

EMTA's 15th Year--A Look Back to:

EMTA's Early Years (1992 and 1993): EMTA Emerges as an Independent Trade Association for the Emerging Markets Trading Industry

by Thomas Winslade*

[EMTA was formally incorporated in December 1990. To help mark its 15th anniversary, EMTA's Bulletin is featuring a series reprinting articles on the early periods of EMTA's history. Last Quarter's Bulletin included Bruce Wolfson's recollections of the informal trader meetings beginning in 1989 that led to EMTA's formation as the LDC Debt Traders Association. This issue features Tom Winslade's description of EMTA's early years, 1992 and 1993. During this time, Tom served on secondment from J.P. Morgan as EMTA's first Executive Director, guiding EMTA's growing agenda of activities and building EMTA's credibility as an effective industry forum.]

After beginning his legal career at Shearman & Sterling (where his assignments included several years in S&S's London office), Tom joined J.P. Morgan, eventually working with Nick Rohatyn as J.P. Morgan's internal lawyer for the EM trading area. Most recently, Tom has worked for Bank of America in the Far East.]

1992 and 1993 was a visionary period for EMTA, as it developed into an established, independent trade association for the Emerging Markets trading industry. Led by a public board of directors of leading professionals in the industry and chaired by Nicolas Rohatyn from J.P. Morgan, the industry leaders took the initiative to promote the development of the Emerging Markets trading industry, as described by Mr. Rohatyn at EMTA's 1992 annual meeting...**"to show leadership, and to ensure that our market continues to develop in an orderly and responsible manner, consistent with applicable laws and high standards of integrity, open to all participants, promoting growth in the capital markets, and increasing transparency in the marketplace"**. This effort coincided with a profound transformation in Emerging Markets trading, from a market for trading commercial loans of Emerging Markets obligors to a broadening and recognized market for Emerging Markets securities and related derivatives. EMTA's Board of Directors and rapidly growing number of member firms (more than 100 by the end of 1993) recognized that this presented an unusual opportunity for industry leadership.

In 1992 and 1993, EMTA's Board of Directors developed and implemented a strategy to pursue five major industry goals: continuing development of consistent market practices and standard trading documentation; establishment of a Code of Conduct; creating an on-going forum for industry issues; advancing market transparency; and providing leadership for industry advocacy. This effort culminated in the formation of EMTA's independent staff and headquarters in 1994.

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- Mr. Winslade would like to thank J.P. Morgan, and especially Nick Rohatyn and Diane Genova, for their generous commitment and support throughout his tenure as EMTA's first Executive Director.

Market Practices and Standard Documentation. Documentation and market practices were the core of EMTA's activities in 1992 and 1993. For documentation, EMTA's standard procedure was to prepare a detailed set of confirmation forms and related papers for the most frequently traded Emerging Markets instruments, together with explanatory material, and to distribute these widely to its members and other firms in the industry and hold a series of open meetings to answer questions and provide more details. Major documentation efforts in 1992 and 1993 included documentation for trading Brady bonds for Argentina, Brazil and Venezuela and related instruments. During this time, EMTA also continued to lead the development, adoption and distribution of voluntary industry market practices. A group of market professionals engaged in trading specific instruments would meet initially to identify the need for fair and transparent practices for those products, the proposed practice was then drafted and distributed for comment throughout the industry, subsequently adopted in final form by the EMTA Board, and then explained in open meetings and distributed to the industry and to the press. In 1992 and 1993, EMTA developed and issued a wide range of market practices for Emerging Markets instruments relating to Mexico, Argentina, Brazil, Venezuela, Eastern Europe, and for less widely traded instruments, usually relating to other Latin American countries. Long-time market participants will remember how many of EMTA's early meetings to develop and adopt market practices were chaired by Chase's Kathy Galbraith ("I think this should be the market practice...anyone disagree?").

Code of Conduct. One of EMTA's most significant initiatives in 1992 and 1993 was the development of a Code of Conduct for the industry. EMTA's Board of Directors determined that a voluntary industry code of conduct would not only respond to many of the concerns expressed by industry regulators but would promote the integrity and credibility of the industry. An EMTA working group developed and drafted the Code in 1992. Progress was slow, but steady, as many controversial issues were tackled by traders and lawyers. In 1993 the resulting Code was adopted by the Board of Directors, distributed to EMTA's membership, financial regulators and the press, and was the focus of a series of seminars and presentations during that year. The Code has two major components; broad industry standards, and more detailed trading principles for specific financial instruments. The industry can be justifiably proud that individual firms put aside their differences and achieved consensus on a Code of Conduct that was widely accepted by market participants and drew quiet approval from industry regulators and observers.

Market Transparency and the EMTA Volume Survey. Promoting transparency in the Emerging Markets trading industry was a major objective of the EMTA Board of Directors in 1992 and 1993. Although many of EMTA's activities (its market practices, its open meetings, many of the provisions of its Code of Conduct) are consistent with and provide greater transparency, in 1992 EMTA commenced a major initiative, the first of its periodic volume surveys of trading volumes for Emerging Markets instruments, directly designed to promote market transparency. The initial survey, covering Emerging Markets trading during calendar year 1992, took a number of months to prepare and was tremendously welcomed in the industry and the press. 58 major firms participated in the initial survey, a substantial majority of the active participants in the industry at that time. The results were astounding and highly revealing of the extent and depth of Emerging Markets trading. Total volume of Emerging Markets assets traded in 1992 was US\$733 billion, relatively small in the context of trading volumes in the 21st century, but at that time the equivalent of Brazil's GDP. Since the initial survey, EMTA's volume surveys have expanded and continue to be a leading source of information for Emerging Markets trading.

Forum for Industry Issues. Another of EMTA's major strategic goals in 1992 and 1993 was to establish an open forum for industry issues. EMTA launched a major expansion of its practice of having open "town hall" meetings for its members, and started a series of industry working groups, industry lunches and speaker presentations, both in New York and London. These groups, based on the Board of Directors' concept of EMTA as a "working democracy" of its member firms, served to raise relevant issues for the industry to consider, as well as produce much of the flow of market practices and other materials. A highlight was the EMTA 1992 annual meeting, where Domingo Cavallo addressed several hundred members of the industry and the broad financial press to review the details of Argentina's Brady plan.

Industry Advocacy. The fifth major initiative for EMTA during 1992 and 1993 was to act as an industry advocate for important industry issues. The volume survey and statistics from EMTA's member firms showed that the Emerging Markets trading industry had grown exponentially since the late 1980's, and had created thousands of jobs, both in the United States and abroad, reaching the point where a trade association could be an effective industry advocate. EMTA's efforts as an advocate began in 1992 with EMTA informally participating in the Emerging Markets debt restructuring process, providing input to the creditor steering committees in creating tradable and more liquid debt securities in the Brady debt exchanges. In 1992, EMTA also assisted in issues such as obtaining licenses permitting expanded trading of Yugoslavian instruments, and a proposal to the U.S. Treasury Department for relief from some of the onerous compliance requirements under TEFRA. In late 1992, EMTA also started an ongoing press relations program, involving press releases, interviews with both the industry press and the broader financial media, and a series of articles and presentations. EMTA's advocacy efforts expanded in 1993 with briefings to government agencies such as the Federal Reserve System and the Comptroller of the Currency, and culminated with EMTA's active participation in the multi-industry effort to ensure passage of NAFTA, the landmark free trade agreement between the United States and Mexico.

Independent Headquarters and Staff. Early in 1992, it became clear that EMTA's aggressive industry strategy required full-time support. With Nick Rohatyn as EMTA's chair for those two years, J.P. Morgan seconded Tom Winslade to work full-time as the first Executive Director of EMTA, initially with a staff of only two. EMTA's staff grew slowly in 1992 and 1993, as member firms contributed additional staff. In late 1993, EMTA's Board determined that EMTA's successful initiatives had proven that EMTA was ready for a fully independent, more permanent infrastructure. Following an extensive search, EMTA named Michael Chamberlin as its independent Executive Director, and in 1994 EMTA acquired independent office space at 63 Wall Street and additional staff.