EMTA

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EMTA Special Seminars: Addressing the EuroZone Dilemma – Lessons from the Emerging Markets

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Speakers at EMTA's Special Seminars on the EuroZone remained pessimistic about a resolution of the EuroZone crisis, while recommending that a "reprofiling" (for Greece's debt at least) might prove the best solution. The events, hosted by Bank of America Merrill Lynch in New York on June 7, 2011, with a similar event hosted by Credit Suisse in London on June 9, 2011, drew over 300 attendees.

The New York event was moderated by Jane Brauer (Bank of America Merrill Lynch), who began the panel with a summary of her firm's views on the crisis. "EU policymakers believe that to lend Greece more money now is to throw good money after bad; however, if they don't, we believe that they would eventually have to provide even more funds to Greece, which would be forced to default and be denied market access for years," she stated. While welcoming speakers back to the event, originally held in June 2010, she noted that she hoped that there would not be a need for this to become an annual event again in 2012.

The other panelists (and their topics of interest) included:

Lee Buchheit (Cleary Gottlieb Steen & Hamilton) – Greek Debt - The Endgame Scenarios; CACs for EuroZone Sovereign Bonds

Anna Gelpern (American University) – Ways to Tread Water: Portugal and Greece Updates; Central Bank Drift

Robert Gray (International Capital Market Association) – Understanding the ESM; CDS, CACs and Aggregation

Adam Lerrick (American Enterprise Institute) – Europe's Default in Credibility; Role of CDS

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Trade Association for the Emerging Markets

EuroZone Seminars (continued)

Lerrick admitted that he, like others, did not imagine how badly the situation would evolve. “I thought last year that Europe would muddle through with a series of larger and larger bailouts with lower and lower interest rates for longer and longer maturities,” he acknowledged. “If Greece had defaulted and restructured last year while cutting its budget, it would have been back borrowing in the markets within months,” he continued.

“The fundamental issue is that Greece’s productivity cannot pay for the standard of living its citizens expect,” he commented, “and it will take a decade of deflation of nominal wages and prices and of productivity gains to achieve the balance.” He rejected concerns that a Greek default would spark a Lehmanesque crisis, noting that “Lehman’s default did not cause the crisis. It was because the default was unexpected. Markets hate surprises; surprises cause panics. In this case, everyone expects a Greece restructuring,” he reasoned. Concerns of a Selective Default Rating or losses on CDS contracts are also overblown, according to Lerrick. “A Selective Default Rating would only be in place for a small number of days. In Uruguay, it lasted 17 days; as for CDS, the net amount is small and CDS are marked to market so the losses have already gone into the accounts of the banks that have written the CDS,” he stated.

The ECB has a new definition of contagion, Lerrick continued. The old definition of contagion posits that healthy, sound economies are victims or innocent bystanders of an infectious disease. The new definition encompasses any event in one EU sovereign (such as a reprofiling or Vienna Initiative in which banks voluntarily reinvest proceeds of their bonds) that results in higher interest rates for other countries even if the higher rates are justified, i.e., fears that events in Greece would result in higher rates for Portugal, Spain or Ireland. Lerrick argued that, fundamentally, policymakers “don’t understand markets, don’t like markets and think they can control markets.”

Gray discussed the European Stability Mechanism (ESM), successor to the European Financial Stability Facility (EFSF) and the European Financial Stabilisation Mechanism (EFSM). There has been great concern since the ESM was put on the table last year, he acknowledged, with the suggestion that pre-2013 bonds might be exempt from any restructuring. This was likely an incorrect assumption, as a two-tiered bond market would serve no purpose and stood in contrast to principles of “fair” and “transparent” markets, as well as fair and equitable treatment of all local and international creditors. Gray argued that debtors that behave fairly and transparently (including disclosure of the terms and conditions of their bonds) were generally able to reach mutually acceptable accords with creditors.

The ESM’s status as a preferred creditor (although implicitly junior to the IMF) added a new complication. Would this be just a market convention accepted by investors, as was the status of the IMF, would there be a move to make this contractual and/or would member states be tempted to introduce it by legislation (thus diminishing confidence in local law governed bonds), he pondered.

There was also concern that standardized collective action clauses (CACs) would be introduced by decree (with the attendant concern that member states may be tempted to reduce CACs to 50%), although this would certainly raise legal challenges and would be complicated by comparable enforcement in various jurisdictions. He briefly mentioned the aggregation and disenfranchisement voting concepts related to CACs that were very esoteric and rarely used, and complicated by any ESM to- be-held bonds. And, he discussed the nexus between CACs and the CDS market, commenting that he didn’t think that the CDS market loomed too large in the ESM’s horizon (especially since voluntary exchanges would not trigger Credit Events, although use of CACs as binding on all holders may so trigger Credit Events), and that CDS holders might be incentivized to agree to such voluntary exchanges. He predicted maturity extensions as the likely outcome.

EuroZone Seminars (continued)

Buchheit recalled that the preferred creditor status of the IMF and regional development banks has been historically justified on the basis that only these organizations would lend to distressed sovereigns, and that such status has been implicitly accepted and not contractual or legal in nature. It remains unclear whether the self-proclaimed preferred creditor status of the ESM would work. "Will it be between the IMF and private creditors? Will it be by treaty and be binding European law?" he asked hypothetically.

Buchheit's own prediction was that EU governments would wisely avoid spelling out exactly what they meant until possibly the outcome of certain events, and would avoid codifying the ESM's preferred status in a treaty. Paying one creditor over another is a not a violation of the *pari passu* clause, he pointed out; rather, it is a matter of changing the ranking of debt, not payment, that may violate such clauses.

"The times are a-changin'," Buchheit underscored. In the past, relatively small IMF loans were employed as a catalyst to restore capital flows to distressed sovereigns; "never before has the official sector bailed out the entire private debt stock of a country before a default, which is in effect what is happening." The IMF and regional development banks should be wary of the expansion of the preferred creditor category, as should investors, as "bloating" of this category will mean deeper cuts for others, as well as possible restructuring of even the ESM's held debt, with large official sector losses borne by taxpayers, Lerrick added.

Gelpern opened with her statement that the number one determinant of a Greek restructuring is who takes the losses and how far do they reverberate. A year, however, should be a reasonable time to come up with a loss allocation scenario. Today, there is a new financing gap and more sustainability fears; new, improved talk of a Greek restructuring; a new financing package with new, improved policy conditions; a diminished contagion fund, with promise of another two years; and jittery Central Bank balance sheets, with a first-time, severely impaired reserve asset. With limited progress on a loss allocation scenario, and sources of financial and political support scarce, the pressure on private creditors will be mounting.

She noted that legal and contractual obstacles to restructuring are not real, and that investors have often focused on CACs, which are "a distraction", as if their mere presence or absence would determine the likelihood of a restructuring; rather, CACs may help determine how a restructuring proceeds, but not whether and when it occurs. The real obstacle is the politics of loss allocation.

The "trilemma" is that a solution must be economically, politically and institutionally credible, something quite difficult to achieve, she believed. For example, economic solutions that involve a combination of transfers to Greece, recapitalization of European institutions and losses on Eurosystem Central Bank balance sheets won't work politically, and formally involving Central Banks in an economically credible restructuring is not institutionally credible; restructuring debt through the private sector may be politically credible, but it is not economically viable because many private creditors are backed by EuroZone governments (including Greece) and much of the debt is owed to the public sector, and who pays when the Greek banking system is wiped out; and, a solution that preserves the integrity of Central Bank functions, while reducing Greek debt, might involve a restructuring of all publically and privately held debt on equitable terms, conditional on policy reform, among other scenarios, is probably not politically credible. She concluded that printing money and inflating the debt, or using "smoke and mirrors" accounting or 'soft' restructuring or other nomenclature will likely not solve the trilemma.

Panelists debated whether the Vienna Initiative employed for Eastern European nations could be used in the case of Greece. "If I were a shareholder in a bank or a beneficiary of a pension fund that voluntarily re-invested in Greece after miraculously escaping with full repayment on its bond, I would certainly make noise at the annual meeting," stated Lerrick. This initiative worked in Eastern Europe because of unique circumstances (e.g., small number of affected banks, long-term strategic interest in the countries involved) that don't apply in the Greek case.

EuroZone Seminars (continued)

Banks have limited exposure to Greece and they own government bonds, not operating subsidiaries, so they have no long-term interest to reinvest in Greece, according to Lerrick. Gray disagreed, citing the rescues of South Korea and Turkey in recent decades. “A number of banks do recognize that these sorts of steps can help get to a solution,” he responded. Lerrick countered that in South Korea a government guarantee and a 300 bp step-up in coupon were offered to investors, which is why a Selective Default rating was not assigned since the risk was reduced and the yield increased. He believes that the only way a Vienna Initiative could succeed is if everyone were convinced that the alternative was an immediate restructuring with massive losses.

As for collateralizing Greek bonds *á la* EM Brady Bonds, Buchheit noted that Greece’s local law governed bonds did not have negative pledge clauses (as well as half of external bonds, “due to a drafting error”), so Greece could borrow on a collateralized basis from the EU without triggering negative pledge issues. However on a more visionary level, he wondered if the EU really wanted to send the signal that investing in Greece on an uncollateralized level was too risky. With such a “deeply insolvent” country, Buchheit believed that Greece needed a “savage” restructuring.

The use of higher taxes on holdout creditor bonds in a restructuring would be viewed as a coercive measure by ratings agencies, Gray speculated, triggering CDS and a Selective Default rating. Another measure to discourage holdouts—the ECB not accepting “holdout bonds” as collateral—would mostly affect weak Greek banks, which have a less diverse inventory than European competitors.

Panelists concurred that the Uruguayan reprofiling through extended maturities was seen as a fair solution by the market, which proved “forgiving” after an NPV loss of 5-10%. Montevideo resisted calls to default as neighboring Argentina had done, and Uruguay was viewed by investors (with whom it consulted extensively) as making maximum efforts to meet its obligations. The country was rewarded by being able to tap voluntary markets within 30 days after the deal closed, Buchheit noted.

Lerrick believed that Greece’s best option was a “time out” with maturities on bonds extended for seven years. During that time, Greece could privatize assets and reduce its spending, while the EU financed its deficit. Bondholders would lose only on an NPV basis, a Selective Default rating would be a short-term event, although CDS would be triggered. Structurally, the EU remained problematic because its members cannot agree on what level of assistance EuroZone states owe one another and what controls the EU should have over member deficits and debt, according to Lerrick.

EuroZone officials should support a reprofiling of Greece’s debt because of its “burden sharing,” i.e., private creditors would take an NPV loss, and also because the official sector’s rising share of Greece’s debt was shifting the risk to “core” nation taxpayers. These taxpayers, not Greece’s bondholders, would pay the cost of a later restructuring. Lerrick concluded that there is no effective enforcement of sovereign debt, the “only reason to pay is that there is more to gain from paying than from not paying”, that “for every bad borrower there is a bad lender”, and that Greece doesn’t need to borrow more money, it needs to lock in the lenders it has. The debate on this topic continues, Buchheit believed, and the “jury is still out.”

Two days later, Kasper Bartholdy of Credit Suisse moderated the event in London with David Riley of Fitch Ratings joining Buchheit, Gray and Lerrick, and with much of the discussion following the themes of the NYC event.

Buchheit began with a quick summary of the crisis, and the conflicting solutions being proposed by the European Central Bank (fill the hole by contributions from the EU and IMF) and Germany (time has come for the private sector to reprofile Greek debt). He noted that, with the IMF program for Greece up for renewal at the end of June, “the battle is being fought as we speak and must come to a conclusion soon” since the assumed return to the private markets in 2012 will not happen at this rate.

EuroZone Seminars (continued)

Lerrick criticized the EuroZone's decisions as being made on geopolitical not economic grounds ("Europe wants to establish its global leadership and regain its lost status in a world where Brazil, India and China are more important than any individual European economy"). For him, the real deficit was in credibility, not in payments. He added that, "if Greece were 3000 miles away, it would have already defaulted, restructured and re-entered the markets." When the Euro was created, there was the illusion of an "homogenized" credit risk, similar to the homogenized currency risk, when, in fact, accountability was missing. A system in which the union underwrites the debt of all members is not sustainable unless the union controls the spending and borrowing of each member. Finally, chat of Greece having to leave the Euro was "perplexing" to Lerrick, noting that "Orange County and New York did not have to leave the Dollar when they defaulted and restructured their debts!"

Lerrick expressed strong disapproval of EuroZone response to the crisis. "Everything is run by arbitrary *ad hoc* decisions; yet the whole purpose of policy is to reduce uncertainty," he stated, continuing that "the violation of EuroZone promises has become *the rule*, rather than the exception." Either each EuroZone member stands on its own, or the EuroZone underwrites all losses; the EuroZone must make a decision or crises will continue. He also challenged policy makers' unrealistic views, including the fiction that telling bondholders they may need to buy bonds in the future at grossly inflated prices will not cause the bondholders to sell their bonds today. "No one ever voluntarily takes a loss." It would be better if the interest of the private sector was forced into alignment with the interest of the EU taxpayer. A seven year extension of Greece's bonds would provide the time to determine if Greece has a liquidity problem or an insolvency problem that requires a large scale restructuring.

Gray explained the differences between the temporary European Financial Stability Fund (EFSF) and the more permanent European Stability Mechanism (ESM), while noting that they had more similarities than differences ("no changes in conditionality; no real changes in the parameters on private sector involvement"). However, the ESM would have a different capital structure and rely more on callable capital from member states.

Riley addressed a variety of issues relating to the Greek crisis and opened with his belief that the crisis was a catalyst for the broader systemic crisis across the EuroZone, a Western (not global) financial crisis. Despite conjecture to the contrary, most of Greece's sovereign debt is held by banks, not hedge funds or "vulture" funds, he said. This was a concern because banks remained the dominant source of credit, and cross-contamination of the sovereign and local banks could create a vicious cycle. Riley reminded participants that, in contrast to Uruguay's $5 billion restructuring, Greece would potentially be restructuring E300 billion ("…and this is a small European economy"), so scale was an important factor to recognize. In addition, the economic linkages were "substantial and include the ECB's balance sheet." And, Riley wondered, could Greece recover in an economy dominated by Germany?

Riley viewed the crisis from moving from a stage 1 ("default impossible") to a stage 2 ("a sovereign default only after mid-2013 and only if insolvent, rather than illiquid, and only via a special default mechanism"), and subsequently to a new stage where the IMF seemed to be moving to issue new money to fill a financing gap, and not yet concluding that Greece was insolvent. While the IMF has been criticized for "hanging on too long" in cases such as Argentina, the official sector belief used to be that sovereign defaults should be the last resort, rather than a first response; Riley is not sure that the official sector holds that view today. He remarked that there was a crisis of credibility and trust in the European political response, and he did think that contagion was a real threat.

He described his agency's approach to the issuance of a "Restricted Default" rating (equivalent to a "Selective Default" rating) at the announcement of a debt exchange, which may be considered a default event, informing the audience that the completion of such debt exchange represents a "cure" to a default and "effectively re-starts the clock," with a new rating issued based upon the post-exchange credit profile of the debtor. While there wouldn't be "tweaking" of other countries' ratings just because of Greece, the agency will be looking at the relevant countries' existing EU programs in its ratings assessments.

EuroZone Seminars (continued)

Following the formal presentations, the panel addressed a wide variety of audience questions in an hour-long Q&A. Speakers discussed the "hard" or specific percentages of critical mass required for a bond exchange to be completed (as in the case of Uruguay), or the more common case of a vague reference to a requirement of critical mass, or the mention that an exchange would not occur if it would not result in a sustainable debt load. Riley acknowledged that his firm would apply an "RD" rating once they receive indications from the sovereign that a deal would occur, and, if there were no "hard" percentages, the agency would seek to consult with the sovereign.

On the possibility of regulatory forbearance to allow Greek bonds to be held at par on the books of creditors, Buchheit opined that this was quite possible, citing the generous "professional allowances" and accounting fictions during the Latin debt crisis of the 1980s and 1990s. Responding to a question on Greece abandoning the Euro, Lerrick commented that a recent proposal that Greece should leave the Euro, devalue and subsequently return at a new lower exchange rate would destroy the Euro; "the Euro then is no longer a money but simply a fixed exchange rate system."

Buchheit replied to an inquiry on a potential redenomination of Greek debt into a post-Euro currency. Local law debt indeed could potentially be open for a redenomination, he acknowledged, though this could be viewed by ratings agencies as a default. Owners of English law bonds, if indeed they could be redenominated, could get an English court judgment for the debt in their original currency, making the redenomination meaningless.

What level of a debt burden was sustainable for the Hellenic Republic? Speakers had no easy answer, and suggested that some countries could be judged as insolvent with a debt to GDP ratio of 50%, while others—usually the most highly-rated countries—can support much higher debt/GDP ratios.

Instead of the option of Greece leaving the EuroZone, would a move towards deeper EuroZone integration make sense? Gray agreed with the presumption that a tighter or looser union was preferable to "one in the middle." Lerrick repeated his assertion that if the union guarantees the debt of the individual members, the union must control their spending and borrowing.

The ECB's aversion to a triggering of CDS also was a subject of additional discussion. Buchheit observed, "there seems to be some aversion to paying '*the speculators*,' even though the data I have seen seems to show that 60% of CDS is owned by bondholders, and it may be more disruptive to the market not to trigger the CDS, or as a CDS holder one may not participate in a voluntary exchange, thus possibly triggering a Credit Event."

As for the chance of a massive, disorderly default having ripple effects throughout international finance, Riley thought this was unlikely. Lerrick thought the only significant effect would be higher rates for other weak EuroZone states such as Portugal, Ireland and Spain. "After spending billions of Euros to try to keep things together, to bring Argentina to the belly of Europe is almost unthinkable," opined Buchheit.

The Agendas and various articles available to the meetings' attendees can be found on EMTA's website in the New Developments area (http://www.emta.org/newdev.aspx).

EMTA Forms Working Group to Address Potential Impact of Dodd-Frank Legislation on the NDF Market

Exercising its authority given under the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank"), on April 29, 2011, the United States Department of the Treasury issued its Notice of Proposed Determination Foreign Exchange Swaps and Foreign Exchange Forwards Under the Commodity Exchange Act (the "Notice"), proposing to exempt FX forwards and swaps from the execution and clearing requirement of the Dodd-Frank legislation. Comments were requested by June 6, 2011. Non-deliverable forward FX transactions are not covered by the terms of the Notice, with Treasury taking the position that the language of the statute did not permit it the latitude to address NDFs. As a result, assuming no other regulatory changes, NDFs will be treated as "swaps" fully within the purview of Dodd-Frank and subject to mandatory clearing and trading on exchanges or other sanctioned facilities.

In addition, the Commodity Futures Trading Commission (the "Commission") issued proposed interpretations for the Production Definitions Contained in Title VII of Dodd-Frank on May 23, 2011, with a 60-day comment period. In that release, the Commission proposed that the term "swap" be clarified to specifically include NDFs.

In response to these developments, EMTA has formed a working group to review the evolving regulatory environment for NDFs with a view to developing initiatives to support the industry and its participants. The group is currently reaching out to other industry groups with similar concerns and is actively considering whether or not to communicate industry concern regarding the impact of the legislation on the NDF industry to the US regulators.

EMTA has made a special effort to collect the various regulatory filings and notice of developments relating to the implementation of Dodd-Frank and how it affects FX generally and NDFs in particular. Members may access these documents on EMTA's website in the New Developments section under the FX and Currency Derivatives sub-heading.

For more information, please contact Leslie Payton Jacobs at lpjacobs@emta.org.

Standard Bank, Standard Chartered Join EMTA Board

EMTA is pleased to announce that senior representatives of Standard Bank and Standard Chartered have recently joined the EMTA Board of Directors.

Michael M. Chamberlin, Executive Director of EMTA, welcomed Ian Dalglish as a new Board member representing Standard Bank; and Mohammed Grimeh, who previously served on EMTA's Board on behalf of Lehman Brothers, as Standard Chartered's nominee. "We are pleased that the recent elections of Standard Bank and Standard Chartered to the EMTA Board, which reflects their importance in the EM marketplace, and look forward to their feedback in both their traditional areas of expertise in Asia, the Middle East and Africa, as well as their input on Latin American and CEMEA projects."

Dalglish, who is Head of Global Markets International and Global Head of Distribution at Standard Bank in London, previously worked at Credit Suisse, holding roles in both EM fixed income and equities, including leading Credit Suisse's securities business in Russia, and their Emerging Europe Middle East and Africa equities business. He holds a BA (Honors) in Business Administration from the University of Western Ontario.

Grimeh became the Head of Global Markets, Americas, at Standard Chartered in June 2009 and is responsible for managing fixed income, equities and commodities sales, trading, and capital markets for the Americas.

From 1998 to 2008, Grimeh worked at Lehman Brothers in New York City, holding posts as Head of LatAm Derivatives, Head of LatAm Credit Trading, and Global Head of Emerging Markets Fixed Income and Equities. Prior to Lehman, he held trading roles at Societe Generale and ING in Paris, London and New York. He holds a Master's degree in engineering from Ecole Central, Paris, where he majored in applied mathematics.

Chamberlin noted that Standard Chartered has hosted EMTA's Forum in Dubai since 2010 and its strategists have been regular panelists at EMTA's Asian and CNH-focused events. Standard Bank has previously hosted EMTA Forums on Africa and Standard Bank's Stephen Bailey-Smith is a frequent speaker at EMTA's London Summer Forum.

Welcome aboard!

Ivory Coast Informs EMTA Members It Is Working On A "Reasonable Proposal" And Confirms June 30 Coupon Will Not Be Paid As Scheduled

At the request of the Cote d'Ivoire's Finance Ministry, EMTA forwarded to its Members on June 2 the latest in a series of Communiqués concerning the Republic's non-payment of interest on its bonds due in 2032.

In the Communiqué, signed by Finance Minister Diby, the Cote d'Ivoire stated that "[a]s a result of weaker economic activity…, the Republic…will not be in a position to honor the June 30th 2011 coupon payment due". The Republic added that it hoped to be able to communicate to its debtholders a "reasonable proposal" for a solution by the end of July 2011. Click Here for the full text of this Communique.

This is the second coupon on the 2032 bonds that has not been paid. When the first interest payment was not made on December 31, 2010, EMTA, upon the expiration of the 30-day grace period, issued a recommendation for flat trading of the bonds, beginning on February 1, 2011. Click Here for the full text of this Market Practice recommendation.

On April 29, EMTA also circulated a Communiqué, at the request of the Cote d'Ivoire Finance Ministry, noting that the country wished to "resume a constructive dialogue with all creditors of the Republic of Cote D'Ivoire". Click Here for the full text of this Communique. This follows months of political and economic turmoil in the aftermath of contested presidential elections.

For further information, please contact Aviva Werner at awerner@emta.org.

Speakers at Central American & Caribbean Forum Discuss Investment Opportunities

Speakers at EMTA's Central American and Caribbean (CAC) Forum believed that, despite tightened spreads since last year, investment opportunities in the region remain. The event, sponsored by Oppenheimer & Co., was held on June 1, 2011 in New York and attracted 100 market participants.

Moderator Carl Ross provided a brief summary of the region. The CAC asset class includes both highly-rated and single B credits; countries with GDPs from $2 billion to $40 billion; "tourism plays" as well as "energy plays"; island paradises with regular elections and more violent societies with a shorter history of democratic institutions. As for performance, "we should have all bought CAC bonds at last year's event-- almost every issue has tightened an average of 100 bps, including downgraded sovereigns such as Barbados and El Salvador," Ross noted.

Speakers addressed the economic situation in individual sovereigns. Barclay Capital's Alejandro Grisanti spoke positively on the Dominican Republic, acknowledging that his 7% growth forecast was above consensus. The country should benefit from investments related to the rebuilding of Haiti, its "value tourism" and the Pueblo Viejo gold mine that should start production this year.

Costa Rica offered a more stable, less volatile growth history. In contrast, Grisanti admitted he was "really worried" about El Salvador, with key economic sectors all owned by foreigners. The source of future economic growth was not obvious to him, he stated.

JPMorgan's Franco Uccelli noted that Jamaica has made a lot of progress, with the 2010 domestic bond restructuring a success for the sovereign. "They devised a plan to exclude external debt, and they stuck to it," he affirmed, and, while there was still a question of whether Eurobonds would eventually be restructured, "we are somewhat more confident in the government's ability to service the debt in the near future." Jamaica's main weakness was 15 years of annualized 0.5% growth, according to Uccelli. As for Guatemala, it was "boringly stable," with a low public debt burden; however drug – and gang-related violence would likely dominate the headlines for the foreseeable future.

Karina Bubeck (TIAA-CREF) observed that countries such as the Bahamas and Barbados, where tourism accounts for 15 to 30% of GDP, are still recovering from the 2008/9 tourism decline. However, GDP growth of 2% was possible, assuming 2% growth in the US and 1.4% for the UK (the main sources of arrivals). Trinidad & Tobago, where oil accounts for as much as half of GDP, hasn't reaped the same rewards as Russia from the oil price increase due to decreased production, although Bubeck expected 2% GDP growth there as well.

CAC countries were technically supported, reasoned Sean Newman of GE Asset Management, with little planned issuance for CAC countries this year, although opportunistic issuances were possible. Newman expressed a more optimistic viewpoint on El Salvador than Grisanti and echoed Uccelli's sentiments on Jamaica.

The panel also debated key risk factors. "Nothing will really change in Guatemala on the economic front, regardless of the Presidential election victor, as there is wide national consensus on economic policy," reasoned Uccelli. In contrast, El Salvador's congressional elections next year could be pivotal, its outcome unpredictable. Market participants should monitor discussions of de-dollarization and how it could occur, he advised.

Central America & Caribbean Forum (continued)

The EuroZone crisis posed no direct threat to CAC, Newman commented, as there are few direct financial system linkages to the EU and limited foreign bank ownership. On the other hand, a contraction in EuroZone growth would be likely transmitted via reduced tourism arrivals and would not be offset by increased North American visitors.

Grisanti noted that rising commodity prices were mitigated in some cases. Costa Rica was less vulnerable to oil spikes because of widespread use of hydro-electrical power. Other countries received oil subsidies from Venezuela ("a very expensive way to buy their UN votes"), with the Dominican Republic probably most exposed.

Investment opportunities were highlighted in the panel's third section. "A lot of people ignore Belize, but it is the only credit in the Americas in the EMBIG with a double-digit yield, and its fundamentals are improving," Uccelli noted. He liked El Salvador but would underweight the credit due to its tough structural challenges ("but we are not expecting a default.") The fully-dollarized economy suffers from foreign-owned banks' focus on consumer loans at the expense of corporate or industrial loans which would help the country's long-term growth.

Bubeck favored quasi-sovereigns in the oil and gas sector such as the Trinidad & Tobago national oil company and the Salvadorian electricity sector. "We also like the telecom sector, and there are plenty to choose from in the region," she added. She would consider the Dominican Republic "at the right entry point" and, in contrast to Uccelli, expressed interest in El Salvador's sovereign debt, "in a scenario of remittance growth, as well as growth in construction and consumption."

Newman believed current levels on Cayman Islands and Bermuda compensate for risk, and the fiscal sustainability rule (and resulting manageable debt burden) also make Barbados an interesting credit. Metal and mining issues, as well as airlines, offer spread pick-up opportunities.

Grisanti favored the Dominican Republic, "an underperformer compared to its peers" with limited political risk, and the market over-reacting to commodity vulnerability. He urged portfolio managers to watch for signs of a new IMF program when the current package ends two months prior to the presidential election.

Ross seconded an overweight on Belize, if only as a diversity play from the high-yielders Argentina and Venezuela. He was neutral on Jamaica following record prices on its bonds and agreed with positive comments on the Dominican Republic and neutral recommendations on Panama.

Following the formal presentation, the panel took audience questions ranging from remittances ("most important to El Salvador, Guatemala and Jamaica, but geared to short-term consumption rather than investment," noted Bubeck), to relative lack of CAC corporate bonds ("issuers can often access local markets or export-related credits" according to Newman). The possibility that Costa Rica, now investment-grade rated, might access the market to take advantage of its new credit status, was also discussed.

The event concluded with a cocktail reception. In addition to host Oppenheimer &Co, EMTA thanks JPMorgan and Barclays Capital for their additional support of this program.

EMTA Survey: EM CDS Volumes at US$306 Billion in First Quarter

Trading in Emerging Markets Credit Default Swaps (CDS) stood at US$306 billion in the first quarter of 2011, according to a report released by EMTA on May 23, 2011.

This compares to US$397 billion in Emerging Markets CDS contract volume in the first quarter of 2010 (representing a 23% decrease), and US$208 billion in fourth quarter 2010 volumes (a 47% increase).

Jeff Williams, Director in Emerging Markets Strategy at Citi, commented that "Volumes recovered significantly compared to the end of 2010, but they are still down relative to early last year, with Asia the only region where volume has picked up year-on-year."

The most frequently traded sovereign contract in the Survey was Brazilian CDS, at US$48 billion. Survey participants also reported trading US$36 billion in Turkish sovereign CDS contracts and US$32 billion in Mexican sovereign CDS.

The most frequently traded corporate CDS contracts included in the Survey were those on Gazprom (US$8 billion). Participants also reported volumes of US$2 billion in Pemex CDS and US$1 billion in Petrobras CDS trades.

A comparatively less volatile first quarter has had its effects on CDS trading, Williams noted. "Low market volatility combined with relatively high spreads on CDS compared to similar bonds has made CDS somewhat less popular as a hedging instrument compared to last year, and this has been especially true with most of the potential market risks in the near term coming from sources outside the Emerging Markets," he stated.

EMTA began compiling a quarterly survey of EM CDS volumes in 2009. The Survey covers 19 sovereigns and 10 corporate issuers, as reported by EMTA's sell-side board firms.

For a copy of EMTA's First Quarter 2011 CDS Trading Volume Survey, please contact Jonathan Murno at jmurno@emta.org.

EMTA Survey Shows 1Q 2011 Bond Trading at US$1.739 Trillion

Emerging Markets debt trading volumes stood at US$1.739 trillion in the first quarter of 2011, according to a report released on June 16 by EMTA. This represents a 24% increase from first quarter 2010 volume of US$1.402 trillion and a 7% decline from US$1.862 trillion reported in the fourth quarter of 2010[1].

Jerome Booth, Head of Research and a member of the Investment Committee at Ashmore Investment Management, commented, "The size of emerging debt markets is determined in all but the very short term by demand for paper. We anticipate this demand will continue to grow strongly over the next few years and longer," and added that corporate Eurobonds and local markets debt were likely to "have highly elastic supply."

Local Market Instruments at 65% of Volume

Turnover in local market instruments stood at US$1.125 trillion in the first quarter, representing 65% of total reported volume. This represents a 17% increase compared to trading of US$960 billion in the first quarter of 2010, and a 14% decrease from fourth quarter volume of US$1.302 trillion.

Hong Kong instruments were the most frequently traded local markets debt, at US$210 billion. Other frequently-traded local instruments were those from Brazil (US$122 billion), South Africa (US$118 billion), Mexico (US$102 billion) and Turkey (US$96 billion).

Eurobond Volumes at US$589 Billion

Eurobond trading stood at US$589 billion. This compares to US$426 billion in the first quarter of 2010 (up 38%) and US$545 billion in the fourth quarter (an 8% increase). "Over the last few months we have also seen healthy dollar debt issuance," Booth noted.

49% of Eurobond activity involved sovereign debt issues, with Survey participants reporting US$288 billion in sovereign Eurobond turnover. This compares with US$255 billion in the first quarter of 2010, representing a 13% increase.

Corporate Eurobond trading stood at US$269 billion for the first quarter, compared to US$158 billion in the first quarter of 2010, or a 70% increase. Corporate bonds represented 46% of Eurobond trading. Sovereign Eurobond activity accounted for 17% of overall Survey volumes, with corporate trading at 16% of total turnover.

The most frequently traded individual EM Eurobonds in the first quarter included Russia's 2030 bond (US$15 billion in turnover), Mexico's 2020 bond (US$7 billion), Venezuela's 2022 bonds (US$5 billion), Brazil's 2040 bond (US$5 billion) and Venezuela's 2027 bond (US$4 billion).

In addition to local markets bonds, and sovereign and corporate Eurobonds, the Survey also includes turnover in warrants, options, loans and Brady bonds. Survey participants reported US$24 billion in warrant and option trades, US$630 million in loan assignments and US$31 million in trades of outstanding Brady bonds.

Hong Kong, Brazil, Mexico Instruments Most Frequently Traded

Hong Kong instruments were the most frequently traded instruments overall according to Survey participants, with US$225 billion in turnover. This compares with US$73 billion in the first quarter of 2010 (a 207% increase). Hong Kong volumes accounted for 15% of total Survey trading.

Brazilian instruments were the second most frequently traded instruments in the EMTA report, at US$186 billion, according to Survey participants. This represents a 26% decrease on the US$254 billion reported in the first quarter of 2010. Brazilian volumes accounted for 11% of total reported volume.

Third were Mexican assets, at US$150 billion in turnover. This compares to US$181 billion in the first quarter of 2010, a 17% decrease. Mexican instrument trading accounted for 9% of Survey volume.

Other frequently traded instruments were securities from South Africa (US$135 billion) and Turkey (US$120 billion).

Booth concluded that "Emerging debt is not only attractive, but in our view is a way to reduce risk in the very worst US and EU scenarios."

EMTA's Survey includes trading volumes in debt instruments from over 90 Emerging Market countries, as reported by more than 50 leading investment and commercial banks, asset management firms and hedge funds.

For a copy of EMTA's First Quarter or 2011 Annual Debt Trading Volume Survey, please contact Jonathan Murno at jmurno@emta.org or +(44-207) 996-3165. The Survey is complimentary for participating firms; there is a $250 fee for non-participants.

Monetary Policy Director Mendes and Former Central Bank Directors Discuss Macroprudential Measures at EMTA São Paulo Forum

Brazilian Central Bank Director of Monetary Policy Aldo Mendes discussed the Brazilian economy, while four former Central Bank directors debated inflation and SELIC rate policy at EMTA's Fourth Annual Forum in São Paulo. Itaú BBA sponsored the event, which was held on May 10, 2011 and attracted a near-capacity crowd of 175.

EMTA Board Director Rudi Fischer delivered the Forum's welcoming remarks, and reminded attendees of the predictions they had made for key economic variables at last year's meeting. Fischer noted that attendees' optimism on the BOVESPA had proven untrue, standing at 64,621 (vs expectations of 75,000); and the BRL at 1.61 was not foreseen by attendees who had forecast a 1.87 fx rate. The SELIC prediction of 11.41% was not far off from the 12% rate in effect, he noted.

Mendes reviewed key economic indicators, pointing out that Brazilian GDP reached 7.5% last year and was currently forecast at 4% in 2011. Strong growth in recent years has brought unemployment down to historic lows, he observed. International reserves continue to grow, and account for approximately 15% of GDP, below the level of the other BRIC nations. Industrial production and retail sales were on an uptrend, while consumer confidence was below recent high levels. Thus, Mendes concluded, the strength of the economy was well documented.

Mendes then discussed the Brazilian economy in a global context. While G-10 Central Banks were keeping rates at historical low levels, Brazil was among the emerging nations in tightening mode. Comparing ten major EM countries to developed economies, Mendes observed that inflation in emerging countries remained above official targets, while this was not a concern in most OECD economies. In the first four months of the year, rate hikes became more frequent in EM countries, in an attempt to slow down overheating economies.

Mendes concluded his presentation by focusing on the macroprudential economic measures adopted by Brasilia. These measures have included higher capital requirements for consumer loans (including auto loans, payroll-deducted loans and personal loans), and higher minimum payments for credit card bills. Reserve requirements for time deposits have effectively removed 65 billion reals from the economy, and have also been imposed on short FX positions in the spot market.

São Paulo Forum (continued)

Mendes acknowledged that the adoption of macroprudential measures has been widely debated in the international financial community. "We really should be calling them prudential macro measures, rather than macroprudential measures," he suggested. Such measures were designed to reduce the possibility of a credit bubble occurring, and lower demand for credit rather than extinguishing it. Many new consumers in Brazil do not have experience with credit cards, Mendes reminded attendees, explaining why minimum payments had been instituted. "Macroprudential measures cannot replace traditional macro economic measures to cool down an economy, but they can compliment them," Mendes stressed.

Brazil's macroeconomic policies (an inflation-targeting regime, fiscal responsibility and exchange rate flexibility) have resulted in stability, sustainable growth, and the ability to absorb shocks. The 2008 developed market crisis tested Brazil, but the resurgence of the economy demonstrates "that we passed the test," he concluded.

Click Here for Mendes' slide presentation.

Following Mendes' keynote presentation, Itaú BBA's Guilherme da Nobrega moderated a panel composed of four former Central Bank of Brazil officials. The panel explored inflation, Central Bank monetary policy, the use of macroprudential measures, employment and commodity prices. Alexandre Schwartsman began by predicting that inflation will "persistently" remain well above target rates and argued that the Central Bank has been behind in raising interest rates. Rodrigo Azevedo (Ibiuna Investimentos) also expressed concerns regarding the Brazilian government's current position regarding monetary policy and inflation.

"Last year, the Central Bank was wrong and so they missed the opportunity to be ahead of the curve and today they are behind," mused Luiz Fernando Figueiredo of Maua Sekular Investismentos. This made credibility a bit of an issue, he added. While the 2010 environment required a careful approach, inflation turned out to be much higher than both the Central Bank and economists had expected. This miscalculation seemed to manifest itself viscerally, "I think you could see the anguish on Mantega's face when he announced the 3% IOF tax," Figueiredo suggested. Figueriedo further noted that while Brazil has one of the highest interest rates in the world at the present, raising or lowering interest rates cannot and should not be the only tool the government uses to manage its monetary policy.

São Paulo Forum (continued)

The problem remained, Figueiredo stressed, that Brazil's already high interest rates have continued to attract foreign inflows, and thus have lead to more inflation. Macroprudential measures have delivered good results, and the Central Bank has demonstrated a flexible approach; this could prove important as simply hiking rates would have "ugly side effects."

Affonso Pastore (A.C. Pastore & Associados) commented that recent actions have led him to believe that the Central Bank's commitment to the official target rate was "very lenient" and that officials might, in fact, be prepared to live with an unofficial target rate of 6.5% inflation. Pastore noted that labor shortage remained an issue in Brazil, and pointed out that this would not be solved by imposing macroprudential measures.

Panelists were asked to discuss the short-term economic outlook for Brazil. Azevedo highlighted that a challenge for the Central Bank was to assist firms to justify smaller wage increases, as a means to short-circuit a cycle of inflationary pressures. Schwartsman expressed concern that the Central Bank might end its tightening cycle prematurely.

Longer-term, Figueiredo urged policy makers to work towards a 3% inflation target. He agreed that employers must be better equipped to handle demands for wage increases from workers.

"I am afraid of inflation above the target, full stop," stated Pastore, who specified his concern that Brasilia would accept above-target inflation over the longer term as well. He reminded participants that the Central Bank is not immune from political pressure and that, in a juggling of a variety of objectives, higher inflation might end up being tolerated.

At the end of the discussion, da Nobrega revealed the results of the annual attendee poll for key variables in 2012. According to the results, panelists expect small changes in the BRL and SELIC rates. The average forecast of attendees for the BRL/USD rate in May 2012 stood at 1.65 and the SELIC was expected to be at 12.46%. A ten percent return on the BOVESPA was expected, with attendees predicting it would stand at 70,000 next May.

EMTA Board Member, Rudi Fischer, (Itaú BBA), Brazilian Central Bank Director of Monetary Policy, Aldo Mendes, Leslie Payton Jacobs (EMTA), Affonso Pastore (A.C. Pastore & Associados), Jonathan Murno (EMTA) and EMTA Board Member, Sandy White (MarketAxess)

Cosentino Describes Strong Growth Prospects at EMTA Forum in Buenos Aires

Argentina's Undersecretary for Finance Adrian Cosentino stressed that his country was poised for "strong, balanced and stable" growth at EMTA's Fourth Annual Forum in Buenos Aires. The event took place on Thursday, May 12, 2011, and was sponsored by Banco Itaú.

In his remarks, Cosentino noted that economic growth in Argentina was balanced, coming from a variety of sectors. The country's debt indicators continued to improve and "Argentina is in a very comfortable position."

Cosentino discussed the composition of Argentina's debt, with 46% in dollars, a total of 41% in pesos (including inflation-adjusted debt) and 11% in euros. He also discussed the country's debt profile, with 26% of debt due between 2011 and 2013, 34% due between 2014 and 2019, 15% due between 2020 and 2029 and 25% due beyond 2030. Sustained growth and fiscal solvency are the main drivers of the economic program's sustainability, he observed.

Argentina won't need to issue debt to cover short-term financial needs, Cosentino stressed, as the country would be able to meet its obligations using its primary surplus, its debt payment fund and other sources. Normalization of the country's debt has been a priority of the government; the 2005 and 2010 debt exchanges have reduced debt/GDP ratios to 49% (including holdouts). In addition, Argentina seeks to conclude a deal with the Paris Club in 2011.

The success of these efforts was reflected in the compression of spreads on corporate and provincial issues that have tapped the market recently. Spreads on medium-term Argentine debt have compressed by 300 bps, and by 150 bps on long-term issues, as investors focus on the country's improving fiscal solvency, increased reserves and the perception of greater credit quality.

Leslie Payton Jacobs (EMTA), Argentine UnderSecretary of Finance Adrian Cosentino, Fernando Ferrari (Banco Itaú), Jonathan Murno (EMTA) and Juan Veron (Independent Consultant) at EMTA's Buenos Aires Forum

Buenos Aires (continued)

Cosentino concluded his remarks by observing that the government had shown in recent years its effectiveness in managing its obligations, and that the macro-economic outlook remained positive.

Following Cosentino's presentation, Fernando Ferrari (Banco Itaú) moderated a panel discussion on the outlook for the Argentine economy. In introductory remarks, he pointed out that his firm projected the ARP/USD rate to reach 4.68 by year-end, and forecast inflation at close to 25%. He also sketched the changes that had occurred since the previous EMTA event in Buenos Aires, noting for example that Argentine CDS had declined to 592 bps, down from 1300 last April, at the initial stage of the Greek crisis.

Speakers reviewed the major global themes for 2011. Low G-10 rates and high commodity prices were obviously key trends, noted HSBC's Javier Finkman, although investors should have an exit strategy. Ricardo Maxit (Galileo Argentina SGFCI) noted that selling dollars to buy virtually all other currencies was also a key theme.

The uncertain future for the global economy was also discussed. "None of us learned in text books what a zero-rate world would mean," observed Claudio Achaerandio of TPCG Valores Sociedad de Bolsa. "In terms of economic theories, our current situation is very difficult to understand."

Following comments by President Fernandez de Kirchner that she was "not dying to run [for re-election]," Ferrari polled speakers for their presidential election predictions. "I think she will run and that she will win big, maybe a landslide…this is our base case, but there is no way to confirm this," replied Finkman. There will probably be an economic slowdown in 2012 (a "non-election year") as well as a lowered inflation, he believed.

Maxit expressed concerns for a "darker" outlook if the president were re-elected, although it "is hers to lose." He warned though that situations can change dramatically -- "election are decided closer to the actual time –look at Peru—and we are still months away."

AVERAGE FORECASTS OF ATTENDEES AT EMTA BUENOS AIRES FORUM

	Inflation		GDP Growth		ARP/USD		Badlar	
	2011	2012	2011	2012	2011	2012	2011	2012
Average	25.80%	24.39%	6.66%	4.71%	4.303	4.881	12.30%	14.20%
Median	25.00%	23.00%	6.50%	5.00%	4.3	4.83	12.50%	14.00%

Buenos Aires (continued)

With foreign investors being averse to peso-denominated securities, how should Argentine debt be sold abroad? Maxit replied that countries such as Brazil, Chile and Colombia were most attractive to foreign investors, and Argentina needed to be mindful of its historical record. The inclusion of Argentina in the MSCI frontier market index has drawn the attention of frontier investors, even though most EM players find the characterization odd.

Independent consultant Juan Veron noted that, on the equity side, there were very few investor trips to Argentina and accessing the market might be difficult. However, he advised investors to consider taking long positions in local banks, which were "safe assets despite volatility fears."

The event, which was conducted in Spanish with simultaneous translation into English, drew a crowd of 125 market participants. Following the formal program, attendees mingled at a cocktail reception.

EMTA and GBSA Co-Operation Expands

EMTA is pleased to announce that it has reached an agreement in principle with the Gulf Bond & Sukuk Association (GBSA) to broaden the scope of its Memorandum of Understanding.

Under the terms of the new agreement, both EMTA and GBSA will post each other's Middle East-focused industry jobs on their websites, thereby broadening the reach of potential employers. There will be no additional cost for this service for EMTA or GBSA members. GBSA will launch its employment section in coming months.

EMTA and the GBSA signed a Memorandum of Understanding in 2010 pledging co-operation in a number of areas. GBSA is based in Dubai and works to develop the nascent Gulf bond and sukuk markets.

EMTA Meets with Argentine Government Officials in Buenos Aires

EMTA was pleased to accept an invitation to meet with officials at the Argentine Ministry of Finance in Buenos Aires on May 12, 2011.

Undersecretary of Finance Adrian Cosentino and Financial Analysis Unit officials German Plessen and Ariel Abelar represented the Argentine Government in the meeting with Leslie Payton Jacobs and Jonathan Murno attending on behalf of EMTA. Both sides agreed that a more regular dialogue between EMTA and the Argentine Government would be beneficial for the markets as a whole and explored ways to enhance communication and the exchange of information.

At the request of the Argentine officials, EMTA presented its CDS and Debt Volume Trading Surveys. EMTA also offered its services in communicating information to market participants and in conveying investor sentiment or concerns to the Ministry.

EMTA looks forward to meeting with Argentine officials in the future on topics of mutual interest.

EMTA Publishes User's Guide to Cross-Currency NDF Documentation

On May 31, 2011, EMTA published its "User's Guide to Documenting Non-Deliverable Cross Currency FX Transactions". This document represents an industry effort that was several years in the making, with a joint EMTA/FXC working group being formed in the Spring of 2010 finally unifying and bringing the effort to fruition. Input from many industry groups was sought through an outreach process by EMTA and the FXC in an effort to obtain as broad a consensus as possible of the project.

Why a "User's Guide?" The User's Guide format was developed by the working group to provide the industry a comprehensive resource for documenting non-deliverable cross currency FX transactions. In order to create a complete documentation architecture for the cross currency NDF product where industry standards had yet to be agreed and articulated, a number of different tools were needed. These various tools include recommended market practices, standard definitions and forms of confirmations. These were developed in an integrated "guide", much in the same way that EMTA had issued guidance to its members in 2007 to developing non-deliverable currency option transaction documentation (followed later by the publication of individual templates) that would be applicable to any currency pair. This User's Guide approach enables any party in the market to document a transaction for any currency pair using common terms and conditions. A later step, now that agreed standards for the product are clearly identified, will be to enhance the prospects for automated trade processing for this product.

The Market Practices. The recommended market practices were drafted to be compatible and parallel with the market practices that have been issued by EMTA for U.S. Dollar-settled NDF architecture. These recommended market practices set forth the various premises upon which the cross currency documentation architecture is built, much in the same way that the market practices previously issued for the dollar-settled side of the business do. The market practices describe a number of seemingly obvious premises, which are important to be clearly stated as guiding principles. In addition, these recommendations describe important areas where the practices for cross currency NDFs necessarily diverge from the practices for U.S. Dollar-settled NDFs because of structural differences in the transaction. Among these, for example, is the topic of Settlement Rates and how to characterize and manage those. These Market Practices are found in the User's Guide but also separately on EMTA website (see Documentation/FX and Currency Derivative Market Practices).

The Standard Definitions. The 1998 FX and Currency Option Definitions lacked a few key terms necessary to enable the documentation of cross currency NDFs. These few terms were identified and added to the Definitions as new terms or amendments to existing provisions to accommodate the cross currency space. In particular, as the "Settlement Rate" for a cross currency transaction is generally derived from two different spot rates, new terms had to be crafted for this. In addition, it was determined that rate sources for the hard currency leg of the transaction needed to be dealt with. The working group discussed for many months whether it was possible to achieve market consensus around specific fixing sources for particular currency pairs for the hard currency leg of the transaction. Ultimately, it was determined that a market convergence on fixing sources for multiple currency pairs was both premature and problematic for certain reasons. As a result, the working group opted to pursue a "menu of options" approach, beginning with a market practice that recommends that the fixing source for the hard currency leg of a transaction will be agreed between the parties to the transaction. To facilitate those bilateral agreements, a number of rate sources were identified by the working group as the most commonly used rate sources and definitions were prepared for them to ease the use of these terms in the documentation.

NDF Documentation (continued)

The list of rate sources was not intended to be either exclusive or limiting, meaning that the parties to a transaction are free to identify and agree on any fixing sources they wish to use, even if such sources are not included in the new Section 4.8 of Annex A. But, to the extent they do agree on using one that is included therein, there is no need to worry about expending additional legal or documentation time on reconciling different language for the fixing sources. Additionally, like Section 4.5 of Annex A, Section 4.8 is contemplated to be amended from time to time. These definitions are found in the User's Guide but also are separately posted on EMTA's website (see Documentation/ Standard Documentation/ Standard Definitions).

The Template Terms. Two "generic" forms of Template Terms were developed: one for non-deliverable forward transactions and the other for non-deliverable currency option transactions with instructions written into the forms on how to make each or either of them currency-specific. In addition, a sample of a currency specific pair was included in the Guide to illustrate exactly how to apply the various provisions of the Template Terms. Widely traded currency pairs (BRL/EUR and RUB/EUR) were not-so-arbitrarily chosen for the sample confirmations to provide as much service to the market as possible. The daunting task of creating currency-specific Template Terms for an untold number of identified currency pairs mandated in favor of a different approach to the documentation end of the project and thus a "generic form" approach seemed more useful and more feasible. It is contemplated, however, that as published Template Terms for individual currency pairs will facilitate automated trade processing, the next step will be to create those individually, maybe through some sort of coordinated industry effort. The Template Terms are found in the User's Guide. They are not now, but may be in the future, posted separately on the EMTA website.

Going Forward. It is anticipated that as the market puts the User's Guide into use over the coming months, issues will be identified that need to be corrected or changed. EMTA intends to monitor this, collect practical feedback and will assess the situation in approximately six months to make a determination as to whether updates to the User's Guide are called for. To this end, members are encourage to continue to give EMTA feedback on the Guide – what works, what doesn't and how it can be improved.

Members can access the User's Guide on EMTA's website (see Documentation/ Standard Documentation/ User's Guide.

For further information, please contact Leslie Payton Jacobs at lpjacobs@emta.org.

EMTA Hosts Special Seminar on Dim Sum Market in London on April 20

EMTA's Special Seminar on the Offshore Renminbi ("CNH" or "Dim Sum") Market was held in London on April 20, 2011. Approximately 150 market participants attended the event, which was sponsored by The Royal Bank of Scotland.

Robert McCauley, Senior Advisor at the Bank for International Settlements, delivered the meeting's keynote address. In his prepared remarks, McCauley provided a general overview of the internationalization of the renminbi, and also discussed recent developments.

The move by Beijing to develop an offshore market for the Chinese currency while maintaining extensive capital controls on cross-border flows was simply unprecedented, McCauley began. "No other country has set out to develop an offshore market any more than a country's broadcast authority has set out to develop offshore radio stations," he stated.

Traditionally, officials of a country generally react to the development of an offshore currency market with an initial refusal to recognize its importance, and only begrudgingly accept its existence after adopting a variety of tactics to handle it. In contrast, Beijing has recognized the importance, and inevitability, of an offshore renminbi market, and has sought to play a role in its development.

McCauley reviewed the main reason why Chinese officials would want an internationalized renminbi. An internationalized currency allows a country to diversify some of the foreign exchange risk that it runs with the rest of the world. By having China's net claim on the rest of the world denominated in renminbi, external borrowers bear the risk of renminbi appreciation.

The use of the renminbi as a reserve currency by China's major trading partners was unlikely to precede the development of an active offshore market, according to McCauley. He cited the offshore use of the US dollar as key to its status as a world currency.

The internationalization of the offshore renminbi has recently accelerated, McCauley noted. Hong Kong residents have taken more advantage of their ability to purchase renminbi, and trading in the offshore "CNH" currency has reached perhaps US$1 billion per day. Banks and multinational firms have issued renminbi-denominated bonds, and now equities, in the offshore Hong Kong market.

How the renminbi market will evolve and how the currency will be internationalized in the future remain open questions, McCauley noted. The role of the non-deliverable forward market (NDF) in the renminbi is unclear—the offshore renminbi market might displace it while both remain distinct from the onshore market. Alternatively, the NDF market, the on-shore and off-shore renminbi markets could all co-exist until capital controls are removed. He added that concerns of "lopsided internationalization" (i.e. foreigners wanting renminbi-denominated assets but not liabilities) remain as trading partners have in recent months "proved keener to accumulate renminbi receivables than build up renminbi payables.

Dim Sum Seminar (continued)

Following his presentation, McCauley took a number of questions from the audience. London would be a natural third off-shore market for the renminbi, he ventured, following news reports on the day of the seminar that Beijing would soon allow renminbi trading in Singapore.

Woon Khien Chia (The Royal Bank of Scotland) moderated a panel of market experts following the presentation. She first asked panelists for their thoughts on opportunities in the CNH market. Tim Condon of ING believed that the CNH-denominated bond markets were poised for healthy development after Beijing took measures last October to discourage speculation in the market.

Aviva Investors' Kieran Curtis suggested that, on a practical level, there were limited opportunities for a European-based fund manager. "One hears about deals late, as the roadshows only take place in Hong Kong and Singapore, and sometimes the credit quality is low or one doesn't know the issuer well." He continued that managers were often forced to spend vast times analyzing an issue for which they might receive a minimal allocation, often much smaller than the allocation they would expect on a comparable Eurobond issue. However, he highlighted that "the issues that we have been able to get, we are pretty happy with; we get the renminbi exposure that clients want without the exorbitant costs of the NDF market."

Callum Henderson (Standard Chartered) agreed that the supply of CNH-denominated bonds was limited, though it was picking up, with 'Dim Sum' bonds largely focused on high-grade names while 'synthetics' were more dominated by high-yield.

The panel concurred that the renminbi would eventually take its place as a word reserve currency, with Condon and Henderson further agreeing that develop this was likely to occur within 5 to 10 years, "a big development, as last year people could have said 20 to 30 years," observed Henderson.

Market consensus also remained that the renminbi would appreciate approximately 4-5% versus the US dollar. Kieran noted that "no one would borrow in renminbi because we all know it is going up, right?"

Finally speakers speculated on the eventual role of the Hong Kong dollar. "One currency, one country is the endgame, right, but why can't the HKD last another 5 to 10 years before it is repegged to the renminbi?" asked Condon. Other panelists agreed that the HKD could "wither and die" as renminbi supply grows, and the market began to post prices in both currencies.

A cocktail reception sponsored by The Royal Bank of Scotland followed the meeting. EMTA hopes to hold additional seminars on the development of the CNH market in the future.

EMTA's Working Group to Advance LatAm Inflation-Indexed NDS Efforts

EMTA continues to welcome members into its working group focusing on the introduction for standardization for Latin American inflation-indexed non-deliverable swaps. The inflation indices targeted by this group, which is a joint effort with ISDA, include ARS-CER, CLP-UF, COP-UVR, PEN-VACU and MXN-UDI.

The group currently is focusing on the development of standard definitions for the inflation indices mentioned above; however, input is very much needed to develop this standardized language.

EMTA members interested in joining this Working Group should contact Leslie Payton Jacobs at lpjacobs@emta.org.

Annex A Amended to Include More African Currencies

Annex A was recently amended to include definitions for more African currencies and their financial centers. These amendments became effective on May 16, 2011. The currencies include the Algerian Dinar, Angolan Kwanza, Ghanaian Cedi, Tunisian Dinar and Zambian Kwacha.

The addition of these currencies and their financial centers helps to establish some documentation groundwork for Africa-related projects that might develop in the future.

For more information, please contact Leslie Payton Jacobs at lpjacobs@emta.org.

UBS Joins CME-EMTA Ruble Survey

EMTA is pleased to report that the UBS's Moscow Branch has agreed to be a participating quote provider for the CME-EMTA Russian Ruble Daily Reference Rate Survey. This brings the list of banks to a robust 22 in number.

CME and EMTA have successfully collaborated to provide the market with a daily Russian Ruble/U.S. Dollar exchange rate quotation since 1998 following the suspension of the MICEX quote. A CME EMTA Reference Rate has been published every New York and Moscow business day since then and is used by both the foreign exchange and futures markets in the settlement of their contracts.

For more information, please contact Leslie Payton-Jacobs at lpjacobs@emta.org.

EMTA Issues Pipeline Includes KRW, RUB and BRL Topics

Issues are frequently brought to EMTA for assistance in resolving. Some of these issues can be immediately resolved, some need a process (such as the organization of a working group) and some are not ripe for resolution, but need to be further monitored. Others might be best referred to another venue or industry association for resolution. Among the issues currently in the "pipeline" are whether the primary settlement rate for KRW Non-deliverable forwards or options needs to be changed from KFTC18 to KFTC30, what needs to be done to clarify expiration times for RUB deliverable and non-deliverable options, whether EMTA's market practice on BRL barrier options needs to be updated, and whether the Relevant Cities for Business Days for Valuation in Latin American NDFs should continue to include New York. These topics (and others) are in various stages of being addressed by EMTA and its member community.

For more information, please contact Leslie Payton-Jacobs at lpjacobs@emta.org.

Spring Forum Speaker Cautious on 2011 Outlook for EM

Speakers at EMTA's Spring Forum expressed cautious views on the outlook for EM debt performance in 2011. The event, which was hosted by HSBC Securities USA (Inc.), drew a capacity crowd of 150 on Monday, April 4, 2011 in New York City.

Pablo Goldberg of HSBC Securities (USA) Inc. led the event's panelists through a series of global economic and EM topics. He commenced the session by contrasting the first quarter of 2011--with its weak returns and capital outflows-- to the more positive environment of last year, and asked panelists to discuss capital flows and the reasons why some investors have been taking funds out of EM.

Lazard Asset Management's Denise Simon saw investor interest in the asset class as remaining strong, and stressed that institutional investors remain under-allocated in EM. "The recent slowdown is probably a good reality check for the market; people have paused, based on valuation and concerns over inflation, although the market appears to be back now on investors' radar screens."

Paul DeNoon (AllianceBernstein) acknowledged he had seen mixed flows. DeNoon noted flows into EM dedicated funds had been flat, while high yield funds containing EM debt had seen new money. DeNoon characterized the recent movement as a reallocation, with investors moving to income-generation. Alberto Bernal (Bulltick Capital) added that local Latin pension funds were moving money into the US market, and that this was reducing a source of dedicated EM support.

Goldberg observed that the global backdrop has moved from concerns over oil pricing, following Middle East events, to deflationary pressures resulting from increased Japanese liquidity. How would the global economy affect EM performance for the remainder of 2011 and what risks should investors consider?

Simon reasoned that the global backdrop would prove supportive of EM. Key economic data in emerging countries continued to show strong growth, she stated. However, for the asset class to tighten, the market would have to see a successful transition after the end of the US FOMC's quantitative easing (QE2) operations

RBS' Siobhan Morden agreed that the unwinding of QE2 posed the greatest risk to the market. "The US has provided unprecedented liquidity, it has been an anchor for EM risk appetite," she remarked. The EuroZone and political upheaval in MENA countries also remain causes for concern according to Morden.

DeNoon advised investors to monitor the Bank of Japan for an end to its liquidity operations. In addition, he also identified high commodity pricing as a concern. Bernal rationalized that the best possible positive surprise for the market would be stable US job growth.

Speakers were also prompted to name which EM sovereign was most at risk at defaulting in the next two years. "The only one I can think of is Ecuador," replied Bernal, who continued, "how can a country not have a trade surplus with oil at $100 per barrel?" While President Correa had recently given a relatively market-friendly speech, dollarization will remain a problem for Ecuador and paying back the '15 bonds will be "complicated," he commented.

DeNoon acknowledged his greatest concern was over-leverage in the corporate sector, "it's not clear to me that enough analysis is being done," he warned. As for which sovereign was most likely to run into payment issues, he cited Venezuela. "They are running out of reserves…and only rising oil prices will keep that system going," he commented.

Spring Forum (continued)

Floating-rate regimes and inflation-targeting make balance of payment crises a thing of the past, according to Morden. While she didn't expect a payment crisis in Caracas in the next two years, "the downside price risk is huge." She expressed concern that a large number of EM investors have been drawn to Venezuelan debt's high yields, and remain vulnerable to a sell-off sparked by events such as the December 2012 elections. The country is "a crisis waiting to happen, and eventually they will run through their balance sheet…but we don't see a default in the next 24 months," she concluded. As for Belarus, which had also been a source of some market speculation, she believed that the sovereign would probably be bailed out by Russia.

Simon concurred that Venezuela was likely to muddle through "unless oil drops below $80 or if there is a G-3 crisis." She also seconded DeNoon's corporate concerns. "People are reaching for yield, and maybe not doing their homework….some of these issuers should not be borrowing from the market," she argued.

Peru was also discussed, just a week before the country's first-round Presidential elections. Morden expressed concern that a victory by front-runner Ollanta Humala would upset Peru's recent progress, while adding that, even if he won and subsequently proposed anti-market measures, there could still be potential institutional checks on his initiatives. To go long Peruvian debt now, she suggested, one would have to be taking the bet of Humala losing or having any anti-market policies blocked. Bernal agreed and cited the dramatic improvements in Peruvians' standard of living in recent years. While Bernal had previously advised clients to buy on weakness, "I am now getting seriously worried…and it is a tough question of where you should be buying."

Most panelists agreed that EM currency appreciation would continue. Bernal viewed this as part of the definition of economic development. "Increased ratings and increased foreign direct investment lead to stronger currencies," he stressed, adding "we will all have to learn to live with it, it will not be reversed unless there is a shock." DeNoon took a contrarian position, and argued that EM currencies could overshoot, with future levels "not a one-way street."

Speakers also viewed EM and DM converging more in the future, while generally concurring that EM would remain an asset class if only because most investors viewed it as distinct. DeNoon argued EM should never really be seen as a unique asset. ("Equity, real estate…those are separate asset classes.") Others noted that Euro-clearable countries or higher-rated countries could move onto DM desks, while some smaller countries would probably always remain in a distinct EM category.

The panel concluded with speaker predictions on returns. Forecasts on EM external debt were hardly optimistic, ranging from flat (Bernal) to 6% (Simon), with local debt returns in dollar terms slightly more favorable at 6% to 9%.

EMTA Presents Panel on Mexican Bankruptcy

On June 13, 2011, EMTA hosted a panel discussion on Mexican Corporate Bankruptcy. This event was held at EMTA's offices at 360 Madison Avenue in NYC.

It is now more than a decade that the modern law governing the Mexican insolvency regime— the Ley de Concursos Mercantiles (LCM, best translated as the Business Reorganization Act of 2000)—was enacted and has been successfully applied in hundreds of cases of corporate debt workouts. It incorporated most of the best international practices, and its main objectives have been to preserve and protect the rights of the various local and foreign constituencies typically involved in a Mexican insolvency proceeding, maximizing the value of company assets and their eventual distribution among creditors. However, the interpretation of the LCM is being put to the test by a potentially precedent-setting case involving Vitro, a leading glass manufacturer whose intra-company loans from subsidiaries have become a point of contention. This Panel presentation began with the highlights of a briefing paper written by Prof. Porzecanski, "Corporate Workouts in Mexico: The Good, the Bad, and the Ugly," which was available for distribution to attendees.

Arturo Porzecanski (American University) moderated the panel discussion, and other panelists and their topics included:

- Richard Cooper (Cleary Gottlieb Steen & Hamilton) – Making Money, not Headlines – How to Succeed in Mexican Restructurings
- John Cunningham (White & Case) – Badges? We Don't Need No Stinking Badges
- William Govier (Bingham McCutchen) – Opportunities for Improvement in the Concurso Law

The Agenda, Professor Porzecanski's Remarks and the Panelists' Presentations can be found on EMTA's website in the New Developments area (http://www.emta.org/newdev.aspx), as well as in the Mexico Market pages (http://www.emta.org/template.aspx?id=5020).

EMTA Summer Forum to be Held in London on June 28, 2011

EMTA's 14th Annual Summer Forum will be held in London on Tuesday, June 28, 2011, and will once again be hosted by Bank of America Merrill Lynch at its office at 2 King Edward Street, beginning at 2:30 pm.

This year's buyside panel discussion on the prospects for EM debt will be moderated by Alberto Ades of Bank of America Merrill Lynch Research. Confirmed panelists include Jerome Booth (Ashmore Investment Management), Alex Garrard (BTG Pactual Asset Management), Rob Drijkoningen (ING Investment Management) and Tom Fallon (UFG-LFP).

Brett Diment (Aberdeen Asset Management) will moderate the event's sellside panel, will include Guillermo Mondino (Barclays Capital), Pablo Goldberg (HSBC Securities USA Inc.), Timothy Ash (Royal Bank of Scotland) and Samir Gadio (Standard Bank). A cocktail reception will follow the two panel sessions.

Complimentary invitations were emailed to EMTA Members in mid-May (there is a registration fee of US$495 for non-members).

For further information, please contact Jonathan Murno of EMTA at jmurno@emta.org.

EMTA Corporate Bond Forum to Take Place in NYC on September 14

EMTA's Corporate Bond Forum has been scheduled for Wednesday, September 14, 2011. ING will sponsor the event in New York City.

At press time, confirmed speakers included David Spegel (ING), Anne Milne (Bank of America Merrill Lynch), Aaron Holsberg (Santander) and Robert Abad (WAMCo).

Invitations will be sent to EMTA members in August. The non-member registration fee is $495.

EMTA holds forums focusing exclusively on EM corporates in both London and New York each year.

For more information, please contact Jonathan Murno of EMTA at jmurno@emta.org.

EMTA's Sixth Annual Forum in Singapore – October 21, 2011

EMTA's Sixth Annual Forum in Singapore will be held on October 21, 2011. The forums will be sponsored by ING Bank N.V. Members are invited to attend with no charge. The non-member fee is US$495. Panelists will be announced in the fall, as well as location and time.

For further information please contact Leslie Payton Jacobs at lpjacobs@emta.org or Jonathan Murno at jmurno@emta.org.

EMTA's Sixth Annual Forum in Hong Kong – October 24, 2011

EMTA's Sixth Annual Forum in Hong Kong will be held on October 24, 2011. The forums will be sponsored by ING Bank N.V. Members are invited to attend with no charge. The non-member fee is US$295. Panelists will be announced in the fall, as well as location and time.

For further information please contact Leslie Payton Jacobs at lpjacobs@emta.org or Jonathan Murno at jmurno@emta.org.

Emerging Markets Benefit NYC Distributes Over $525,000 and Selects 2011 Charities

The Emerging Markets Charity Benefit (EMCB) Planning Committee has begun distributing checks totaling over $525,000 to five EM charities, representing the profits from last December's annual event in New York City. Organizers noted that the 2010 event raised more funds than the previous year, which distributed $407,000 to EM charities.

Funds raised from the event were distributed to Empower, Fonkoze, NESST, Orphaned Starfish Foundation and WorldFund. The proceeds will be used, among other purposes, to provide health and education projects in a wide range of Emerging Markets countries.

Turning immediately to this year's event, the EMCB Planning Committee also held meetings in May and June 2011 to decide on beneficiaries for this year's event, which is slated for Thursday, December 1, 2011. After carefully reviewing financial statements, annual reports and proposals, the Committee selected 5 final beneficiaries:

- **NESST**, which provides financial and capacity-building support to social enterprises in Central Europe and Latin America www.nesst.org;
- **Orphaned Starfish Foundation**, which works with orphans and disadvantaged children throughout Latin America and Ethiopia www.orphanedstarfish.com;
- **Shared Interest**, which mobilizes resources for South Africa's economically disenfranchised communities to sustain themselves www.sharedinterest.org;
- **Sri Lanka Care Foundation**, which rebuilds and restores homes lost and damaged by the Asian Tsunami www.srilankacare.org; and
- **Trickle Up**, which works to alleviate poverty by providing seed capital for people in EM countries to start small businesses www.trickleup.org.

Invitations to buy tickets will be sent to all EMTA members shortly. In addition, the Committee welcomes donations of auction items.

The Planning Committee continues to welcome new members, and is open to all members of the EM debt trading community. Please contact Jonathan Murno of EMTA at jmurno@emta.org if you are interested in joining the Committee.

London Ball Slated for September 30, 2011

The annual Emerging Markets Ball in London has now been scheduled for Friday, September 30, 2011 and will be held at the Grosvenor House hotel. Since 2004, this event has to date distributed over GBP 2 million to charities working to improve health and education in emerging countries.

This event is being made possible by the generous support of the TPCG Group Argentina and Uruguay, MarketAxess and White & Case.

As in the past, the event will feature a live band and dj, silent and live auctions and much more.

Tables will be available at GBP 4,500 (ten seats) will go on sale to the members of the EM community in late June 2011. As the event has sold out all 1,000 seats for the past several years, those interested in purchasing a table are advised to act quickly once tables are released to avoid disappointment.

Sponsorship opportunities are still available. Firms interested in sponsoring the event are urged to contact: Clare Turnbull of RBS at clare.turnbull@rbs.com, Elaine Skinner-Reid of RBC at Elaine.Skinner-Reid@rbccm.com, or Jonathan Murno of EMTA at jmurno@emta.org. Benefits of sponsorship include: early confirmation of complimentary tables, priority location, branding, complimentary advertisements in event souvenir booklet, etc.

The organizing committee also welcomes auction donations and volunteers willing to work on the event.

EMTA Notifies Members of Warrant Payments

As part of its services to Members, EMTA monitors information on various warrants issued in Brady bond exchanges.

In recent months, EMTA has posted on its website information regarding ex-dividend dates and payments by Venezuela on its outstanding Oil Obligations, Nigeria on its Payment Adjustment Rights and Uruguay on its Value Recovery Rights.

This information can be found on EMTA's website in the New Developments area (http://www.emta.org/newdev.aspx), as well as in the individual relevant countries' Market pages (http://www.emta.org/markets.aspx).

For further information, please contact Aviva Werner at awerner@emta.org.

EMTA Members:
To obtain a password for the Members Only area, please
CLICK HERE

Website Updates and Additions

Key Industry Views

EMTA continues to recognize publications by leading research analysts and others that highlight noteworthy industry topics. In recent weeks, EMTA has made the following additions to the Key Industry Views area of EMTA's website:

To submit materials for posting to this area, please contact EMTA by email at jmurno@emta.org.

- "Peru Under Humala." June 6, 2011- Javier Kulesz (UBS).
- "Assessing the Effects of a Potential Greek Default." May 24, 2011 - Alastair Wilson and Bart Oosterveld (Moody's Investor Services).
- "Comparing Portugal, Ireland and Greek EU Packages." May 5, 2011 - Wall Street Journal.
- "The Problems with a Greek 'Light Dusting'." May 4, 2011 - Felix Salmon.
- "Five Ways to Correct the Greek Debt Crisis." May 3, 2011 - Mohamed El-Erian (PIMCO).
- "Will Europe Socialize Greek Losses?" May 2, 2011 - Felix Salmon.
- "European Debt Crisis Morphs Into New Phase." April 7, 2011 - Mohamed El-Erian (PIMCO).
- "Corporate Workouts in Mexico: The Good, the Bad, and the Ugly." April 2011 - Artuto C. Porzecanski (American University).
- "CNH Market Guide: A Precursor to Internationalisation of the Chinese Renminbi." March 10, 2011 – Woon Khien Chia, Kristine Li and Pin-Ru Tan (RBS).
- "When Irish Eyes are Crying." March 2011 - Michael Lewis.

New Developments

These and other recent news items can be found in the New Developments area of EMTA's website.

- June 13, 2011 - EMTA Special Seminar: Mexican Corporate Bankruptcy.
  - Agenda
  - Remarks by Prof. Porzecanski
  - Corporate Workouts in Mexico: The Good, the Bad, and the Ugly (Arturo Porzecanski, American University)
  - Opportunities for Improvement in the Concurso Law (William Govier, Bingham McCutchen)
  - Badges? We Don't Need No Stinking Badges (John Cunningham, White & Case)
- June 13, 2011 - Standard & Poor's Downgrades Greece's Long-Term Sovereign Credit Rating from B to CCC.
- June 13, 2011 - Standard & Poor's Raises the Dominican Republic's Foreign-Currency Sovereign Credit Rating from on the Dominican Republic from B to B+.
- June 9, 2011 - EMTA Special Seminar: Addressing the EuroZone Dilemma – Lessons from the Emerging Markets (London).
  - Agenda
  - Materials
- June 7, 2011 - EMTA Special Seminar: Addressing the EuroZone Dilemma - Lessons from the Emerging Markets (NYC).
  - Agenda
  - Materials
- June 6, 2011 - Comment Letter to Treasury Notice of Proposed Determination of FX Swaps and FX Forwards Submitted By Covington & Burling.
- June 6, 2011 - Comment Letter to Treasury Notice of Proposed Determination of FX Swaps and FX Forwards Submitted By ICI.
- June 2, 2011 - Fitch Upgrades Panama's Issuer Default Rating from BBB- to BBB.
- June 1, 2011 - Communique from Minister of Economy and Finance of the Republic of Côte d'Ivoire.
- June 1, 2011 - EMTA Special Seminar: Mexican Corporate Bankruptcy to be Held on June 13, 2011.
- June 1, 2011 - Moody's Downgrades Greece's Foreign-Currency Bond Rating from B1 to Caa1.

- May 31, 2011 - EMTA Publishes User's Guide to Documenting Non-Deliverable Cross Currency FX and Currency Option Transactions.
- May 31, 2011 - Moody's Upgrades Colombia's Foreign-Currency Bond Rating from Ba1 to Baa3 (Investment Grade).
- May 27, 2011 - EMTA Special Seminar: Addressing the EuroZone Dilemma – Lessons from the Emerging Markets to be Held in London on June 9, 2011.
- May 26, 2011 - Moody's Downgrades Bahrain's Government Bond Rating from A3 to Baa1.
- May 23, 2011 - EMTA Announces 1Q 2011 EM CDS Volume Stood at US$306 Billion.
- May 23, 2011 - EMTA Summer Forum in London to be Held on June 28, 2011.
- May 23, 2011 - CFTC Product Definitions Contained in Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act.
- May 18, 2011 - Holiday Schedule for EM Bond Trades for US Memorial Day and UK Spring Bank Holidays.
- May 16, 2011 - EMTA, ISDA and the FXC Publish the African Currency Amendment to Annex A to the 1998 Definitions.
- May 16, 2011 - Fiscal Agent Notice Regarding May 16, 2011 Payment on Nigeria Payment Adjustment Rights.
- May 10, 2011 - Presentation by Aldo Mendes, Director of Monetary Policy at the Central Bank of Brazil, at EMTA Forum in São Paulo.
- May 9, 2011 - EMTA Special Seminar: Addressing the EuroZone Dilemma – Lessons from the Emerging Markets to be Held on June 7, 2011.
- May 9, 2011 - Standard & Poor's Downgrades Greece's Long-Term Sovereign Credit Rating from BB- to B.
- May 5, 2011 - EMTA Central America & Caribbean Forum to be Held on June 1, 2011.
- May 5, 2011 - Draft Memorandum of Understanding Between Portugal and the EU/IMF/ECB and Portugal and its Gold.
- May 5, 2011 - Statement on Portugal by IMF Managing Director Dominique Strauss-Kahn and European Commissioner for Economic and Monetary Affairs Olli Rehn.
- May 4, 2011 - CFTC Proposes Rules and Guidance on "Swap" Definitions -- to Include NDFs.
- May 4, 2011 - EMTA Publishes Proposed Final User's Guide to Non-Deliverable Cross Currency FX Transactions.
- April 29, 2011 - Treasury Issues Notice of Proposed Determination of Foreign Exchange Swaps and Forwards.
- April 29, 2011 - Communique from Minister of Economy and Finance of the Republic of Côte d'Ivoire.
- April 14, 2011 - Calculations for Payments on Venezuela Oil Obligations Announced.
- April 13, 2011 - Venezuela Oil Obligations Record Date of March 31 and Payment Date of April 15 Expected. Trades are "Ex-Dividend" on March 29. Calculations for Payments on the Oil Obligations will be Announced by the Fiscal Agent Shortly.
- April 12, 2011 - "Building the New Derivatives Regulatory Framework"; Testimony of Assistant Secretary of the Treasury, Mary Miller.
- April 7, 2011 - Adrian Cosentino, Undersecretary of Financing, Republic of Argentina, to deliver keynote address at Fourth Annual EMTA Forum in Buenos Aires on May 12, 2011.
- April 6, 2011 - Aldo Mendes, Director of Monetary Policy, Central Bank of Brazil, to deliver keynote address at Fourth Annual EMTA Forum in São Paulo on May 10, 2011.
- April 6, 2011 - Holiday Schedule for EM Bond Trades for Good Friday/Easter Monday/UK Bank Holidays.
- April 5, 2011 - Moody's Downgrades Portugal's Long-Term Government Bond Rating from A3 to Baa1.
- April 4, 2011 - EMTA's First Quarter Bulletin is Now Available in our Bulletin Section.
- Fitch Upgrades Brazil's Foreign-Currency Issuer Default Rating from BBB- to BBB.
- March 29, 2011 - Moody's Downgrades Belarus' Foreign-Currency Government Bond Rating from B1 to B2.
- March 29, 2011 - Standard & Poor's Downgrades Greece's Long-Term Sovereign Credit Rating from BB+ to BB-.
- March 29, 2011 - Standard & Poor's Downgrades Portugal's Long-Term Sovereign Credit Rating from BBB to BBB-.

Website (continued)

Reminders: Visit the *New Developments, Key Industry Views, Employment, Litigation, Responses to Market Conditions, Documentation* and *From the Market* areas

EMTA would like to remind its Members to visit the following areas of its website, which are updated frequently: New Developments, Key Industry Views, Employment, Litigation in the EM Background area, Responses to Market Conditions in the New Developments area, Documentation and From the Market in the Activities & Services area.

In the New Developments area, EMTA posts current information regarding EMTA projects and other matters deemed of interest to participants in the Emerging Markets trading and investment community. To submit materials for posting to this area, please contact EMTA by email at sortiz@emta.org. EMTA generally disclaims responsibility for the content of materials received for posting from outside sources.

The Key Industry Views area contains key industry perspectives and market commentary deemed to be of particular importance or relevance in understanding today's Emerging Markets. EMTA has obtained the information posted in this area from sources it believes to be reliable and credible, but EMTA disclaims any and all responsibility for the content of materials received for posting from outside sources. Neither EMTA nor the author of any publication posted in this area has assumed any obligation to update any materials posted herein, and each item is deemed to be dated the date of its publication as stated therein or, in the absence of a date, the date of its posting. To submit materials for posting to this area, please contact EMTA by email at jmurno@emta.org.

The Employment area includes industry positions currently available around the globe for members of the EM trading and investment community. Because of the difficult employment environment resulting from the credit crunch, EMTA has revised the Employment area to include both:

- listings of employment opportunities posted (for a fee) by prospective employers (CLICK HERE for Job Opportunities); and
- summary resumes posted (free of charge) by individuals seeking employment positions (CLICK HERE for Jobs Wanted).

Postings may contain as much, or as little, detail as desired, and initial contact between prospective employers and employees may be arranged through EMTA. To post an employment opportunity, please contact EMTA by email at jmurno@emta.org. To post a summary resume, please contact EMTA by email at sortiz@emta.org.

The Litigation area contains various court decisions and related litigation materials (including amicus briefs) that may be of interest to the EM trading and investment community. Cases can be viewed alphabetically in the more comprehensive List of Cases, as well as by specific subject matter category, in reverse chronological order. A specific attempt has been made to collect as many cases as possible in the on-going litigation against Argentina so creditors are aware of the enforcement and collection challenges facing them. If you are aware of any pertinent information which would be useful to post here, please contact EMTA by email at awerner@emta.org.

Website (continued)

In an inter-connected global economy, the various regulatory proposals to address the market turmoil of 2008/2009 provide important context to the activities of the EM trading and investment community. Because of the diversity of these proposals, and their sheer volume and complexity, EMTA has tried to maintain an area of its website Responses to Market Conditions that tracks regulatory developments. Included in this area are various items of interest generated by regulatory agencies, law firms and other trade associations, etc. This area will be updated from time to time as new information becomes available, and contains, among other sections, the sub-categories of Regulation of the Financial Sector, Europe, IMF and CDS so Members can access those topics more directly. To submit materials for posting to this Responses area, please contact EMTA by email at awerner@emta.org.

EMTA offers Market Practice recommendations and documentation relating to a range of EM activities as well as to EM generally. In the Documentation area, EMTA Members have access to EMTA Standard Documentation (including Bonds and Loans Documentation (which include Primers, When-Issued and Bond Confirmations, Standard Terms for Assignments and Participations and Bilateral Netting Agreements), FX and Currency Derivatives Documentation (which include Master Confirmation Agreements and Practice Notes, Template Terms for Non-Deliverable Forward FX Transactions, Template Terms for Non-Deliverable Options, Standard Definitions, Survey Methodologies, User's Guides and Multilateral Amendments and Documentation Protocols), Bond and Loan Market Practices, FX and Currency Derivatives Market Practices, Credit Derivatives and Swaps Market Practices, Industry Principles and Guidelines and EM Sovereign Bond Documentation Charts). Please contact Aviva Werner (awerner@emta.org) or Leslie Payton Jacobs (lpjacobs@emta.org) for any questions you may have regarding the documents in this Documentation area.

From the Market contains items submitted to EMTA that are deemed of general interest to the Emerging Markets trading and investment community. Decisions to post items are at EMTA's discretion, and the responsibility for content of each posted item lies solely with its author. Items in a variety of formats such as articles, opinions, transcriptions, and graphics, among others, are appropriate for this area. To submit postings to this area, please contact EMTA by email at sortiz@emta.org.

EMTA Membership at 175 as Five New Members Join in 2Q

EMTA warmly welcomed 5 new members during the second quarter of 2011. EMTA membership now includes 175 banks, broker dealers, money management firms, hedge firms, and others. EMTA's new members include firms based in Buenos Aires, Johannesburg, London and New York, reflecting EMTA's global membership, and range from banks and broker dealers to trading platforms and central counterparties and recruiting firms.

Our most recent new members include:

- **BONDS.com**
- **eFinancialCareers**
- **LCH.Clearnet**
- **Puente Hnos Sociedad de Bolsa S.A.**
- **Rand Merchant Bank**

EMTA membership benefits include access to the EMTA website, invitations to EMTA's many events around the globe, eligibility to participate in working groups or other EMTA initiatives and much more.

If you are interested in EMTA Membership, or if you know of prospective Members, please contact Jonathan Murno at jmurno@emta.org or (44-207) 996-3165 or Suzette Ortiz at sortiz@emta.org or (646) 289-5414.

Information on the different categories of membership and annual dues may also be found on the EMTA website at www.emta.org.

Information for Volume Survey Participants

As a reminder, EMTA collects volume data from market participants for its Trading Volume Surveys for EM Debt and CDS on a quarterly schedule. EMTA contacts its survey participants approximately one week before the end of each quarter. Look for the EMTA Volume Survey emails!

If you are not currently a participant in the EMTA Volume Survey and believe you can contribute data for this purpose, or wish to find out more about being a survey participant, please contact Jonathan Murno at jmurno@emta.org or (44-207) 996-3165. Individual Survey responses are kept strictly confidential.

EMTA is Your Forum

Questions arise from time to time about EMTA's policies regarding views expressed in items posted on its website or by speakers or panelists at EMTA events.

For the record, EMTA, by long-standing custom, does not necessarily endorse such views. Items posted on EMTA's website and speakers and panelists at EMTA events are selected because EMTA believes that they will be of topical interest to our Members and to the broader market and will contribute to the expression and free exchange of views and information in the marketplace.

EMTA is always interested in getting market feedback on the effectiveness of our website, events and activities generally. Please take the time to let us know whether or not you agree with what you see on our website or hear at one of our events and, most importantly, whether there is something that EMTA should be doing, or doing differently, to better serve the EM marketplace.

EMTA Hotlines

Topic	Contact	Telephone
Asia	Jonathan Murno/Leslie Payton Jacobs	(44-207) 996-3165/(301) 838-4552
Bond/Loan Trading	Aviva Werner	(646) 289-5412
Corporate Bonds	Jonathan Murno/Leslie Payton Jacobs/ Aviva Werner	(44-207) 996-3165/(301) 838-4552/ (646) 289-5412
Credit Derivatives	Leslie Payton Jacobs/Aviva Werner	(301) 838-4552/(646) 289-5412
Dodd-Frank	Leslie Payton Jacobs/Aviva Werner	(301) 838-4552/(646) 289-5412
EM Bond Charts	Aviva Werner	(646) 289-5412
EM Charity Benefits	Jonathan Murno	(44-207) 996-3165
EM Litigation	Aviva Werner	(646) 289-5412
EMTA Annual Meeting/Forums	Jonathan Murno	(44-207) 996-3165
EMTA Governance/Policy	Michael Chamberlin	(646) 289-5410
FX Derivatives	Leslie Payton Jacobs	(301) 838-4552
International Financial Architecture	Michael Chamberlin	(646) 289-5410
Investor Rights	Michael Chamberlin/Aviva Werner	(646) 289-5410/5412
Legal/Compliance	Aviva Werner	(646) 289-5412
Library and Archive Requests	Evelyn Ramirez	(646) 289-5415
Local Markets	Aviva Werner/Leslie Payton Jacobs	(646) 289-5412/(301) 838-4552
Market Information/Research	Jonathan Murno	(44-207) 996-3165
Membership	Jonathan Murno/Suzette Ortiz	(44-207) 996-3165/(646) 289-5414
Netting Facilities	Aviva Werner	(646) 289-5412
Paris Club	Aviva Werner	(646) 289-5412
Repos/Securities Lending	Aviva Werner	(646) 289-5412
Volume Surveys	Jonathan Murno	(44-207) 996-3165
Warrants/VRR's	Aviva Werner	(646) 289-5412
Website	Suzette Ortiz	(646) 289-5414

EMTA staff can also be reached through the general telephone number (646) 289-5410, at the following email addresses or through EMTA's website (www.emta.org).

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Leslie Payton Jacobs	lpjacobs@emta.org
Evelyn Ramirez	eramirez@emta.org
Aviva Werner	awerner@emta.org

EMTA Calendar - 2nd Quarter 2011

Mon., April 4	**Spring Forum (NYC)** **Hosted by HSBC Securities (USA) Inc.** **452 Fifth Avenue between 39th and 40th Streets** **Americas Room - 11th Floor** **NYC**
Wed., April 20	**EMTA Special Seminar on Offshore Renminbi Market (London)** **Hosted by RBS** **280 Bishopsgate** **London**
Thurs., April 21	Recommended 2:00 p.m. (NYC) Early Market Close
Fri., April 22	Recommended Market Close (NYC/London) Good Friday
Mon., April 25	Recommended Market Close (London) Easter Monday
Fri., April 29	Recommended Market Close (London) Bank Holiday
Mon., May 2	Recommended Market Close (London) May Day Bank Holiday
Tues., May 10	**EMTA Forum in São Paulo** **Hosted by Itaú BBA** **Avenida Paulista 149** **São Paulo, Brazil**
Thurs., May 12	**EMTA Forum in Buenos Aires** **Hosted by Itaú BBA** **Cerrito 149, 18˚ Piso** **Buenos Aires, Argentina**
Fri., May 27	Recommended 2:00 p.m. (NYC) Early Market Close
Mon., May 30	Recommended Market Close (NYC/London) Memorial Day/Spring Bank Holiday
Wed., June 1	**Central America & Caribbean Forum** **Hosted by Oppenheimer** **300 Madison Avenue (at 42nd Street)** **NYC**
Tues., June 7	**EMTA Special Seminar: Addressing the EuroZone Dilemma -- Lessons from the Emerging Markets** **Hosted by Bank of America Merrill Lynch** **One Bryant Park (42nd St. and 6th Ave.), 2nd Floor** **NYC**
Thurs., June 9	**EMTA Special Seminar: Addressing the EuroZone Dilemma -- Lessons from the Emerging Markets** **Hosted by Credit Suisse** **The Royal Institution of Great Britain, 21 Albemarle Street** **London**

Mon., June 13	**EMTA Special Seminar: Mexican Corporate Bankruptcy** **360 Madison Avenue, 17th Floor** **(on 45th St. between Madison and 5th Aves.)** **NYC**
Tues., June 28	**Summer Forum (London)** **Hosted by Bank of America Merrill Lynch** **2 King Edward Street** **London**
Fri., July 1	Recommended 2:00 p.m. (NYC) Early Market Close
Mon., July 4	Recommended Market Close (NYC) Independence Day Recommended 12:00 Noon (London) Early Market Close
Mon., August 29	Recommended Market Close (London) Summer Bank Holiday
September/October*	**Fall Forum (NYC)**
Fri., Sept. 2	Recommended 2:00 p.m. (NYC) Early Market Close
Mon., Sept. 5	Recommended Market Close (NYC) Labor Day Recommended 12:00 Noon (London) Early Market Close
Wed., Sept. 14*	**Corporate Bond Forum (NYC)** **Hosted by ING Financial Markets**
Fri., Sept. 30	**Emerging Markets Benefit London***
Mon., Oct. 10	Recommended Market Close (NYC) Columbus Day Recommended 12:00 Noon (London) Early Market Close
Fri., Oct. 21*	**EMTA Forum in Singapore**
Mon., Oct. 24*	**EMTA Forum in Hong Kong**
Fri., Nov. 11	Recommended Market Close (NYC) Veterans' Day Recommended 12:00 Noon (London) Early Market Close
Wed., Nov. 23	Recommended 2:00 p.m. (NYC) Early Market Close
Thurs., Nov. 24	Recommended Market Close (NYC) Thanksgiving Day Recommended 12:00 Noon (London) Early Market Close
Fri., Nov. 25	Recommended Market Close (NYC) Thanksgiving Recommended 12:00 Noon (London) Early Market Close
Thurs., Dec. 1	**EMTA Annual Meeting (NYC)** **2011 Emerging Markets Benefit (NYC)**
Fri., Dec. 23	Recommended 2:00 p.m. (NYC) Early Market Close
Mon., Dec. 26	Recommended Market Close (NYC/London) Christmas Day (observed)
Tues., Dec. 27	Recommended Market Close (London) Boxing Day (observed)
Mon., Jan. 2, 2012	Recommended Market Close (NYC/London) New Year's Day (2012)

*Details TBA