E
M
T
A

Bulletin

1st Quarter 2014 Volume 2014: No. 1

Inside
(click on topic for link to page):

EMTA Forums
Sovereign Debt (NY 12/18) 1/19-23
Winter (UK 2/18) 1/7-9
Argentina (NY 2/28) 6
Argentina (NY 1/23) 6
Annual Meeting (NY 12/5) 10-13
Miami (1/21) 14-15
Brazil (NY 1/8) 16-18
Sovereign Debt (UK 1/13) 24-31
Sovereign Debt (DC 1/16) 32-34
Upcoming Events 38-39

FX Currency & Derivatives
ARS Industry Survey 2
NDF Advisory Group 2
IDR Benchmark Shifts Again 3
Barrier Option 3
Guidance Note Update 4
Annex A Update 4
Master Confirmation Agreement
Needed for Cross Currency Trades? 4
EM Currency Pressures 4
FX New Developments 4

Bond & Warrant Trading & Settlement
Ad Hoc Argentine Creditor Group Formed 5
Warrant Payments 5

EMTA Surveys 35-37

EM Benefit Gala 40

EMTA Membership Update 41

Translation of German Regulation 41

EMTA Website
Updates, Additions & Reminder 42-45

Staff Hotlines 46

Calendar 47-48

EMTA Hosts Special Seminars on Sovereign Debt Restructuring in NYC, London and Washington, DC: Argentina Situation Identified as an "Outlier"

Michael Chamberlin, EMTA's Executive Director, welcomed the audience to the third in a series of five panels for a Special Seminar that EMTA held at its offices in New York on December 18, 2013: "Sovereign Debt Restructuring: A Better Way Forward?" This series of panels discussed 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 19)

EMTA Winter Forum Speakers Debate Capital Flows Concerns, and Views on "Toxic Trio"

Over 175 attendees filled host JPMorgan's London auditorium to hear speakers at EMTA's Winter Forum. The event was held on Tuesday, February 18, 2014, in the city's Canary Wharf district. Among the many topics, speakers debated the outlook for high-yielding credits, as well as recent capital outflows from EM debt.

(continued on page 7)

Tel. (646) 289-5410 360 Madison Avenue, New York, NY 10017 Fax (646) 289-5429

www.emta.org

Trade Association for the Emerging Markets

Mission Completed!
EMTA ARS Industry Survey Transitions to Bloomberg

On January 31, 2014, EMTA shifted the administration of the EMTA ARS Industry Survey (the "ARS Survey") to Bloomberg LP as its official Calculation Agent. EMTA and Bloomberg have been working together for several months to effect this transition in an orderly fashion with minimal market disruption.

The EMTA ARS Industry Survey Methodology will continue to be the methodology underlying the calculation and publication of the rate, and, as a consequence, no adjustment to the current documentary framework (including NDF and NDO contracts) was needed. The EMTA ARS Industry Survey Rate is now published in the Bloomberg Service (Bloomberg Page EMAR) and continues to be available to the market through the EMTA website (by a hyperlink to the Bloomberg website page which also hosts the rate). Bloomberg, through its services and on its website, will be able to offer more functionality and products for this rate than EMTA was able to provide in its role as administrator for the rate.

EMTA's NDF Advisory Group Meets

The EMTA NDF Advisory Group met in New York in early February to review recent EMTA activities in the FX sector and formulate agenda items going forward. A significant focus of the conversations was how the Dodd Frank (and other) legislation is changing the face of the NDF industry and what EMTA must be thinking about going forward. Now defined as a "swap" for regulatory purposes, NDFs and NDOs have effectively been swept out of the over-the-counter market and into the exchange-traded space. This fundamental shift will have significant implications for NDF and NDO documentation, trade settlement, compliance, reporting, and how market practices are formulated and developed. The NDF Advisory Group discussed the appropriate level of involvement for EMTA in the changing environment and its relationship to the work of other industry groups and market participants, as well as the merits of a larger role for EMTA in certain aspects of industry developments, notably with respect to Swap Execution Facilities (SEFS).

Another topic looked at closely by the group was the architecture for the EMTA benchmarks for ARS, RUB and UAH currencies. These Emerging Market benchmarks are based on polling methodologies, and that approach needs to be examined in light of current regulatory concerns. These daily surveys, while developed with consistent methodological underpinnings, each operate in a different administrative environment, which will need to be taken into consideration in any examination of, or recommendations that might be made with respect to these facilities. The Group discussed the recent transition to Bloomberg LP of the administration of the EMTA ARS Industry Survey, the discussions of the Ruble Traders Working Group, which was formed in the Spring of 2013 to review the CME EMTA Reference Rate and assess how that rate is performing in today's market, and the current situation in the Ukrainian market. Further discussion will need to take place.

The Advisory Group also discussed many of EMTA's current, ongoing projects, many of which are reported on in this Bulletin. As a reminder, EMTA recently published a retrospective of all FX-related articles included in its Bulletins since 1996. CLICK HERE to see the Bulletin Retrospective.

IDR Benchmark Shifts Again

On February 18, 2014, following an announcement that the Association of Banks in Singapore plans to discontinue the publication of the IDR VWAP rate, the Singapore Foreign Exchange Market Committee (SFEMC) announced its recommendation that the market should now look to an onshore rate published by Bank Indonesia as the new benchmark for IDR FX, currency option, swaps and other transactions in lieu of the IDR VWAP rate. The last publication date of the IDR VWAP rate is scheduled for March 27, 2014 and from March 28 forward, it is proposed and recommended that the market utilize the IDR JISDOR rate.

To assist the market in assessing this benchmark shift, managing open contracts and the transition, SFEMC, EMTA and ISDA (with the support of the Foreign Exchange Committee) have prepared and circulated draft documentation for the review and comment of their respective constituencies. Following the February 18 SFEMC announcement, EMTA sent an email to the EMTA FX Main Working Group with information about this proposed change and requested input on the proposal and the draft FX-related documentation. These drafts include a new definition for Annex A, amended Template Terms for IDR/USD NDF and NDO Transactions, a revised SFEMC Indicative Survey Methodology and a proposed FX and Currency Derivatives Market Practice. ISDA has prepared coordinating documentation to address IDR swaps transactions and has circulated those documents among its membership for comment.

In addition, it is contemplated that parties with open IDR contracts may wish to amend such contracts to reflect the new recommended primary settlement rate. A Multilateral Amendment will be made available for signing by parties wishing to amend FX, swaps and other IDR-linked transactions with all other parties signing the Amendment. This was also made available for review and comment. The commentary period for the proposal and the documentation ends on March 3 (Singapore time, please!). Assuming agreement by the EMTA membership to the documentation and the proposal, final versions of all documentation would be published on March 4 with an effective date for all of March 28, 2014. The Multilateral Amendment Agreement would be open for signature from March 4 to March 25, 2014 and will be administered through Clifford Chance in Singapore per the instruction sheet attached to the draft Multilateral Amendment Agreement.

Please address comments to Leslie Payton Jacobs as soon as possible and in any event not later than the end of the day on March 3 (Singapore time).

CLICK HERE for the SFEMC Press Release. CLICK HERE to see the draft documentation.

Barrier Option Observation Times Project

In the late fall, an Asia-based working group of ISDA reached out to EMTA to coordinate on a possible project involving observation times for non-deliverable barrier options. The ISDA group had compiled some information regarding current market practices for certain non-deliverable currencies in Asia as well as certain other markets like Russia and Chile. This is a topic of great interest as EMTA has done substantial work on Ruble and Brazilian Reais barrier options in the past, and it will be important for these efforts to be coordinated. As an example of the need to coordinate this effort, in 2013, EMTA recommended that Ruble options no longer be traded on a non-deliverable basis and that barrier monitoring for Ruble currency options be consistent with all fully deliverable currencies. A working group has been formed to address this project. If you have an interest in this topic, please let us know (email lpjacobs@emta.org).

EMTA Guidance Note Updated

EMTA has updated its "Guidance Note on Expiration Times for Malaysian Ringgit and Indonesian Rupiah Non-Deliverable Currency Option Transactions". The amended Guidance Note is dated January 23, 2014 and reflects the change in fixing times for the recommended primary rate sources for these two currencies. Over the summer of 2013, EMTA (together with the SFEMC and FXC) recommended new primary rate sources for IDR and MYR non-deliverable FX and currency option transactions. See EMTA Recommended FX and Currency Derivatives Market Practice No. 69 dated July 5, 2013. These new rates are published at different times than the prior rates were, and thus, the Guidance Note was updated to reflect that shift.

Annex A Update Underway

An extensive update and restatement of Annex A is underway, and an initial draft is currently being prepared. Annex A to the 1998 FX and Currency Option Definitions 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. 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 a few more months are likely to be needed before the initial draft will be ready for EMTA Members comments. EMTA Members with questions or suggestions may contact Aviva Werner or Leslie Payton Jacobs.

Is a 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, while certain others have indicated that satisfactory bilateral structures already address this issue and that an additional master structure would be unnecessary. We 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.

Following EM Currency Pressures in Several Ways...

Many Emerging Market currencies have recently been under severe pressures, and EMTA Member analysts have and will continue to explore this topic at a number of our conferences and seminars. But EMTA also tries to follow these events by collecting and posting on our website press releases and relevant legislation published by the central banks or other monetary authorities relating to these currencies. These postings can be found in the New Developments area of the EMTA website (see the FX Archive subsection). For example, information regarding the recent legislation passed by the National Bank of the Ukraine and the Central Bank of Ghana, each adopted in early February, can be found here. Materials will be posted in English, if available, and also in the home language for that currency. Please let us know if you can share, or point us to, any materials for inclusion in this area.

Want to Follow FX New Developments on the EMTA Website?

There is an FX Archive in the New Developments area of the EMTA website where all FX – related New Developments are grouped. CLICK HERE. Is anything missing that would be of interest to you? Please let us know.

Ad Hoc Argentine Creditor Group Formed

A group of more than 20 asset managers that manage in aggregate nearly $7 billion of Argentina's sovereign bonds resulting from the 2005 and 2010 bond exchanges have come together as an Ad Hoc Group in an effort to negotiate a consensual inter-creditor resolution with the holders of non-restructured bonds to end the decade-old standoff stemming from Argentina's 2001 default and subsequent restructurings of its debt.

Linklaters has been retained as the group's legal counsel and Deutsche Bank may also advise the group. Please Click Here for the Press Release.

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 2013, EMTA notified its Members of the zero payment amount in respect of Uruguay 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.

EMTA Hosts Special Seminar on "Argentina: Averting the Coming Crisis" in NYC

EMTA hosted, at its New York offices, an auspiciously timed meeting on January 23, the first day of the Argentine currency crisis. Presentations were made by Joshua Rosner (Graham Fisher & Co.) and Dr. Sergio Berensztein (a political scientist and President of Poliarquía Consultores). Mr. Rosner has advised the Argentine business community and public sector in recent years on how the government can best avoid crisis and secure the future, and presented a new report, Closing the Gap Between Policy and Public Opinion, to EMTA's audience.

His analysis was informed by new research on the public's perceptions of Argentina's economy and public policies commissioned by Graham Fisher and conducted by Argentina's leading pollster, Dr. Sergio Berensztein, who presented his findings from two studies (Argentina's Economic & Political Environment According to Opinion Leaders; and Argentines' Public Attitudes Toward the Economic & Political Environment). Dr. Berensztein offered a surprising set of new data points on Argentina's comparative political and business environment, including perception of inflation, consumer confidence and approval levels for government management and engagement with international markets and the US business community.

Click Here for Mr. Rosner's Report and Click Here for Dr. Berensztein's Presentation Slides.

EMTA Hosts Special Seminar: "The Future of Argentina: Through the Looking Glass" in NYC; Former Argentine Secretary of Finance, Guillermo Nielsen, Joins Panel

In the wake of unfavorable mid-term election results and economic trends, the time is ripe for a look at Argentina's future – economic and political – post-litigation and possibly post-Kirchner. EMTA's panel, sponsored by Puente and held at EMTA's offices in New York on February 28, will be moderated by Walter Molano (BCP Securities), and will include the following panelists: Arturo Porzecanski (American University), Casey Reckman (Credit Suisse) and Vladimir Werning (J.P. Morgan Chase).

Guillermo Nielsen, former Argentine Secretary of Finance, and a keynote speaker at EMTA's December 2003 Annual Meeting (now at Strategic Investments S.A.), joins the panel discussion.

Walter Molano, author of *In the Land of Silver: 200 Years of Argentine Political-Economic Development*, also spoke at the Chatham House in London on a similar topic "Realizing Argentina's Potential". Please see this link for more information on that event: http://www.chathamhouse.org/events/view/196213.

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

Winter Forum (continued)

Joyce Chang (JPMorgan) summarized in introductory remarks that "there was no January effect this past January." Chang added that, despite record issuance, outflows from the asset class persisted, and local markets would remain vulnerable. She reviewed panelist forecasts for key economic variables in 2014, observing that most speakers concurred in their EMBIG forecasts (with a general consensus around 325 bps), while UST 10-year yield estimates ranged from 3.25% to 3.75%.

Citi's David Lubin described the market as remaining anxious about continued capital outflows, reduced EM export demand from developed countries, and Chinese growth prospects, with flows the "most certain to be a continued cause for pessimism." On China, recent fluctuations on that country's CDS pricing reflected a "cycle of panic and calm on the Chinese economy," and he noted his own forecast of 7.3% GDP growth in 2014.

Several speakers offered more benign outlooks. Richard Segal (Jefferies) expressed relative optimism on capital flows to EM debt. "Further sell offs shouldn't be too dramatic," he said.

"EM has become a dirty word in recent months," according to Societe Generale's Benoit Anne, who believed that, despite supportive fundamentals, a confidence crisis had occurred. "Technically this might be a good time too, with lots of short positions," he added. Anne anticipated renewed capital flows in due course; "this is a market correction, not a major crisis."

Tim Ash (Standard Bank) also expressed an overall bullish tone, suggesting that the market had over-corrected. However, he criticized those CEE sovereigns which had wasted QE opportunities, and which had failed to enact structural reforms. Politics related to the lack of pre-tapering reforms were the greatest concern for Ash.

Chang's poll of Ukraine views found a split result; JPM and Citi retained over-weight recommendations, Standard and Societe Generale advised clients to underweight the credit, while Jefferies was neutral. "Nothing is clear about Ukraine's future," Lubin acknowledged, "but we expect it to muddle through with its debt payments." He added that, unlike its fellow high-yielders, Ukraine has the benefit of being classified as more geo-strategically important.

While not expecting a Ukrainian credit event in 2014, Ash also refused to rule it out. He no longer considered Ukraine to be in the "too big to fail" category, with Russian President Putin determined to pull Kiev into the CIS Customs Union. In addition, Ash could no longer dismiss potential ethnic conflict, while the country's macro-economic situation remained "dismal." He concluded, "Analysts, and investors have zero idea where Ukraine is going, and it is near impossible to call it, or make investment recommendations."

Winter Forum (continued)

Anne feared that "anything is possible in Ukraine, even the most catastrophic outcomes; we don't want to touch it." Chang added her own view that, while recognizing the country's serious challenges, Ukraine would be able to achieve some sort of negotiated political settlement, and muddle through.

As for Turkey, Ash expressed a generally bullish view, but would be monitoring the March local elections for future political directions. He added that "getting Turkish local debt right would probably make one's year."

Segal concurred in his positive assessment on Turkey. "None of the political rhetoric has translated into bad politics, and political risk is more perceived than actual," he asserted. Segal saw opportunities in Turkish corporates.

Lubin noted that the Turkish Central Bank's rate hike was necessarily dramatic to restore credibility. Anne underscored that "the Central Bank won the game; Ankara has made the hedgies afraid to be short."

Speaker recommendations varied. Belarus and Serbia showed interesting potential in Ash's view. "Belarus might be easier to figure out than Ukraine, and the blow out risks are much more manageable." Ghanaian debt prices had fallen enough to attract Segal's interest, although he acknowledged fiscal policy has disappointed the market. Anne spoke positively on long–end Polish and Hungarian bonds.

Investor speakers discussed their concerns and market views on a panel led by Aberdeen Asset Management's Kevin Daly. Tapering remained the market's core driver, according to Graham Stock of BlueBay Asset Management, and credit differentiation was key. Stock offered a relatively upbeat assessment on EM debt, and noted "EM balance sheets are much better than they were years ago." However, he expressed disappointment that greater structural reforms and infrastructure development had not been accomplished.

Schroder's Craig Botham saw China as a potential risk to EM. Drijkoningen expressed concern that EM corporates were at risk for a number of technical factors ("there has been a large build-up of supply over recent years and limited dedicated holders"); as well as potential earnings disappointments due to a deceleration in EM domestic growth combined with depreciated currencies and higher local rates. Ben Sarano (Emso) revealed that his greatest fear was a disorderly default in Argentina, Ukraine or Venezuela. Although not his base case, Sarano saw the odds for a credit event in these sovereigns as increasing.

Winter Forum (continued)

Daly invited a further review of what he termed the "Toxic Trio." Sarano confirmed that his fund was long all three credits, and judged Argentina (especially local law bonds) to be the most appealing. The possibility of a mis-step in Ukraine was growing, although the geopolitical battle for influence between Russia and the EU meant that it was not in anyone's interest to allow a default. Venezuela was the least appealing of the three, as it was a "country running out of road; they are taking to remedial action to address their issues." He suggested a credit event was possible in 2015.

Enjoying an amicable debate, Stock ranked the three in exactly the opposite order. BlueBay hadn't owned a defaulted instrument, and Stock expressed a strong aversion to taking on Argentina's legal risk. Continued oil revenues, in contrast, served to increase the appeal of Venezuela.

Drijkoningen was not tempted by Ukraine at current pricing. "Even if there is an endgame, a lot can happen in between," he reasoned, and he seconded Belarus as an alternative. "Election fever" had already seized any potential upside for Argentine bonds. Moderator Daly admitted his firm was underweight Ukraine and Venezuela, and also held no Argentine paper.

Panelists agreed with Stock's assessment that the lack of growth in Brazil would not affect its ability to pay. A one-notch downgrade was already priced in Brazilian debt levels, and Stock suggested it was unlikely President Dilma Rousseff would not be re-elected.

The upcoming increase of Japan's consumption tax was a tail risk in Botham's opinion, because it could trigger a technical recession and harm Japan's exporters, such as South Korea and Taiwan. For Sarano, portfolio managers could face challenges if US rates were hiked sooner than expected, or conversely – and perhaps more worryingly -- if recent disappointing economic numbers foretold a persistent slowdown. Speakers added that a US slowdown could kill off an upswing in EM manufacturing and lead to EM corporate concerns.

Concluding with investor recommendations, Botham surprised many by announcing that his firm was generally underweight EM, although he spoke positively on Taiwan. Stock had a constructive view on Colombia (dismissing election risk completely), while Drijkoningen favored Indonesia. Sarano admitted that he would add to Toxic Three positions at lower prices, and argued that EM investment grade paper was generally cheap. Daly added his own recommendation of the Philippine peso, joined Stock in recommending Brazilian rates, and confirmed his championing of frontier markets with positive comments on Mozambique and Rwanda.

Photography by Helen Couchman *(c) hcphotowork*

IMF Western Hemisphere Director Werner Urges EM Policy Makers to Take Advantage of Remaining “Easy Money” Market Conditions

The IMF’s Director of the Western Hemisphere Alejandro Werner delivered the keynote address at EMTA’s Annual Meeting in New York on Thursday, December 5, 2013. The event was hosted by Citi and drew over 250 attendees. In welcoming remarks, EMTA Executive Director Michael M. Chamberlin thanked Dr. Werner for speaking for EMTA a second time, having previously delivered the EMTA Annual Meeting keynote speech in 2008 when he served as Mexico’s Undersecretary for Finance and Public Debt.

Werner focused on trends affecting Latin economies – the drop in some key commodity prices, such as copper, gold and soybeans; the deceleration of Chinese growth; and the recognition earlier in 2013 that US easy monetary policy would sometime come to an end.

“It is important to highlight how important low US rates have been to Latin America in recent years,” Werner stated. He estimated that this has led to a significant savings on interest payments on external debt, at approximately 1.5% of GDP. In addition, easy money had allowed both sovereign and corporate issuers to extend their maturity profiles. Werner predicted that loose monetary policy would continue for another 2-3 years regardless of when tapering actually occurs.

He cautioned, however, that “the events of May 2013 remind us to prepare for significant bumps and not expect a smooth ride.” The market selloff last spring had actually proved helpful, as it “opened the eyes” of many policy-makers, making them better prepared to the eventual tapering process.

Going forward, policy-makers should take advantage of low interest rates while they still could, and continue to extend maturities. They should remain disciplined in an environment of non-growing tax revenues, enact structural reforms, and front-load their adjustments. Central Banks should not “use their powder” too early. Corporations should maintain the health of their balance sheets.

Werner also touched on individual economies in his remarks. Mexico had in recent years suffered from Chinese competition, but the country could benefit from expected acceleration in US growth, and successful implementation of telecom- and energy-sector reforms. Werner praised Chilean and Peruvian leaders for saving much of the recent commodity windfall.

Annual Meeting (continued)

He added that the IMF has been working with Argentina on a revised consumer price index—“our people working on it have seen a great disposition from the Argentines to work on this; they seem to be working quickly to have it ready [for 2014].” Some Central American and Caribbean countries faced declines in tourism or natural disasters, but he believed that El Salvador and Costa Rica would enact post-election fiscal reforms.

Werner’s remarks were preceded by a panel of EM investors chaired by Citi’s David Lubin. OppenheimerFund’s Sara Zervos and Hari Hariharan (NWI Investment) concurred that they were not concerned about EM capital flows on a long-term basis. Zervos (who serves as an EMTA Board member) added that her confidence in EM didn’t mean asset prices wouldn’t decline near-term, and she would look for post-tapering opportunities in countries such as Brazil. Millennium Management’s Tulio Vera believed that elections in the “fragile five” economies would serve to discourage any of the structural reforms needed to jumpstart FDI into those countries. He predicted a six to nine month period of “bumpiness” once tapering began.

Reviewing “fragile five” prospects, Hariharan termed Brazil an “unforced error” and added, “There is no reason it is in the mess it is in.” He hoped Brasilia would allow Central Bank independence, would put its fiscal house in order, and would let the BRL truly float and refrain from aggressive intervention in the FX markets. He saw opportunity because locals were in “total panic mode, which is a great time to buy Brazil.” On the other hand, Hariharan warned investors not to buy Indian debt on expectations of a market-friendly election result, and concluded that elections would hamper reforms in South Africa.

Annual Meeting (continued)

Addressing the decision-making process at the US FOMC in their tapering debate, GMO's Tom Cooper (also an EMTA Board Director) didn't believe that the Fed took into account the EM spillover of their decisions. "I can't imagine they have a dog in the EM fight," he stated.

On the asset class's riskiest trades, since no policy changes appeared evident to Vera, he was refraining from "buying the hype on Argentina." Zervos believed Argentine debt had moved "on vapor." She added that she would not buy it at December price levels.

Venezuela was a "lousy story," but Vera continued to espouse the country's solvency due to oil exports. Zervos assumed that President Maduro would continue to service external debt, and that price levels looked cheap. She concluded that she'd rather miss the first 100 bps of any rally in Argentina, Venezuela or Ukraine to get more information, as all could prove "dodgy" trades.

Moving away from Latin America, Lubin polled the panel for their reaction to the contraction in China CDS pricing. Cooper replied that, while there were risks in China, default was not one of them.

EMTA's Annual Meeting concluded with a sell-side panel discussion, which was led by Joyce Chang for the 18th consecutive year. Chang reviewed 2013 performance, a "year of real pessimism in EM," and asked speakers to discuss their predictions for US Treasury yields, as well as global growth and EM asset class return.

Panel forecasts for the 10-year UST yield in 2014 ranged from Deutsche Bank's 3.25% to Bank of America Merrill Lynch's 3.75%m, with JPMorgan, Barclays and Standard Chartered estimates in between (at 3.4%, 3.5% and 3.4%, respectively). Chang observed that speaker predictions for 2014 EM debt returns were "neither incredibly bullish nor incredibly bearish," with a few exceptions, including Daniel Tenengauzer (Standard Chartered) calling for a 6% local debt return, and Chang's expectation of 4-5% returns for sovereign debt.

Annual Meeting (continued)

Addressing recent EM fixed-income supply and demand dynamics, Alberto Ades (Bank of America Merrill Lynch) stated that data suggests retail investor outflows into local debt markets, while institutional investors stepped in. He believed that retail investors moved into equities, but asserted that "the under-investment in EM debt is very significant."

Chang initiated a discussion of EM elections, noting that 40% of the world's population would go to the polls in 2014. For Tenengauzer, a credit rating downgrade on Brazil during that country's presidential race could be one of the best things that could happen to that country, prompting government action. Deutsche Bank's Drausio Giacomelli added "one shouldn't stay overly bearish on Brazil's prospects," even in an election year, although he acknowledged economic performance was sub-par.

Christian Keller (Barclays), in contrast with investor Hariharan, was optimistic on potential progress in India. "We could get a regime shift with a new Central Bank governor, which could lead to new reforms." He also spoke positively about the growing export sector. His enthusiasm was not matched by Ades, who stated "there is most likely not going to be any major changes in India." Although not his base case, Tenengauzer saw tail risk of political violence in South Africa.

Giacomelli espoused the most bullish view on Chinese growth prospects, forecasting 8.6% growth in 2014. Tenengauzer believed growth would remain in the 7-7 ½% range for "quite some time." Ades warned of "weakening demographics; we see the peak in terms of the labor force," and believed growth could slow to 6% by the end of the decade (though remain at 7.7% in 2014). Keller's 7.2% GDP forecast for 2014 represented the panel's lowest estimate.

Chang noted that the EMBIG index now includes 28 frontier markets, although these new entrants account for only 10% of market capitalization. Tenengauzer highlighted the IMF's assessment that frontier markets had outperformed during the Spring sell–off because "creditors *didn't* want to sell, not because they *couldn't* sell. Generally, the frontier market investor is savvier about EM idiosyncrasies than the crossovers who invest in Mexico and Brazil," he added, and thus was less prone to panic selling.

Keller cautioned investors to be wary of over-hyping in new frontier issues. "There are probably a few rotten apples in there," and credit differentiation was key. Tenengauzer spoke positively on sub-Saharan Africa in general, predicting 5.5% growth in 2014.

Photography by Chuck Fishman

EMTA Miami Panelists Believe Brazil Pessimism Overdone, Split on Argentina

EM analysts reviewed the global economy, the out look for Latin America, and implications for EM assets at EMTA's Third Annual Miami Forum. The event was held on Tuesday, January 21, 2014, and drew 100 investors, analysts, private bankers and other market participants. MarketAxess served as the event's lead sponsor.

Alberto Ramos of Goldman Sachs opened the session by contrasting the brighter global outlook compared to the prevailing market view one year prior. This was driven chiefly by expected growth acceleration in the US and other developed markets. Tapering had commenced, but G-3 monetary conditions were expected to remain largely accommodative. EM countries, on the other hand, could face headwinds such as softer commodity pricing, reduced capital inflows (and potentially even outflows) which could likely lead to weaker growth and FX depreciation.

Bulltick's Alberto Bernal boldly predicted 10-year US Treasury bonds would yield 2.9%, at year end, a view he acknowledged to be outside of consensus (e.g., forecasts of 3.25% by Goldman and 3.75% by Bank of America Merrill Lynch). Bernal based his forecast on lowered inflationary expectations, a result of weak wage pressures, which remained depressed due to US unemployment rate and spare capacity in the US economy. Tony Volpon (Nomura) concurred that wage inflation would not be an issue in 2014, while speculating that a rise in rents, which compose a large part of the CPI, would surprise financial markets.

The Eurozone was judged to be not "totally out of the woods yet," according to Santander's Alejandro Estevez-Breton, while progress had been made since Eurozone Central Bank President Draghi's "whatever it takes" speech. Estevez-Breton spoke positively on Spain's success in reducing labor costs and boosting exports, and noted anecdotal evidence that some firms were discussing relocations from France and Italy to Spain. Bernal underscored that, in contrast to views a year ago, Europe had become an overweight recommendation, though Volpon cautioned attendees that political risks related to the rise of fringe parties in several European countries should be monitored.

The panel also reviewed the challenges for Latin economies. After four years of being frustrated with Brazil's sub-optimal growth, Volpon admitted to a potential conversion to optimism. In his reasoning, the government had realized some of its mistakes, and the Central Bank was finally being allowed to hike the SELIC to appropriate levels. "There has been a change in the government's attitude, and a recognition that inflation matters; but they are still not getting respect from the marketplace," he stated. Volpon advised investors to wait to add to Brazil positions until it was clear that President Dilma would be re-elected. At that time, he reasoned, there would be the highest degree of local investor pessimism, and thus the best buying opportunity. Volpon did not expect meaningful policy prior to the vote, while expressing hope for progress following the election.

Estevez-Breton seconded the view that investor pessimism on Brazil was overdone, and questioned Brazil's inclusion as a member of the "Fragile Five." Excess pessimism on Brazil translated into a number of investment opportunities, he reasoned. Ramos attempted to explain local pessimism by suggesting that there was a sense among Brazilians that their dream of a better future had been destroyed by the authorities' poor cyclical management of the economy. For Ramos, fair value for the BRL was 2.9 to 3.0 per USD, but steady daily Central Bank intervention was preventing the currency from self-correcting.

Miami (continued)

Argentina was Bernal's top overweight, based on expectations of a change in administration. He saw Argentine asset prices as "dirt cheap," based also on the expectation of massive capital inflows in a post-Kirchner regime. In Volpon's assessment, Argentina and Venezuela faced similar problems, insofar as both had inconsistent policy frameworks that were depleting reserves; however Caracas's ability to increasingly control parts of the economy (which he termed the "Cubanization" of the country) translated into more stability in Venezuela than in Argentina, and he predicted underperformance by Argentine assets in 2014. Anne Milne (Bank of America Merrill Lynch) noted that her firm's only overweight recommendation was currently in Venezuela, and suggested that Mexican spreads were among the tightest in Latin America.

Milne, the panel's corporate expert, offered her rationale for EM corporate investing in 2014. Fundamentally, she indicated that the her firm predicted 4.5% EM GDP growth in 2014, with her corporate team estimating an 8% increase in EBITDA for the basket of 100 EM corporates they follow, with the biggest returns coming from Latin America. Crossover interest in EM corporates should continue to support the asset class "because yields simply can't be ignored relative to developed market yields," and crossover portfolio allocation was still well below a recommended 14-17% allocation. Large companies such as Pemex, Petrobras, Gazprom, CNOOC and Vimplecom were among the larger issuers which had benefited from crossover interest, with an estimated 50% of their new issuance snapped up by crossovers. On a technical basis, the case for EM corporates could be made by the fact that 40% of expected new issuance of $330 billion in 2014 could be purchased with just upcoming EM interest and coupon payments, helping offset the negative funds flow from retail investors.

On the other hand, defaults in 2014 were estimated to rise to 4.2%, an increase from 3.7% in 2013 (based on the number of issuers, rather than face value). Milne also acknowledged that corporate downgrades were three times the number of upgrades in 2013, and expected that trend to continue this year.

Speakers suggested possible downside risks for 2014. Estevez-Breton judged that Mexico could be vulnerable to deterioration in the homebuilder sector, a poor execution of the budget, and uncertainties related to both the Fed tapering and the telecom and energy reforms. Volpon feared an "outbreak of civil war in the Turkish government." Potential social unrest in Brazil and Colombia was something that Bernal would monitor. For Milne, "the speed and flames surrounding the OGX bankruptcy" could prove a concern, and a high-profile default in EM Europe or China ("perhaps in the shadow banking industry?") could derail EM corporates.

Speakers reiterated their recommendations on Brazil (Volpon and Estevez-Breton) and Province of Buenos Aires bonds ("I recommended it last year and I'm sticking with it," noted Bernal). Chinese high-yield and property bonds could perform well despite predictions of their demise, according to Milne, who still considered them to be an as of yet untested segment of the market in a down-turn.

EMTA Brazilian Seminar Focuses on Presidential Elections, Economy and Possible Ratings Downgrade

President Dilma Roussseff remains likely to be re-elected President of Brazil for a number of factors, according to noted Brazilian political analyst Murillo de Aragao. De Aragao discussed the upcoming elections during a keynote address at EMTA's Special Seminar on Brazil, held in New York on January 13, 2014. Bank of America Merrill Lynch hosted the event, which drew 185 market participants.

President Roussseff retained a high approval rating, despite a dip in polls in mid-2013, and "presidents with high approval ratings tend to get re-elected," De Aragao observed. The President's coalition, the largest in Congress, allows her six minutes of free political advertising, twice the time allotted to her nearest rival, Aecio Neves, which has served as a significant advantage. Opposition parties have thus far not succeeded in taking advantage of the national unease and "grumbling," and have failed to provide a coherent alternative to the President, he argued.

Economic growth was the main reason why former presidents Lula and Cardoso were re-elected, and a deteriorating economic environment could create problems for the president. However, unless Brazil's strong employment numbers suffered a dramatic reversal, or inflation spiralled out of control, the economy was likely to play in Dilma's favor. De Aragao added that Brazil's hosting of the 2014 World Cup was a "mystery factor, which could harm or boost Dilma," although he did not expect it to be a significant factor either way. A new corruption scandal remained a risk for Dilma's re-election –"we often have corruption scandals in government; but lately they have hurt the opposition more than the government," he stated.

Other conceivable winners of the October elections included center-right candidate Neves, who receives the second-highest amount of free advertising time on tv, and whose party controls important states; and Eduardo Campos of Brazil's PSB party, who faces a tougher challenge to make it to the second round. De Aragao acknowledged that Campos and Neves could unite in a second round challenge to Dilma, while arguing that they were unlikely to form an anti-Dilma coalition before the first round. He declared that the power of Green Party candidate Marina Silva, now allied with Campos, was "over-emphasized," and that she suffered from a precarious party structure.

De Aragao advised investors to monitor the political effects of the US FOMC's tapering policy on the Brazilian economy, and to stay alert for possible protests (with 10,000 police being hired to address any World Cup embarrassment for Brazil). "However, I am more concerned with unknown factors; we have to have something really extraordinary to change the status quo," he affirmed.

Reforms were unlikely in 2014, although De Aragao saw possible progress in 2015. The government recognizes that its tax system discourages investment in Brazil, and was likely to debate a more investor-friendly environment in the future.

As for controversial Finance Minister Mantega, he was likely to be replaced in a second Dilma administration, according to de Aragao. Dilma was unhappy with his performance, but she remained resistant to appear to be acceding to calls from the press for his ouster. De Aragao speculated that former Central Bank presidents Mereilles and Tombini were possible successors, while adding that any ratings downgrade would not result in an earlier exodus for Mantega. "That would give power to the ratings agencies that the government doesn't want to give them...would the head of the Fed be fired if the US was downgraded?" he asked rhetorically.

Brazil (continued)

A panel following de Aragao's presentation covered a range of views on Brazil's economic outlook, moderated by Bank of America Merrill Lynch's Alberto Ades. Asked to describe the "new normal," Jim Barrineau (AllianceBernstein) forecast 2-3% growth going forward. "We all know that potential GDP increases could be higher, but lower growth is inevitable due to both the macro-economic environment and political factors," he reasoned.

Lisa Schineller of Standard & Poor's discussed FDI into Brazil, which she described as continuing to be fairly robust, though noting that it has already declined. She expected it to continue to moderate, and not fully cover the current account deficit. Schineller emphasized the importance of diversified FDI.

Goldman Sachs' Alberto Ramos addressed steps that could be taken to boost the Brazilian economy. Ramos stressed the importance of improved education in Brazil, and urged policymakers to invest more and open up the closed economy. He also expressed frustration at the regulatory environment, and an inefficient use of tax revenue ("a tax burden of 40% of GDP only works if a good share of it is geared towards investment and the government provides good public services, but that does not seem to be the case.") Pushed by Ades if changes were possible within the next 5 years, Ramos viewed educational advances as possible, while dismissing the likelihood of more open trade.

The independence of the Central Bank post-election remained an issue for Siobhan Morden of Jefferies, who forecast 2% growth in Brazil this year. In order to regain credibility, she believed the Central Bank would have to over-hike the SELIC rate, and she remained unsure if the administration was willing to accept the resulting political cost. Barrineau was in comparison less negative on the Central Bank, noting that other countries such as Mexico had allowed inflation to exceed targets without strong market reaction.

Addressing the deterioration in Brazil's fiscal and external accounts, Schineller, whose firm issued a negative outlook on Brazil's sovereign rating in June 2013, stated that she monitored both. Brazil's weaker fiscal trends include a declining primary surplus, lack of clarity around the fiscal target, and an increasingly reliance on one-off revenues in 2013. However, she highlighted that the composition of Brazil's government debt profile still remained "much improved compared with five years ago."

Ramos dismissed suggestions that Brazil could lose its investment grade rating, while conceding a downgrade was possible. "The boat can still rock a lot before it sinks...Brazil is not in a crisis, it's just an uninspiring performance with most of the issues structural" he opined.

Ramos and Barrineau agreed that a one-notch downgrade has already been priced in by the market, with Barrineau speculating that a relief rally might follow a ratings drop. On the other hand, he cautioned that a downgrade, accompanied with a continued negative outlook, was not anticipated, and might prompt a market sell-off.

Schineller stated that one of the reasons for the current negative outlook was uncertainty with post-election policies, and the agency would be watching post-election policy signals. As for timing of any possible downgrade, "we might move before the election, or after the election, or not at all," she stated.

Brazil (continued)

Morden added that tapering has also been somewhat priced into Brazilian bond levels. "If the UST move is gradual from 3% to 3 ½%, then I think we can expect limited contagion; however, if the process is disorderly, then 13% yields are not the ceiling on 10-year local debt," she surmised. Repricing is at the early stage, though, as the markets are just starting the unwinding of global liquidity.

Speakers were then asked to compare Brazil to other EM credits. "Brazil doesn't look that bad compared to the other 'Fragile Five' economies," asserted Barrineau, who added "they have to work on the fiscal side, as many EMs do." Morden compared Brazil to Argentina, noting some commonalities, but also stressing Brazil's greater political checks and balances, stronger business sector lobby and a more accountable president (to her own party). However, Morden saw little room for near-term optimism. "Dilma persists in following an economic model that is failing and that stubbornness is a concern; three years of low growth and the President hasn't done anything," she concluded.

Sovereign Meetings (continued)

Chamberlin summarized the first panel, "The Road Ahead" on October 16 (which included representatives from the IMF, the UN and the International Capital Market Association (ICMA)), as providing a number of ideas to "improve" the architecture for restructuring sovereign debt (notably, proposals regarding the *pari passu* clause, so-called aggregation collective action clauses (CACs) in non-euro area sovereign bond issues and bailing in private sector bondholders as a condition of IMF support). In general, these proposals are designed to address serious concerns that many in the official sector, and in academia, have about the effect, or potential effect, that holdout creditors may have on future restructurings, especially in Europe. In essence, there is a prevailing official sector view that sovereign debt is still too difficult to restructure because of the inability to bind all creditors, despite the introduction of CACs over the course of the past decade.

He summarized the second panel market reaction discussion on November 5, "Private Sector Reaction to Current Proposals" (this time composed of private sector market participants), by noting that the private sector generally agreed that market-based restructurings usually worked well enough and that implementing the official sector's proposals would tend to weaken creditor rights and were unnecessary. In particular, the second panel expressed the view that the Argentina holdout situation was an outlier, in large part because Argentina's actions toward its creditors had been extreme. Also, the second panel was generally critical of the proposed Sovereign Debt Forum and expressed concerns about proposals for mechanisms that might "chase investors away". He concluded by noting that one sentiment that tends to summarize the views of the second panel was that "sovereign debt restructurings are not supposed to be easy".

For more information on the first two panels, Click Here.

Chamberlin remarked that much of the development of these types of policies occurs behind closed doors, in rooms which tend to be well-insulated from private sector involvement. EMTA's goal is to provide a forum for the discussion of these important issues by market participants, with a view to ascertaining market sentiment and possibly strengthening private sector input into the policymaking process.

The third panel summarized the above proposals and the private sector's reactions to them, and then articulated a sensible path forward. The panel was moderated by Arturo Porzecanski (American University), and included the following panelists: Bruce Wolfson (Bingham McCutchen), Claire Husson-Citanna (Franklin Templeton Fixed Income Group), Hans Humes (Greylock Capital Management) and Ben Heller (Hutchin Hill Capital). Relevant documents made available to the audience can be located at: http://www.emta.org/template.aspx?id=8413.

The third panel, with a view to strengthening private sector input into the public sector process, discussed both the underlying assumptions of the official sector's proposals (e.g., the present system is badly functioning, holdouts and litigation are serious threats), as well as the reasonableness and workability of the main recommendations.

Arturo Porzecanski summarized the proposals, which he believed were primarily in response to the Greek and Argentine experiences, as follows:

1) Establish a presumption that some form of a creditor bail-in measure would be implemented as a condition for IMF lending in cases where, although no clear-cut determination has been made that the debt is unsustainable, a government has lost market access and prospects for regaining market access are uncertain. In such cases, the primary objective of creditor bail-in would be designed to ensure that creditors would not exit during the period while the IMF is providing financial assistance, giving more time for the Fund to determine whether the problem is one of liquidity or solvency.

Sovereign Meetings (continued)

2) Prevent holdout problems by adopting stronger CACs that operate across all new debt contracts, giving a supermajority among all bondholders the right to restructure against the will of a minority (in the aggregate, and regardless of the votes of individual bond series), as long as the restructuring leads to identical payment terms for all bondholders.

3) Create a European Sovereign Debt Restructuring Regime through an amendment of the European Stability Mechanism (ESM) treaty that defines conditions under which the ESM is allowed to lend, which would be implemented only if the member country also restructures its debt, and that gives guidelines as to the minimal amount of restructuring. The treaty change would also make the assets and payments of a euro area member that has undertaken an ESM-sanctioned restructuring immune from attachment by holdouts.

4) Set up a version of the dispute-settlement mechanism of the WTO, a system in which there are panels of experts who would host negotiations, subject to a deadline; if no agreement is reached, the second stage would involve the panel serving as an arbiter; and if agreement is still lacking, the panel would settle the dispute with a decision which would be binding on all.

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

- If the IMF were to proceed with its proposal, how would it change the way you react to news of a government seeking financial assistance from the Fund? Would the potential proliferation of defaults for the purpose of reprofiling debts and introducing aggregation clauses change the risk/return expectations for this asset class? And might this proliferation tend to foster more holdouts, because once the reprofiling and aggregation is done, holding out would become less of a viable option? Would it be a better idea for the IMF to insist on the early formation and recognition of creditor committees for the purpose of fostering a negotiation, rather than to insist on a reprofiling per se?

- Why haven't aggregation clauses become more prevalent in bond indentures and even in restructurings? What are the pros and cons of strong aggregation clauses becoming increasingly common as a result of the European precedent and pressure from the official community?

- What are the pros and cons of setting up a European Sovereign Debt Restructuring Regime? Is this a case of shutting the stable door after the Greek horse has bolted? What is your assessment of the ESM as it stands, in terms of its capacity to deal with sovereign solvency problems?

- What are the pros and cons of setting up a WTO-like dispute-settlement mechanism to deal with sovereign debt problems? To begin with, are there serious problems with the current best practice of direct negotiations between sovereigns and their leading creditors, as represented by a committee? And what are the main practical difficulties of introducing such a dispute-settlement mechanism?

There followed a wide-ranging discussion of these questions.

With respect to the IMF proposal, Porzecanski described it as akin to the Fund demanding that countries in trouble which come to its Emergency Room agree to sign an "organ donor card" before getting any help, because the Fund wants the right to harvest an organ (namely, to force sovereigns to default and restructure their debts even if there is the slightest doubt of about their solvency) prior to providing the assistance to which its members are entitled.

Sovereign Meetings (continued)

Ben Heller noted that the IMF proposal would make the situation more unstable and uncertain, provoking unnecessary defaults and restructurings and giving more power to the IMF. Instead of carrying out a proper, ex-ante credit analysis of a sovereign's fundamentals and debt sustainability, research analysts in investment firms will instead spend their time trying to guess what the IMF may be thinking vis-à-vis such a sovereign. He also questioned why the proposal required an unseemly emphasis on hasty, preemptive restructurings, when there is no failure to pay and other conditions warranting a default are not being triggered. This demonstrates a bias because the IMF is lending in the interim and it is in its interest not to prolong the process, while creditors are not as concerned about the timing as they are about the need for good-faith negotiations to get underway. This element of the IMF's proposal is problematic, "like theology without hell". It's a "Rube Goldberg contraption to recalibrate the eco-system of the restructuring process". He concluded by positing that the whole IMF proposal was "pre-textual", meant to "defang creditors" and change the whole system of debt restructurings.

Hans Humes decried the lack of actual hands-on restructuring experience by IMF officials who, while truly believing there were problems that needed fixing, were prescribing solutions to a non-existent problem. He noted the irony of the IMF's precipitating the very financial crises that it was seeking to avoid by its proposal, showing a complete lack of understanding as to the proposal's ramifications for the financial markets. Market participants who see that the IMF is involved in a particular sovereign's affairs will likely exit their debt holdings in such a sovereign in order to avoid being subjected to an inevitable haircut or even a standstill. This will increase volatility in the market without really addressing the underlying problem. It was all a "distraction". He concluded that the IMF should spend time maintaining its senior-creditor status instead of worrying about the holdout "problem".

While the IMF proposal has the merit of bringing all the parties to the table, Claire Husson-Citanna considered it a non-starter and was more concerned with its negative consequences, such as the writing of a "blank check" to the IMF if investors are going to be subject to the proposal, since the terms and conditions of the new restructured bonds will not be conclusively determined until much later in the process. She posited that any sovereign with liquidity problems would not be issuing Eurobonds that may fall within the purview of the IMF. She also noted that, if the IMF wants a super-holdout status, its proposal lacks any mechanical specifications to that end, and that holdouts seemed to be the privilege of the official sector and other supranational bodies. Also, the IMF seemed to be using creditors to send a message to the sovereigns: "when there's a last supper and nothing to eat, everyone needs to be at the table and not in the corridors".

Bruce Wolfson viewed the IMF proposal as a "full employment act" for lawyers and others and as an ill-conceived attempt to solve a problem that doesn't seem to exist. What is the central issue and challenge should not be a focus on holdout debtors, but rather on holdouts like the IMF and Paris Club and holdout borrowers. Attempting to coerce every last creditor is a misguided endeavor. Energy should be placed in creative solutions and determining a sustainable level of debt when a sovereign can't pay, so creditors can collect on their debt. The proposal's message is that sovereigns are not the villains, but rather the creditors, who try to enforce what courts have already granted to them, are the problem. He agreed with Husson-Citanna that having all affected parties discuss the issues together was crucial, but noted that creditor committees can more easily and less intrusively serve that function.

Heller agreed that some would dispute there is a real holdout creditor problem. Given the low Argentina restructuring participation rate of 76% (which would not be deemed a successful restructuring), he suggested that 90-95% participation should be a condition for closing every restructuring deal. Humes agreed as well, noting that the 3% of creditors in the Greek restructuring that did not participate was not a problem for the other creditors or for the sovereign, so why did the IMF deem it a systemic problem - especially when other bodies were holding out on a 30% share of the debt? He also referenced the Moodys' analysis and wondered why the IMF willfully ignored the study, which to him "telegraphed another agenda, with the private sector as the IMF's soft problem".

Sovereign Meetings (continued)

In response to the pros and cons of aggregation clauses, Wolfson noted that, in order to get a 90% acceptance rate, sovereigns sometimes need to agree to programs that are not very sustainable. While noting that a framework like bankruptcy is necessary to bring creditors into the fold (which works relatively well in the domestic context), an effort to cram-down creditors without enforcement on sovereign debtors is not effective, especially when there's no impartial tribunal to determine what is a realistic plan of restructuring.

Husson-Citanna stated that some holdouts are not a problem (although the biggest issue is with European banks and NGOs), and that while CACs may solve some issues, the legal solution of aggregation clauses will not provide the right incentives for debtors and bondholders to move forward in the proper direction. Instead of discussing aggregation of CACs or worrying about changing existing documents, market participants should decide which sovereign bonds to purchase through an auction mechanism that matches buyers' and sellers' preferences. She also parenthetically noted that it was relatively easy to purchase a blocking position in a bond issue on its issue date to avoid a future cram-down of aggregation clauses, and that any aggregation clause design would ex-ante be insufficient to solve the majority of potential ex-post dissidence cases. Thus, ad-hoc financial incentivization is more efficient than ex-ante legal coercion.

Humes stated that there were too many layers in aggregation and that the system can be "gamed". He also didn't think the issue is all that relevant, given the possibility of creditor committees that can act in good faith in conjunction with borrowers. A debt restructuring that has a 95% acceptance rate is successful in that the 5% excess payment to holdouts can easily be absorbed. Further, he noted that the authors of these clauses have a conflict of interest, given the retroactive application of CACs to Greek law governed bonds designed by sovereign counsel who was also trying to design the new restructuring process. While seeming balanced, sovereign counsel is still representing borrowers' interests, while severely impacting creditors' rights.

Heller was more positive on aggregation clauses, which he thought can be useful. The private sector should be more involved in the design of contract provisions, rather than leaving it up to academics and lawyers who don't have "skin in the game". It may also be useful to use a section of the bankruptcy regime, while not the full-blown cram-down by a judge. The Sovereign Debt Restructuring Mechanism (SDRM) was problematic not because the market objected to rules or the notion that the majority can override the minority, but rather because there was no forum that creditors could rely on for enforcement. The IMF being "hostile to the private sector" was not a trustworthy option. This is a good opportunity to put the larger issue of attention to contract language in context, as well as to shore up inter-creditor issues, engagement clauses and information sharing.

Wolfson noted that the problem was not with cram-downs per se or with alternative dispute resolution mechanisms, which have been used across many areas. Aggregation clauses have not gained much traction because creditors have no real indicia of a good process. It is a creative proposal that represents borrowers and should be considered in that light; it should not be embraced as an objective solution to the problem. Instead, having representatives from both sides discussing options has statistically worked best for prior restructurings.

In response to the WTO-like arbitration panel, Heller said that he wouldn't rely on the IMF or the UN to head it up, and what's needed is a commensurate enforcement mechanism on sovereigns. "A panel that can with a stroke of a pen extinguish my debt versus having no enforcement power on borrowers [is not worthy of consideration]; let them come back to me when they have an army [to compel sovereigns]". A forum can't be convened if the end game doesn't require enforcement on both parties; that power imbalance compromises the whole process.

Sovereign Meetings (continued)

Humes stated that, given the range of options, the IMF may not be the worst choice, but structurally it's not the right body since its membership is comprised of representatives from only one side of the table – namely, sovereigns -- and it's too political a group. Also, if the tribunal can't bind both parties, there's no point in continuing the discussion. Possibly borrowers could post bond as an ameliorating condition. He concluded that it's good for the process to expose both views through creditor committees and otherwise. ABC, the creditor committee for the Argentine restructuring, would have been more successful in rounding up support for a reasonable proposal had the sovereign engaged with it, but the IMF should not use the bad example of Argentina as a reason not to promote such creditor committees as part of its proposal.

Wolfson was more positive on the objective panel, with an arbiter role to adjudicate what was a reasonably sustainable level of debt, together with an ability to provide adequate and transparent information, but he agreed that binding both sides was necessary -- although he did later on suggest that, even if there was an enforcement mechanism at the end of the process, it may still be worth considering this proposal more carefully. He also proclaimed that it seemed to be "a big solution to a small problem, and too much psychic energy and bandwidth" had been spent thus far in discussing it.

Husson-Citanna cited it as an innovative proposal, but suggested that an expert panel should be convened with representatives from the IIF and sovereign wealth funds who are also creditors. While the proposal has the advantage of providing a forum, it should not be left in the hands of debtors to run through their financial advisors; rather, the forum can "run the books" through auctions.

Remarks from the audience included the following:

Benu Schneider, moderator of the first panel discussion on sovereign debt restructuring, clarified that the tribunal was never proposed to reside at the UN. She echoed Porzecanski's three proposed stages of this "shadow courthouse" and stated that the hope was not to reach the last stage, but rather have the restructuring negotiated within the first two stages.

Mikis Hadjimichael, a panelist on the upcoming DC panel from the IIF, informed the audience that the IIF will be publishing a paper on sovereign debt restructuring in mid-January, and that negotiations in good faith pre-default for any pre-reprofiling are an absolute necessity.

Tim DeSieno, a panelist on the second panel from Bingham McCutchen, questioned why the IMF was so fixated on holdouts, given investors' lack of appetite for spending lots of money and time litigating to enforce their rights.

Porzecanski concluded the panel discussion by suggesting that it may be difficult to switch to an arbitration procedure when the market is used to NY, UK or local law, and there was nothing to stop a creditors' committee from asking an objective third-party source about its views on debt sustainability issues. He viewed the real fight to be among the proliferation of official sector creditors vying for preferential treatment so they won't be dragged into another European restructuring problem, like Greece.

Sovereign Meetings (continued)

London Panel

The fourth in the series of five panels was held at Allen & Overy's offices in London on January 13, 2014, with a European emphasis. The panel was sponsored and moderated by Yannis Manuelides (Allen & Overy), and included the following panelists: Charles Blitzer (Blitzer Consulting), Marc Balston (Deutsche Bank), Robert Gray (HSBC Holdings plc), Leland Goss (International Capital Market Association) and Dean Menegas (Spinnaker Capital Limited).* Relevant documents, which includes the ICMA Sovereign Bond Consultation Paper on Aggregated CACs, Pari Passu and Noteholders' Committees, made available to the audience can be located at: http://www.emta.org/template.aspx?id=8461.

Background information was provided on why the Seminar was particularly relevant. Although the market seems to be welcoming jumbo issues by sovereigns of all sorts, not least from the Eurozone periphery, in the sovereign debt world we still very much live under the spectre of the GRs: Greece and Griesa. Or, at least this is what the IMF and others think. In April 2013 the IMF published its Sovereign Debt Restructuring: Recent Developments and Implications for the Fund's Legal and Policy Framework, and launched a consultation process. This was followed by a number of other notable initiatives, such as the report, Revisiting Sovereign Bankruptcy by the Committee on International Economic Policy and Reform, sponsored by Brookings Institution. The think tank Bruegel had preceded the IMF proposal with a January 2013 proposal for a European mechanism for sovereign debt crisis resolution. The Bank of England published in November 2013 a paper entitled Sovereign default and state-contingent debt. In addition, there have been a number of other initiatives by other bodies, such as the United Nations Development Office, proposing a dispute resolution mechanism overseeing sovereign debt restructuring negotiations. Industry bodies, such as the international Institute of Finance (IIF) and ICMA have also provided their own comments and suggestions.

The IMF's concerns are the following:

(a) "Debt restructurings have often been too little and too late (emphasis added), thus failing to re-establish debt sustainability and market access in a durable way". IMF resources should not be available simply to bail out private creditors.

  (i) The main issue here for the IMF is the "grey zone" where there is still uncertainty on whether the sovereign is just illiquid or also insolvent, and the sovereign has lost market access and the prospects for regaining market access are uncertain.

  (ii) For sovereigns in this "grey zone", the IMF proposes "a presumption", requiring that some form of creditor involvement would be implemented as a precondition for an IMF lending program. This involvement could take the form of a standstill, rollover or extension of maturities (re-profiling) as distinct from upfront nominal haircuts and debt restructuring that may be necessary in cases of insolvency. The involvement would be "voluntary", but on the clear understanding that no IMF resources would be otherwise available to the sovereign.

* 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 Meetings (continued)

(b) "The current contractual, market-based approach to debt restructuring is becoming less potent in overcoming collective action problems (emphasis added), especially in pre-default cases".

- (i) Because of the success of the Argentina holdout litigation and the relative success of holdouts of certain series of English law governed bonds in the Greek restructuring (19 out of 34, but at 6.5 million only 30% by value of foreign law bonds), the IMF proposes that:

  - (A) Aggregating CACs should become standard practice;

  - (B) The two-tier voting threshold should be replaced with a one-tier voting threshold (with the IMF acknowledging that this could "give rise to intercreditor equity concerns" especially in pre-default cases); and

  - (C) Its own financing would be contingent on appropriate aggregating CACs having been adopted by IMF members.

- (ii) The IMF also notes that, notwithstanding the smooth manner in which credit default swaps (CDSs) were triggered and settled in Greece, important issues remain to ensure that the pricing matches the losses suffered by the protection buyers, and that the "restructuring credit event" is appropriate to the restructuring so that it is triggered.

(c) "The growing role and changing composition of official lending call for a clearer framework for official sector involvement (emphasis added), especially with regard to non-Paris Club creditors". The IMF wants to ensure that:

- (i) Heavy reliance on official lending may be perceived to subordinate private lending, hence preventing appropriate market access (probably too Greece-specific a problem); and

- (ii) Fund policies on arrears to official creditors apply to non-Paris Club members as well as to Paris Club members.

(d) Although the collaborative, good-faith approach to resolving external private arrears embedded in the lending into arrears (LIA) policy remains the most promising way to regain market access post-default, a "review of the effectiveness of the LIA policy is in order in light of recent experience and the increased complexity of the creditor base" (emphasis added). In essence, the IMF proposes that:

- (i) In pre-default restructurings, non-negotiated, unilateral offers by the debtor--following informal dis-ussions with creditors--rather than negotiated deals, should be the norm (section 45); and

- (ii) In post-default cases, the requirement for good-faith negotiations with representative private creditor committees should be revisited under the IMF's LIA policy on the basis that it is too difficult for such committees to be deemed representative, given the wide diversity of interests of creditors.

Sovereign Meetings (continued)

After a comprehensive review of the issues, the authors of the Brookings paper proposed the following changes to the status quo:

(a) To deal with holdouts:

(i) Introducing aggregated one-step CACs, but allowing for a separate "per series" vote "if the terms of the proposed restructuring are not uniformly applicable across all the series of bonds". Efforts should be made to accelerate the introduction of these aggregated CACs, including in debt exchanges.

(ii) Enacting legislation in countries of major financial centers that immunizes central counterparties, payments and clearing systems.

(b) To deal with the issues of "too late too little" (the authors speak of over-borrowing and procrastination), the following would apply:

(i) A new Sovereign Debt Adjustment Facility (SDAF) by the IMF, which will be available only to those countries who undertake restructurings;

(ii) New eligibility criteria for the SDAF would be introduced in advance by the IMF (as the IMF did for the Heavily Indebted Poor Countries). The SDAF could sit alongside the existing adjustment programme and facilities by the IMF, but, once the predefined criteria suggest that the debt is not sustainable, the IMF would only be able to continue assistance through the SDAF and require debt restructuring as a precondition;

(iii) The IMF's Debt Sustainability Analysis (DSA) would be made available to its citizens, creditors and interested parties, and comments would be invited. Sovereigns would discuss the DSA with each affected creditor class, the IMF would review the restructuring proposals and the restructuring would require 75% of all affected debt instruments; and

(iv) The assets of the debtor country would have immunity against holdouts.

(c) Introducing a similar regime for the Eurozone, with the ESM in the role of the IMF, and the criteria for lending with and without restructuring based on the core financial pact of the Eurozone and the immunity legislation in the ESM Treaty.

The Bank of England's paper proposed the adoption of:

(a) Sovereign contingent bonds (sovereign co-cos), which would automatically extend in repayment maturity when a country receives official sector emergency liquidity assistance; and

(b) GDP-linked bonds, whose principal is linked to GDP fluctuations and whose fixed coupon is therefore also dependent on a fluctuating principal amount.

Sovereign Meetings (continued)

The many questions that arise from these proposals fall broadly in two categories, strategic policy and process, and the moderator posed various questions to the panelists.

Strategic Policy:

1. An underlying assumption of all of these analyses is that the system is broken and needs radical fixing. Is the system for debt restructuring crisis broken or not functioning well? Is it the case that sovereign debt restructurings in general have been a case of "too little and too late"?

   (a) What exactly are problems?

   (b) And, if that is the case, what, if anything, might be done to address this?

2. What are the key issues which could be addressed to improve the architecture of the sovereign debt market?

3. What are the pros and cons of the IMF proposal for a voluntary debt "reprofiling" as a condition for programs when debt sustainability is in doubt?

4. What are the key issues which could be addressed to improve prevention, management and restructuring of sovereign debt in crisis?

   (a) In particular, is the two-step approach in the Brookings paper (adjustment facility + SDAF) a clearer way forward for the IMF to try to deal with the grey zone of loss of market access?

   (b) Can the Bank of England's proposed instruments assist either with a variant of the first stage of the IMF or Brookings proposals?

   (c) Is prevention better served through improved standards and requirements for disclosure and regulatory treatment? Have we done all that we can?

Process:

1. How serious a threat to future restructurings is the Argentina pari passu case?

2. What are the most important changes that need to be made in bond documentation to improve the speed and efficiency of restructurings? (i.e., pari passu clauses, aggregation clauses, engagement clauses, automatic restructuring, such as sovereign cocos, other)?

3. How likely will a modified or eliminated pari passu clause result in sovereigns offering less favourable terms in a restructuring?

4. The IMF paper makes the case for single limb aggregated voting as one way to reduce the holdout risk: what are the pros and cons of single limb aggregated voting? Since the EU has adopted a double limb approach in its standardized CACs, is it really feasible for the market to sponsor a mechanism that is less creditor friendly? What are the pros and cons regarding 1-step vs. 2-step aggregation clauses? What should the thresholds be set at? Do quorum requirements serve any useful purpose today?

Sovereign Meetings (continued)

5. How easily would the aggregating CACs work for bonds denominated in different currencies, governed by different laws, subject to the jurisdiction of different courts and structured in different ways?

6. The IMF staff argue that contractual, market-based approaches have become "less potent" in overcoming collective action problems, particularly in pre-default cases, and, in particular, question the feasibility of representative creditor committees being formed on a timely basis. These arguments are used to support the case for non-negotiated offers by the debtor. Should these arguments and the conclusions that the IMF staff have drawn from them be accepted?

7. It is argued that the current Argentine litigation will embolden holdout creditors and increase the risk of creditors boycotting future sovereign debt restructurings. Are holdouts as big a problem as many in the official sector appear to think?

A discussion ensued among the panelists and audience on the various topics raised, focusing primarily on the IMF's analysis and policy prescriptions.

Regarding the IMF's conclusion that often debt restructurings were "too little, too late", the panel's view was that this conclusion was mostly an assertion with little empirical evidence or clear analytical framework to back it up. Panel members' critiques emphasized that, over the past several decades, most large IMF programs were successful in restoring macroeconomic balances and restoring normal market access with resort to disruptive restructurings. Examples in this category, which were completely ignored in the IMF report, include Brazil, Turkey, Mexico, Korea, Ireland and Portugal. The IMF's list included several small Caribbean countries which have had to restructure a second time recently due to the global financial crisis which no one had anticipated. Several panelists also pointed out that there is strong evidence that ex post the haircuts in a number of other sovereign bond restructurings look too high. Panelists were in agreement that the "too late" problem was delayed adjustment by borrowers, virtually always due to domestic political considerations, and not reluctance of creditors to engage or even restructure when required.

The recommendation in the IMF report that there be a "presumption" of some "modest" amount of debt restructuring whenever debt sustainability is not highly likely was criticized extensively both by the panel and general audience as a step in the wrong direction, with negative consequences for borrowers and creditors. The main points raised were:

- In distressed situations in the past, markets have stabilized when countries approached the IMF, in part because of the financial support, but also because it was a signal that the government would be undertaking appropriate adjustment policies, which would improve medium-term creditworthiness. However, the panel's conclusion was that, if the IMF were to follow such a rigid policy, it would be highly destabilizing for a country's debt markets as creditors inevitably would race for the exits when an IMF program was being considered to avoid being caught in a default situation. Not only would creditors as a group suffer, but the crisis would inevitably deepen, thus adding to the financing needs of the country and the call on the IMF and other official sector support. One panelist described such a policy as "putting petrol in the IMF's fire hose".

Sovereign Meetings (continued)

- In the context of anticipated market reactions, countries likely would be less willing to approach the IMF until crises worsened, adding to the most fundamental "too little, too late" problem.

- As a program is developed in the midst of a crisis, debt sustainability and renewed market access always appear uncertain. If not, then the debt would not be priced at distressed levels. Under a rigid rule, the IMF would no longer undertake the types of high-access programs which most often in the past have resulted in good outcomes for both countries and markets, and full repayment to the IMF itself.

- It is doubtful that in practice a rule would be applied consistently. A number of panelists believed that whenever an "important" country arose, exceptions would be made either by having overly optimistic forecasts (think Greece) or ad hoc exceptions due to perceived externalities (also think Greece), leaving the application of the "presumption" to the small countries without powerful backers.

- Many expressed the view that the proposed shift from "judgment" to "rules" appeared to be an attempt by the IMF to protect itself from violating its own existing guidelines for exceptional access. That the Greek program was approved in violation of the existing guidelines pointed to a problem of IMF governance which cannot be fixed by reducing the weight placed on judgments made case-by-case. Moreover, the proposed IMF rules may, in fact, trigger defaults before and after the reprofilings. Furthermore, these rules, which seek to prevent or limit moral hazard, unduly tie the hands of creditors and debtors and are simply not credible.

- It would be a mistake to believe that a mild restructuring (say by a maturity extension) would speed up restructurings in cases where the need for a restructuring is not clear. It was pointed out that these types of restructurings would be defaults and would trigger CDS contracts. As the IMF itself has pointed out, there are long-run costs to a defaulting country in terms of spreads for countries which then restructure.

- Asking creditors for standstills tends to trigger CDS contracts, which can lead to default credit ratings and forced selling. The private sector has engaged in a number of voluntary stays (Brazil, Belize, Korean banks), it is not necessary to make them prescriptive.

- A by-product of any IMF policy imposing restructurings when it was not clear that a country's debt was unsustainable would be less and more expensive availability of capital for the less-than-investment-grade countries as a group, an outcome which is not necessarily desirable.

- The panel concluded that this was a radical, counterproductive solution.

The panelists agreed that the process for restructuring sovereign bonds, while not perfect, has worked quite well. Several panelists cited studies by Moody's and the IMF itself which concluded that – with the notable exception of Argentina – bond restructurings have been completed more quickly than was the case for bank loans, participation has averaged more than 90%, and the debt relief provided has been consistent with financing needs identified by the IMF. While participation has always been less than 100%, the panel concluded that ex post holdout problems were most unlikely to pose a serious threat for future restructurings. There has been no post-restructuring litigation involving sovereign bonds except for Argentina, which has pursued a uniquely unilateral and creditor-unfriendly approach. The market has proved willing to allow a reasonable level of non-participation to be priced into exchange offers, such as in the case of Greece where the IMF/EU DSA was based on an exchange which would receive 92% support. The actual 96% level of participation resulted in a small windfall for the Greek government.

Sovereign Meetings (continued)

The panel discussed several improvements to the contractual approach which could result in bond restructurings being concluded more quickly and with higher participation. Panelist focused primarily on aggregation clauses, creditor engagement clauses and pari passu clauses, all of which have been put forward in detailed form in a discussion document prepared by ICMA.

The panel was broadly supportive of aggregation clauses, but had somewhat different views on the details. Most panelists supported a 2-step approach, which requires reaching minimum thresholds of support within each series, as well as an even higher threshold aggregating across series. In their view a 1-step approach, requiring no minimum within a series – as proposed by the IMF and the Brookings report -- would be a serious erosion of creditor rights, would be ex ante resisted by investors and also would open the door to serious intra-creditor equity issues, which could undermine broad support for an exchange offer. In the view of these panelists, a 1-step approach is unlikely to affect pricing, avoids collusion so that the majority doesn't impose its will on a minority series of bonds, and has the advantage of incorporating the views of a particular series of bonds. One panelist supported the IMF's recommendation for, a single-trigger aggregation clause as preferable so that holdout creditors would not be able to acquire blocking minorities in individual series of bonds to obstruct the sovereign debt restructuring process. This 1-step aggregation clause may also be more reflective of the credit risk decisions made by all creditors who invest in a particular sovereign, and, thus, all such creditors should be in the same position to vote on a restructuring, without having inter-creditor calculus be part of the decision-making process. There is also a strong argument for single-trigger aggregation among series of different indentures or issuances which share the same basis credit risk characteristics regarding issuer, security, seniority, linked assets, etc. Other panelists argued that any acceptable 1-step clause would require some safeguards against unfair treatment of a particular series, thus obviating the distinction with the 2-step approach. Several panelists suggested that the specific thresholds in the draft ICMA clauses were too low in relation to the 75% super- majority, which is the convention in Emerging Markets sovereign bonds and should be reconsidered.

The panel concluded that, because early engagement with creditors, especially with broad-based creditor committees, has proved useful in achieving speedy and equitable restructurings, strong engagement clauses should be part of standard bond documentation. The panel expressed favorable views on the draft clause prepared by ICMA and the similar clause which Belize introduced into its new bonds following its 2013 restructuring. The key feature of an engagement clause should be that, if a committee is organized with the support of a majority, the debtor government should recognize the committee, negotiate with it and pay reasonable costs incurred by such committee.

The panel put forward a number of recommendations for the IMF regarding its policies in connection with debt restructurings.

- Wide support was expressed for the IMF becoming more transparent; especially with respect its DSA analysis. Specifically, panelists recommended that, together with the reports which are now published on its website, the IMF provide links to its spreadsheets so that market participants can do their own analysis and projections on a level playing field with the official sector. Such transparency would be useful not only in speeding agreements with creditors in a restructuring situation, but also in crisis prevention by improving the quality of the market's credit analysis.

Sovereign Meetings (continued)

- Rather than proposing a de-emphasis on creditor committees, the IMF should encourage their general use. Several panelists cited examples where creditor committees, particularly if they were established early on, sped up the process and pointed out that there were no examples of obstructive committees.

- It was suggested the present "good faith" criteria in the IMF's lending into arrears policy be extended to include pre-arrears restructurings.

- The IMF should move rapidly into analyzing intercreditor equity, specifically the trend towards extending de facto seniority to central banks and bilateral creditors, as was the case in Greece.

In assessing the IMF's proposals (and other recent papers such as the Brookings report), the panel noted that currently there is no sanctity of contract or its enforcement, no equality of bargaining power, with sovereigns being above the law and with assets that cannot be effectively attached. The IMF proposals are viewed as giving sovereigns even further power by imposing restructurings on the private sector (instead of carefully analyzing the amount of cash flow relief that's really required), with no good-faith negotiations required and no engagement clauses to ensure the integrity of the process. CACs and aggregation clauses tend to tilt the balance in favor of debtors, so engagement clauses (and their attendant result of increased participation in creditor committees) must be implemented to tilt the balance toward creditors (especially those that may not be legally permitted to pay legal fees) in a more neutral fashion. Every deal has free-riders or holdouts, they are priced into the deal by creditors, who should be permitted to negotiate the terms without undue influence or conditions imposed by the IMF or other official sector bodies. The system does not need radical change, and as one panelist opined, they represent "solutions in search of a problem".

Photography by Helen Couchman *(c) hcphotowork*

Sovereign Meetings (continued)

DC Panel

The fifth in the series of five panels was held at Arnold & Porter's offices in Washington, DC on January 16, 2014, with a more political emphasis. The panel was moderated by Whitney Debevoise (Arnold & Porter) and included the following panelists: Arturo Porzecanski (American University), Lawrence Goodman (Center for Financial Stability), Mikis Hadjimichael (Institute of International Finance), Elena Duggar (Moody's Investors Service) and Douglas Rediker (Peterson Institute for International Economics). Relevant documents, which includes Moody's slide presentation, made available to the audience can be located at: http://www.emta.org/template.aspx?id=8479.

Whitney Debevoise asked the panel for its reactions to the various proposals and ways forward to improve the debt restructuring process and outcomes, including creditor committees and better creditor engagement procedures and debt sustainability. He questioned whether the IMF proposal was a reiteration of a rules (harkening back to the SDRM days) vs. case-by-case approach to restructuring and whether restructurings were indeed derailed by holdouts. Douglas Rediker provided background information on why the IMF published its April paper, stating that it was not intended as a formal proposal (although it was carefully crafted with an agenda). He viewed it as a series of "non-proposals", addressing issues that haven't been addressed for a decade (since the SDRM debate), so the time seemed to be ripe in the IMF's mind to review them anew. When the April 2013 paper was published, there was relative silence in response, but as we've seen from the mounds of analysis on those proposals, reaction to the proposals has become a cottage industry, with much-needed dialogue among potentially affected parties (as well as within the IMF where there is still no consensus on the proposals).

Catalysts for the proposals, Argentina (because it is a uniquely recalcitrant debtor and an exceptional case that is unlikely to be repeated) and Greece (because everyone knew they were using creative accounting to become part of the Euro monetary system), were insufficient to support the IMF's rationale that it should attempt to propose changes to the global sovereign debt restructuring system. With restructurings seeking IMF support deemed "too little, too late", the proposals sought to force debtors to ask for relief early in the process so that the IMF wouldn't have to over-pay to bail-out debtors, as well as to bail-out investors. The basic thesis was to make adherence to the proposal's requirements so rigid as to remove the political influences on the IMF, as well as take any judgment or discretion out of its decision-making process. The IMF's suggestion of a pre-emptive presumption in favor of bail-ins would be rules-based - not country-specific. However, in reality there is no "one size fits all" approach to debt sustainability. While attempting to bring transparency into the process, the IMF proposals would make it all the more opaque, leaving "sustainability" to the discretion of the IMF staff.

The presumption of a bail-in (restructuring) with its attendant standstill requirements (an event of default under ISDA documentation, thus leading to CDS triggers) makes it more likely than not that a sovereign will wait longer to come to the IMF and will increase risks to investors which, in turn, makes it more likely that the price of funding will be higher for such sovereign. Now the hard-coding of such imposed ex-ante pre-condition will make the restructuring process even more difficult to predict and possibly much less successful. Rules may be useful, but the world is a messy place and when IMF programs are being crafted, judgment and discretion are far more important. The question should not be framed as whether the system is broken, but rather whether it can be improved, and the current environment is nowhere near the catalyst to justify these "non-proposals".

Sovereign Meetings (continued)

Arturo Porzecanski summarized the two other types of proposals, the first being contractual changes that make restructurings easier through aggregation clauses (not bond-by-bond voting), engagement clauses to encourage dialogue, and amendments to *pari passu* clauses to clarify to what extent all creditors are identical and should be paid as such. However, he questioned the value of changing provisions when enforcement of the overall contract against a sovereign debtor is so difficult, and hoped that ongoing litigation will help elucidate the meaning of such provisions and their enforceability.

The second type of proposal related to reforming the way the IMF and ESM operate. The Brookings Institution proposal is a derivative of the IMF proposal, by suggesting that the ESM Treaty should be amended to include IMF-type of pre-conditions, thus forcing a restructuring early in the process. However, this approach is self-defeating and will aggravate existing problems. Investors and analysts will rightly have to push the alarm button if an ailing sovereign approaches the IMF or the ESM for help. The proposals are perceived by the market as part of the problem, not the solution, providing a bad signal and potentially destroying any remaining demand for sovereign bonds in cases of uncertainty. Research has shown that the private sector is not coming too late into the restructuring process, and when "there's a will, there's a way". Instead, the debtors may now delay coming to the table, fearing IMF involvement will scare investors away. Moreover, the proposals are likely to aggravate whatever holdout problems currently exist, as more investors will hold out at the outset, instead of choosing to be subjected to an official sector cramdown. In fact, the threat of holdouts serves the useful purpose of keeping the sovereigns, who usually want to regain market access, honest and more likely to bring better deals for creditors' consideration.

The proposals seem to be based on self-interest: to buttress a restructuring industry that stands to gain from more restructurings, and to decrease the resources that the IMF has to disburse. In addition, the "troika approach" to debt problems in Europe has run into practical difficulties, so these proposals are the IMF's way to set itself ahead and apart from others in the official sector that, in the case of Greece, have managed to claim the kind of seniority that the IMF has long enjoyed. Thus, it may be the case that the European governance vacuum is feeding this defensive response from the IMF. The holdout problem resides in the official sector, wherein too many European institutions desire preferred creditor status and exempt themselves from sovereign debt restructurings.

Elena Duggar provided the rating agency perspective on the proposals, which was that the IMF proposals are credit negative for investors in distressed-country bonds. She remarked on how the default rate for sovereigns with IMF programs was two times as high (16%) as the default rate for sovereigns without IMF aid, and that, since 1997, those sovereigns that imposed large haircuts on investors as part of their debt restructuring experienced a long period of market exclusion. Most sovereign restructurings were resolved relatively quickly (four months) with good coordination between debtors and creditors and with no litigation or significant amount of holdouts (Argentina being the obvious exception). Typically, the *pari passu* clauses in sovereign bond contracts are not uniform and the vast majority of them are not susceptible to Argentina-style litigation. Further, most sovereign bond contracts already contain CACs, and exit consents may be another useful existing strategy in sovereign debt restructurings.

Mikis Hadjimichael informed the audience that a new IMF draft of the proposals was expected in June. He stated that it was surprising that the unilateral Argentine offer only resulted in a 7% holdout litigation problem and that not all holdouts enter into litigation; thus Argentina is not a good example of what needs to be fixed in the restructuring process. Any contractual approach must not be forced or interfere with the contractual relationship between debtors and creditors. To do otherwise would create bad will and contribute to a negative market reaction.

Sovereign Meetings (continued)

The way forward is by having more transparency since information-sharing and good-faith negotiations are fundamental to promoting goodwill and fair burden-sharing and averting or pre-empting a crisis. Two-tiered CACs are preferable so that the majority doesn't impose its will on the minority series of bonds. Creditor committees, deemed difficult to form due to differing and widely varied creditors with different concerns, are actually easy to form because of the creditors' commonality of purpose to find a solution.

Lawrence Goodman complimented the IMF for taking on the issue of sovereign debt restructuring, as best practices are essential. He welcomed emphasis on the DSA and the move away from protracted and postponed discussions in favor of speedy resolutions. However, the IMF seemed to be missing a crucial element – the private sector. Paragraph 31 of the IMF proposal indicates that debt sustainability assessments will remain discretionary, leaving the IMF to determine when to declare a country's debt unsustainable. This would be a mistake. Debtors and the private sector need to be involved and incentivized in the process as well, at the analytic and negotiating table. The "take it or leave it" deal is no longer viable, a thoughtful approach is necessary.

In 1944, Keynes, at the Bretton Woods founding of the IMF, declared that "the settlement of…debts must be…a matter between those directly concerned…The Fund was not intended to deal directly with…indebtedness". However, the Fund can help demonstrate leadership today by 1) facilitating the sharing of information between debtors and creditors and 2) prioritizing direct communication between debtors and creditors or engagement. Namely, the formation of creditor committees is essential.

EMTA Survey: Third Quarter 2013 Emerging Markets Debt Trading At US$1.266 Trillion

Emerging Markets debt trading volumes stood at US$1.266 trillion in the third quarter of 2013, according to a report released on December 18, 2013 by EMTA.

"The 20% quarter-on-quarter decline of trading volumes in 3Q13 coincided with a drop of origination, particularly for corporate bonds, where new issuance fell 30% over the same timeframe," stated David Spegel, Global Head of Emerging Markets Strategy at ING Financial Markets. "As an increasingly high-grade asset class, EM bonds have consequently become more sensitive to the latest vagaries of the Treasury market, and it is clear that Fed timing concerns have taken their toll on volumes," he added.

Local Market Instruments at 65% of Volume

Turnover in local markets instruments stood at US$822 billion in the third quarter, accounting for 65% of total reported volume. This compares to US$882 billon in the third quarter of 2012 (down 7%) and US$1.036 trillion in the second quarter of this year (down 21%).

Mexican instruments were the most frequently traded local markets debt, at US$218 billion. Other frequently-traded local instruments were those from Brazil (US$154 billion), India (US$88 billion), South Africa (US$51 billion) and Russia (US$48 billion).

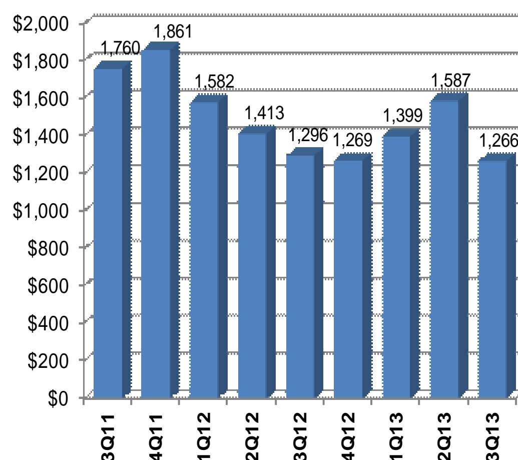
Eurobond Volumes at US$437 Billion

Eurobond trading stood at US$437 billion in the third quarter. This compares to US$407 billion in the third quarter of 2012 (a 7% increase) and US$544 billion in the second quarter (down 20%).

59% of Eurobond activity involved sovereign debt issues in the third quarter, with Survey participants reporting US$256 billion in sovereign Eurobond turnover. This compares to a 56% share of Eurobond activity in the previous quarter, when such volumes stood at US$307 billion.

Corporate Eurobond trading stood at US$172 billion in the third quarter, accounting for 39% of total Eurobond activity (compared to 41% in the previous quarter). Sovereign Eurobond activity accounted for 20% of overall Survey volumes, with corporate trading at 14% of total turnover.

Figures in Millions of US Dollars



Debt Survey (continued)

The most frequently traded individual EM Eurobonds during the quarter included Russia's 2030 bond (US$18 billion in turnover), Ukraine's 2023 bond (US$4 billion), Brazil's 2023 bond (US$4 billion), Brazil's 2041 bond (US$3 billion) and Venezuela's 2027 bond (US$3 billion).

In addition to local markets bonds, and sovereign and corporate Eurobonds, the Survey also includes turnover in warrants, options, loans and Brady bonds. Survey participants reported over US$6 billion in warrant and option trades, US$800 million in loan assignments and a mere US$11 million in Brady bond trades. These categories combined represented less than one percent of total volume.

Mexico, Brazil and Russia Instruments Most Frequently Traded
Mexican instruments were the most frequently traded instruments overall according to Survey participants, with US$255 billion in turnover. This compares with US$158 billion in the third quarter of 2012 (a 61% increase) and US$195 billion in the second quarter (up 31%). Mexican volumes accounted for 20% of total Survey trading, compared to 12% in the previous quarter.

Brazilian instruments were the second most frequently traded instruments in the report, at US$201 billion, according to Survey participants. This represents a 19% decrease on the US$248 billion reported in the third quarter of 2012 and an 11% decrease over second quarter volumes of US$225 billion. Brazilian volumes accounted for 16% of total reported volume (up from 14% in the prior quarter).

Third were Russian assets, at US$106 billion in turnover. This compares to US$96 billion in the third quarter of 2012, an 11% increase, but a 40% decrease on the second quarter's US$177 billion. Russian instrument trading accounted for 8% of Survey volume.

Other frequently traded instruments were securities from India (US$93 billion) and Turkey (US$78 billion).

EMTA's Survey includes trading volumes in debt instruments from over 90 Emerging Market countries, as reported by 49 leading investment and commercial banks, asset management firms and hedge funds.

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

EMTA Survey: Emerging Markets CDS Trades at US$1.064 Trillion in 2013

Annual EM CDS Volumes Up 31%

Trading in Emerging Markets Credit Default Swaps (CDS) stood at US$1.064 trillion in 2013, according to a Survey of 12 major dealers released on February 25, 2014 by EMTA. This compares to US$809 billion in transactions in 2012, according to Survey participants, representing a 31% increase.

EMTA CDS Survey participants reported trading US$276 billion in the fourth quarter of 2013. This compares to US$142 billion in reported Emerging Markets CDS contract volume in the fourth quarter of 2012 (representing a 94% increase), and US$297 billion in third quarter 2013 volumes (a 7% decrease). EMTA noted that CDS volumes also rose consistently for four of the past five quarters.

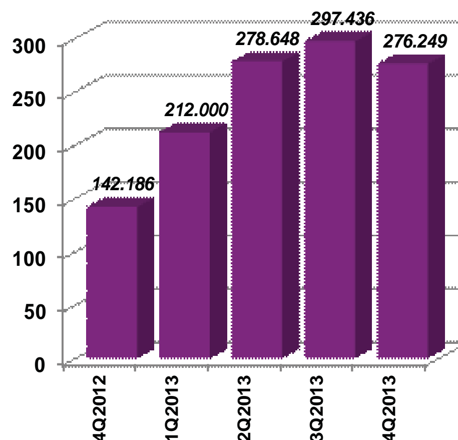
“Sovereign CDS has increasingly become more widely used as a hedging tool, especially as the EM corporate market has exploded over the last several years. Since those markets do not have a very liquid CDS market, more investors turn to sovereign CDS as a relatively more liquid way of expressing a view,” commented Jeff Williams, EM Debt Strategist at Citi. “Additionally, as more people have become concerned about slowing EM growth and potential asset class outflows, sovereign CDS has been a common tool to express a view, given its better liquidity,” he stated.

The largest CDS volumes in the Survey during the fourth quarter were those on Brazil, at US$65 billion. EMTA Survey participants also reported US$31 billion in Mexican CDS and US$29 billion in Turkish CDS.

The EMTA Survey also included volumes on nine corporate CDS contracts. Those with the highest reported volume in the Survey were on Pemex (US$2.6 billion). Participants also reported over US$2.5 billion in Gazprom contracts and US$1.7 billion in Petrobras CDS volume.

For a copy of EMTA’s Fourth 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



HSBC-Hosted EMTA Forum in Dubai to Focus on MENA Credits and Sukuk Market

EMTA's Fourth Annual Forum in Dubai will be held on Monday, March 10, 2014. The event will be held at The Address Dubai Mall and will be sponsored by HSBC. This year's event will focus on investment opportunities in MENA credits as well as feature a special discussion on sukuk instruments. 100 EM investors, analysts, traders and sales people are expected to attend.

Simon Williams of HSBC will lead the session's sell-side panel, which will also feature Alia Moubayed (Barclays), Farouk Soussa (Citi), Benoit Anne (Societe Generale) and Sayem Ali (Standard Chartered). Confirmed investor speakers at the event include John Carlson (Fidelity Investments), Rahul Sharma (Finisterre), Dino Kronfol (Franklin Templeton Investments), Abdul Kadir Hussain (Mashreq Capital) and Saeb Elzein (Spinnaker).

Attendance is complimentary for EMTA members; there is a US$695 registration fee for non-members. For more information, please contact Jonathan Murno of EMTA at jmurno@emta.org.

Off to the Races for Buenos Aires Forum

If you plan to attend the Seventh Annual EMTA Forum in Buenos Aires on Tuesday April 8, 2014, you might hear the sound of horse hooves in the background at EMTA's exciting new venue. This year's event will take place at The Hipodromo Argentino de Palermo, a full-size horse track located in the middle of the gracious Palermo neighborhood in Buenos Aires, and will be sponsored by TPCG.

Additional support will be provided by Banco Mariva and Goldman Sachs.

Moderator Fernando Alvarez de la Viesca of TPCG and his fellow panelists, Pablo J. Santiago (Banco Mariva), Javier Gonzalez Fraga (former governor of the Central Bank of Argentina and 2011 Vice Presidential candidate), Stuart Sclater-Booth (Goldman Sachs) and Diego Ferro (Greylock Capital Management), will discuss Latin American challenges in 2014.

Attendance for EMTA members is complimentary; these is a US$395 fee for non-members.

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

São Paulo Forum Slated for April 10, 2014

HSBC will host EMTA's 7th Annual Forum in Sao Paulo.

The event will take place on Thursday April 10, 2014 .

HSBC will moderate the panel, which will discuss Latin American challenges in 2014. Also confirmed to speak are: Rafael Guedes (Fitch Ratings), Mário Torós (Ibiuna Investimentos) and Luiz Fernando Figueiredo (Mauá Sekular Investimentos).

100 EM investors, traders, analysts and sales people are expected to attend. There is complimentary admission for EMTA members; non-members may attend for US$695.

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

Save the Date – EMTA Investor Forum in Boston April 22, 2014

EMTA will host its first Investors Forum in Boston on Tuesday April 22, 2014. MarketAxess will sponsor the event, with additional support from JPMorgan. The Forum will be held at The Langham Hotel (250 Franklin Street, Boston MA).

Joyce Chang (JPMorgan) will moderate a discussion of investor speakers, including EMTA Board Director Tom Cooper (GMO), Heather Hagerty (Fidelity Investments), Dave Rolley (Loomis Sayles) and Alex Kozhemiakin (Standish).

Invitations will be sent to EMTA Members shortly. For more information on the event, please contact Jonathan Murno of EMTA at jmurno@emta.org.

EMTA Spring Forum Slated for April 29, 2014

Pablo Goldberg will moderate EMTA's Spring Forum, scheduled for Tuesday, April 29, 2014 in New York City and hosted by HSBC Securities (USA) Inc.

The event will include a panel discussion focusing on the global economy as well as LatAm and CEMEA credits.

Confirmed speakers include Alberto Bernal (Bulltick Capital Markets) and Alberto Ramos (Goldman Sachs).

Invitations and a full schedule will be sent to EMTA members in March. Registration is complimentary for EMTA members; there is a $695 registration fee for non-members.

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

EMTA Investor Forum in Los Angeles Set for May 8, 2014

EMTA is pleased to announce its first Investors Forum in Los Angeles.

The event will be held on Thursday, May 8, 2014 at The Ritz-Carlton Hotel (900 West Olympic Blvd, Los Angeles, CA).

Additional support will be provided by Deutsche Bank.

Drausio Giacomelli (Deutsche Bank) will moderate the panel. Confirmed speakers include Kristin Ceva (Payden & Riegel), Lupin Rahman (PIMCO) and Robert Abad (WAMCO).

Invitations and the full agenda will be mailed to EMTA members in March. There will be a $75 registration fee for EMTA members and a $695 fee for non members.

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

Congressman Joe Crowley Surprise Guest at Emerging Market Benefit in NYC

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.

Those who were super observant at this year's annual EM Charity Benefit (EMCB) might have noticed a familiar face jamming with band Hot Lava. Congressman Joe Crowley of New York's 14th Congressional district was the evening's unannounced and surprise guest, joining the band for a couple of numbers.

This year's event took place at hip downtown venue The Park and immediately followed the EMTA Annual Meeting. Organizers of the event have since announced that over $500,000 was raised for EM health and education projects.

Electronic trading provider MarketAxess sponsored the Benefit for the tenth consecutive year, 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.

Members of the EM community supported the event by purchasing tables, as well as raffle tickets, and by participating in a silent auction, where prizes included trips to Uruguay and El Salvador, golf outings, wine tastings and more.

Planning committee members interviewed and evaluated a number of nominated charities, and selected six organizations as the evening's 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 nominating a potential beneficiary for 2014, or joining the Planning Committee.

Membership Update

EMTA warmly welcomed four new members during the First quarter of 2014. EMTA's members now include over 180 banks, broker-dealers, money management firms, hedge firms, and others.

Our most recent new members include:

- **Babson Capital**
- **BCP Securities LLC**
- **Davidson Kempner Capital Management, LLC**
- **Moody's Investors Service**

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.

Translation of German Regulation

EMTA is in the process of obtaining an English translation of the new EU (German) legislation regarding German investment funds, Kapitalanlagegesetzbuch, located at http://www.gesetze-im-internet.de/bundesrecht/kagb/gesamt.pdf. If any firms have an interest in receiving this translation, 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.

- "IMF Debt Plan Would Worry Keynes." January 23, 2014 – Lawrence Goodman (Center for Financial Stability, Inc.)
- "Sovereign Debt Restructuring Frameworks, Part II." January 21, 2014 – Richard Segal (Jefferies International Limited).
- "Mexico's Energy Reform: Yes, It's a Big Deal." December 19, 2013 – Rafael de la Fuente (UBS).
- "EMEA Looking Glass - Hungary High Court Upholds Contract Law on FX Loans" December 17, 2013 - Phoenix Kalen (Societe Generale).
- "LatAm FI: Catch Carry If You Can." December 15, 2013 - Gordian Kemen, Alejandro Martinez Cruz, Sarah Leshner, Aaron Gifford (HSBC Securities (USA) Inc.)
- "EM Outlook." December 12, 2013 – Simon Quijano-Evans, Ashley Davies, Tatha Ghose, Charlie Lay, Barbara Nestor and Mario Robles (Commerzbank).
- "2014 Outlook: Meet the New EM." December 3, 2013 - Rashique Rahman and Morgan Stanley Research Global EM Macro Strategy Team (Morgan Stanley).

New Developments

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

February 25, 2014
- EMTA Announces 2013 EM CDS Volume Stood at US$1.064 Trillion.

February 21, 2014
- Standard & Poor's Downgrades Ukraine's Long-Term Foreign-Currency Sovereign Credit Rating from CCC+ to CCC.

February 18, 2014
- 2014 Year-End Forecast Slide Displayed at EMTA Winter Forum in London.
- Singapore Foreign Exchange Market Committee Announces Further Benchmark Changes. Further information may be found on the website of the SFEMC.

February 12, 2014
- EMTA Forum in Dubai to be Held on March 10, 2013.

February 6, 2014
- Press Release of the National Bank of the Ukraine on its Resolution 49 (in Ukranian) "On Measures Relating to Banks Activities and the Conduct of Foreign Exchange Activities".

February 5, 2014
- Holiday Schedule for EM Bond Trades for US Presidents' Day Holiday.
- Moody's Upgrades Mexico's Government Bond Rating from Baa1 to A3.

February 4, 2014
- Bank of Ghana Notice to Banks and the General Public on Repatriation of Export Proceeds and Bank of Ghana Revised Rules on the Operations of Foreign Exchange Accounts and Foreign Currency Accounts.
- Moody's Upgrades Paraguay's Government Bond Rating from Ba3 to Ba2.

Website (continued)

January 31, 2014

- Moody's Downgrades Ukraine's Government Bond Rating from Caa1 to Caa2.

January 28, 2014

- Standard & Poor's Downgrades Ukraine's Long-Term Foreign Currency Sovereign Credit Rating from B- to CCC+.
- Foreign Exchange Committee Semi-Annual Nineteenth Annual Foreign Exchange Volume Survey.

January 24, 2014

- Ad Hoc Group of Argentine Bondholders Adds Members.
- EMTA Panel Summaries on Sovereign Debt Restructuring Meetings.
- ICMA Sovereign Bond Consultation Paper on Aggregated CACs, Pari Passu and Noteholders' Committees – ICMA Paper and Clifford Chance Summary.
- Standard & Poor's Downgrades Croatia's Long-Term Foreign Currency Rating from BB+ to BB.

January 23, 2014

- EMTA Special Seminar: Argentina: Averting the Coming Crisis in NYC.
    - Agenda
    - Joshua Rosner Report
    - Sergio Berensztein Slides

January 17, 2014

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

January 16, 2014

- EMTA Special Seminar: Sovereign Debt Restructuring: A Better Way Forward? in Washington, DC.
    - Agenda
    - Relevant Links
- EMTA Special Seminar: Argentina: Averting the Coming Crisis to be Held in NYC on January 23, 2014.

January 15, 2013

- EMTA Special Seminar: The Future of Argentina: Through the Looking Glass to be Held in NYC on February 28, 2014.

January 13, 2014

- EMTA Special Seminar: Sovereign Debt Restructuring: A Better Way Forward? in London.
    - Agenda
    - Relevant Links

January 8, 2014

- Holiday Schedule for EM Bond Trades for Martin Luther King, Jr. Holiday.

December 24, 2013

- 2014 Holiday Schedule.

December 19, 2013

- EMTA Special Seminar: Sovereign Debt Restructuring: A Better Way Forward? to be Held in Washington, DC on January 16, 2014.
- EMTA Special Seminar: Sovereign Debt Restructuring: A Better Way Forward? to be Held in London on January 13, 2014.
- Standard & Poor's Upgrades Mexico's Long-Term Foreign Currency Rating from BBB to BBB+.
- Calculations for Payments on Uruguay VRR's Announced.

December 18, 2013

- EMTA Announces 3Q 2013 EM Debt Trading Stood at US$1.266 Trillion.
- EMTA Special Seminar: Sovereign Debt Restructuring: A Better Way Forward? in NYC .
    - Agenda
    - Relevant Links

December 17, 2013

- EMTA Special Seminar on Brazil 2014: Juggling Policy vs. Politics to be Held in New York on January 8, 2014.

December 16, 2013

- EMTA's Third Annual Miami Forum will be held on January 21, 2014.

December 13, 2013

- Standard & Poor's Downgrades Argentina's Long-Standard & Poor's Downgrades Venezuela's Long-Term Foreign Currency Sovereign Credit Rating from B to B-.

December 11, 2013

- Holiday Schedule for EM Bond Trades for Christmas, Boxing Day and New Year's Holidays.

December 10, 2013

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

December 4, 2013

- EMTA's Fourth Quarter Bulletin is Now Available in our Bulletin Section.

November 29, 2013

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

November 26, 2013

- List of Silent Auction Items Available at Industry Charity Benefit to Be Held in NYC on December 5, 2013.

Website (continued)

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

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

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

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

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

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

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

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

Website (continued)

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

EMTA offers Market Practice recommendations and documentation relating to a range of EM activities as well as to EM generally. In the Documentation area, EMTA Members have access to EMTA tandard 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

Topic	Contact	Telephone
Africa	Jonathan Murno/Leslie Payton Jacobs	(646) 289-5413/(301) 838-4552
Asia	Jonathan Murno/Leslie Payton Jacobs	(646) 289-5413/(301) 838-4552
Bond/Loan Trading	Aviva Werner	(646) 289-5412
CNH	Leslie Payton Jacobs	(301) 838-4552
Corporate Bonds	Jonathan Murno/Leslie Payton Jacobs/ Aviva Werner	(646) 289-5413/(301) 838-4552/ (646) 289-5412
Credit Derivatives	Leslie Payton Jacobs/Aviva Werner	(301) 838-4552/(646) 289-5412
Dodd-Frank/Volcker Rule	Leslie Payton Jacobs/Aviva Werner	(301) 838-4552/(646) 289-5412
EM Bond Charts	Aviva Werner	(646) 289-5412
EM Charity Benefits	Jonathan Murno	(646) 289-5413
EM Litigation	Aviva Werner	(646) 289-5412
EMTA Annual Meeting/Forums	Jonathan Murno	(646) 289-5413
EMTA Governance/Policy	Michael Chamberlin	(646) 289-5410
EuroZone	Michael Chamberlin/Aviva Werner	(646) 289-5410
FX Derivatives	Leslie Payton Jacobs	(301) 838-4552
International Financial Architecture	Michael Chamberlin	(646) 289-5410
Investor Rights	Michael Chamberlin/Aviva Werner	(646) 289-5410/5412
Legal/Compliance	Aviva Werner	(646) 289-5412
Library and Archive Requests	Evelyn Ramirez	(646) 289-5415
Local Markets	Aviva Werner/Leslie Payton Jacobs	(646) 289-5412/(301) 838-4552
Market Information/Research	Jonathan Murno	(646) 289-5413
Membership	Jonathan Murno/Suzette Ortiz	(646) 289-5413/5414
Netting Facilities	Aviva Werner	(646) 289-5412
Paris Club	Aviva Werner	(646) 289-5412
Repos/Securities Lending	Aviva Werner	(646) 289-5412
Volume Surveys	Jonathan Murno	(646) 289-5413
Warrants/VRR's	Aviva Werner	(646) 289-5412
Website	Suzette Ortiz	(646) 289-5414

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

Michael Chamberlin	mchamberlin@emta.org
Monika Forbes	mforbes@emta.org
Leo Hsu	lhsu@emta.org
Jonathan Murno	jmurno@emta.org
Suzette Ortiz	sortiz@emta.org
Leslie Payton Jacobs	lpjacobs@emta.org
Evelyn Ramirez	eramirez@emta.org
Nadine Simonelli	nsimonelli@emta.org
Aviva Werner	awerner@emta.org

EMTA Calendar 1st Quarter 2014

Wed., Jan. 1, 2014	Recommended Market Close (NYC/London) New Year's Day (2014)
Wed., Jan. 8	**EMTA Special Seminar on Brazil (NYC)** **Hosted by Bank of America Merrill Lynch** **One Bryant Park (42nd St. and 6th Ave.), 2nd Floor**
Mon., Jan. 13	**EMTA Special Seminar: Sovereign Debt Restructuring: A Better Way Forward? (London)** **Hosted by Allen & Overy** **One Bishops Square**
Thurs., Jan. 16	**EMTA Special Seminar: 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** **The Ritz Carlton Hotel** **One Lincoln Road**
Thurs., Jan. 23	**EMTA Special Seminar: Argentina: Averting the Coming Crisis (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** **Bank Street Conference Centre** **25 Bank Street**
Thurs., Feb. 20	**EMTA Board Meeting (NYC)** **360 Madison Avenue, 17th Floor** **(on 45th St. between Madison and 5th Aves.)**
Fri., Feb. 28	**EMTA Special Seminar: The Future of Argentina: Through the Looking Glass (NYC)** **360 Madison Avenue, 17th Floor** **(on 45th St. between Madison and 5th Aves.)**
Mon., March 10	**EMTA Forum in Dubai** **Hosted by HSBC** **The Address Dubai Mall**
Tues., April 8	**EMTA Forum in Buenos Aires** **Salón TURF ARGENTINO** **3er Piso Tribuna Paddock** **Hipodromo Argentino de Palermo** **Av. del Libertador 4101**
Thurs., April 10	**EMTA Forum in São Paulo** **HSBC Bank Brasil S.A. - Auditòrio** **Av. Brigadeiro Faria** **Lima 3064, 1st floor**
Thurs., April 17	Recommended 2:00 p.m. (NYC) Early Market Close
Fri., April 18	Recommended Market Close (NYC/London) Good Friday
Mon., April 21	Recommended Market Close (London) Easter Monday
Tues., April 22	**EMTA Investor Forum in Boston** **The Langham Hotel** **Chase Room** **250 Franklin Street**

Tues., April 29	**Spring Forum (NYC)** **Hosted by HSBC Securities (USA) Inc.** **452 Fifth Avenue (at 40th Street)** **Americas Room - 11th Floor**
Mon., May 5	Recommended Market Close (London) May Day Bank Holiday
Thurs., May 8	**EMTA Investor Forum in Los Angeles** **The Ritz-Carlton Hotel** **900 West Olympic Blvd**
Fri., May 23	Recommended 2:00 p.m. (NYC) Early Market Close
Mon., May 26	Recommended Market Close (NYC/London) Memorial Day/Spring Bank Holiday
Tues., June 24	**Summer Forum (London)** **Hosted by Bank of America Merrill Lynch** **2 King Edward Street**
Thurs., July 3	Recommended 2:00 p.m. (NYC) Early Market Close
Fri., July 4	Recommended Market Close (NYC) Independence Day Recommended 12:00 Noon (London) Early Market Close
Mon., August 25	Recommended Market Close (London) Summer Bank Holiday
Fri., August 29	Recommended 2:00 p.m. (NYC) Early Market Close
Mon., Sept. 1	Recommended Market Close (NYC) Labor Day Recommended 12:00 Noon (London) Early Market Close
September/October*	**Emerging Markets Benefit London**
September/October*	**Corporate Bond Forum (NYC)**
September/October*	**Fall Forum (NYC)**
October*	**EMTA Forum in Singapore**
October*	**EMTA Forum in Hong Kong**
Mon., Oct. 13	Recommended Market Close (NYC) Columbus Day Recommended 12:00 Noon (London) Early Market Close
Tues., Nov. 11	Recommended Market Close (NYC) Veterans' Day Recommended 12:00 Noon (London) Early Market Close
Wed., Nov. 26	Recommended 2:00 p.m. (NYC) Early Market Close
Thurs., Nov. 27	Recommended Market Close (NYC) Thanksgiving Day Recommended 12:00 Noon (London) Early Market Close
Fri., Nov. 28	Recommended 2:00 p.m. (NYC) Early Market Close
Thurs., Dec. 4	**EMTA Annual Meeting (NYC)** **Hosted by Citi** **399 Park Avenue**
	Emerging Markets Benefit (NYC)*
Wed., Dec. 24	Recommended 2:00 p.m. (NYC) Early Market Close
Thurs., Dec. 25	Recommended Market Close (NYC/London) Christmas Day
Fri., Dec. 26	Recommended Market Close (London) Boxing Day
Wed., Dec. 31	Recommended 2:00 p.m. (NYC) Early Market Close
Thurs., Jan. 1, 2015	Recommended Market Close (NYC/London) New Year's Day (2015)

***Details TBA**