



IMF's Alejandro Werner to Deliver Keynote Address at EMTA's 2013 Annual Meeting

Alejandro Werner, Director of the Western Hemisphere Department at the International Monetary Fund, will deliver the keynote address at EMTA's Annual Meeting. The event will be hosted by Citi at its 399 Park Avenue office in New York City, on Thursday, December 5, 2013.



Mr. Werner assumed his current position in January 2013, following a distinguished career in the public and private sectors, as well as in academia. Most recently, he served as Mexico's Undersecretary of Finance and Public Credit from [\(continued on page 3\)](#)

EMTA Hosts Special Seminars on Sovereign Debt Restructuring

Michael Chamberlin, EMTA's Executive Director, welcomed the audience of 65 market participants for a Special Seminar that EMTA, in cooperation with Financing for Development Office, UNDESA, held at its offices in New York on October 16, 2013: "Sovereign Debt Restructuring: The Road Ahead". This was the first in a series of seminars on sovereign debt, the international architecture to restructure it and proposed reforms, particularly in response to developments in the European sovereign debt markets and pending litigation against Argentina. [\(continued on page 4\)](#)

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EMTA ARS Industry Survey Transition Advances

EMTA continues its preparations to shift the administration of the EMTA ARS industry Survey (the “ARS Survey”) from an internal proprietary-based system to an outside professional vendor platform. EMTA and Bloomberg LLP have recently finished defining the terms of the transfer from EMTA as administrator and calculation agent to Bloomberg as administrator and calculation agent and continue to work to complete the necessary operational “build” to support this transition. EMTA will continue to be involved with the Survey as a sponsor to ensure that the Survey continues to meet the needs of the EMTA membership and the market. Critically, the EMTA ARS Industry Survey Methodology will continue to be the methodology underlying the calculation and publication of the rate, and, as a consequence, it is anticipated that no adjustment to the current documentary framework (including NDF and NDO contracts) will be needed. The gradual transition is expected to begin shortly, and will only be completed when EMTA, Bloomberg and the participant banks are fully satisfied that it can be made without market disruption.

NDF Architecture for SEFs?

During the fall, EMTA was asked to develop some proposals that would enable newly registered Swaps Execution Facilities (SEFs) to integrate the current EMTA NDF and NDO documentation and best practices into their systems and rules. This effort by EMTA took place alongside similar initiatives by other industry groups to address the emerging regulatory obligations of the SEFs. EMTA has developed several different proposals which are presently under review and consideration by the FMLG, GFMA and other market participants (such as SEFs). At present, these proposals have not been adopted but will remain the subject of review and discussion as the regulatory environment continues to evolve.

Annex A Update Underway

An extensive update and restatement of Annex A is underway, and an initial draft is currently being prepared. Annex A was last restated in 2000, and since then it has been amended (but not restated) 29 times. These amendments have been collected and ordered chronologically in the Compendium to Annex A. A restatement of Annex A in its entirety will collapse the Compendium. EMTA has taken primary lead on this project with support from co-sponsors, ISDA and the FXC. At an appropriate time in the future, drafts of the update will be circulated for comments among the EMTA membership, but it is anticipated that this will not occur for several months yet. EMTA Members with questions or suggestions may contact Aviva Werner (awerner@emta.org) or Leslie Payton Jacobs (lpjacobs@emta.org).

Master Confirmation Agreement Needed for Cross Currency Trades?

EMTA has been approached over the last few years by market participants inquiring about the prospects for including cross currency NDF and NDO Transactions under the Master Confirmation forms developed for NDF and NDO transactions. EMTA has been looking at this topic in order to determine whether there is, in fact, a need to extend the NDF architecture in this regard. Certain market participants have indicated that they believe this is a useful step and certain market participants have indicated that satisfactory bilateral structures have already addressed this issue. We would like to invite more input on this topic to help us understand what gaps need to be filled in this space and whether developing some additional documentation in this regard will be helpful or will merely upset a satisfactory status quo.

EMTA Publishes Retrospective of its Bulletin Articles on FX and Currency Derivatives Initiatives

Since 1998, EMTA has been regularly reporting to the EMTA Membership on its work in the Emerging Markets FX and currency derivatives area. EMTA has now compiled the collected articles reprinted from the EMTA Bulletin, in chronological order to tell this story. These articles document EMTA’s efforts in this area and its contributions to the evolving industry architecture. Market Practices and forms of standard documentation referred to in this retrospective may be found on EMTA’s website in the Documentation area.

EMTA Members may [CLICK HERE](#) to view the newly published “A History of EMTA’s FX and Currency Derivatives Initiatives 1996-2013” as published in the EMTA Bulletin.

Annual Meeting (continued)

Dec. 2006 until August 2010; was Professor of Economics at the Instituto de Empresa in Madrid Spain (from August 2010-July 2011); and Head of Corporate and Investment banking at BBVA-Bancomer (from August 2011 until end-2012). He has also worked as Director of Economic Studies at the Bank of Mexico and professor at ITAM. Mr. Werner received his Ph.D. from the Massachusetts Institute of Technology in 1994.

In addition to Mr. Werner, who last spoke at EMTA's Annual Meeting in 2008 as Mexican Undersecretary of Finance, the event will include 2 panels of speakers, one moderated by Citi's David Lubin of investors, with JP Morgan's Joyce Chang leading a sell-side analyst discussion. Joining both Mondino and Chang on the podium will be Dave Rolley (Loomis Sayles), Tulio Vera (Millennium Management), Hari Hariharan (NWI Management), Sarah Zervos (OppenheimerFunds), Alberto Ades (Bank of America Merrill Lynch), Christian Keller (Barclays), Drausio Giacomelli (Deutsche Bank) and Daniel Tenengauzer (Standard Chartered).

Invitations have now been sent to EMTA members, who may attend at no cost. There is an attendance fee of \$1000 for employees of non-member firms. For more information, please contact Jonathan Murno of EMTA at jmurno@emta.org.

Sovereign Debt Restructuring (continued)

The first panel was moderated by Benu Schneider (United Nations) and the other panelists included Lee Buchheit (Cleary Gottlieb Steen & Hamilton), Deborah Zandstra (Clifford Chance), Andrew Powell (Inter-American Development Bank (IDB)), Sergio Chodos (International Monetary Fund (IMF)) and Sean Hagan (IMF). The panel discussed a variety of current proposals, including those from the IMF and the International Capital Market Association (ICMA) relating to the inclusion of aggregated collective action clauses (CAC's) in non-euro area sovereign bond issues, to reform aspects of the international architecture for restructuring sovereign bonds.

EMTA's second panel on November 5, 2013, "Sovereign Debt Restructuring: Private Sector Reaction to Current Proposals" was moderated by Charles Blitzer (Blitzer Consulting), with other leading private sector representatives, including Tim DeSieno (Bingham McCutchen), Gerardo Rodriguez (BlackRock), Jay Newman (Elliott Associates) and Rashique Rahman (Morgan Stanley), who represented the market's reactions to the official sector's and other proposals.

The third panel, to be held on December 18, 2013, at EMTA's NYC offices, "Sovereign Debt Restructuring: A Better Way Forward?", will endeavor to summarize the above proposals and the private sector's reactions to them, and then articulate a sensible path forward. The panel will be moderated by Arturo Porzecanski (American University), and include the following panelists: Bruce Wolfson (Bingham McCutchen), Robert Koenigsberger (Gramercy), Hans Humes (Greylock Capital Management) and Ben Heller (Hutchin Hill Capital). EMTA will replicate this third panel in London on January 13, 2014 and in Washington, D.C. on January 16, 2014.

Relevant documents made available to the audience can be located at: <http://www.emta.org/template.aspx?id=8330>.

First Panel on October 16, 2013

The sovereign debt restructuring reform topic was introduced with the moderator stating that the overall objective was how to return a country to a sustainable fiscal track and resuscitate growth and balance the risks which debt restructuring poses to the banking system. Every decade or so, "intellectual energy" is generated by the private and public sectors who review this topic (in the 1980's with the Latin America crisis, in the 1990's with the Brady plan, in the 2000's with the Sovereign Debt Restructuring Mechanism (SDRM) proposal and the adoption of CAC's in international sovereign debt issues and the present day with the emphasis on further contractual enhancements, such as aggregated CAC's) and propose solutions. What is the catalyst for the ensuing discussion?*

Several contributing factors serve as the catalyst for reigniting the debate on sovereign debt restructuring — the ongoing debt problems of some members of the Eurozone; the limits of implementing adjustment programs through the compression of domestic "absorption"; the scale of resources required to bail out Greece, which portends difficulties for the official sector if more countries find themselves in a similar situation; the issue of hold-out creditors as a result of the ongoing Argentine litigation in U.S. courts, which may increase the leverage of hold-out creditors (which, for some panelists, gave the hold-out creditors rights to interfere with exchange bondholders' debt, and which, by crystallizing a ratable payment legal interpretation of the particular *pari passu* provision, may make future restructurings more difficult); the full payment to the hold-out creditors in the Greek restructuring; the multiplicity of creditors and the unprecedented size of Greece's debt restructuring; and the real possibility that many countries may not be in a position to return to growth and stability without a debt restructuring, which has significant implications for the role of the IMF and its financing, and the timing and extent of debt restructuring.

* Please note that, since the panelists' remarks were off the record and not for attribution (generally in accordance with the Chatham House Rule), this summary will only contain references to the discussion points and not the identity of the panelists who made those remarks.

Sovereign Debt Restructuring (continued)

In reviewing the characteristics of past restructurings, one panelist reviewed the past history of debt restructurings and found that most had low present value haircuts, most of those had no principal haircut, but some had large present value haircuts with principal haircuts, but with very few in between. The probability of multiple restructurings for any given country within six years was rather common, especially when there were low present value haircuts. Fear of hold-outs could be one of the reasons for low present value restructurings in order to get a buy-in from all creditors, thus making it more likely that a country may seek further restructurings subsequently.

A longer delay between the date of default and the date of restructuring correlated to a larger haircut. This can be explained because, inter alia, the deeper the sovereign problem, the greater the incentives may be to delay fixing such a problem. Another explanation can be that the delay is part of the problem. Any delay reduces the size of the pie and is detrimental to both the debtor country and its creditors, with the apt adage of “too much pain for too little gain”. Since debt overhang is then often associated with large economic deadweight costs, it behooves sovereigns and creditors to look for improvements to the current mechanisms for restructurings, so that future restructurings can be conducted in an orderly, timely and economically efficient manner. Settlement with hold-out creditors may jeopardize the intended purpose of a restructuring.

The following are some of the questions posed to the panelists by the moderator:

- What implications does the present framework have for the IMF’s own role and how the evolution of international financial crises—from current account problems to capital account crises—has impinged on its ability to assist members to strike a judicious balance between financing and adjustment? What are the implications for the Fund’s lending-into-arrears policy and its exit strategy from a country whose debt has become unsustainable? How can the issue of “too little, too late” be resolved? Should there be limits to over borrowing as a crisis prevention measure? How can the threat of contagion be minimized? How can the challenge of promoting a debt restructuring that is necessary to return the country to a sustainable fiscal track and resuscitate growth be balanced with the potential risks a restructuring poses to the banking system? The IMF’s debt sustainability analyses play an important role in the process, but the role of the IMF has been hotly debated of late, in part because of its potential to subordinate private claims through its own lending. How can issues of priority and inter-creditor equity be resolved?
- A decade ago, efforts were made to replicate the key features of domestic bankruptcy regimes through the IMF’s SDRM proposal. In the end, these efforts were shelved in favor of a “voluntary” contractual approach based on CAC’s and codes of conduct governing the restructuring process. Where does this process stand? And how would you evaluate their effectiveness? What problems have CAC’s and code of conduct resolved and which issues still need to be addressed? In the absence of a sound bankruptcy regime at the international level, what difficulties do you identify in the present process and what are the options on the table to replicate the functions of a bankruptcy regime? What can be done? Is there a scope for more complete standardized contracts, which for completeness could also have provisions for breathing space, a standardized *pari passu* clause, and a simplified aggregation clause?
- In the event that there are more countries in debt distress (like Greece was), is there a risk that private bond markets would close to sovereign borrowers, as had been the case following the widespread defaults in the 1930’s? To what extent do you think this is likely, and how would it affect the debate between “voluntary” and “statutory” approaches?
- The ongoing Argentine litigation in U.S. courts may increase the leverage of holdout creditors. If the decision were upheld, would it affect the future of sovereign debt restructuring? Would this give an impetus to the statutory approach to sovereign debt restructuring? To what extent can the goals associated with timely, orderly restructurings be achieved with purely voluntary mechanisms and whether some form of quasi-statutory framework is necessary? What are the options for the latter?

Sovereign Debt Restructuring (continued)

There followed a wide-ranging discussion of these questions.

While recognizing the limitations of the existing legal framework and seeking contractual improvements and reforms (which will be prospective), the IMF is not likely to resurrect the SDRM (which panelists agreed was not a particularly good analogy to U.S. Bankruptcy Chapter 11 anyway), or any other statutory framework, to address the issues surrounding sovereign debt restructuring. The viability of any proposals implemented by the IMF will depend upon market acceptance (although the IMF does not generally intervene directly in inter-creditor issues or disputes).

The two contractual provisions that merit further review by market participants and trade associations (including ICMA) are (i) the *pari passu* clause in light of the Argentine litigation (with its implications for future sovereign debt restructurings, hold-out strategy and leverage over participating bondholders that may not get paid, as well as trustee and other third party intermediaries and infrastructure providers) and (ii) CAC's, including aggregation clauses to neutralize the effectiveness of creditors taking a large position in individual series of bonds with a view to building a blocking position for voting purposes, thereby making restructurings potentially more difficult.

Expanding on the legal framework, there is currently no standard *pari passu* clause, with differing language even within the same sovereign's bonds. Capital markets would function better with more uniform and more easily understood provisions. Presently, there are two formulations - one, that the clause requires equal ranking and two, that the clause requires equal payment (with sometimes varying interpretations). While some counterparties may have contemplated ex-ante that the clause in their contracts be interpreted to require equal payment, most believe that the equal ranking formulation is preferable (and ICMA will endorse that view by drafting language that recommends that formulation). Other market participants would wish the clause to be deleted from documentation in its entirety.

With respect to CAC's and aggregation clauses, the Eurozone has, as of the beginning of 2013, adopted a new model aggregated CAC clause which employs a two-tiered voting structure, requiring a super-majority of 75% of the outstanding bonds represented at a duly called bondholders' meeting to aggregate across series, and a single series approval requirement of 66-2/3% of the outstanding bonds represented at such meeting. Future issuers could consider reducing the single series required voting threshold to the lower level of at least 50% to mitigate the risk of hold-out creditors. In addition, CAC's generally were not included in New York law governed bonds issued before 2003, and aggregated CAC's were not included in euro area sovereign bonds before January 2013, thus optimistically one cannot rely on CAC's to minimize the hold-out problem for at least a decade or more from their adoption (as those older dated bonds mature or are retired or exchanged). While Greece retroactively applied a collective action mechanism to its domestic law governed bonds and Uruguay neutralized hold-outs with its unique exit consents, future sovereigns in trouble may not be able to use those tactics. And, if there are perceived successful avenues for holding out, creditors may be less likely to agree to participate in a restructuring.

However, other than a handful of LatAm sovereigns and the euro area initiative on the adoption of aggregated CAC's (which uniquely applies across both domestic law and foreign law government debt securities), CAC's currently in use do not include an aggregation feature. Such an element could further minimize the hold-out creditor problem, especially if the voting structure of an aggregated CAC was such that the approval process was centered on an overall aggregate voting mechanism (across all series of instruments to be restructured). However, the requirement to include a series-by-series voting procedure (resulting in a two-stage voting structure, the aggregate one and the individual series one) provided an important legal safeguard in the area of enforceability of such provisions, and the proper use of majority powers. One emerging concept was that, to the extent that bondholders could be offered the same menu of new bonds across all series, no single series voting would be required. But, this may be problematic from a market acceptability perspective, since different creditors of a

Sovereign Debt Restructuring (continued)

sovereign may have differing interests and trading values may or may not converge. Any move away to a single aggregate voting mechanism needed to be considered carefully from a legal and market perspective. The legal issues would go to enforceability. The market analysis would require thought to be given to any potential primary and secondary market pricing implications, as well as any ratings implications, especially at a time when a sovereign was facing decreasing creditworthiness.

In terms of additional measures which could be considered in the context of Europe, a recent proposal by a committee of experts and academics suggests that the ESM Treaty (establishing the euro area financial stability mechanism) could be amended so that the assets of a sovereign located within the Eurozone would be immunized from attachment by those creditors not participating in any such sovereign's debt restructuring where that sovereign was benefitting from a financial assistance program from the ESM. Previous precedents for this approach to implement a restructuring are when (i) the UN Security Council passed a worldwide resolution in which Iraqi assets were so immunized from attachment and (ii) Uruguay adopted "surgical" exit consents that made express waivers of sovereign immunity no longer applicable. Had the 2005 Argentine deal included such exit consents, the course of history may have been changed (in light of the fact that the Foreign Sovereign Immunities Act may be the basis for U.S. Supreme Court review). However, the kind of statutory solutions referred to above may not work in all contexts (for example, they may not work for Grenada).

The IMF has been accused of "too little, too late", but if it implements some proposals it may be accused of "too soon, too much". The IMF Staff is reviewing its own lending-into-arrears policy and how to resolve the issue of "too little, too late" in sovereign debt restructuring. It is looking into possible options to deal with the grey zone between loss of market access and debt "unsustainability" - the IMF Staff proposes to bring in reprofiling by the private sector at this stage. The timing of a debt restructuring is critical, with the delay in initiating the restructuring being more important than its conclusion. The IMF has a central role in the restructuring process since experience has shown that most sovereigns don't initiate it on their own (and creditors are also not too keen on it, given the added costs). Moral hazard and the stability of the international financial system were discussed, as were debt sustainability issues since the IMF's lending framework requires that the debt be sustainable and the attendant liquidity and insolvency concerns in the sovereign context make the sustainability analysis more difficult. Also, debt sustainability may be equated with market access or growth, making it more difficult to assess. And, standstill arrangements may not be feasible with the number of creditors involved (in contrast to the banking loan era of the 1980's where standstills were a viable tool). Some work is ongoing to include breathing space in bond and loan contracts.

The IMF should have a strong lender of last resort role to counter problems of contagion and to guard against liquidity crises and to prevent them wherever possible becoming solvency problems. The crisis in Brazil in 2002/3 is a good example of this role in practice. It is important that any new changes in the IMF modus operandi would maintain this important role.

The IDB has somewhat similar procedures to the IMF's in that budget support can only be approved if IDB Staff indicate that the macroeconomic situation is sustainable. There is considerable dialogue between the two institutions in countries with difficult macroeconomic circumstances in the Latin America and the Caribbean region.

If debt restructuring has significant and unnecessary economic costs, it is also important to consider innovations in contracts that might make debt restructurings less frequent. Introducing contingencies in debt contracts such as GDP indexation or indexation to a relevant commodity price are potential examples. Ideas to reduce the economic costs of restructuring have also been suggested, such as contracts with clauses analogous to banks' "contingent capital" instruments (or Coco's). Such clauses could trigger an automatic extension of maturities or immediate debt reduction, with or without GDP warrants attached. A further more institutional idea that may

Sovereign Debt Restructuring (continued)

be useful would be a dispute resolution mechanism with a panel of experts to guide the discussion among the debtor and all of its creditors that is voluntary, but time-bound with sanctions. A number of mechanisms were presented from previous expert group meetings organized by FFDO-UNDESA and IDB. These included increasing information on debt stocks and flows by establishing an international registry of debt; the implementation and specific rules on stand-stills and regulatory, tax and accounting treatments that may currently interact to make debt write-downs overly costly.

One approach which combined the voluntary with the statutory approach consisted of three stages similar to the WTO dispute resolution mechanism: (1) voluntary, but time-bound, negotiation between the parties, (2) a time-bound mediation following the WTO dispute resolution process, and (3) if no agreement is reached, a judicial ruling whose solution is binding.

Another mechanism proposed was a resolvency clause - a contractual clause which permits the sovereign to commence a resolvency procedure if it reaches an insolvency state. The second step would then be a resolvency court led by a permanent president and a limited pool of potential judges who would act if appointed for a particular case. The third step would consist of a set of rules governing the procedures. This system would then mix contractual innovations with a more statutory approach.

For creditor coordination, ex-ante structures for creditor committees with a governance structure were proposed.

The audience also asked the panelists various questions and the following remarks were made:

The ECB (which purchased Greek bonds, but did not participate in the PSI) and other public banking organizations were hold-outs in the Greek restructuring, when many thought they should have participated in the “pain”, and perhaps the official sector generally should not shield itself from parity of treatment as burden-sharing (on political and economic levels) goes both ways.

Another idea (since some see the weakness more in the official sector response, as opposed to a problem with creditor committee coordination or proposals) was the creation of a Sovereign Debt Forum: an organization with a permanent and neutral staff, whose aim would be to design a collective process to enhance sovereign debt as an asset class. This independent non-statutory, standing body would identify lessons from past debt restructurings, bridge information asymmetries and facilitate more transparent, predictable and timely treatment of sovereign debt in periods of extreme debt distress.

Perhaps a third alternative to the contractual and statutory approaches may be viable – the judicial one – by class actions (though not possible in the U.K.) or otherwise - to make sure that the sanctity of contract and rule of law is somehow preserved.

Even if the result of all these proposals is a diminution in the amount of hold-outs, one has to think about what sovereigns have had to do to make their restructurings viable, following their defaults with even higher debt-to-GDP ratios. And, sovereigns have to think about restoring their market access post a restructuring and their continued reliance on private sector funding.

Sovereign Debt Restructuring (continued)

Second Panel on November 5, 2013

Michael Chamberlin, EMTA's Executive Director, summarized the official sector's prevailing view, as discussed by the first panel, that sovereign debt is still too difficult to restructure because of the inability to bind all creditors, despite the introduction of collective action clauses (CAC's) into many bond issues. Restructurings either do not occur, do not occur soon enough or generate enough debt relief and/or leave both debtor and creditors exposed to the continuing claims of hold-out creditors (which, in turn, creates a further incentive for creditors to hold out). Mr. Chamberlin's impression of the current views of the official sector and academia is that they range from "the sky is falling" to "some minor tweaks need to be made to improve the existing architecture".

For well over a decade (and, in fact, going back further than that to the first efforts to distribute sovereign debt more widely throughout the investing community by exchanging bank loans for bonds), members of the official sector, some academics and lawyers representing debtor countries have expressed concerns about perceived difficulties in restructuring sovereign debt. These concerns have been, in Mr. Chamberlin's personal view, "overblown", but they have been exacerbated in recent years by Europe's credit problems and by the inability of Argentina to move beyond its 2001 default.

A decade ago, the IMF proposed its Sovereign Debt Restructuring Mechanism (or SDRM), which was withdrawn in the face of adverse creditor (and some debtor) criticism, in favor of the (more or less) voluntary introduction of CAC's that generally permit a super-majority of bondholders (usually 75%) within a series (or issue) of bonds to bind all holders of such series (or issue) to certain fundamental changes of bond terms (notably payment terms, such as principal amount, interest rate or tenor). The European and Argentine experiences have led to renewed calls, this time joined by some investors, for more effective ways to ensure that all of a debtor country's bondholders can be bound by a majority or super-majority.

Although so-called statutory approaches (such as the SDRM) appear generally to be off the table, there are still occasional discussions of various statutory mechanisms (such as restrictions on the enforcement of sovereign claims by hold-outs), particularly in the context of Europe.

Specifically, the so-called "improvements" in the sovereign debt architecture that are now being discussed, with proposals expected within the next several months, are two non-statutory approaches, as follows:

- (1) Changes in the *pari passu* clause, ranging from restricting its use to enforce ratable payment, to eliminating it altogether, and
- (2) Introducing so-called "aggregation" clauses that would permit a specified percentage of a debtor country's bondholders to bind all bondholders, rather than the series-by-series or issue-by-issue approach that now applies to most countries. Recent discussion of the issue of aggregation, which is generally familiar in the domestic US corporate context post-default, has focused on the relative merits of a single vote across all series of a debtor country's outstanding debt (assuming that the relevant restructuring proposal was "uniformly applicable" to all series) vs. a two-step approach involving a vote across all series coupled with a second series-by-series vote (requiring a lesser percentage) designed to protect the interests of each individual series (while allowing for the possibility that a blocking position could be taken).

While the purpose of EMTA's panel discussion on October 16 was to describe some of the recent proposals, and the rationales behind them, the November 5 panel was intended to permit some leading market participants to give their reactions to these proposals.

Sovereign Debt Restructuring (continued)

The second panel began by acknowledging that, after ten years, sovereign debt restructuring is back on the international agenda, evidenced by recent reports by various groups, most notably the IMF and a blue ribbon Brookings group. The thrust is more, earlier and deeper debt relief and a reduction in creditors' rights, shifting the balance to official sector and issuers leading the charge for change.*

As in the past, the basic concerns are: over-borrowing, over-lending and default; countries and markets underestimating risks; past restructurings being "too little, too late" (although there's flimsy evidence of that); hold outs and litigation possibly becoming a problem (outside of Argentina); official crisis support should not bailout private creditors; aesthetically, a non-statutory system lacks clarity and is messy-looking; and assertions that debt restructuring is becoming harder (despite empirical evidence to the contrary from Moodys and other bodies).

To summarize the official sector's recommendations, they are:

- (1) achieve more frequent and early debt restructuring, with a move away from a case-by-case, judgment-based approach by the IMF (or the ESM) to a rules-based approach as to when official support will be conditional on a restructuring. The IMF should signal when the debt sustainability analysis is ambiguous and a "soft restructuring" will be required (which implies no more risky programs (e.g., Brazil, Mexico, Korea, Turkey, Portugal, Ireland, etc.)). The Brookings report supports this, but recommends going even further by suggesting a new version of the SDRM for the IMF and new treaty rules for the EU, creating a fully statutory regime;
- (2) reduce the possibility of hold-outs through aggregation clauses (one vs. two-step) that issuers would be forced to include in new issues (even to restructure existing stock), with parallel changes in EU law and the IMF Articles; and
- (3) the Sovereign Debt Forum (SDF), a less-unfriendly alternative (recommended by Richard Gitlin) consisting of a formal, but voluntary, forum of all parties, with independent experts, that has to date received little traction; perhaps something less radical will be recommended.

The panel discussed both the underlying assumptions of the official sector's proposals (e.g., the present system is badly functioning, hold-outs and litigation are serious threats), as well as the reasonableness and workability of the main recommendations.

The following were some of the questions posed to the panelists:

- What works well and what needs improvement (not just with respect to debt restructuring narrowly, but also a bit more broadly to include avoiding and dealing with debt distress)?
- With respect to the currently proposed IMF policy for reprofiling and maturity extensions, would this proposal be stabilizing or destabilizing? Would countries delay even more in coming to the IMF and/or adjusting? How could "too much, too early" problems be avoided? Is it good policy to all but abandon the IMF's traditional fireman's role? What other alternatives could the IMF adopt to avoid its own "too little, too late" problem?

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Sovereign Debt Restructuring (continued)

- With respect to the IMF's lending-into-arrears policy and moving away from creditors' committees, do committees in practice slow the process ("too late") or result in less than appropriate debt relief ("too little")? Or is the reverse true? Should recognition and negotiation with a representative committee be presumed if such committee gets organized? The "good faith" policy, which is included in the IMF's lending-into-arrears program, does not apply when the restructuring, while part of a IMF program, is pre-arrears, should it?
- On legal and documentation issues, should the private sector support the broad introduction of aggregation clauses? Which would be more appropriate -- a two-step test (as used in Uruguay and the EU) or a two-step approach (as discussed in the Brookings report and at the IMF)? How would the market and issuers react? Are *pari passu* clauses an important issue for the markets? Is it important to standardize the clause? If so, should standardization refer to *pari passu* ranking or payments? Does the market care in the case of future bond issues? Should strong engagement clauses, requiring issuers to recognize and negotiate with a committee if bondholders vote for one, become part of standard documentation? If yes, why isn't the market pushing harder for their implementation?
- Is the SDF a sensible idea? Would the market see it as a positive or negative in cases of distress? How could the experts be neutral in practice? How could it be put into place?

These questions provoked the following discussion.

Some of the panelists thought that current market-based sovereign debt restructurings are working well enough, with relatively high participation rates, without the need for a total overhaul or even for some of the official sector proposals to be implemented. The system is not broken (we have come a long way from the 1800's when restructurings took decades to complete to the Brady era of four to five years to the current completion average of a year, mostly due to CAC's); what is required is evolution, not revolution. With additive, incremental steps, the framework for debt restructuring has strengthened over time. The public sector's interjection into the restructuring process now is sub-optimal (as evidenced by the times it has intervened with unfavorable results). However, early engagement by the IMF with soon-to-be failing sovereigns may be advisable.

Those panelists that wanted market-led change remarked on the existing lack of respect for creditors' rights and issuers who negotiated in bad faith. Some panelists suggested a middle ground between pure voluntary and statutory solutions - contractual innovation (a move toward a trustee structure), education and discussion were some of the tools suggested. Other panelists suggested that, while there will always be hold-outs (except in the corporate area of bankruptcy), creditors' committees (with attendant engagement clauses, which require issuers to pay for creditors' advisors, regardless of impending default scenarios), acting in their collective interests, are the solution, or at least a powerful tool, to the hold-out problem. These committees would also help increase the speed, efficiency, professionalism and transparency of the restructuring and bring possible recalcitrant creditors to the table. Why would the IMF move in the opposite direction of questioning the value of such committees? And, many panelists stated that there should be "reverse comparable treatment", such that large institutional lenders (like Central Banks, Paris Club, ECB, European investment banks, etc.) should participate in restructurings and should not hold out (as some have in the recent Greece restructuring).

One panelist suggested that the elimination of all investor protections might prove useful in determining how important the rule of law and enforceability of contract really are to primary and secondary market participants. Perhaps, the Foreign Sovereign Immunities Act (FSIA) is an experiment that has not worked well for the market as a whole. Some panelists thought that adding CAC's, for example, did not affect the pricing of debt issues (and that the importance of CAC's, a tool always used in UK law governed contracts, was overstated), others believed that *pari passu* language modifications may affect pricing and others didn't think the market was particularly adept at pricing legal risks (until they became real).

Sovereign Debt Restructuring (continued)

Or, maybe looking at primary issue pricing was not dispositive and one had to look at secondary market pricing. Some didn't think that the *pari passu* clause should be standardized (the latest case against Grenada proves that the behavior of the defendant issuer is more important than the precise language or interpretation of that clause). On engagement clauses, some hoped that the clause would not become another covenant that issuers ignored, while many thought it was a step in the right direction and contributed to improving the process.

On the SDF, some viewed it as a creditor-friendly approach that encouraged earlier action for all relevant stakeholders, a forum of experts that had experience in consensus-building. Others viewed the SDF as divorced from reality, and a necessary body without much value, given the implementation problems it would face.

The topic of issuer advisors was raised - perhaps trying to identify destructive advisors was more important than trying to tweak the restructuring process (one legal adviser was said to "advertise his services with billboards that erode creditor rights"). Also suggested was that the attorneys who helped issuers put their deals together should not be the same attorneys who help those same issuers restructure their debt.

The audience also asked various questions and the following varied remarks were made:

The private sector needs to push back against the official sector's proposals and their deficiencies, which are much bigger than the private sector's. It is better to learn from one's mistakes than to overhaul the restructuring process by forcing a rescheduling as a condition to obtaining any IMF funds.

In response to a final question about whether the current system worked well for creditors but not for debt countries, several panelists responded by saying that "the current system does work and the official sector is merely using Argentina as a way to move their agenda forward", "early intervention by the IMF will chase investors away" and "restructurings are not supposed to be easy".

Great Rotation, Opportunities in South Asia Among Hong Kong Forum Topics

Over 100 market professionals attended EMTA's 8th Annual Hong Kong Forum. The event was held on Thursday, October 24, 2013, at the Island Shangri-La Hotel and sponsored by ING.

Moderator Tim Condon (ING) directed Hong Kong Forum speakers to offer their assessments of market tapering fears. Michele Barlow (Bank of America Merrill Lynch) attributed the market's initial sell-off to a perception that the US FOMC would end its easy money policy "in the distance." However, investors were now more cognizant that the policy would soon come to an end. Concurring, Johanna Chua (Citi) noted that "the initial shock is always worse than the reality; but I don't expect as dramatic a reaction when it finally occurs because now it is built-in; people are expecting it." Forecasts for the 10-year US Treasury varied widely from Citi's 3.5% to Bank of America's 4.0% (compared to a narrower band discussed at the EMTA Singapore Forum held two days earlier).

"The great rotation" from fixed income into equities was discussed, with speakers agreeing that there was some evidence of such a trend, while judging it a minor concern. Stephen Chang of JPMorgan Asset Management acknowledged his firm was experiencing some movement into equities from fixed income, and observing that the May sell-off could be more accurately viewed as a rotation out of long duration assets. Hon Cheung (State Street Global Advisors) stressed that EM debt remains a long-term theme for the sovereign wealth funds and Central Banks covered by his team ("the EM debt story isn't dead!"). Barlow argued that the rotation was occurring in retail, not institutional portfolios ("there are still institutional inflows").

Condon questioned panelists on whether investors had previously retreated to North Asian economies as a safe haven trade, and if the time were right for a return to other markets. Chua agreed that there were interesting opportunities in South Asia, including the INR, MYR and CNH, as well as Indonesian and Thai local instruments. She speculated whether India could open up its domestic bond market, leading to its being included in global indices, but asserted that this was not her firm's house view.

Finally, speakers offered their annual assessment of the CNH bond market. "We don't feel entirely comfortable to commit a lot of capital there," commented Chang. He added that the market remained highly illiquid with 10-20 bp spreads. Barlow noted that performance had been strong "if you can hold it, since trading it is difficult given poor liquidity."



EMTA Singapore Panelists Focus on Tapering Reprieve, Third Plenum and Third Arrow

EMTA's 8th Annual Forum in Singapore was held on Tuesday, October 22, 2013. ING hosted the event at the city's Fullerton Hotel. 150 market participants attended, as both the global economic outlook and its effects on the Asian markets were discussed.

Moderator Tim Condon (ING) opened the session with a review of the G-3 economic backdrop. Will Oswald (Standard Chartered) observed that the market sell-off in May 2013 was exacerbated by investors' panic at not being able to find the other side of trades. "The absorptive capacity of the market has changed," he stated. Barclay's Igor Arsenin expected a difficult adjustment when the long-expected Fed tapering finally did occur, and "we are more bearish going forward." Claudio Piron (Bank of America Merrill Lynch) reminded participants that the Fed's QE policy was "keeping the lid on deteriorating current account surpluses in the region that are undermining Asia FX appreciation." Sin Beng Ong agreed that the 2014 outlook for Fixed Income was "less benign."

Condon polled speakers for their house estimates on 10-year UST rates, and the likely timing for Fed tapering. There was consensus among panel speakers that US 10-year Treasury rates would rise to 3.6%-3.7% next year, and most speakers believed that Fed tapering was not likely before March 2014, a view that appeared vindicated by the release of US unemployment data later that day.

On Japan, Bank of America's Claudio Piron argued that lower Japanese unemployment was a prerequisite for increased capital outflows from risk-averse investors. The consumption tax was likely to be enacted as planned, with Igor Arsenin (Barclays) believing that a technical recession would result.

A pick-up in the Euro area was predicted by Ong, among others. Panelists' forecasts of the EUR-USD exchange rate varied from Bank of America's 1.22 to JPMorgan's 1.32. "It's not that we are looking at a robust recovery in Europe; we aren't jumping for joy, and there will be a long, tough road ahead," Oswald commented.

Moving from the DM background to EMs, the importance of the Third Plenum in China was stressed, with speakers expecting it would give some insight as to the future of the Chinese economy. Condon argued that the Shanghai Free Trade Zone was just the latest in a series of Chinese reforms that "have been slow, modest, controlled and easy to roll back."

Views on full convertibility of the Chinese currency varied. Ong argued that corporate indebtedness would have to be resolved before convertibility occurred; while Piron predicted convertibility by 2018/2019 ("it will be full convertibility with socialist characteristics!"). For Arsenin, full convertibility was not a priority for Beijing, and Piron believed that the Chinese government was more interested in interest rate liberalization.

Arsenin and Condon differed on their outlooks for Indonesia. Arsenin took a neutral view, expecting weakening in the Indonesian export sector and recommending that domestic demand be slowed down. On the other hand, Condon acknowledged that he was a "government bond bull."

Singapore (continued)

The event also featured an investor panel. Don Hanna (Fortress Investment Management) invited participants to comment on how the recent political battles in the US had affected the global and Asian markets.



Tung Siew Hoong (GIC Private Limited) cautioned that the lack of a dramatic market response to the crisis might serve to “embolden politicians to act more irresponsibly in the future.” The Rohatyn Group’s Goetz Eggelhoefer suggested that the relevance of US politicians was decreasing, and voiced his optimism on the American economic outlook where “land, labor and capital are super-cheap, and energy is getting cheaper.” He concluded that “fiscal

issues will be taken out by growth.” Rajeev De Mello (Schroeders) expressed some concern that the US political battles could have an impact on Asian growth. SLJ Macroeconomics’ Stephen Jen believed that domestic tensions are increasing in many countries, with the US part of a larger trend.

Chinese growth will inevitably slow, according to Jen, as the economy transitions to a service economy, citing the smaller output of service sector workers compared to their industrial and manufacturing sector counterparts. He also cautioned that infrastructure in many non-first tier Chinese cities was not equivalent to the major metropolises most visited by investors.

Tung predicted medium-term Chinese growth of 6% and recommended that Chinese leaders focus on income distribution issues. Eggelhoefer expressed greater optimism (7% growth in 2014 and 6.5% in 2015). “Nothing causes me major concerns, but in the next couple of years, there will be more of a headwind for the Asian economies than there has been,” he stated.

“I’m optimistic about Japan, after 23 years,” stated Tung, a point echoed by other speakers. Eggelhoefer believed that Prime Minister Abe would not be able to deliver all of his “Third Arrow” strategies for growth, but expressed confidence that some progress would be made. He added that distribution of wealth was a key issue, with a need for younger Japanese to “get it and spend it.” De Mello agreed that “real change” was in the making, although it would take time for structural reforms to bear fruit.

Investors See Growth, and Alpha, in Sub-Saharan African Markets

“Africa has moved from the margin of EM investing to being the center of interest of the new frontier markets,” declared moderator Stephen Bailey-Smith at the opening of EMTA’s first Forum on Sub-Saharan Africa in three years. The event was hosted by Standard Bank in London on Monday, October 7, 2013, with 125 market participants attending.



In addition to Bailey-Smith and analyst Nema Ramkhelawan-Bhana (Rand Merchant Bank), the Forum featured three investor speakers, each of whom identified the role of sub-Saharan African debt in their portfolios. Mohammed Hanif (Insparo Asset Management) described being motivated in 2007 by the lack of coverage of African debt to set up his own Middle East and African-dedicated hedge fund. JPMorgan Asset Management’s Didier Lambert revealed that his involvement in Africa was opportunistic, while Aberdeen Asset Management’s Kevin Daly detailed his firm’s being involved in African external debt since 2007, with growing exposure to local markets as well in recent years.

Speakers discussed their expectations for US Treasury rates, and how the sub-Saharan African markets would be affected. Daly, who expected 10-year UST rates to trade in the 2.85% to 2.95% range post a US government-shutdown resolution, argued attractive yield opportunities existed in the frontier market sector. “The Mozambique issue was mispriced, reflecting little knowledge of the credit, the confusing structure and lack of a road show. Tanzania has done well, but we all know supply is coming, so that could limit the upside, and Kenya could be interesting if they have to price it to sell a large bond,” he stated.



For Lambert, the carry on sub-Saharan African debt at the time of the Forum was “decent,” enough to justify owning the debt. Hanif expressed his view that the US FOMC would not taper its bond-buying program in the near future, and expected sub-Saharan African debt to outperform. He seconded Daly’s recommendation on Mozambique, calling the debt “a steal.”



Polled on which countries to avoid, Hanif noted that it was difficult to short African sovereigns. Daly expressed concern on Ghana. “The market has consistently given them the benefit of the doubt, but they haven’t delivered on their promises. I hope they surprise us on the upside,” he stated. Daly also reminded attendees that the lack of credit ratings reduced the audience for some sub-Saharan African paper, and believed that countries such as Ivory Coast and Tanzania could find additional support once they applied for credit ratings.

Africa (continued)

Hanif advised investors to monitor outflows from the continent's FX markets. "Thus far, the outflows have been miniscule compared to the inflows, but there is more to go, and we have to keep an eye on it." For Lambert, "one can't deny that some value has been created over the past three months [from the recent sell-off]; how much is hard to measure." The lack of correlation of African currencies to mainstream currencies, such as the MXP, should attract real money account attention, according to Lambert, "although zero correlations could not by themselves justify long positions, and thorough analysis still has to be done to select the best investments."

Ramkhelawan-Bhana favored the Nigerian naira and Kenyan shilling on a short-term basis, while observing that the ZAR was highly correlated to EM outflows. Hanif viewed African currency markets as generally too illiquid to invest in ("the bid-ask spreads make it too expensive") unless one had a strong view.

Daly advised investors to avoid the cedi, "although it could be a great trade if the Ghanaians perform better than expected on the fiscal front." This provoked further discussion on Ghana, with Lambert suggesting that he would be willing to bet on the cedi. In contrarian style, Bailey-Smith expected outperformance from Ghana because, "all the bad news has been priced in, and Finance Minister Seth Tekper has lost popularity domestically for raising fuel and utility prices, which is probably a good sign." Ramkhelawan-Bhana saw the next 18 months in Ghana as being too uncertain to make a call, adding that the country "tends to over-spend during election years." However, she predicted a restoration of market confidence could occur once oil revenues increased and government spending were brought under control.



The three investor speakers, asked to make the case for buying African debt, each voiced a different rationale. For Hanif, growth was king. "Sub-Saharan Africa is expected to grow 8% over the next decade, after growing 6% in the past decade. If you don't play here, you are missing out on an opportunity." Daly argued that the continent was under-researched and under-owned. For Lambert, benchmarked investors would most likely be interested in the alpha sub-Saharan Africa can contribute to returns. Ramkhelawan-Bhana added factors such as an emerging middle class looking for consumer goods, structural reforms, and more sustainable debt ratios.

The event concluded with audience questions, before adjourning to a cocktail reception. Panelists discussed the lack of investable debt from francophone African countries (with the exception of the Ivory Coast). Questioned on liquidity, Bailey-Smith acknowledged that it was unlikely that African local debt would ever become as widely traded as more mainstream EM credits any time soon, while highlighting that liquidity had increased dramatically in the past five years. Finally, he concluded that greater sub-Saharan African liquidity could prove a double-edged sword ("It is their idiosyncratic nature that gives you such great alpha, no?").

EMTA expects to announce future Sub-Saharan African Forums in New York and South Africa. EMTA members interested in such events should contact Jonathan Murno of EMTA at jmurno@emta.org.

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EMTA Hosted Panels on Argentine Case in New York and London

The recent US Second Circuit Court of Appeals decision affirming the Southern District Court of New York's (SDNY) opinion and orders in the NML Capital, Aurelius Capital, et al case against Argentina has engendered a lively discussion in the EM market regarding next steps for Argentina and the impact of the decision on Argentine debt traded and its CDS implications if Argentina defaults on its existing debt obligations to 2005 and 2010 exchange bondholders. While the Second Circuit's decision is stayed until the Supreme Court (SC) has reviewed whether or not it will hear Argentina's appeals (and, most recently the SC has denied one of those appeals), there are still many interesting topics to explore. EMTA hosted Special Seminar panels of legal and other experts, who provided commentary and analysis on these topics.

New York Panel

The "Argentina and its Prospects for Supreme Court Review" Seminar in New York, with over 140 attendees, took place on Monday, September 16, 2013, at EMTA's offices, and a cocktail reception followed the discussion. Puente sponsored the event, with additional support from Bingham McCutchen and Shearman & Sterling.

Bruce Wolfson (Bingham McCutchen) moderated the panel, which included Steven Froot (Boies, Schiller and Flexner), Robert Cohen (Dechert), Antonia Stolper (Shearman & Sterling), Marco Schnabl (Skadden, Arps, Slate, Meagher & Flom) and Richard Samp (Washington Legal Foundation).

Mr. Wolfson provided some background to the case, as well as a geo-political back-drop. Mr. Cohen informed the audience as to where the case stood procedurally, and in particular he distinguished the certiorari petition (cert) pending with the SC and the en banc hearing petition pending with the Second Circuit, as well as the SDNY March 5, 2012 injunction. He reiterated that the Second Circuit's August 23, 2013 decision affirmed the lower court's decision; therefore, the March 5 injunction prohibiting anyone from assisting Argentina in evading the lower court's decision would apply to that decision. However, some of the panelists indicated that they would not be surprised if Argentina and/or the exchange bondholders attempted a "work-around" of some sort (although Mr. Schnabl suspected that Argentina would not jeopardize its position by antagonizing either the Second Circuit or the SC until they reached their decisions on the petitions, despite evidence to the contrary by Kirchner's oratory for internal consumption). In the meantime, the plaintiffs are subject to a stay until the SC reviews Argentina's petition for a review of the case. However, some panelists indicated that they would not be surprised if the plaintiffs attempted to enforce the lower court order in another court.

Mr. Froot stated that it was unlikely for anything of note to happen quickly in the courts in the next few months. Argentina must first obtain a decision on the petitions for rehearing and rehearing en banc filed by both Argentina and others before it can obtain cert on the August 23 Second Circuit opinion affirming the lower court's ruling. While it is rare for there to be a grant of en banc review by the Second Circuit (especially since the August 23 opinion was unanimous, except for the standing issue, which converted the exchange bondholders' appeal into an amicus brief), this case is exceptional in many ways and "hard facts make bad law". Froot pointed out that, even if rehearing is denied, the process of briefing on the cert petitions can absorb several months, since Argentina's petition would not be due for 90 days, and oppositions and replies normally occupy another 60 or more days before the Justices hold a conference to consider the petition.

Mr. Samp cleared up some of the confusion surrounding the SC's consideration of Argentina's petition for cert regarding the earlier, October 2012 Second Circuit ruling by describing the process – the significance of the SC's decision to consider this petition at its September 30, 2013 conference, the possible outcomes and how will they be communicated, and the possible role that various organs of the United States government might play. He explained that the September 30 conference was a long conference (considering the many petitions for cert that accumulated over the SC's Summer recess), and hence not a particularly good day to get one's petition heard. If granted, the petitioner may be informed on October 1; if denied, possibly on October 7. Or, the SC may hold over its decision for future conferences or indefinitely. Any petition not acted upon by the end

Argentina Legal (continued)

of January 2014 will not be heard until the 2014-2015 term. And, if the petition is granted, the stay continues until the SC rules (possibly not until Spring 2015). If the SC asks the Solicitor General (SG) for its opinion on whether to hear Argentina's petition, the SG will need to start the time-consuming task of soliciting views within the US government. While the SG generally recommends that petitions be denied (since there are not as many good reasons to grant petitions), if it recommends a hearing, then the likelihood of the SC granting such hearing is approximately 50%.

Samp also stated that there was a low probability the Second Circuit would grant Argentina's petition for re-hearing en banc, and that it is unlikely to decide anytime soon, given the polling of individual judges that is required prior to such a decision. And, because Argentina has no interest in moving the process any faster than absolutely necessary, it is likely that it will not file its cert petition until the 90th day after denial of the en banc request.

Froot elucidated the legal questions actually at issue currently before the courts. Since the SC is not interested in state law issues like contract interpretations, such as the meaning of *pari passu* (although Samp clarified that the SC has the authority to reinterpret state law), the two areas of interest are: (1) whether the injunctions violated the Foreign Sovereign Immunities Act (FSIA, a federal statute) by attempting to take the property of Argentina indirectly by means of an injunction where a direct order accomplishing the same result by attaching Argentina's funds would not be permissible (and is unprecedented) and (2) whether the equitable relief granted by the district court's injunctions (also a federal issue) should be permitted, given that only contractual money damages are at stake, and therefore a legal remedy (a direct order to pay) would redress the injury.

Wolfson reminded the panelists that the Second Circuit states in its August 23 order, as well as in a footnote to its October 2012 opinion, that it affirmed the SDNY's holding that Argentina's extraordinary behavior in this case breached the specific equal payment provisions of its contract with the hold-outs; rather than that *pari passu* requires ratable payment in all cases (and, therefore, that its decision would have limited precedential value), it held that the District Court did not abuse its discretion in granting equitable relief in the form of an injunction ordering ratable payment as a remedy for a breach of contract.

Cohen agreed that the SDNY and Second Circuit opinions may not be precedential due to the particularly bad behavior of the defendant in this case, while Schnabl was less convinced, claiming that there would be more hold-outs in future restructurings. Cohen also suggested that the recent Grenada case (in which the judge did not accept the plaintiff's *pari passu* argument because Grenada did not claim that it will never pay its creditors, just that it could not afford to pay them) proves that the Argentine case may not be precedential and/or do harm to future restructurings.

Further enumerating federal law issues that the SC should consider, Froot stated that, in their amicus brief filed in support of Argentina's first cert petition, the exchange bondholders also suggested that (1) the Griesa injunctions exceeded federal equitable power by punishing innocent parties by forcing Argentina to pay its other creditors as a condition of paying the exchange bondholders and (2) the exchange bondholders' Fifth Amendment due process rights were violated because the federal government via the judiciary would be taking property from one private party to benefit another private party without any benefit to the public generally. This is illegitimate on its face and it is unlikely that the exchange bondholders will be compensated under the Fifth Amendment's takings clause.

Ms. Stolper provided some insight into market reaction after the various decisions to date. The overall view of the sell-side was that Argentina did not intend to default on its obligations to the exchange bondholders; therefore, the market would not sell off its Argentine exposure. Moreover, customers of the sell-side are not particularly interested in helping hold-outs, so much of the discussion in those circles involves how the market will move

Argentina Legal (continued)

forward. Clearly, the end of New York as a principal financial center is not near. Wolfson added that one does not need to choose another country for the contract's governing law, simply changing the *pari passu* clause to a palatable provision for creditors and debtors should be sufficient.

Wolfson asked the panelists for their predictions on the following:

1. What is the likelihood that the Supreme Court will solicit the views of the Solicitor General? The responses ranged from relatively low (Stolper), to 30% or less (Schnabl and Samp, since the merits of the FSIA argument are not particularly strong, and there is no conflict among the Circuits), to 35% (Wolfson), to 70% (Froot, because of the IMF's interest).
2. If the SC asks the SG to weigh in, what is the likelihood that the SG recommends granting cert? The responses ranged from very low (Stolper and Schabl), to 40% (Wolfson), to 50% (Samp, because of foreign policy considerations since the US did not file in support of the first cert petition, and it is an important issue), to 50-60% (Froot, but not necessarily for merit reasons).
3. If the SG recommends granting cert, what is the likelihood that the SC takes the case? The responses ranged from more likely than not (Wolfson and Samp), to better than 70% (Stolper), to 90% (Froot and Cohen).
4. If the SG does not recommend granting cert, what is the likelihood that the SC takes the case anyway? The responses ranged from zero (Schnabl), to 20% (Stolper and Cohen), to under 30% (Froot).
5. If the SC grants cert, what is the likelihood that it will rule in favor of Argentina? The responses ranged from definitely against Argentina (Cohen), to the SC will probably reject cert, but if it takes it, then it will lambast Argentina (Schnabl), to the Court of Appeals decision will be upheld (Stolper), to 10% that SC would reverse, which increases slightly if the US government files an amicus brief on the merits (since the SG is not likely to file on the merits) (Samp), to high because, if the case was sufficiently important to review, then the likelihood of reversal is very high (Froot).

London Panel

The "Argentina's Prospects for U.S. Supreme Court Review" Seminar in London, with approximately 65 attendees, took place on Monday, September 30, 2013, at the Sofitel Saint James, and a cocktail reception followed the discussion. TPCG Group sponsored the event, with additional support from Allen & Overy, Credit Suisse and Shearman & Sterling.

Fernando Alvarez de la Viesca (TPCG Group Argentina-Uruguay) moderated the panel, which included Yanniss Manuelides (Allen & Overy), Steven Froot (Boies, Schiller and Flexner), Casey Reckman (Credit Suisse), Julian Ku (Maurice A. Deane School of Law, Hofstra University) and Antonia Stolper (Shearman & Sterling).

Ms. Stolper provided some background on the case by describing the basic *pari passu* clause at issue under New York contract law, Judge Griesa's SDNY opinion and injunction, the Second Circuit's affirmation of the SDNY opinion after requesting more information on ratable payment and parties affected by the injunction, and Argentina's petition to the SC for cert (which cert petition can be granted, denied or not responded to immediately if the SC requests the views of the SG). Argentina also petitioned the Second Circuit for rehearing and rehearing en banc of the August 2013 decision, and that decision could be announced anywhere from today until four or more months from now. The expectation is that it will be denied since the Second Circuit is notorious for denials. Cert to the SC can't be filed until the Second Circuit decision is made on the rehearing request. Argentina has 90 days to file the cert and plaintiffs have 60 days to respond.



Argentina Legal (continued)

Prof. Ku explained that the SC has pure discretion on whether to accept cert, it does not have to provide a reason for denial, and usually it only grants cert on 1% of the petitions it receives (adjusting for prisoner petitions, it's more like 4%). Reasons to grant cert include whether the lower courts are divided (not the case here) and whether there is an important question of federal law at issue that needs to be clarified (this is the closest standard that might fit Argentina's case). The decision to solicit the SG's views relates to whether the SC should hear the case, not the SC's decision on the merits. If the SG's views are requested and the SG recommends a hearing, it is 42 times more likely that the SC will grant cert, and it is a strong signal from the SC that it is interested in reviewing the case. The SG has to represent multiple Executive Branch departments, so it may take the SG four to six months to elicit a unified US position. Four out of nine Justices have to agree to grant cert.



Mr. Froot reminded the panelists that the SG filed a supporting petition, representing the Departments of Justice and State, as well as the US Treasury, in favor of Argentina when Argentina sought a rehearing of the October 2012 SDNY opinion. He then went on to provide a summary of the legal issues at stake (see New York Panel Summary).



Mr. Manuelides, in response to the question of what would happen if the Argentine case were brought before a UK court, posited that, in a sense, a similar case had already been brought in the UK a long time ago, eliciting similar arguments. In *Kensington International v. Congo*, the plaintiff also requested equitable relief for a

violation of the *pari passu* clause. There too the debt (loans, not bonds) was purchased at a distressed price. While the UK judge had no problem finding that the debt was indeed owed to the plaintiff, it refused to grant equitable relief in part because it was likely to adversely affect third parties.

Manuelides discussed other relevant considerations before UK courts would grant equitable relief, such as the general principle that the court should have the ability to police and enforce the order and the specific principle deriving from the State Immunity Act 1978 that equitable relief could only be granted against a sovereign if there was express consent by the sovereign. Manuelides then considered the question of whether a final NY equitable relief order could be recognized and enforced in the UK and elsewhere in Europe. He noted that there was no "single recognition entry" in the EU, and recognition would have to be done on a country-by-country basis. Insofar as the UK was concerned, there was no precedent for the recognition of an equitable relief order, although some supporting non-binding precedent could be found in recent cases in Canada and Jersey. As a first step to such recognition, certain tests laid down by the State Immunity Act 1978 would have to be satisfied, but these are probably easily satisfied given the express and broad submission to jurisdiction and waiver of immunity language contained in the NY law governed bonds. Finally, Manuelides noted that the UK courts were more likely to follow a stricter "black-letter law" approach and leave policy to Parliament, as occurred in the cases brought against African countries where Parliament, through the Debt Relief (Developing Countries) Act 2010, put a limit on the amounts that creditors of Highly Indebted Poor Countries could recover.

Argentina Legal (continued)

Mr. Alvarez de la Viesca asked the panelists for their predictions on the following:

1. What is the likelihood that the SC will grant cert for Argentina's first petition? Both Stolper and Froot said that the SC will likely deny cert for the case before it or ignore the petition until the second petition is submitted (which can't be filed until there's a decision from the Second Circuit on the rehearing petitions). Even if the Second Circuit denies rehearing on October 1 (which is unlikely, given that the Court took five months to decide the rehearing petitions last time), Argentina has 90 days to file its brief, and then there's a 60-day window for plaintiffs' opposition briefing and a 10-day reply period, which brings us beyond March 1, 2014, and the SC's term ends in June, which makes it virtually impossible for the SC to hear the case during the 2013-2014 term. Therefore, the earliest the case could be briefed and argued if the SC grants cert would be the Fall of 2014 (and if the SG's opinion is requested before a decision is made on cert, then possibly not until the Spring of 2015 or even later).
2. What is the likelihood that the SC will solicit the views of the SG? The responses ranged from relatively low because there are other, more important cases before the SC relating to Argentina, US representatives stated the IMF will not submit an amicus brief and the US government is not united on whether it wants to submit an amicus brief (Stolper), to 50% since the FSIA is involved (Ku), to 50% (Reckman, even though it's more likely that the SC won't hear the case at all), to 70% (Froot, because of the foreign relations issue with other countries, because France filed an amicus brief and because the case involves a substantial amount of money).
3. If the SC asks the SG to weigh in, what is the likelihood that the SG recommends granting cert? Most panelists thought the odds are high, especially if it takes only four Justices to ask for an SG opinion and four to grant cert (since it's likely that Justice Sotomayor will recuse herself as she has in the past because of her relationship with President Kirchner).
4. If the SG does not recommend granting cert, what is the likelihood that the SC takes the case anyway? The responses ranged from zero (Stolper), to 20% (Froot, who learned that was the statistical right answer from the New York panel), to under 30% (Ku).
5. What is the likelihood that, if the SC grants cert, the merits of this case are argued and decided in the first half of 2015? Stolper responded that it's highly likely, and pointed out that would be in the middle of the Argentine Presidential campaign, with elections scheduled for October 2015. Or, the case could end earlier, in the Spring of 2014, if the SC denies cert (Froot). It all depends on how long the rehearing process continues, whether the SC requests the SG's views and how long the SG takes to respond (Ku).

In response to how Argentina and the market could respond to upcoming developments on the legal front, Ms. Reckman provided some political and economic context for Argentina today and looking ahead over the course of the SC process. Reckman also addressed in the London panel the final question that was left on the table in the New York panel: how would Argentina ultimately respond to an adverse outcome and where would that leave bondholders?



Argentina Legal (continued)

The base, most anticipated result is an adverse outcome for Argentina in 2014 or 2015. While there may be technical default risk, the political arena is positive since it's unlikely that Kirchner will accumulate a majority of votes (which explains the current rally for Argentine bonds). If the legal case extends beyond 2014, Argentina can't make future offers on the same terms as those for 2005 and 2010 bonds. Argentina has heavy maturities in 2015, and if the reserves can't cover all of them, Argentina will need to be softer on its negotiations with the hold-outs. On a Plan B work-around (which Stolper, Froot and Ku thought unlikely, given the courts' overall attitude toward Argentina and the March 5, 2012 order against evasive actions, which order is still in effect), there are risks and liquidity concerns related to swapping New York governed bonds for local law debt, and some investors may not be permitted to hold such local law bonds (although there seem to be many cross-over players from high yield and distressed debt). Reckman's recommendation is market weight, with GDP warrants attractive, but they too may be impacted by the litigation.

Stolper advocated a much-needed global settlement (similar to the one in which Argentina was involved in 1991), given all of its outstanding judgments and attachments, as well as its continued need for more funds.

Update

Since the panel discussions, on October 7, the SC rejected Argentina's petition for cert regarding the Second Circuit's (first) October 2012 ruling; on October 10, Judge Griesa clarified that the March 5, 2012 anti-evasion Order remains in effect; on October 15, the plaintiffs filed a motion with the Second Circuit to vacate the Second Circuit's stay; on October 25, Argentina and the exchange bondholders filed an opposition to such motion; on November 1, the Second Circuit denied the plaintiffs' motion to vacate the stay until resolution of any cert petitions to the Supreme Court; and on November 18, the Second Circuit denied the rehearing and rehearing en banc petitions filed by Argentina, as well as the rehearing petitions filed by the various intervenors. Rumors abound about some form of negotiated settlement talks between Argentina and the hold-outs (and possibly the exchange bondholders), but at press time none of those rumors could be confirmed.

EMTA will continue to closely monitor developments in the on-going litigation against Argentina, and its members are encouraged to visit the [Litigation](#) area of EMTA's website for the recent materials. As a reminder, EMTA continues to collect and post legal materials regarding EM sovereigns involved in disputes with creditors.

Relevant documents made available to the panel audiences can be located at <http://www.emta.org/template.aspx?id=8289>.

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

Photography by Helen Couchman (c) *hcphotowork*

Speakers at EMTA Fall Forum Discuss Market After Surprise Tapering Reprieve

Attendees at EMTA's Fall Forum listened as a panel of EM experts discussed the FOMC's surprise tapering reprieve, the effects of China on Latin American countries and the outlook for the major Latin economies. UBS hosted the event on Tuesday, September 24, 2013, in New York City.

Moderator Rafael de la Fuente (UBS) moved the event's panel swiftly through the event's wide variety of topics. De la Fuente polled speakers for their reactions to the surprise delay of tapering, and how EM investors should respond. AllianceBernstein's Paul DeNoon argued that more important than the timing of the Fed's eventual tapering move was whether EM economies would find a new equilibrium growth rate. However, the Fed's announcement gave the market added time to adjust to the new international environment, and the fact that EM economies have decelerated.

"Because of the huge inflows into EM over the past few years, the outflows earlier this year were larger than we had previously seen...but most of the sell-off was a run for the door from retail investors," DeNoon stated. The exit by some retail investors could potentially still drag down market psychology, he acknowledged, although institutional investors had not deserted EM.

JPMorgan Asset Management's Matias Silvani believed that the rally following the Fed's announcement served as "an opportunity to take risk off in countries you are worried about." He argued that, in the last quarter, technical factors had surpassed fundamentals. "Previously, we had a liquidity-driven rally, so it was no surprise to see the outflows...I thought it was going to be much worse, but we didn't have to liquidate anything," he stated. Silvani concurred that recent selling was retail-oriented, with institutional investors remaining under-allocated. Risk management should remain a key theme in 2014, he stressed, especially with dealers providing less liquidity in the market than in the past.

On the Chinese economic effects on Latin America, Javier Kulesz (Nomura) recognized that a slowdown would be felt, "but I am not worried about Latin America falling off a cliff." Morgan Stanley's Gray Newman noted that his firm, like most, had forecast slower Chinese growth in 2014, while underscoring that "Chinese GDP hasn't been all that helpful in explaining the past, so investors should be careful when they focus on GDP only...commodity pricing is more linked to import demand."

The Chinese government was taking steps to address three serious issues – pollution, corruption and the concentration of wealth, DeNoon reasoned. Resolving these issues would invariably translate into slower growth, but DeNoon expressed cautious optimism, due to the "good news" that Beijing recognized the problems.

De la Fuente also guided speakers through EM-specific issues, starting with Argentina's legal matters. Kulesz recommended that investors overweight Argentine debt, based on several factors. He argued that Argentine debt was not fully pricing in a change of presidential administration in 2015, which he reasoned was increasingly likely. In addition, Kulesz expected that delays in the legal case against Argentina would eventually lead to it being unresolved by the expiration of the "rights upon future offering" clause, which he saw as allowing Argentina to be more able to negotiate.

Fall Forum (continued)

“If you are long Argentina because you think the Supreme Court will take the case, I think you are crazy... but buy the debt if you see Argentina as a solvent creditor that is willing to pay,” advised Silvani. Generally, a contrarian stance on Argentina was the best way to play the debt, he added.

On Brazil, Newman found it “difficult to believe” that much reform progress will be carried out before the October 2014 elections. DeNoon saw opportunities in Brazilian corporates.

Asset prices in Mexico (and the MXP) did not reflect the potential for the energy sector in Mexico, in Newman’s opinion. “Last week’s announcement was underwhelming, but this is a major change,” he stated. Silvani agreed fundamentally that Mexico was appealing, and underscored that Mexico was a manufacturing company, rather than a commodity play. “However, technically the QE-unwind trade worries me; there is a lot of retail money here, and this is the most crowded trade, so technically there are still more outflows to go,” he said.

The panel had few kind words for Venezuela. Kulesz expressed concern on potential social unrest, including strikes. He saw downside risk, but not a default. DeNoon noted that for quite a long time he had been advised to buy Venezuelan debt in anticipation of political change and a new FX regime, both of which have yet to materialize. He concluded, “if Venezuela wasn’t part of the index, we wouldn’t care.”

In 2014, investors would be well-served to diversify, according to DeNoon. He recommended underweighting Ukraine and Venezuela, and adopting a tactical stance on currencies during sell-offs. EM corporates were one potential bright spot, “but a lot of money is chasing few ideas, and credit selection is very important.” Kulesz recommended a defensive position, while recommending Argentine provincial bonds, banks and public utilities. Newman reaffirmed his positive stance on Mexico, and Silvani favored selected Europe over Latin America, with manufacturing countries over “commodity plays.”

EM Corporate Panel Addresses Market Deepening and the Impact of Chinese Growth

ING hosted EMTA's Seventh Annual Corporate Bond Forum in New York City on Tuesday, September 10, 2013. The event attracted 150 market participants and covered a variety of topics, including the medium-term risk outlook, market deepening and the impact of Chinese growth on EM corporates.

David Spiegel of ING reviewed recent EM corporate bond performance in light of tapering-related outflows. He asked speakers to discuss their views on key drivers and risks for EM corporates. Sarah Leshner (HSBC Securities (USA) Inc.) noted that generally market sentiment had been "tepid." Generally, she argued, investors were concerned by political and macroeconomic weakness in many EM countries and slowing domestic demand. Leshner cited concerns ranging from lackluster Brazilian GDP to FX challenges in countries like India; however, "there are pockets and sectors in the EM corporate asset class that we are less cautious about," she stated.

TIAA-CREF's Katherine Renfrew acknowledged that she, like most in the market, had been caught off guard by the rise in UST rates. "However, this was not an EM-specific phenomenon, and those of us who have been in the market for a while have seen these cycles before," she emphasized. EM corporates had, in fact, weathered the storm comparatively well, and the large EM economies would remain investment grade credits. "If you look ahead more than just the current quarter, you can still get good returns on EM corporates," she concluded.

Anne Milne (Bank of America Merrill Lynch) judged EM to be attractive on a valuation basis, with spread differentials over US high-grade at their highest levels since 2009... "and this is attracting attention from cross over investors." While corporate earnings had declined for the last seven quarters, "we saw the beginning of a turnaround in 2Q with fundamentals improving in all three regions, with the largest improvements in Asia and EMEA." Technically, EM outflows were driving performance; however, Milne highlighted that the 2013 AUM decreases were still relatively small compared to the large inflows into the asset class in 2012. Spiegel concurred that the recent sell-off had restored some of the market's allure.

On investor base deepening, Milne surmised that the "great rotation" into equities in 2013 was likely to pre-empt a continued deepening of the investor base that had occurred in recent years in the near-term. However, she saw local pension funds in countries such as Chile, Peru and Colombia "running out of domestic opportunities," and suggested they could provide support for external EM corporate debt. Additionally, international pension funds are still under-invested in Emerging Markets, which should help the EM asset class.

"We have seen more accounts move into EM corporates, but with low convictions, as a lot of this has been from investors whose teams are looking at EM corporates for the first time," Leshner stated. According to her, market turbulence scared many non-dedicated investors out of the marketplace, although she believed there was some evidence of some funds starting to return. "An asset class with \$1.5 trillion in debt outstanding is just not an asset class that will go away," declared Milne, while Spiegel agreed with speakers that demand for EM corporate debt would continue.

Corporate Forum (continued)

EM corporate defaults would likely hover around 3.5%, estimated Milne, with a slight increase possible in 2014. Commodity price movements and FX rates would prove more important factors than concerns over FOMC tapering, in her assessment. In Spiegel's assessment, despite a small increase in EM defaults, the risk premium in EM corporates vis-a-vis US issuances was not justified on a fundamental basis. Renfrew admitted to taking a "highly selective" view on Asian high-yield issuances, and suggested some EM corporates might have "benefited from the 1Q euphoria." Finally, Leshner highlighted the Middle East as a region with improving economic fundamentals, in spite of recent political instability.

Panelists had a range of views regarding the Chinese economy although none predicted a "hard landing." Milne confirmed Bank of America's 7.6% GDP and 'soft landing' forecast, while Renfrew stated "we consider risks to be more to the downside in China, despite the recent positive short-term economic data. Slower growth is a necessary move to a more consumption-led driven model away from investment driven, and we view the recent large buildup in local corporate debt as a risk in China as the increased rate of issuance has been over a fairly short time period." Leshner noted that HSBC's China economist hadn't ruled out a possible upside surprise. Spiegel added that the move towards consumption-led growth was helping avoid the building of speculative bubbles.

Contrasting Mexican to Brazilian credits, Milne saw value in both, while recognizing the greater choice among Brazilian corporates. Leshner pointed out that Brazilian issues were generally more liquid. Despite a smaller sample set vs. Mexico, Brazilian defaults "seemed to be more orderly and more quickly resolved," she added. Renfrew admitted to being "a tad concerned about the Brazilian quasi-sovereign space."

The discussion concluded with analyst recommendations. Leshner reaffirmed her recommendations in Middle Eastern corporates. "Despite political risk, short-term spread widening can be reversed, as the market has just seen in the Russian overture on Syria, and politically-driven sell-offs are not unusual in this area," she underscored. She also affirmed HSBC's bullish view on Chinese property issues, and "over-punished" Brazilian drillers. Milne favored Russian oils and top tier Russian banks, select high-yield Asian properties, and Latin infrastructure names such as Cemex.

In addition to annual New York and London Corporate Bond Forums, EMTA also holds occasional events addressing specific EM corporate bond events. Most recently, the trade association held a special seminar on challenges for the Mexican homebuilder sector in New York in May 2013.

EMTA Survey: Emerging Markets CDS Trades at US\$297 Billion in Third Quarter

EM CDS Volumes Rise for Fourth Consecutive Quarter

Trading in Emerging Markets Credit Default Swaps (CDS) stood at US\$297 billion in the third quarter of 2013, according to a Survey polling 13 major dealers released on November 22, 2013 by EMTA.

This compares to US\$213 billion in reported Emerging Markets CDS contract volume in the third quarter of 2012 (representing a 39% increase), and US\$279 billion in second quarter 2013 volumes (a 7% increase). EMTA noted that reported volumes have risen steadily over the past four quarters.

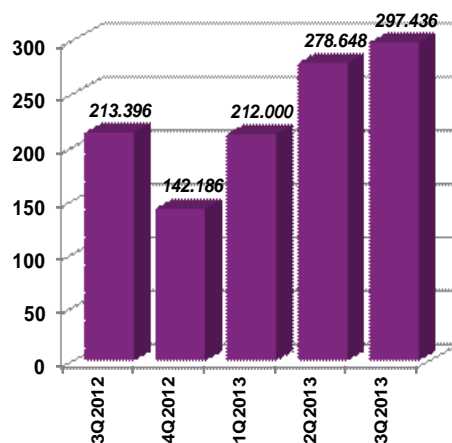
“There has been some regional differentiation in CDS trading recently,” commented Jane Brauer, Director and Senior Quantitative Strategist at Bank of America Merrill Lynch. “In EMEA we are seeing a change in focus in trading among non-traditional EM hedge funds toward the three main EMEA CDS that are not subject to CDS positioning restrictions imposed by the EU--Russia, Turkey and S Africa, as some macro hedge funds look at the relative value between CDS and FX. In LatAm, however, trading volume is back to the 2Q levels, before this year’s volatility began,” she stated.

The largest CDS volumes in the Survey during the quarter were those on Brazil, at US\$51 billion. EMTA Survey participants also reported US\$34 billion in Turkish CDS and US\$31 billion in Russian CDS.

The EMTA Survey also included volumes on nine corporate CDS contracts. Those with the highest reported volume in the Survey were on Gazprom (US\$7.5 billion). Participants also reported over US\$1.7 billion in Pemex contracts and US\$1.3 billion in Petrobras CDS volume.

For a copy of EMTA’s Third Quarter 2013 CDS Trading Volume Survey, please contact Jonathan Murno at jmurno@emta.org or +1 646 289-5413.

Figures in Billions of US Dollars



Murillo de Aragão to Discuss Brazilian Elections at EMTA Brazil Outlook Event in New York

Noted Brazilian political scientist Dr. Murillo de Aragão will deliver the keynote address at an EMTA meeting focusing on the 2014 Outlook for Brazil in New York on Wednesday, January 8, 2014. De Aragão will discuss his thoughts on Brazil's 2014 Presidential elections.

Bank of America Merrill Lynch will host the event at its office in midtown New York City. The event will also feature a panel discussion and cocktail reception. At press time, confirmed panelists included Alberto Ades (Bank of America Merrill Lynch), Alberto Ramos (Goldman Sachs), Siobhan Morden (Jefferies) and Jim Barriereau (Schroders).

Prior to his current position as President of his own consulting firm Arko Advice, de Aragão had worked at the World Bank, and had served as a visiting professor and research fellow at institutions around the globe. He is also a columnist of the magazine Conjuntura Econômica, Blog do Noblat, Brasil Econômico (São Paulo), O Liberal (Belém), O Tempo (Belo Horizonte) and other magazines and newspapers.

EMTA is pleased to welcome de Aragao back, after previously having delivered remarks at EMTA's Annual Meeting and other events. In 2013, de Aragao discussed how Brazilian firms were scaling back their investments in Argentina as a result of bondholder litigation against the Republic at EMTA's Forum in Buenos Aires.

Further information on this event will be sent to EMTA Members shortly, or you may contact Jonathan Murno of EMTA at jmurno@emta.org.

EMTA's Third Miami Forum Scheduled for January 21, 2014

EMTA will hold its Third Forum in Miami on Tuesday, January 21, 2014.

Alberto Ramos of Goldman Sachs will moderate the event's panel which will cover the outlook for Latin American markets in 2014. Confirmed speakers include Anne Milne (Bank of America Merrill Lynch), Alberto Bernal (Bulltlick Capital), Tony Volpon (Nomura) and Alejandro Estevez-Breton (Santander).

The event will include a cocktail reception sponsored by MarketAxess. Additional support for the program is being provided by Goldman Sachs, Bank of America Merrill Lynch, Nomura and Santander.

Complimentary invitations to the event will be sent to EMTA members shortly. EMTA encourages its Members to make sure that colleagues in the Miami have signed up to the EMTA data base so that they will receive an invitation to the event. Please contact Evelyn Ramirez of EMTA at eramirez@emta.org to sign up colleagues to the EMTA database.

JPMorgan to Host EMTA's Tenth Winter Forum in London in February 2014

EMTA's Tenth Winter Forum will take place in London on Tuesday, February 18, 2014. JPMorgan will host the event, as it has since the event's inception, with Joyce Chang (JPMorgan) moderating one of the event's two panels. Additional panelists will be confirmed shortly.

Invitations will be sent to EMTA members in January 2014. Attendance is complimentary for EMTA Members; non-members may register at a fee of US\$500.

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

London Ball Raises £300,000 for EM Charities

Organizers of the October 3, 2013 EM industry charity ball “Fiesta! Fiesta! Fiesta!” have announced that over £300,000 (US\$510,000) was raised for health and education projects in emerging countries. The sold-out event was held at the historic event space The Brewery in central London.

Proceeds from the 2013 event will benefit:

- **Children of the Andes**, which supports street children in Colombia www.childrenoftheandes.org;
- **Cotlands**, which provides support for children affected by the HIV/AIDS pandemic in South Africa www.cotlands.org;
- **EMpower**, a grant-making foundation which connects the Emerging Markets community with innovative grassroots organizations enabling young people to lead healthy, productive lives www.empowerweb.org;
- **Facing the World**, which provides life-changing craniofacial surgery to some of the world’s most disadvantaged and vulnerable children www.facingtheworld.net; and
- **Health Poverty Action**, which provides basic health care to rural communities around the globe www.healthunlimited.org.

The black-tie event featured a champagne reception, a seated dinner, a live performance by the Electric Boogie Band--and an impromptu salsa display by several EM market participants—and a dj. In addition, TV personality Jonny Gould returned as the evening’s live auctioneer, raising over £50,000 from enthusiastic bidders. Live and silent auction prizes included a week stay at a farm outside of Buenos Aires for 20; a day working with a Michelin-starred kitchen in Reading; 3 days of sailing on a fully-crewed yacht in the Aegean; holiday stays in Sardinia, South Africa, Laos, Uruguay, Panama and the Caribbean; a red carpet screening of a major Hollywood film starring George Clooney, Bill Murray and Matt Damon; and more.

This event was made possible by the generous support of MarketAxess and TPCG Group.

The organizing committee will soon begin work on the 2014 London benefit. Anyone in the EM debt community who would like to become involved in planning the event, or in nominating a beneficiary, please contact Clare Turnbull of Nomura at clare.turnbull@nomura.com, or Jonathan Murno of EMTA at jmurno@emta.org.

Emerging Market Benefit to Feature Live Band at New Downtown Venue

Electronic trading provider MarketAxess is sponsoring Benefit for the tenth year, by donating proceeds from its Annual Charity Trading Day. The 2013 MarketAxess Charity Trading Day was held on Wednesday, September 18, 2013 and raised over \$100,000 for EM charities.

The 2013 EMCB will feature a performance by the band Hot Lava, so attendees are advised to wear their dancing shoes! A silent auction will allow market participants to bid on holiday homes in Uruguay, as well as Broadway shows, fine wine, golf outings, and more.

Members of the EM community may also purchase raffle tickets, with the top prize a week stay at a condo in Playa del Carmen, Mexico. Raffle tickets may be purchased from any member of the EM Planning Committee, or at the event.

Funds raised from the industry charity event will be used to provide health and education projects in a wide range of emerging countries. After reviewing candidates nominated by the EM debt trading community at several spring meetings, the planning committee selected as its 2013 event beneficiaries:

- **The Afya Foundation**, which delivers containers of donated medical and humanitarian supplies to health centers and hospitals throughout Africa and the Caribbean www.afyafoundation.org;
- **Children of Peru Foundation**, which makes grants to selected not-for-profit organizations to provide better healthcare and education for disadvantaged children in Peru www.childrenofperu.org;
- **Containers 2 Clinics**, which provides containerized maternal and child health clinics in Haiti and Namibia to provide long-term, sustainable health service www.containers2clinics.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; and
- **WorldFund**, which promotes education in Latin America www.worldfund.org.

The Planning Committee thanks the EM community for its support. Please contact Jonathan Murno of EMTA at jmurno@emta.org if you are interested in either attending the event, or joining the 2014 Planning Committee.

Membership Update

EMTA warmly welcomed two new members during the Fourth quarter of 2013. EMTA's members now include over 180 banks, broker-dealers, money management firms, hedge firms, and others.

Our most recent new member include: **GFI Group** and **GMO (Grantham Mayo & Van Otterloo)**.

EMTA membership benefits include access to the EMTA website and to EMTA's staff, 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 (646) 289-5413 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.

EMTA Notifies Members of Warrant Payments

For many years, EMTA has routinely monitored information on various warrants issued in Brady bond exchanges.

During the fourth quarter, EMTA notified its Members of the payment amount and record date of September 30, ex-dividend date of September 26 and payment date of October 15, 2013 in respect of Venezuela warrants, as well as the payment amount and payment date of November 15, 2013 in respect of Nigeria warrants.

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.

Stay Current to Stay in Touch!

If you have recently changed emails or moved offices, please update your information.

You can update your information at <https://netforum.avectra.com/eWeb/DynamicPage.aspx?Site=EMTA>.

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 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.

- "Emerging Markets Macro and Strategy Outlook: Prospects for 2014 and Beyond." December 2, 2013 - David Lubin, Guillermo Mondino and Johanna Chua (Citi).
- "Latin America 2014-17: Fair but Increasingly Heterogeneous Outlook." November 22, 2013 - Alberto Ramos, Mauro Roca, Tiago Severo and David Reichsfeld (Goldman Sachs).
- "LatAm Outlook 2014/2015." November 7, 2013 – Rafael de la Fuente and Thiago Carlos (UBS).

New Developments

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

November 22, 2013

- EMTA Announces 3Q 2013 EM CDS Volume Stood at US\$297 Billion.

November 15, 2013

- Standard & Poor's Upgrades Egypt's Long-Term Foreign Currency Rating from CCC+ to B-.

November 14, 2013

- Raffle Tickets for EM Charity Benefit NYC Now on Sale!

November 13, 2013

- Alejandro Werner, Director of Western Hemisphere Dept at IMF, to Deliver Keynote Address at EMTA Annual Meeting in New York on December 5, 2013.
- Holiday Schedule for EM Bond Trades for US Thanksgiving Day Holiday.

November 8, 2013

- Fitch Downgrades Ukraine's Long-Term Foreign Currency Issuer Default Rating from B to B-.

November 5, 2013

- EMTA Special Seminar: Sovereign Debt Restructuring: A Better Way Forward? to be Held in New York on December 18, 2013.
- EMTA Special Seminar: Sovereign Debt Restructuring: Private Sector Reaction to Current Proposals in New York
 - Agenda
 - Relevant Links

November 1, 2013

- Standard & Poor's Lowers Ukraine's Long-Term Foreign Currency Sovereign Credit Rating from B to B-.

October 31, 2013

- Fiscal Agent Notice Regarding November 15, 2013 Payment on Nigeria Payment Adjustment Rights.

October 30, 2013

- Holiday Schedule for EM Bond Trades for US Veterans Day Holiday.

October 23, 2013

- Fitch Upgrades Peru's Long-Term Foreign Currency Issuer Default Rating from BBB to BBB+.

October 17, 2013

- Fitch Downgrades Ghana's Long-Term Foreign Currency Issuer Default Rating from B+ to B.

October 16, 2013

- EMTA Special Seminar: Sovereign Debt Restructuring: Private Sector Reaction to Current Proposals to be Held in New York on November 5, 2013.
- EMTA Special Seminar: Sovereign Debt Restructuring: The Road Ahead in New York
 - Agenda
 - Relevant Links
- Calculations for Payments on Venezuela Oil Obligations Announced; Record Date of September 30 and Payment Date of October 15. Trades are "Ex-Dividend" on September 26.

Website (continued)

October 2, 2013

- Holiday Schedule for EM Bond Trades for US Columbus Day Holiday.

September 30, 2013

- List of Silent and Live Auction Items for EM Charity Ball in London Available Now!
- EMTA Special Seminar: Argentina's Prospects for U.S. Supreme Court Review in London.
 - Agenda
 - Relevant Links

September 24, 2013

EMTA Special Seminar: Sovereign Debt Restructuring: The Road Ahead to be Held in New York on October 16, 2013.

September 20, 2013

- Fitch Downgrades Croatia's Long-Term Foreign Currency Issuer Default Rating from BBB- to BB+.

September 17, 2013

- EMTA Special Seminar: Argentina's Prospects for U.S. Supreme Court Review to be Held in London on September 30, 2013.
- EMTA's Third Quarter Bulletin is Now Available in our Bulletin Section.

September 16, 2013

- EMTA Special Seminar: Argentina and its Prospects for Supreme Court Review in NYC
 - Agenda
 - Relevant Links

September 13, 2013

- MarketAxess Announces Tenth Annual Charity Trading Day to Benefit EM Charities.

September 12, 2013

- EMTA's Eighth Annual Forum in Hong Kong to be Held on Wednesday, October 24, 2013.

September 11, 2013

- EMTA's Eighth Annual Forum in Singapore to be Held on Tuesday, October 22, 2013.

September 10, 2013

- Standard & Poor's Downgrades Argentina's Long-Term Foreign Currency Sovereign Credit Rating from B- to CCC+.
- Steering Committee Formed for Lupatech Bondholders.

September 6, 2013

- EMTA Special Seminar: Argentina and Its Prospects for Supreme Court Review to be Held in New York on September 16, 2013.

September 5, 2013

- EMTA Forum on Sub-Saharan Africa in London to be Held on Monday, October 7, 2013.

September 3, 2013

- ICSID Issues Ruling in Conoco Phillips Petrozuata, BV et al vs. Bolivarian Republic of Venezuela.

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.

Website (continued)

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.

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 Hotlines

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Dodd-Frank/Volcker Rule	Leslie Payton Jacobs/Aviva Werner	(301) 838-4552/(646) 289-5412
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EM Charity Benefits	Jonathan Murno	(646) 289-5413
EM Litigation	Aviva Werner	(646) 289-5412
EMTA Annual Meeting/Forums	Jonathan Murno	(646) 289-5413
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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	(646) 289-5413
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Paris Club	Aviva Werner	(646) 289-5412
Repos/Securities Lending	Aviva Werner	(646) 289-5412
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Warrants/VRR's	Aviva Werner	(646) 289-5412
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EMTA Calendar 4th Quarter 2013

- Thurs., Oct. 3** **Emerging Markets Benefit London**
Brewery on Chiswell Street
Central London
- Mon., Oct. 7** **EMTA Forum on Sub-Saharan Africa (London)**
Hosted by Standard Bank
Millbank Cinema and Media Centre
Millbank Tower
21-24 Millbank
- Mon., Oct. 14 Recommended Market Close (NYC) Columbus Day
Recommended 12:00 Noon (London) Early Market Close
- Wed., Oct. 16** **EMTA Special Seminar on Sovereign Debt Restructuring: The Road Ahead (NYC)**
360 Madison Avenue, 17th Floor
(on 45th St. between Madison and 5th Aves.)
- Tues., Oct. 22** **EMTA Forum in Singapore**
Hosted by ING Commercial Bank
Fullerton Hotel
1 Fullerton Square
- Thurs., Oct. 24** **EMTA Forum in Hong Kong**
Hosted by ING Commercial Bank
Pacific Place, Supreme Court Road,
Island Ballroom C (Level 5)
- Tues., Nov. 5** **EMTA Special Seminar on Sovereign Debt Restructuring: Private Sector Reaction**
to Current Proposals (NYC)
360 Madison Avenue, 17th Floor
(on 45th St. between Madison and 5th Aves.)
- Mon., Nov. 11 Recommended Market Close (NYC) Veterans' Day
Recommended 12:00 Noon (London) Early Market Close
- Wed., Nov. 27 Recommended 2:00 p.m. (NYC) Early Market Close
- Thurs., Nov. 28 Recommended Market Close (NYC) Thanksgiving Day
Recommended 12:00 Noon (London) Early Market Close
- Fri., Nov. 29 Recommended Market Close (NYC) Thanksgiving
Recommended 12:00 Noon (London) Early Market Close
- Thurs., Dec. 5** **EMTA Annual Meeting (NYC)**
Hosted by Citi
399 Park Avenue
- Emerging Markets Benefit (NYC)**
The Park
118 Tenth Avenue (at 18th Street)

Calendar (continued)

- Wed., Dec. 18** **EMTA Special Seminar on Sovereign Debt Restructuring: A Better Way Forward? (NYC)**
360 Madison Avenue, 17th Floor
(on 45th St. between Madison and 5th Aves.)
- Tues., Dec. 24 Recommended 2:00 p.m. (NYC) Early Market Close
- Wed., Dec. 25 Recommended Market Close (NYC/London) Christmas Day
- Thurs., Dec. 26 Recommended Market Close (London) Boxing Day
- Tues., Dec. 31 Recommended 2:00 p.m. (NYC) Early Market Close
- Wed., Jan. 1, 2014 Recommended Market Close (NYC/London) New Year's Day (2014)
- Wed., Jan. 8** **EMTA Forum: Brazil Outlook for 2014 (NYC)**
Hosted by Bank of America Merrill Lynch
One Bryant Park (42nd Street at 6th Avenue)
- Mon., Jan. 13** **EMTA Special Seminar on Sovereign Debt Restructuring: A Better Way Forward? (London)**
Hosted by Allen & Overy
One Bishops Square
- Thurs., Jan. 16** **EMTA Special Seminar on Sovereign Debt Restructuring: A Better Way Forward? (DC)**
Hosted by Arnold & Porter
555 Twelfth Street, NW
- Mon., Jan. 20 Recommended Market Close (NYC) Martin Luther King Jr. Day
Recommended 12:00 Noon (London) Early Market Close
- Tues., Jan. 21*** **EMTA Forum in Miami**
- Tues., Feb. 4** **EMTA Special Seminar on The Future of Argentina: Through the Looking Glass (NYC)**
360 Madison Avenue, 17th Floor
(on 45th St. between Madison and 5th Aves.)
- Mon., Feb. 17 Recommended Market Close (NYC) Presidents' Day
Recommended 12:00 Noon (London) Early Market Close
- Tues., Feb. 18*** **Winter Forum (London)**
Hosted by JPMorgan
- Mon., March 10*** **EMTA Forum in Dubai**
Hosted by HSBC

*Details TBA