation may begin immediately. We urge participants to make every effort to be as accurate and prompt as possible in completing the questionnaire. If you have any questions regarding the survey or any suggestions for modifying future surveys, contact Moraima Pares at (212) 235-2901.

Membership Update

EMTA's membership now exceeds 150 institutions: 89 Primary Members and 66 Associate Members. During the first Quarter of 1994, the institutions who have joined EMTA include: Trigone Capital Finance S.A. as a Primary

Membership Update (cont)

Member and Allen & Overy, Capital International Inc., Eurasco Zurich A.G., McFadden & Smith, and Valmex International as Associate Members. In addition, several Associate Members have now become Primary Members as a result of their increased activity in the market. Lisa Corinne Abrams, EMTA's Director of Sales and Marketing, has recently returned from the Far East, and reports that, despite recent market conditions, many financial institutions from the Philippines, Singapore, Japan and Hong Kong have expressed strong interest in becoming Members. EMTA is continually interested in attracting Members from around the world. If you know of any prospective Members, contact Lisa Corinne Abrams at (212) 235-0423.

Activities Report

Market Practices Committee

A recommended Market Practice with respect to the pricing and settlement of Brazil C-Bonds was distributed to the market on April 4, 1994. Forms for confirming trades of all Brazil Brady Bonds (including C-Bonds) after their proposed issuance on April 15 are expected to be distributed by April 11. For a copy of these materials, contact Moraima Pares at (212) 235-2901.

Russia Eastern Europe Working Group

The Russia/Eastern Europe Working Group met on February 18, 1994 in London to discuss, among other things, proposed market practices, agency provisions/consents and accrued interest details of Russian loans. Preliminary drafts of proposed Market Practices for trading Russian loans and Polish loans have been distributed for comments and are expected to be finalized by late April. Forms for confirming when-issued trades in Bulgaria's Brady Bonds were distributed on April 6, together with a copy of a communication from Poland's Bank Advisory Committee regarding certain procedures for loan assignments. For more information, contact Sophie Pompea at (212) 235-1725.

Exotics Loan Trading Working Group

As noted above, a number of the Exotics/Loan Trading Working Group's projects are now directed toward reducing the existing backlog of unsettled trades. One such project, under the leadership of Tom Winslade, is to develop Standard Terms for Loan Assignments that could be incorporated by reference into loan confirmations. The first stage of this project will focus on a standard unwind clause. Please send any examples of unwind clauses you may have to Tom Winslade at fax no. (212) 648-5175 with a copy to Moraima Pares at fax no. (212) 235-4898.

EMTA will also be encouraging the documentation units of the largest trading houses to work more closely together to settle outstanding trades. If necessary, EMTA is also prepared to consider the feasibility of a multilateral netting facility.

This Working Group is also in the process of formulating Market Practices for Peru and Panama loan instruments.

EMTA is continuing to work with Banque Nationale de Paris (BNP), the agent bank for Morocco, on advising Members of the steps they must take to be recognized by the Kingdom of Morocco and to reduce the large backlog of unsettled loan assignments. Recently, BNP instituted a procedure whereby a report, of pending assignments to date and an explanation of the reasons they remain unprocessed, is available to creditors upon request and receipt by BNP for an annual fee of USD \$1500. EMTA strongly urges that Members who have not yet subscribed to this service, do so by contacting Didier Gonel (BNP) at 331-4-014-8671. For further information, contact Moraima Pares at (212) 235-2901.

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Options/Denivatives Working Group

Under the leadership of Peggy Grieve (Chase) and David Lewis (J.P. Morgan) the Options/Derivatives Working Group will soon complete a recommended form of Master Agreement and Standard Terms for Options on Emerging Markets Instruments. The Master Agreement will be discussed at April's Open Meeting in London and, when completed, will be distributed together with a detailed Market Practices Guide. For a copy of these materials, please contact Moraima Pares at (212) 235-2901.

Technology Working Group

EMTA is sponsoring a pilot project to test a proposed system specifically designed with EMTA's input to electronically confirm and match all loan and bond trades in our marketplace. Participants in the pilot project include Chemical, Chase, ING, J.P. Morgan, Merrill Lynch and Swiss Bank. The pilot project, which began in early April, is expected to last three months. During this period, EMTA will continue to investigate all other available options. After the pilot project is completed, it will be reviewed and a decision will be made whether, and on what basis, to make the system available to the marketplace. The long-range goal of this project is to permit market participants to confirm and match all loan and bond trades almost instantaneously, and eventually to permit the collection and dissemination of volume and price information on a real-time basis. For further information, contact Sophie Pompea at (212) 235-1725.

London Working Group

The London Documentation Group met on March 25 in Paris at the invitation of Societe Generale. Topics discussed included settlement backlog, tri-party netting and market practices for trading Russian loans. For further information, please contact Ria Zegwaard at 44-71-374-0707 or Andrew Holland at 44-71-378-2983.

Miscellany

EMTA Staff Changes

In late March, EMTA welcomed Kate Campana as a part-time consultant who will be examining possible EMTA activities in Africa and Southern Asia. Kate has lived and worked in Zaire and Uganda for several years and would like to hear from Members on their activities, particularly in Africa.

Hotlines for Members

The number of questions from EMTA Members continues to increase. In order to respond more rapidly to your inquiries, EMTA has established the following hotline numbers:

Topic	EMTA Contact Person	Telephone
Market Practices Committee	Michael M. Chamberlin	212-235-1997
Options/Derivatives	Michael M. Chamberlin	212-235-1997
Exotics/Loan Trading	Moraima Pares	212-235-2901
Russia/Eastern Europe	Sophie Pompea	212-235-1725
Technology	Sophie Pompea	212-235-1725
Equities	Bruce Wolfson (Bear Steams)	212-272-2571
Securities Compliance Group	Frederic Krieger (Salomon)	212-783-7453
Working Group	Andrew Holland (ANZ)	44-171-378-2983
Operations	Alex Mendes (Swiss Bank)	212-574-6219
Accounting/Finance	Moraima Pares	212-235-2901
EMTA Volume Survey	Moraima Pares	212-235-2901
EMTA Meeting Schedule	Moraima Pares	212-235-2901
Emerging Market Conferences	Lisa Corinne Abrams	212-235-0423
EMTA Membership Dues	Erika Munter	212-235-1768

If the EMTA contact person cannot answer your question, you will be quickly referred to the best available source of information. Please note that all general inquiries, including those concerning membership, should continue to be directed to EMTA's Director of Sales and Marketing, Lisa Corinne Abrams, at 212-235-0423.

April-June Calendar of Events

- April 11-12** Conference on Emerging Markets Derivatives sponsored by Risk Magazine in association with EMTA. To be held at the Langham Hilton, Portland Place, London. For more information, contact Risk Magazine at 44-71-487-5326, fax no. 44-71-486-0879.
- April 13** EMTA Open Meeting in London at Merrill Lynch, Ropemaker Place, 25 Ropemaker Street, Conference Room 11 (5:00 p.m. London time). Members in New York may participate by conference call from Merrill Lynch, World Financial Center, North Tower, 10th Floor, Conference Room 100 (12:00 noon NYC time).
- April 27** Securities Compliance Working Group. Luncheon Meeting at New York's India House, One Hanover Square (12:15 p.m. NYC time). For more information, contact Sophie Pompea at (212) 235-1725 or Frederic Krieger (Salomon) at (212) 783-7453.
- April 28** Fifth Annual LatinFinance New York Conference on Latin American financial and capital markets. To be held in association with EMTA at the Hotel Inter-Continental. For more information, contact Lisa Corinne Abrams at (212) 235-0423.
- April 29** BAFT (Bankers' Association for Foreign Trade) Annual Convention April 27-30, Boca Raton. Alex Rodzianko and Michael Chamberlin are scheduled to address the group on the topic of emerging markets trading Friday, April 29 at 11:30 a.m.
- May 4** Lawyers Working Group. Breakfast Meeting (8:00 a.m. NYC time). Location to be announced. For more information, contact Moraima Pares at (212) 235-2901.
- May 9** EMTA Open Meeting in New York at Merrill Lynch, World Financial Center, North Tower, Third Floor, Conference Room A. (5:00 p.m. NYC time).
- May 18** London Working Group. Time and location to be announced.
- June 8** EMTA Open Meeting in London at Merrill Lynch, Ropemaker Place, 25 Ropemaker Street (5:00 p.m. London time). Conference Room to be announced. Members outside New York may participate by conference call from Chemical Bank, 270 Park Avenue at (12:00 noon NYC time). Conference room to be announced.
- June 14** Lawyers Working Group. Breakfast Meeting (8:00 a.m. NYC time). Location to be announced. For further information, contact Moraima Pares at (212) 235-2901.
- July 13** EMTA Open Meeting in New York at Chemical Bank, 270 Park Avenue, New York. Conference Room to be announced (6:00 p.m. NYC time).