EMTA

Bulletin

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EMTA's Newest Members

see pg 37

Inside

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Market Focuses Attention on Argentina and Russia/Ukraine

Understandably, recent events involving Argentina and Russia/Ukraine have attracted a great deal of attention from market participants for the past several months. The continuing saga of Argentina's efforts to avoid the enforcement of the legal judgments obtained against it by so-called holdout creditors came to a climax with the decision by the US Supreme Court not to review the prior decision of the 2d Circuit Court of Appeals (leading to Argentina's mid-Summer default on interest payments on its exchange bonds and the subsequent recommendation by EMTA that "flat" trading should apply to most Argentina sovereign bonds—see page 13), and the conflict between Russia and the Ukraine (with escalating sanctions being imposed by the US and the EU) have created more than a usual Summer's worth of market uncertainty in the Emerging Markets.

In an effort to respond to these events, EMTA was particularly active over this past Summer. In addition to our traditional London Summer Forum, held this year on June 24 (which featured considerable discussion of both situations—see page 16), EMTA hosted special presentations on both Argentina (see page 4) and Russia/Ukraine (see page 20). Moreover, in an unrelated development that followed a long period of consultation with market participants, on June 30 EMTA's ARS Industry Survey of FX rates was terminated and replaced by a benchmark rate produced by the Mercado Abierto Electronico (see page 2). As a result of the considerable market interest in Argentina, particularly in the local market there, EMTA also announced its plans to form a new Advisory Council of locally-based market participants to assist EMTA's Board of Directors and staff in better understanding and responding to local developments in the Argentine market (see page 3).

As part of its overall mission to promote the orderly development of the trading markets for EM instruments, EMTA's specific agenda is constantly adapting to political and economic events, such as those that have been occurring in Argentina and Russia/Ukraine. While there are some market situations where considerable market interest can be expected, this is not true in all cases, and as your trade association for Emerging Markets trading and investment, EMTA staff welcomes your continuing input regarding topics and projects that would be of interest and value to market participants.

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Trade Association for the Emerging Markets

Argentine FX Market Looks to New Benchmark

Commencing June 30, 2014, participants in the Argentine FX market began to look to a new benchmark produced by the Mercado Abierto Electrónico to value their NDF and NDO contracts. This followed the last publishing day of the EMTA ARS Industry Survey on June 27, 2014, after more than 12 years of continuous daily operation. The Mercado Abierto Electrónico is an electronic exchange located in Buenos Aires (see www.mae.com) whose members are the major banks in the Buenos Aires market. The MAE publishes cumulative average exchange rates several times during the business day in Argentina, which rates reflect an average of the rates of transactions flowing through the MAE's systems, and publishes a cumulative weighted average rate of all transactions running through the MAE's systems as of 3:00 p.m. each day.

EMTA published updated recommended documentation for ARS non-deliverable fx forward and currency option transactions to reflect the termination of operation of the EMTA ARS Industry Survey and provided assistance to the market in amending outstanding FX forward, currency option and non-deliverable swap transactions to minimize market disruption by supporting a voluntary multilateral amendment protocol for the EMTA Membership and providing the market a suggested form of amendment for possible use with customers and other non-EMTA Members counterparties to be used in their discretion.

CLICK HERE to see the amended ARS/USD Template Terms for Non-Deliverable FX Forward and Currency Option Transactions.

New Fixings Support and New Documentation for African Currencies

Effective July 21, 2014, ICAP handed over its Ghanaian Cedi, Kenyan Shilling and Zambian Kwacha fixings to Thomson Reuters in a planned transition. The EMTA African Currency Working Group assisted in advising on, and managing, the transition to ensure minimal market disruption.

Thomson Reuters has committed to a three stage process in connection with the handover and transition. The first stage involved the direct handover of the polling methodology and procedures used by ICAP to Thomson Reuters. The second stage will involve an augmentation of these procedures to ensure a more robust compliance with current good practices in the rate setting arenas and the third step will involve a transition away from a poll to a transaction-based fix. Continued involvement by the EMTA African Currency Working Group is anticipated in connection with this third step.

In connection with the handover, EMTA published revised documentation for Ghanaian Cedi non-deliverable FX forward and currency option transactions, as well as new standard terms for Kenyan Shilling and Zambian Kwacha non-deliverable FX transactions. No multilateral amendment protocol was deemed necessary, and EMTA Members were provided with a suggested form of bilateral amendment agreement to use in their discretion.

CLICK HERE to see the new and amended Template Terms for Non-Deliverable FX Forward and Currency Option Transactions for GHS, KES and ZMW.

EMTA Publishes Brazil Market Practice

EMTA's newly published Recommended FX and Currency Derivatives Market Practice No. 73 clarifies that, going forward, the PTAX rate that is published on the "last week-day of the year" is a good rate for fixing purposes for that valuation date, notwithstanding that it may be a rate that is republished from the prior business day. This Market Practice was intended to smooth out issues potentially encountered by clearing houses in following fixing date conventions.

CLICK HERE to see FX Market Practice No. 73.

Cross Currency FX Master Agreement Under Review

A draft of a Master Confirmation Agreement for Cross Currency FX Transactions has been prepared and circulated to a newly constituted EMTA Working Group for review and comment. The ISDA FX Operations Working Group and the FMLG have also been provided with a copy of the draft for review. Other EMTA Members are cordially welcome to comment on the draft and/or to join the EMTA Working Group.

EMTA has been looking at the industry need for a cross currency master confirmation agreement to determine whether there is, in fact, a need to extend the NDF architecture in this direction. 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, will merely upset a satisfactory status quo, or whether there is a way in the process to accommodate both of these concerns (the draft makes some suggestions in this regard).

Please email Leslie Payton Jacobs if you wish to review the draft (lpjacobs@emta.org) or join the Working Group.

EMTA Announces Plans to Form EMTA Advisory Council for Argentina

Taking into consideration the recent growth in EMTA's Argentine membership and recent and ongoing developments in the Argentine markets, EMTA proposes to form a new Advisory Council for Argentina composed of its Argentine-based Members. The Advisory Council will report to and advise the EMTA Board on current market developments across all asset classes in Argentina, legal and regulatory developments and proposed best market practices, with a view to promoting the orderly development of fair, efficient and transparent trading markets for Argentine instruments and to helping integrate Argentina into the global capital markets.

Please contact Leslie Payton Jacobs of EMTA at lpjacobs@emta.org for more information.

EMTA Panels in New York and London Discuss Legal Developments in Argentine Debt

These timely EMTA Special Seminars on June 19 and July 9 (coincidentally Independence Day in Argentina) in New York and London, respectively, closely followed the decisions on June 16 by the Supreme Court to deny a review of the US Appellate Court decision in NML Capital and Aurelius Capital v. Argentina (or request the view of the Solicitor General) in connection with the pari passu argument, as well as to decide in the discovery case that no provision in the Foreign Sovereign Immunities Act immunizes a foreign-sovereign judgment debtor from post-judgment discovery of information concerning its extraterritorial assets. A lively EMTA discussion ensued regarding next steps for Argentina and the impact of the Supreme Court "non-decision" on Argentine debt traded and its CDS implications if Argentina defaults on its existing debt obligations to 2005 and 2010 exchange bondholders. With the Second Circuit's lifting of the stay on June 18, the implications and ramifications for Argentina and its creditors have grown exponentially, there were still many interesting topics to explore, and the panels of legal and other experts provided much sought-after commentary and analysis.

New York Panel

The "Argentina: Update on its Prospects for U.S. Supreme Court Review" Seminar in New York took place at EMTA's offices, and lunch was served. Banco Mariva sponsored the event, with additional support from Bingham McCutchen, Nomura Securities International, Shearman & Sterling and Skadden, Arps, Slate, Meagher & Flom.

Arturo Porzecanski (American University) moderated the panel, which included Bruce Wolfson (Bingham McCutchen), Claudio Loser (Centennial Group), Javier Kulesz (Nomura Securities International), Henry Weisburg (Shearman & Sterling) and Timothy Nelson (Skadden, Arps, Slate, Meagher & Flom).

Mr. Weisburg provided some background on the case, including responses to questions concerning possible reconsideration of the denial of cert by the Supreme Court (which grounds are "limited to intervening circumstances of controlling effect" and thus "inconceivable", the "doors are shut in the Supreme Court and Second Circuit and we're coming to the end of the judicial chapter in this case"); status of the Second Circuit's stay on ratable payments (the October anti-evasion Order was supplemented to make clear that payments in Argentina or a functionally equivalent plan would be an evasion of District Court Judge Thomas Griesa's Order); and prospects for a new stay (depends on Argentina's stance on negotiations with holdouts, which appears contradictory with announcements of preparedness for negotiations and then retractions).

Mr. Porzecanski asked the panelists the following questions relating to the significance of the Supreme Court decisions and Argentina's public announcements:

- Have creditor rights vis-à-vis sovereigns been strengthened meaningfully, and, if so, how? Do you expect that *pari passu* clauses increasingly will be modified in bond indentures such that a new formulation will become boilerplate, and, if so, is that a good thing? Are clearinghouses, banks, trustees, and fiscal agents around the world becoming sovereign debt-enforcement agents, and, if so, would you advise them to change their contracts and policies to limit this new liability?

Mr. Wolfson suggested that the focus on the *pari passu* clause was ill-conceived in that the court interpreted the clause in the context of the extraordinary Argentina case only, without attempting to have it apply as the law for all future cases. Also, restructurings after this decision do not seem to be an issue (and,

Panels on Argentine Case (continued)

as Mr. Kulesz pointed out, the recent Ecuador deal was a prime example), New York will not cease to be governing law for many restructurings and the *pari passu* clause is unlikely to change. Ratable payment in this context and in light of these facts and circumstances was the right equitable remedy.

Mr. Nelson disagreed, comparing the case to Bush v. Gore, where at the time it was unclear whether new law was intentionally being created, but, in fact, it was. He praised the holdouts ("kudos for their genius tactics") and was surprised they got so far in their *pari passu* interpretation ("finance lawyers would likewise be surprised"), given that the clause was one of equal ranking, not similar payments of obligations, thus leading to the anomaly of having to pay holdouts the full $1.5 billion owed if exchange bondholders are only owed 3 cents. Any equitable remedy must be related to the contract language. He also stated that, while banks are not thrilled to be clearing houses for discovery purposes, the decision in the NML vs. Argentina discovery case is also not likely to have broader implications.

Weisburg viewed the ratable payment injunction remedy as "freakish" and a result of the money involved, time spent by the holdouts to collect and Argentina's general attitude against paying the holdouts. "Exotic cases lead to exotic results". He cautioned that different clauses will likely get different constructive interpretations in court, and this case will not "rock the world". He was more concerned with the implications of the discovery case and its intrusiveness on sovereigns, which may result in a move to UK law-governed contracts.

- What legal recourse, if any, remains for Argentina not to pay the holdouts? And, to what extent can Judge Griesa play a mediator role at this late stage in the judicial process to break the impasse, or provide cover for Argentina to say that it never did negotiate directly with the holdouts?

Weisburg suggested that Argentina's only possible recourse was not to make its June 30 payment to exchange bondholders if it did not want to pay the holdouts. If they make the June 30 payment, "they will get no sympathy from Griesa". Wolfson suggested that Argentina's strategy has relied on political and other support, but ultimately these are judicial determinations. Their "path of doing nothing" is not particularly optimistic for their future.

- What are your observations on the many and contradictory official announcements made in Buenos Aires, and on the recent market action? What are the political calculations being made behind closed doors in the highest policymaking circles? What is your best guess about Argentina's game plan – if there is one – and the government's true intentions? Has it taken the position that the next coupon will not be paid in order to recover some leverage over the holdouts and ultimately settle with them on more favorable terms?

Wolfson posited that it is not unusual for sovereigns to make statements that they then find are not policy of the government. Mr. Loser viewed the current team as "totally disconnected from reality" and suffering from "magical realism", thinking that what they announce is true reality just because they say it is. "They're thinking in ways that have nothing to do with the markets or the legal system". The local wit leads them to think they are more clever than the rest of the world. They have no sense of the rule of law, being taken by surprise by the discovery that law is a serious matter in the U.S., and they are completely disorganized. The Minister of Finance has no strategy, is merely improvising, while the Central Bank seems to have a good understanding of money matters, but is seldom heard. Argentina is being "short-sighted" and it must negotiate. While not an easy choice, it will become exceedingly more costly for Argentina if it delays negotiating much longer.

Panels on Argentine Case (continued)

Kulesz viewed the Argentines as “playing poker, but everyone knows they have a weak hand”. A lesson in following “Kirshnerology” requires a “doubling of the bet even if you have a pair of twos in hand”. He wondered whether they are serious about defaulting or just threatening the market with measures and announcements as a way to better position themselves vis-à-vis the holdouts, as well as their domestic audience. This “macho” positioning will not work well for them because they should not be politicizing everything.

- Will Argentina gain some leverage if it doesn’t pay the June 30 coupon, or will it use the grace period to negotiate?

Kulesz believed that Cristina’s ultimate objective is to make it to the end of her term without a default or hyper-inflation (“she wants to make it to the finish line with both feet standing”), so that she remains a viable candidate for a comeback in 2019. If she manages to transfer power peacefully, it would be a feat that very few democratically elected presidents have accomplished in the last few decades. Similarly, holdouts also want a deal and need to put an end to their costly litigation. Their announced willingness to accept some of the payment due to them in bonds is a good sign. Both sides have incentives to reach a deal, and Griesa is not opposed to such a deal. Loser added that a cash payment of $1 billion or so is not a deal breaker for Argentina, since it’s a small portion of its GDP, and if Argentina could negotiate successfully with the Paris Club and Repsol, as it did, it should be able to do so with the holdouts too.

- How do you assess the chances of a scenario whereby, court orders notwithstanding, Argentina attempts to divert debt-service payments? What would it take to restructure the exchange bonds under Argentine law, as has been mentioned, in terms of organizing such a restructuring despite Judge Griesa’s orders, as well as in obtaining the majority consent required by the collective action clauses in the bond indentures?

Wolfson stated that such a Plan B is very difficult to implement, so there’s a low probability of its occurrence, given the huge hurdles involved with intermediaries. But the more important question is: what is Argentina’s end game? Weisburg was skeptical that any jurisdiction-rigging plan could be accomplished in the short-term, especially if Euroclear, DTC and BONY were to be involved, since it’s unlikely that Argentina can garner their cooperation. Also, there’s the hurdle of obtaining the consent of 75% of every series of bondholders, and it would be a huge sacrifice for those bondholders to accept Argentine law in place of New York law. In addition, some investors are not permitted to hold Argentine-law debt or debt that is no longer included in an index. Nelson made clear that he was not advocating the evasion of any Orders. He viewed the more apropos analogy of what Argentina was doing to a game of chess in its end phase. Often governments work best in crisis mode, at their most vulnerable moments – even in the case of the U.S. government.

- What could we expect in terms of the “Me Too” creditors, i.e., those who would try to piggyback on NML’s potential success? The government has insisted that they don’t want to pay the $1.5 billion because if it did the floodgates would open to some $15 billion in additional payments to remaining holdouts. It does not appear that the government is making a distinction between post-judgment creditors who are trying to seize assets and collect on judgments, and pre-judgment creditors who would seek to have Argentina perform on its bonds under a particular indenture — the 1994 Fiscal Agency Agreement. NML and friends appear in both camps, because they have pursued different approaches to litigation, but the *pari passu* ruling involves only the latter-type, narrow claim of breach of contract. How easily can post-judgment debt be turned back into pre-judgment debt?

Panels on Argentine Case (continued)

Weisburg suggested that bondholders with similar *pari passu* clauses in their contracts could try to collapse their cases into one case before Griesa and thus get the benefit of the ratable payment injunction and *pari passu* interpretative construction since he is likely to view those creditors with judgments the same as those with summary orders -- even though there's a hypothetical distinction between those two types of creditors. It would also be in Argentina's best interest to settle with all its creditors at once instead of on a piecemeal basis.

- Starting on January 1, 2015, the "Rights Upon Future Offers" (RUFO) clause in the 2005 and 2010 indentures no longer applies, allowing Argentina to make an offer to purchase or exchange previously untendered debt on new terms which need not be extended to current exchange bondholders. The government has stated that dealing with the holdouts before then would trigger lawsuits from exchange bondholders wanting equal treatment, destroying the whole restructuring edifice. Is this a "red herring" or do you believe that the RUFO clause is a legally valid concern which rightly discourages the government from settling with the holdouts who have, or manage to obtain, a favorable court ruling?

Nelson didn't think it relevant to worry about a January 2015 problem when the clock is ticking now. Wolfson did not view the RUFO issue as a red herring since Argentina tried to get the Supreme Court to review the case two times to avoid paying the holdouts. Wolfson hoped that creative minds will find ways to negotiate. Weisburg did not think that the RUFO clause can be ignored.

Someone in the audience asked if the panelists were surprised that the Supreme Court did not grant cert.

Nelson stated that the *pari passu* clause was a matter of state law, and that the Supreme Court would not be interested in opining on the issue (although those odds would shift with the political overlay present in this case). The Solicitor General would likely be more interested in the discovery topic, but it was not asked for its opinion. Argentina's "nine lives are up in the Supreme Court". Porzecanski reminded the audience that the U.S. government submitted an amicus brief in the early stages of the case, so there may have been no need to hear from the Solicitor General (SG) again. Wolfson also clarified that the Second Circuit specifically stated that it was not interpreting the *pari passu* clause, so there was no issue for the Supreme Court to decide. Nelson agreed that, if the Supreme Court would grant cert, it would not likely be resolving anything, and the SG's opinion in prior Argentine matters was not too helpful.

Loser's concluding remarks were that Elliott has the upper hand, "not being in battle for the principle, but rather for the maximization of profit". A quick resolution with certainty was in everyone's best interest, so the plaintiffs may be amenable to accept bonds. Argentina was in a fragile state, without the capacity to withstand this crisis much longer. The Argentine public is reacting negatively to events, and the country is in a much weaker position that it ever has been since 2001. Kulesz asked how long did Argentina have. Loser responded, "the problem with economists is that they predict well what will happen, but often times are not good at getting the timing right".

Panels on Argentine Case (continued)

London Panel

The "Argentina: Post U.S. Supreme Court Review" Seminar in London took place at Allen & Overy's offices, and breakfast was served. Puente sponsored the event, with additional support from Exotix and Skadden, Arps, Slate, Meagher & Flom.

Yannis Manuelides (Allen & Overy) moderated the panel, which included Stephen Fang (Aberdeen Asset Management), Charles Blitzer (Blitzer Consulting), Stuart Culverhouse (Exotix), Alejo Costa (Puente) and Timothy Nelson (Skadden, Arps, Slate, Meagher & Flom).

Mr. Manuelidis provided some background on the case, as well as other matters surrounding Argentina and its creditors. He referenced the Paris Club deal where Argentina agreed to resume payments and clear its debt in arrears over a five year period (other details were undisclosed) and the Repsol settlement (which was in dollar-denominated Argentine law bonds in an amount and on terms sufficient to permit Repsol to sell these bonds and end up with a cash payment of $5 billion).

He summarized the Argentina litigation, which reached a climax with two Supreme Court decisions on June 16, 2014: (1) On the discovery case, the Supreme Court held (7-1) that there is nothing in the Foreign Sovereign Immunities Act that prevents a U.S. court from ordering banks in the United States to disclose details of Argentine payments, account balances and other assets that might be recoverable outside the United States. This may offer NML an additional means to find and enforce against Argentine assets, though any enforcement measures will have to be taken in the courts of the location of any assets and (2) On the *pari passu* litigation, the Supreme Court declined to hear Argentina's appeal against the lower courts' judgment on the effect of a *pari passu* clause in Argentina's bonds. Thus, the injunction issued by U.S. District Judge Thomas Griesa is still in effect, and, if Argentina pays on its restructured bonds, it must also pay in full NML and the other holdout creditors that are party to the case.

A payment on Argentina's restructured bonds was due on June 30, 2014, and Argentina has a 30 day grace period before falling into default under its restructured bonds. As the clock ticks away, the drama unfolds: (1) Argentina announces that it wants to swap the restructured bonds into new Argentine law bonds, all cleared domestically. The court makes clear that this is a violation of the earlier rulings of the court and orders Argentina not to proceed with the swap. (2) Argentina asks for the stay on the injunction to be re-imposed. NML objects and the court agrees with NML. (3) Argentina then deposits $1 billion with the trustee of the restructured bonds to demonstrate its ability to pay and good faith towards the cooperative creditors. The court objects to this and orders Argentina to take the money back. (4) Argentina announces that it is prepared to negotiate and meet with the court appointed "special master" Daniel Pollack who is "to conduct and preside over settlement negotiations between and among the parties to the litigation". At the same time it uses advertisements in major newspapers to lash out against the court and its Orders, which are "impossible to comply with" and "violate the sovereign immunity principle effective in the US". (5) The euro-denominated investors of restructured bonds governed by English law apply

Panels on Argentine Case (continued)

to the court for an emergency motion to clarify “whether this Court has jurisdiction to order the return of the Euro Bond payment, which is currently being held by Bank of New York (Luxembourg) S.A. in Argentina”. Meanwhile, (6) The general debate grows with people like Martin Wolf discussing the debtors’ prison into which Argentina finds itself, while others continue to describe it as a unique case. (7) Both the official and private sectors work full speed ahead with proposals and considerations.

Manuelidis asked the panelists the following questions:

- Does the market expect a settlement? What are the CDS/market price signals? What happens when the grace period expires?

Mr. Blitzer responded that the market does not expect a default (“the market is more confident than anyone else”), while in the “real” world there is much more uncertainty. Argentina is sending mixed messages about its willingness to settle and any progress toward settlement is unclear. Mr. Fang felt that Argentina was willing to pay its exchange bondholders, so a settlement was likely, especially because the sovereign has said that it is able and willing to pay the exchange bondholders. Cristina doesn’t want to leave her country in a state of default (especially when her husband joined the administration during a default). The *pari passu* saga has dragged on too long and Argentine bonds are valued strongly (despite a CDS rally).

- If there is a default, how will the market react? Will it react in the same way as though there was a full economic impossibility to pay or will it treat it as something which will be resolved over time? Are there economic incentives for Argentina to settle or default? Does the market still believe there is a possibility of swaping into Argentine law bonds? How would macroeconomic conditions evolve under each scenario?

Mr. Culverhouse questioned what we mean by “settlement”. No one expects an actual agreement by the end of the grace period. At most, the market is hoping for sufficient grounds to exist by the end of such grace period for a settlement in good faith, with actual payment at a later stage. The majority of investors believe that settlement is the most likely scenario and achievable given the incentives (especially if bonds were offered and not only cash), with the alternative being much worse. A minority do think default is a real possibility. Market prices reflect that a deal is inevitable, although Culverhouse thinks that there’s more downside than priced into the bonds. He posits that, even if a default is likely, one needs to look at the recovery prospects. There are good reasons for a quick cure, but there may be stronger reasons for a prolonged settlement, and some investors have more tolerance for such a prolonged settlement.

Mr. Costa guessed a 75% probability of a solution down the road. The local color seemed to convey that the government made a political decision to settle and will stick to it. The market tolerance for risk is higher, so he didn’t expect a collapse of prices. A swap into local law bonds may result in a bigger contempt problem for Argentina.

Panels on Argentine Case (continued)

Mr. Nelson was cautious about making any predictions, so instead he listed some of the relevant information to consider. Based on Judge Griesa's June 27 statement, Griesa is treating the appointment of Special Master Pollack very seriously, and was also was bitterly disappointed with Argentina's attempted payment to exchange bondholders, which he viewed as a negative step backward. However, Nelson thought that Griesa would be reluctant, at least initially, to broaden his equitable relief to plaintiffs other than those have currently obtained "*pari passu*" injunctions, as this possibly would deter the settlement process.

Manuelidis asked Nelson whether he thought Griesa would provide guidance to the trustees and Eurobondholders pending a decision by Pollack or whether Griesa was more likely to keep his statements ambiguous. Nelson reiterated that payment on the core US Dollar bonds cannot be made to the exchange bondholders, but that it might be difficult for the trustee to refund the "payment", sitting in a Buenos Aires bank account, to the Republic ("it's like asking for the toothpaste to be put back in the tube"), and for these reasons trustees and other banks have to behave very conservatively given the threat of a contempt order. Local law Argentine bonds payable in Buenos Aires have been argued (by Citibank) to be outside the definition of "external indebtedness" and, therefore, outside the scope of the *pari passu* clause, but the clearing systems are still requesting guidance or clarification before making any payments on those bonds. The exchange Eurobonds have been argued to be within the definition of "external indebtedness" and subject to intense motion practice even though their payments are also outside of the U.S. The terms of the trust indenture require "immediately available funds" for a payment to be valid, and this issue may not resolve itself in the 30 day grace period.

- Is Argentina serious about negotiating in good faith, or confused, or is it determined to default? How can Argentina/NML get around RUFO? Will any deal/litigation with holdouts include any settlement date past the RUFO deadline?

Blitzer questioned Argentina's serious intent and willingness to reach a settlement quickly since (1) it's been nearly a month since the Supreme Court refused to review the case, (2) the Finance Minister has made no effort to meet with the plaintiffs, (3) there is no Plan B or hiring of financial advisors to help Argentina out of its mess, (4) RUFO as a red herring is being used as a political tool to justify Argentina's doing nothing until the clause expires and (5) Argentina's behavior is consistent with the game of win/lose, rather than compromise. With the clock ticking and the structure and framework in place, little to no progress has resulted. With a lot of preconditions and no real progress, it's difficult to request a stay. "I am hopeful, but it's hard to be optimistic".

Panels on Argentine Case (continued)

Culverhouse viewed the negotiations as taking place in the newspapers, not between parties in the same room. What would it take to get Argentina to the table? Does RUFO have to be off the table (only as early as January 2015), is a stay a precondition? Frankly, Argentina was caught off-guard, needing time to re-group. It did not expect the Supreme Court to refuse to grant cert, it expected the IMF and other countries to come to its aid. Knowing this, Elliott would probably give Argentina more time to negotiate.

Costa remarked that the Argentines are very much concerned about RUFO (on advice of their counsel) and even if there was a 1% chance of RUFO being an issue, that was still a very high cost. A settlement would help the political situation in the country and no one wants a devaluation or increase in interest rates. He reminded the audience that Argentina can act quickly and unexpectedly. Fang felt that the market was optimistic about a settlement, claiming that Argentina will need to come back to the financial markets next year when it will have $14 billion to refinance. He hoped that lawyers and financial advisors would be working 24/7 to find a way around the RUFO issue.

Manuelidis questioned whether part of Argentina’s strategy is to bring the exchange bondholders into the discussion, and Blitzer responded that they were already part of it, expressing their desire for settlement and no default. Nelson stated that, according to Griesa, the attempted payment on June 26 to those bondholders ran afoul of the *pari passu* Order. Blitzer countered that they would probably not accelerate because of a perceived violation of the RUFO clause only to see their bond prices plummet. Culverhouse cautioned that investors are wary of uncertainty and the ambiguity of the term “voluntary” in the RUFO context was problematic (although this shouldn’t be a barrier to negotiation).

- Can holdout judgment creditors claim as well under the *pari passu* clause or has their claim been lost after the issuance of the judgment?

Nelson predicted that the exchange bondholders might argue that other holdouts post-judgment no longer hold the right to enforce the bonds specifically (because, they would argue, the terms and conditions of the bonds and rights under them are merged with the judgment); on this view, the post-judgment holdouts can exercise a panoply of judicial remedies in enforcing the judgments, but would not be entitled to the equitable relief of the Griesa court in enforcing the *pari passu* clause itself.

Panels on Argentine Case (continued)

A discussion ensued on how a declaration of default by Argentina or acceleration by the exchange bondholders would not violate the *pari passu* clause, but the anti-evasion Order would be violated by any proposed restructuring. Any new stay would have to be under a new Order, requested for a very good reason.

There was a general agreement among the panelists that Argentina's press statements were typically political, some patently false and should largely be discounted. "Governments typically don't act rationally or with rational economic behavior".

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

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

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EMTA Recommends Flat Trading on July 31, 2014 for Most Argentine Bonds

Following consultations with major market participants, EMTA recommended that, beginning July 31, “flat” trading for (most) Argentine bonds commence. This recommendation was issued given that the grace period for payment on the Discount Bonds expired on July 30, no negotiations thus far had led to any settlement between the parties to the litigation and no stay had been imposed by Judge Griesa on his previous decision for ratable payments to be made to the plaintiffs when payments were made to exchange bondholders.

This Market Practice recommendation was similar to previous EMTA Market Practice recommendations on flat trading following a sovereign default in (1) providing for “dirty” pricing without a separate payment for accrued and unpaid interest and (2) entitling buyers to all accrued and unpaid interest.
As with all EMTA Market Practices, these recommendations for standard industry terms are not binding, and EMTA members are free to agree on contrary specific terms with their counterparties.

To address market concerns, questions and comments, EMTA issued a clarification on August 8, 2014, which supersedes all previous communications from EMTA on this topic. The August 8 clarification should now be used by EMTA Members as the most up-to-date recommendation for Argentine Eurobond debt trades. EMTA Members may Click Here for the clarification; non-members should contact Jonathan Murno of EMTA at jmurno@emta.org.

Because of the extremely complicated nature of Argentina’s debt situation, Members are encouraged to contact Aviva Werner at awerner@emta.org with any questions on the Market Practice recommendation or otherwise.

Argentine Ad Hoc Group of Bondholders Formed

Holders of defaulted notes issued by The Republic of Argentina, which were not exchanged in Argentina’s 2005 or 2010 offers, have formed an ad hoc bondholders group. Its stated purpose is to advance its members’ rights in light of the equal treatment injunctions entered by the United States District Court in New York and to pursue a favorable settlement of members’ claims. For further information on this bondholder group, please Click Here.

EMTA Working Group to Consider Barrier Option Observation Times

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 information regarding current market practices for certain non-deliverable currencies in Asia, as well as certain other markets such as Russia and Chile.

EMTA has formed a working group to look at whether there is a need for standardization of practices in this area and has circulated some materials for review that incorporate the ISDA proposals as well as some additional information. With feedback from the EMTA working group, EMTA will revert to ISDA and coordinate publication of a market practice or market practices, as needed.

Related to this effort, a question has come up from our Operations brethren relating to the market practice of using the code “EMTA” in Field 31G for an MT305 Swift Message Confirmation to denote Expiration Times for NDOs. The question is whether this practice should instead be harmonized with the use of the DTCC fpml business center code instead. Comments are welcome.

If you have an interest in this topic, please let us know (contact lpjacobs@emta.org).

EMTA and ISDA Progress on Revision of Annex A to the FX and Currency Options Definitions

EMTA and ISDA staff met in the late spring to discuss the revision and restatement of Annex A in an effort to develop an initial draft that can be distributed among their various working groups for comment. The initial draft will integrate and reconcile the 2000 version of Annex A and all its collected amendments, which have been compiled in the Compendium to Annex A. Substantial revisions will be needed to, among other things, delete a number of currencies no longer in existence and to update all references to vendor pages. EMTA Members with questions or suggestions may contact Aviva Werner or Leslie Payton Jacobs (awerner@emta.org or lpjacobs@emta.org).

EMTA Hosted a Special Seminar on Assessing Public Debt Sustainability in NYC on July 10

The global financial crisis and more recent developments have exposed not only significant debt vulnerabilities, but also gaps in the analytical capacity to assess and foresee such risks. IMF representatives, Said Bakhache and Suchanan Tambunlertchai, presented the IMF's new framework for assessing public debt sustainability in advanced and Emerging Market economies, including the key features of the new framework, and did a live demo of the newly-developed template based on a real country example to construct different debt scenarios. Fan charts and a heat map to assess debt vulnerabilities were also reviewed.

This new framework for debt sustainability analysis for market access countries (MAC DSA) introduces new tools to scrutinize debt sustainability from several different perspectives. In addition to evaluating debt trajectories, the new framework assesses the solvency and liquidity risks by comparing the public debt, financing needs, and liquidity indicators to early warning benchmarks intended to flag potential vulnerabilities at an early stage. The new framework is designed to be flexible and practical, while emphasizing clarity and transparency. Market participants asked for further transparency in the data that the IMF receives from sovereign nations.

For further information on the MAC DSA:
http://www.imf.org/external/pubs/ft/survey/so/2014/POL032714A.htm

To download the new IMF Public DSA toolkit:
http://www.imf.org/external/pubs/ft/dsa/mac.htm

To learn more about the IMF's debt sustainability framework, please refer to the Guidance Note on the MAC DSA:
http://www.imf.org/external/np/pp/eng/2013/050913.pdf

For the PowerPoint presentation, Click Here.

2H Forecasts Made at EMTA 17th Annual London Summer Forum

Market participants were able to combine sharing views while watching World Cup matches during EMTA's 17th Annual Summer Forum, held in London on June 24, 2014. Bank of America Merrill Lynch hosted the event, which attracted over 150 market participants.

Alberto Ades (Bank of America Merrill Lynch) opened the session by polling speakers for views on potential 2H returns. BlackRock's Sergio Trigo Paz struck a cautious tone, expressing concern that "a lot of people are being attracted to this asset class for the wrong reasons." He suggested that investors might have to "just clip coupons for the rest of the year...though this has never been a good strategy in EM." Ashmore Investment Management's Jan Dehn judged all financial assets to be expensive, while seeing EM as cheaper than DM in an era of quantitative easing. Because fundamentals in EM economies remained stronger than in their DM counterparts, Dehn recommended investors consider adding to positions during market volatility.

Ades asked panellists to discuss potential causes of future volatility. JPMorgan Asset Management's Pierre-Yves Bareau provided an overview of a relatively health asset class, and didn't see, in the near-term at least, the "anchors of EM going away." For him, sell-side liquidity was potentially a greater concern, specifying that Argentine debt had been moving on small volumes. Gene Frieda (Moore Capital Management) seconded Bareau's concerns, citing the explosion in EM assets under management as one of the factors creating the situation.

Dehn contrasted the small allocation institutional investors have in EM debt ("most have only 3-4% in EM") to their share of global GDP ("55% in five years according to multilaterals," and emphasize d that investors should be "massively" increasing their allocation. He also expressed concern at a "tabloid" atmosphere of mainstream media, quoting one relatively-limited source of information on capital flows, and the "dumbing down of a very large and diverse set of countries...to the complete rubbish of 'BRICs' or 'Fragile Five.'"

Summer Forum (continued)

On EM FX, Frieda recommended the Indian rupee, while describing concerns on the ruble and Turkish lira. He also expressed concern over the currencies of commodity-exporters because of both the Chinese economy and eventual US rate hikes.

A discussion of Argentina followed. Trigo Paz summarized "you never know if they will play well, or do an own-goal." He estimated the likelihood of a settlement with holdouts as between 60 and 70%, and believed market prices did not (at the time of the Forum) reflect the risks of forced selling that would likely occur when the end of the grace period drew closer.

Before turning to audience questions, the panel returned to a discussion of crossover investment. "Crossover accounts will be in EM as long as the Fed signals 'lower for longer,' reasoned Bareau, who noted that EM filled the gap of crossovers needing yield while global rates remained low.

Dehn criticized crossovers that fled because of fears of slower Chinese growth, while predicting that an additional problem was brewing for those entering the asset class in anticipation of front-running Japanese pensions.

Summer Forum (continued)

A panel of sell-side experts followed, moderated by Brett Diment (Aberdeen Asset Management). Christian Keller of Barclays predicted that US core inflation would be greater than expected, creating some challenges for EM as the US yield curve would likely respond to this. In general, he expected EM FX returns to remain flat, while seeing greater return potential for local bonds. Robert Burgess (Deutsche Bank) concurred in seeing little value in FX, while most constructive on EM credit. Goldman Sachs' Ahmet Akarli spoke positively on EM equities, especially Chinese stocks. Finally, JPMorgan's Michael Marrese cited three anchors supporting EM debt – strong inflows ("everyone complains about their allocations on new issues," which illustrated demand), a collapse in yields in peripheral Europe, and accommodative ECB policies.

The panel then debated EM economies. On South Africa, Marrese cautioned that investors may well become convinced that South Africa is moving to sub-investment grade status. Burgess adopted a "glass half-full" view – "if we are lucky, we might get a couple of reforms, but I don't expect major changes; and they are likely to be locked into a slow-growth environment." Burgess praised the SARB for its credibility and serious effort to stay within inflation targets, and noted that local accounts provide a natural floor for South African asset pricing.

Summer Forum (continued)

“The fact that not everyone accepts my medium-term bullishness on Turkey is good news for YOU!” proclaimed Marrese. He acknowledged a problematic political environment in Turkey while stressing it was no different from other countries. Burgess praised the country’s dynamic export sector and saw Turkish equities appealing on a long-term basis. However, he expressed concern on the lack of a “serious effort to beat inflation” and suggested that recent easing might have to be reversed. Keller suggested a tactical approach, expecting vulnerability when US rates were finally coming closer to be hiked. Finally, Akarli acknowledged he had the most bearish view of all, summarizing that “things are badly broken there” and listing among his concerns a lack of meaningful productivity growth, depressed savings and a highly leveraged economy.

Burgess noted that Russia remained vulnerable to potential sanctions, as the Ukraine situation remained unresolved. Recent violence in Iraq could help Russia by grabbing headlines and putting upwards pressure on oil pricing, but Burgess remained bearish, adding that that reforms were now less likely than they were six months previously. Marrese indicated that Putin would likely remain as president for 10 years, and it is not clear he will be trusted by investors, which could negatively affect inward foreign direct investment. Akarli saw short-term opportunities in local rates.

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EMTA Panel Reviews Russian Sanctions and Economic Effects

Recent events involving Russia and Ukraine present a unique challenge to policymakers and to Emerging Markets investors. This EMTA Special Seminar "Russia/Ukraine: An Update" on June 23 provided a timely update by a panel composed of market strategists and leading legal practitioners in the area of OFAC negotiations and covered facts as they existed at the time of the presentation. The event, sponsored by Societe Generale at their offices in New York, was followed by a cocktail reception. Additional support was provided by Dechert and Trusted Sources.

Boris Bruck (Societe Generale) moderated the panel, which included John B. Reynolds, III (Davis Polk & Wardwell LLP), Laura Brank (Dechert LLP), Danforth Newcomb (Shearman & Sterling LLP), Arnab Das (Trusted Sources) and Peter Harrell (U.S. Department of State).

Mr. Das presented the economic outlook and financial markets view surrounding the current situation with Russia and Ukraine. He posited that Russia will shrink and is already in a downward trajectory with medium-term economic decline (like Argentina). It has a lower growth rate than other EM countries or even the rest of the world. An insufficient amount of outside investment into the country is aggravated by the crisis (there is currently a 25% risk premium due to the crisis). Its decision to put geo-politics and national security above all else has led to this result.

The U.S. has a great interest in Ukraine that is currently having a liquidity, not an insolvency, problem, and, therefore, Ukraine is priced probably not as low as it should be because it is getting financial support in the form of bridge financing from the U.S., Europe and the IMF. However, as Ukraine becomes less centralized, more locally controlled, more Balkanized, its problem may turn into an insolvency issue.

Mr. Reynolds provided a summary of sanctions and attendant policies that were rapidly evolving in the U.S. and EU. We are at the cusp of an uncertain evolution with calibrated and cautious sanctions and gradual additions of individuals to the restricted list. The Russian economy is much more intertwined with the Western economies (than the U.S.'s nexus with Iran, for instance), but there's a potential for expansion beyond sectoral sanctions.

Mr. Harrell listed three categories that were perceived differently from a policy perspective: (1) individual officials and separatists in Crimea, responsible for the current violence, (2) Russian officials in the Kremlin or Duma that were instrumental in support of separatism and annexation of Crimea and (3) cronies, business figures not part of the oligarchy, but close to Putin's inner circle to facilitate his actions. While the EU has not yet sanctioned the third category, the U.S. works to coordinate with the EU (although alignment of restricted lists is not always perfect).

Russia/Ukraine Meeting (continued)

The U.S. sanctions should act as a direct signal to Russia of what the U.S. expects it to do (and not do, like impeding Ukraine elections) so even broader sanctions are not implemented. This perceived threat seems to be working as an active de-escalation is urged (although clearly the recent transfer of tanks to East Ukraine is a disturbing sign). In response to Ms. Brank's query as to how effective the U.S. government thinks these sanctions are when Russians don't understand their imposition (as Ukraine is perceived to be in their national interest), Harrell responded that overall the sanctions have had a noticeable impact (despite some rebound in the Russian markets) as Russia has had ratings downgrades, major capital outflows and outlays in reserves to defend the Ruble. The U.S. is not trying to inflict economic pain on Russia for no reason, and Putin is watching closely what EU leadership is requesting. While we can't necessarily show causation (the credible threat of broader sanctions leading to a better Ukraine election), correlation cannot be ruled out and the U.S. hopes to reverse the illegal occupation of Crimea (the first annexation and occupation of a country since World War II, "unbelievably destructive and unacceptable") so other nations as well will see the consequences of bad acts.

In response to an audience member's statement that liberals are moving toward Putin and away from the U.S. and Mr. Bruck's view that the local population (no matter what the economic or social class) is supporting Putin, Harrell posited that tough sanctions may have costs, but other costs are even higher. Mr. Newcomb remarked that the Cuban sanctions held up the Castro regime, and the same unfortunate result may occur in Russia's case.

In general, Harrell suggested there are no sanctions prohibiting doing business in Crimea (although there are risks and each case has to be reviewed separately). Bruck's local color on the ground suggested there have been movements on financial products and contracts. Reynolds suggested that the State Department is using an aggressive approach to sanctions, confident that its pursuit of policy and national security considerations will not engender many lawsuits against the State Department. An audience member suggested that sectoral sanctions and cutting off banks and the Russian economy generally may engender more draconian responses from Russia (such as a confiscation of Western funds), so the State Department should be weighing these risks. Harrell replied that some sanctions may have unintended consequences, and it is valuable to hear from U.S. companies how they are affected by the sanctions, but the U.S. will not be deterred with an amorphous threat of Russian retaliation (such as the prohibition on adoption of Russian children by Westerners, among more dire economic consequences).

Newcomb introduced some of the problems with ambiguous sanctions language relating to counterparties, intermediaries, designated persons, 50% ownership, governing law for subsidiaries, and derivatives and other transactions that may or may not have settled and their termination implications under ISDA and other documents. Brank discussed some of the legal actions taken on the Russian side, the freezing of assets under Russian law and related matters.

Material relating to this Seminar can be found in the June 23 Russia and Ukraine archives of the New Developments area of EMTA's website (http://www.emta.org/template.aspx?id=5021).

EMTA's First Frankfurt Forum Focuses on EM Opportunities

"EM has been much more resilient than we had expected, and there have been great opportunities if one caught them at the right moment," summarized Christian Keller of Barclays in his opening remarks at EMTA's first Forum in Frankfurt. The event was held on Thursday, June 12, 2014 and was sponsored by MarketAxess, with Barclays and Nomura providing additional support. Approximately 50 EM market participants attended.

Keller served as panel moderator and asked speakers if they remained optimistic on, or were concerned about, EM debt prospects for the second half of 2014. Allianz Global Investors' Andreas Hahner reasoned that "there are some bad stories in EM, some very good stories, and some opportunities." Hahner cited EZ stabilization, better-than-expected US economic performance and slower-than-expected Fed tapering as supportive of EM assets. Nicolas Schlotthauer (Deutsche Asset & Wealth Management) expected a short-term technical rebound in local markets, following increased concern by crossover accounts over Brazilian, Turkish, South African and Russian local debt.

Peter Attard Montalto (Nomura) acknowledged he wasn't "super bearish," and also saw crossover flows back into EM debt. In addition, the increased ability of Japanese pensions to make foreign investments represented a major development for the next decade. DEKA's Peter Schottmuller believed crossover money was returning to EM and "chasing whatever assets that have been left behind."

On the market's high yielders, Attard Montalto expressed his underlying concerns over Ukraine, while noting strong IMF commitment to the country. Hahner cited "huge implementation risk" over the IMF package, with it becoming more difficult in November. "Economic data could worsen," he warned.

Hahner expressed caution on Argentine debt and expected further uncertainty about the resolution of debt repayment and the attached volatility and risk to bond investors. Schlotthauer responded that the recent Paris Club accord at least showed some movement; "you don't find that in Venezuela."

Keller noted the marketplace's recent adoption of a more relaxed view on China. He asked if it was fair to view China as "a black box, but with its leaders seeming to be in control of the economy?" Schlotthauer believed that "further structural reforms in all areas are needed to keep the country on track." Schottmuller cautioned that China could be "Subprime II, its déjà vu for me," while adding that "the only difference is that, in China, the government owns all the banks. If you believe in the Chinese approach, you have to conclude that the best solution to the financial crisis would have been to nationalize the European and US-banking sector," he asserted.

The panel also addressed inflation concerns, the internationalization of the renminbi, the reduced possibility of sanctions against Russia, credit downgrades, and favorite trade recommendations.

EMTA Zurich Forum Explores Geopolitical Risk and Market High-Yielders

Members of the Swiss EM investment community convened on Tuesday, June 10, 2014 at EMTA's first Forum in Zurich. MarketAxess sponsored the event, with additional support provided by Barclays, CIBC and Sberbank. Attendees listened as market experts reviewed prospects for the EM marketplace.

Just over a year ago, then-US FOMC Chair Ben Bernanke had shocked the markets by signaling an end to the US' loose monetary policy, and EM assets had sold off dramatically, noted moderator Christian Keller of Barclays in a general overview. "However, no one would have guessed where we would end up now," he stated, pointing out the post Bernanke-speech recovery, subsequent Chinese slowdown concerns, Russia's annexation of Crimea, and the more recent market upturn and resumed capital inflows. Keller asked speakers if a return to optimism was warranted, or if panelists feared an abrupt end to market confidence.

UBS' Costa Vayenas predicted US 10 year Treasury bond yields would rise to 3.1% within six months, and the EMBI and CEMBI indices would drop slightly. However, he viewed EM equities as having the potential to rise up to 3% in the next six months. Jean-Dominique Butikofer also saw reasons for potential gains in EM. He pointed out that, while recent asset class inflows have returned to credit markets, local currency bonds had not benefited. Thus, he argued, a rally in local bond debt was possible in the 3Q. CIBC's John Welch added his long-term optimism on EM instruments, while urging policy makers not to abandon reform efforts.

Moving on, Keller observed that the "reduction in political risk [in Ukraine] has been critical in EM performance lately, as investors saw tail risks being taken out." He asked Sberbank's Evgeny Gavrilenkov if he agreed with that view point.

"In fact, geopolitically tensions are rising," countered Gavrilenkov, who listed disputes between China and Vietnam, as well as between China and the Philippines, as being serious concerns, despite decreased alarm over the Russia-Ukraine situation. Gavrilenkov added that Russia's economic slowdown of late was a result of domestic policy errors, and not due to sanctions or capital leaving the country. He expected reduced Russian corporate issuance compared to the past, explaining that some of this was due to previous borrowings being used to purchase foreign assets.

Keller also requested panelists' thoughts on the market's high-yielders. Prior to subsequent court rulings, Welch opined that it was in the interest of both sides of the Argentine legal case to drag the case out past December, when the RUFO clause limiting Buenos Aires' negotiating ability expires. Welch recognized that a decision by the US Supreme Court could lead to a technical default, although he outlined a potential scenario where the Republic would miss coupon payments and then reach an agreement with holdouts upon the clause's expiration. Welch believed that the drama was slowly approaching the end-game; "in any case, Argentina will be back to the market next year," he predicted.

Zurich Forum (continued)

Because it was “suicidal and irrational” for Venezuela not to pay bondholders, Welch expected continued debt service by Caracas, despite the deteriorating economy. He viewed a “muddle through scenario followed by a recall vote on President Maduro” as his base case, with a military coup having a low probability.

Gavrilenokov’s expressed concern on Ukraine’s future. He expected economic problems to persist, and that the government would be unable to honor all of the agreements it has made to tighten expenditures.

The panel concluded with a discussion of where investors should focus. Vayenas voiced a concern that expectations of the new Indian government were so high that actions could disappoint, so investors should monitor developments there. Butikofer noted that after years of generally improving credit ratings, any large EM sovereign downgrade could spook investors (with South Africa, Turkey and Russia most vulnerable). In addition, he urged attendees to watch out for a weaker Chinese renminbi because of potential nock-on effects on other emerging Asian exporters.

EMTA Panel in London Details Risks to EM Corporate Bond Market

BNP Paribas hosted EMTA's Corporate Bond Forum in London on Tuesday, June 3, 2014. Over 125 market participants attended. Speakers were upbeat in their assessment of the EM corporate market, despite many believing that recent performance had made the search for value more difficult.

Moderator David Spegel (BNP Paribas) in opening remarks detailed recent performance in the corporate marketplace, concluding that "we don't seem to have reached the end of the fixed income rally." He noted that spreads have tightened compared to last year, while EM corporate volatility was low. Spegel presented a list of market risks that included rising default rates, geopolitical concerns and ECB policy inaction, and invited the panel to discuss what additional issues they were following.

For Sonya Dilova (F&C Investments), commodity pricing, US Treasury movement, shadow banking ("and not only in China"), regulatory issues ("not only Basel III but also concerns, such as mining sector regulations in Chile") were among the factors she was monitoring. Aberdeen Asset Management's Siddharth Dahiya suggested that there could be some degree of market complacency, and remained on guard against any potential outflow of crossover funds.

JPMorgan's Maxim Miller further specified that politics would remain the second biggest factor after the US rates, while noting that markets tend to forget about political risks quickly "in the absence of news." Finally, Bank of America Merrill Lynch's Kay Hope highlighted US Treasury yields as the main market risk, with her firm predicting that the 10-year bond would yield 3.5% by year-end. While an "unfortunate incident" in Ukraine could not be ruled out, she noted that the house view was that the worst of the recent crisis had likely occurred; and rising MENA real estate prices were "something to keep an eye on, although we don't expect a major event in the 2H," she stated.

Panelists discussed the recent rally in Russian corporates following a de-escalation of tensions since the May 25 elections. "People are just pricing in the fact that Russian fundamentals have not changed," Miller asserted. Several speakers expressed skepticism to the theory that, earlier in the 2Q, outflows from Russia had gone into Latin America and Turkey, and now were a source of potential vulnerability. Dahiya suggested that Latin America was, in fact, at greater risk to US crossover account flows, and that its performance was tied to its longer duration.

London Corporate Bond Forum (continued)

Dilova believed that Turkish corporates offered value. “At top tier firms, management has proven they are keeping their eye on the ball, and there are opportunities, though there might be some transparency issues with smaller Turkish banks,” she stated. Hope acknowledged she was “comfortable” with Turkish banks at current levels. “There is some supply risk, but the first quarter wasn’t as bad as had been expected,” she stated. In contrast, Miller praised the Central Bank for its successful re-tightening operation, but this was not enough to address his fundamental concerns. He recommended only short-term tactical trades in Turkish corporates.

Dahiya largely brushed off concerns on the China property sector. “Prices have risen dramatically, but so has income in China,” he argued. Investors were adequately compensated for the risk, and, while there might be some “big headlines,” he didn’t expect large defaults in the sector. Miller added that his firm also maintained a bullish view, while Dilova offered an opposing view; “I’m very happy to avoid that sector.”

The panel concluded with investor recommendations. Dahiya generally viewed EM corporates as expensive, although Nigerian banks such as Zenith were an appealing investment, while he would avoid the Brazilian sugar sector. Hope identified Vimplecom as a laggard in the recent Russian bond rally for those still wishing to ride the wave. She was less enthusiastic on Ukrainian corporate debt.

Dilova’s picks included Rosneft, Petrobras, Morocco’s OCP and UAE banks, while avoiding the pulp and paper sector. Miller also saw value in Middle East bonds such as MAF perpetuals, Emaar and Dubai Holding, while expressing concerns about the viability of African Bank’s business model. Spegel’s own list included Sberbank versus VTB, Russian Agricultural Bank, and several Chinese property bonds.

EMTA’s Corporate Bond Forum in New York will also be hosted by BNP Paribas, and is set for Tuesday, October 1, 2014.

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Puerto Rican Debt Case Explored at EMTA Panel for Potential Precedents for EM Debt

Puerto Rico's creditworthiness has suffered a dramatic erosion, and there is a risk that the Commonwealth will be downgraded deeper into "junk" territory. In addition, banks in Puerto Rico have been weighed down by bad loans, thin margins, excessive reliance on wholesale funding, and the economic consequences of the government's austerity measures. The solvency of a major bank has recently been undermined by the unilateral abrogation of a government tax-related liability, raising questions about the rule of law.

This timely EMTA Special Seminar "Puerto Rico: Crisis and Opportunity" provided a discussion of the investment and reform risks and opportunities that the crisis in Puerto Rico has generated. The event was held on June 25 at EMTA's offices in New York, and lunch was provided.

James Glassman moderated the panel, which included Arturo Porzecanski (American University), Thomas Weyl (Barclays), Doriana Gamboa (Fitch Ratings), Matthew McGill (Gibson, Dunn & Crutcher) and Liam Localio (Greylock Capital Management).

Mr. Glassman described Puerto Rico as the size of Oklahoma, with 3.7 million residents, acquired by the U.S. in the Spanish American War, a territory but treated like a state, that has fallen on hard times since 2004, with a major decrease in its work force and GDP (vs. an increase for the average of 13 other Caribbean countries), a 100% debt to GDP ratio (borrowing more than most, with the exception of New York and California), and with problems in attracting foreign business investment.

Mr. Weyl informed the audience of a recent government legislative initiative to appease the labor unions that would facilitate debt restructurings in state-owned companies, whose main objective was to minimize creditor holdout problems. Serious constitutional challenges to this legislation which could be mounted include the basis of its alleged violation of the takings clause and reserve powers issues. Ms. Gamboa confirmed that this law was also hurting local banks in an economy that has "major structural issues".

Mr. Porzecanski likens Puerto Rico to a sovereign (Gamboa agreed), constrained by a currency and economic union with the mainland, that while it can't print its own money has a bank (some may call it a "piggy-bank") called the Government Development Bank (GDB). The new debt restructuring law is reminiscent of the case of Greece, when it unilaterally introduced CACs into its local-law debt contracts so they would be easier to restructure. The population is used to being looked after by the government, but the tax structure has recently been shifting in an unfavorable direction by a new tax on gross, rather than net, corporate income.

Puerto Rico Meeting (continued)

In response to Glassman's query on what the U.S. government's obligation is to step in if Puerto Rico defaults on its debt obligations, Porzecanski replied that a bail-out has never occurred before, but the U.S. could ask the IMF to step in and provide an assessment and evaluation of the island's fiscal situation, something which other governments (e.g., the Netherlands and Portugal) have done in the past in connection with their overseas territories).

Mr. McGill reviewed the Doral Bank v. Puerto Rico Treasury Department case in which closing agreements signed by both parties in connection with tax disputes were reneged upon, such that Doral lost $900 million in regulatory capital relief. U.S. federal courts have no jurisdiction over these types of state tax matters. Meanwhile, Doral's credit rating has decreased and it's possible that the government will be reneging on many other similar contracts.

Mr. Localio was concerned that the government had not done enough to engage with its creditors, and specifically with its bondholders, and that this unwillingness to pay may turn into a case of repudiation. He didn't think the U.S. was likely to intervene since Puerto Rico is unlikely to pose a systemic risk problem. Glassman suggested a potential contagion effect on the broader muni market, and Weyl and Porzecanski agreed that this is a risk that would cause "big waves" and should not be ignored.

Porzecanski predicted "there will be blood" coming out of the fragile fiscal situation, but he viewed this crisis as a constructive opportunity for the authorities in Puerto Rico to do the right thing, e.g. by enacting reforms of the bloated public sector, and by improving investment fundamentals, while cautioning that "reforming a welfare state is not the same thing as reforming a non-welfare state". Gamboa suggested that a fix could not be accomplished overnight, but there was a stable outlook and banks were getting stronger. While 200 people a day were leaving the island, Glassman remarked that a Task Force on Puerto Rico had been set up by the Clinton Administration and was available to provide guidance, and that the territory has the potential to become "another Singapore". Localio was digesting the implications of the new debt-restructuring framework, but thought there were still attractive trading opportunities for retail investors (such as triple tax-exempt debt), with smarter money going to physical assets like real estate. McGill noted the discount Puerto Rico has to suffer for its debt (vs. New York law-governed debt) as a result of the absence of faith in its rule of law and judicial structure. If Puerto Rico continues down this path of repudiating contracts, it will be much harder for it to gain access to the foreign investment that it needs.

EMTA Survey: Emerging Markets CDS Trades at US$389 Billion In Second Quarter

Reported Volumes Up 40% Compared to 2Q 2013

Emerging Market CDS trading remained at high levels, rising 40% in the second quarter of 2014, according to a Survey of 13 major dealers released on August 1, 2014 by EMTA. EMTA CDS Survey participants reported trading US$389 billion in the second quarter of 2014. This compares to US$279 billion in reported Emerging Markets CDS contract volume in the same quarter in 2013.

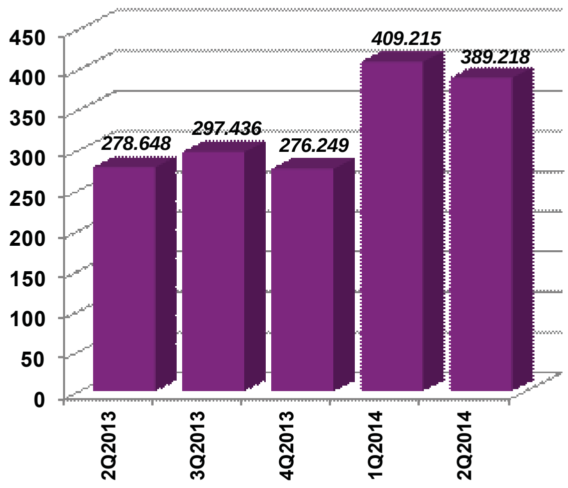
On a quarter-on-quarter basis, however, CDS volumes declined 5% from the US$409 billion reported in the first quarter 2014. "With better market tone in the second quarter versus the first quarter, and with overall volatility on the decline during the period, it was not surprising to see an almost across-the-board drop of sovereign CDS activity," commented David Spegel, Global Head of Emerging Market Credit Research at BNP Paribas in London. He pointed out that Argentina was the exception to this trend, "Given the nearing risk of a default from Argentina, it was also not unexpected to see the 68% quarter-on-quarter jump in Argentine trades."

The largest CDS volumes in the Survey during the second quarter were those on Brazil, at US$74 billion. EMTA Survey participants also reported US$62 billion in Russian CDS (representing a 163% increase on second quarter 2013 volumes while down 12% from first quarter 2014 volumes). Mexican volumes were third at US$45 billion. The Survey was expanded to include Chilean CDS for the first time.

The EMTA Survey also included volumes on nine corporate CDS contracts, with the highest reported volume on Gazprom (US$3.6 billion). Participants also reported over US$3.1 billion in Pemex contracts and US$2.4 billion in Petrobras CDS volume.

For a copy of EMTA's Second Quarter 2014 CDS Trading Volume Survey, please contact Jonathan Murno at jmurno@emta.org or +1 646 289 5413.

Figures in Billions of US Dollars



EMTA Survey: First Quarter Emerging Markets Debt Trading Ticks Up To US$1.589 Trillion

Volumes Up 14% Compared to First Quarter 2013

Emerging Markets debt trading volumes increased to US$1.589 trillion in the first quarter of 2014, according to EMTA's quarterly survey, which was released on June 18, 2014. This compares with US$1.399 trillion reported for the first quarter of 2013 (a 14% increase) and US$1.32 trillion for the fourth quarter (an increase of over 20%).

"The headline increase in trading volumes disguises a significant shift in the underlying composition of activity," stated Will Oswald, Global Head, Fixed Income, Currencies and Commodities Research at Standard Chartered in Singapore. "Overall, this Survey paints an encouraging picture of a market in which activity remains robust, and where there are specific risks to trade," he stated.

Local Markets Instruments at 62% of Volume

Turnover in local markets instruments stood at US$984 billion in the first quarter, accounting for 62% of total reported volume. This compares to US$939 billion in the first quarter of 2013, a 5% increase and US$857 billion in the fourth quarter, representing a 15% increase.

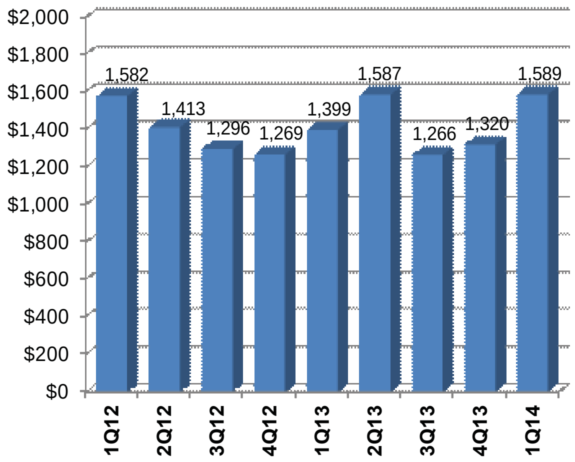
Mexican instruments were the most frequently traded local markets debt in the first quarter, at US$225 billion. Oswald noted that there was "continued involvement by market participants in local Mexican bonds, as reforms continue to attract interest." Other frequently-traded local instruments were those from India (US$98 billion), Brazil (US$91 billion), South Africa (US$55 billion) and Singapore (US$53 billion).

Eurobond Volumes at US$596 Billion

Eurobond trading stood at US$596 billion in the first quarter, up 32% compared with first quarter 2013's US$452 billion and up 30% vs. US$458 billion in the fourth quarter.

51% of Eurobond activity involved sovereign debt issues in the first quarter of 2014, with Survey participants reporting US$302 billion in sovereign Eurobond turnover. This compares to a 57% share of Eurobond activity in the previous quarter, when such volumes stood at US$262 billion.

Figures in Millions of US Dollars



Debt Survey (continued)

Corporate Eurobond trading stood at US$250 billion in the first quarter, accounting for 42% of total Eurobond activity (compared to 41% in the previous quarter). Sovereign Eurobond activity accounted for 19% of overall Survey volumes, with corporate trading at 16% of total turnover. Oswald noted that “the increased activity in corporate bonds signals the continued emergence of this important asset class, even as many sovereign bond markets – both in local and hard currency – saw lower activity.”

The most frequently traded individual EM Eurobonds in the first quarter included Russia’s 2030 bond (US$26 billion in turnover), Indonesia’s 2044 bond (US$5.3 billion), Ukraine’s 2017 bond (US$4.8 billion), Indonesia’s 2024 bond (US$4.6 billion) and Russia’s 2023 bond (also US$4.2 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$9 billion in warrant and option trades during the year, US$200 million in loan assignments and—for the first time in the Survey’s 17-year history—no trading of the few remaining Brady bonds, instruments that played a crucial role in the EM industry’s birth two decades ago.

Mexico, Brazil and Russia Instruments Most Frequently Traded

Mexican instruments were the most frequently traded instruments overall, according to Survey participants, with US$273 billion in turnover. This compares with US$130 billion in the first quarter of 2013 (a 111% increase) and up 62% vs. fourth quarter volumes of US$169 billion. Mexican volumes accounted for 17% of total Survey trading, compared to 13% in the previous quarter.

Brazilian instruments were the second most frequently traded instruments in the report, at US$148 billion, according to Survey participants. This represents a 44% decrease on the US$264 billion reported in the first quarter last year and a 30% decline on fourth quarter volumes of US$213 billion. Brazilian volumes accounted for 9% of total reported volume (down from 16% in the prior quarter).

Third were Russian assets, at US$137 billion in turnover. This compares to US$139 billion in the first quarter of 2013, a 2% decrease, while representing at 76% increase on fourth quarter volume of $77 billion. Russian instrument trading accounted for 9% of Survey volume.

Other frequently traded instruments were securities from India (US$105 billion) and Hong Kong (US$83 billion).

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

EMTA recently reported that participants in a similar survey for the CDS markets (although limited in scope to 12 EMTA Board firms) had reported increases in trading. The CDS Survey’s participants reported US$409 billion in EM CDS volumes in the first quarter of 2014. This compared to US$212 billion in EM CDS contract volume in the same quarter in 2013 (representing a 93% increase).

For a copy of EMTA’s First Quarter 2014 Debt Trading Volume Surveys, please contact Jonathan Murno at jmurno@emta.org.

EMTA Notifies Members of Warrant Payments

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

During the second quarter, 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 Hosted Panel on Argentine Case in Buenos Aires

This EMTA Special Seminar "Argentina: Way Forward" was held on August 20 in Buenos Aires continuing its series on Argentina in New York and London by exploring the way forward for Argentina, following developments in the US Courts, the expiration of the grace period for the Discount Bonds and ISDA'S determination that a Credit Event has occurred. The event, sponsored by TPCG Valores S.A., took place at the Four Seasons Hotel, followed by a cocktail reception. Additional support was provided by Skadden, Arps, Slate, Meagher & Flom.

Fernando Alvarez de la Viesca (TPCG Valores S.A.) moderated the panel, which included Mario Blejer (Banco Hipotecario S.A.), Joshua Rosner (Graham Fisher & Co.), Daniel Marx (Quantum Finanzas), Marco Schnabl (Skadden, Arps, Slate, Meagher & Flom LLP) and Guillermo Nielsen (Strategic Investments S.A.).

A summary of this meeting will be available in our next Bulletin.

UBS to Host EMTA Fall Forum on September 16th in New York

As the Northern hemisphere summer draws to a close, EMTA will once again be in high gear with a number of events. EMTA's first post-summer meeting will be its Fall Forum, hosted by UBS. This will be held on Tuesday, September 16, 2014, at 1285 Avenue of the Americas (at 51st Street) in New York City.

The event will include a panel of speakers moderated by UBS' Rafael de la Fuente. Joining de la Fuente on the podium will be Marco Santamaria (AllianceBernstein), Matias Silvani (JPMorgan Asset Management), Rashique Rahman (Morgan Stanley) and Javier Kulesz (Nomura).

Invitations have now been sent to EMTA members, who may attend at no cost. There is an attendance fee of $695 for employees of non-member firms. For more information, please contact Jonathan Murno of EMTA at jmurno@emta.org.

Standard Bank to Sponsor EMTA's Third Sub-Saharan African Forum in London

Standard Bank will host EMTA's Third Forum on Sub-Saharan Africa. The event will take place on Tuesday, September 23, 2014 at 20 Gresham Street, in London.

Stephen Bailey-Smith (Standard Bank) will lead a panel discussion on investment opportunities in the region. Additional speakers include Kevin Daly (Aberdeen Asset Management), Andreas Kolbe (Barclays), Mohammed Hanif (Insparo Asset Management) and Nema Ramkhelawan-Bhana (Rand Merchant Bank).

Invitations have been sent to EMTA members, who may still register for the event at www.emta.org. In addition to the panel discussion, the Forum event will also include a cocktail reception. Barclays and Rand Merchant Bank will be providing additional support for the event.

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

EM Corporate Bond Opportunities to be Debated at Annual New York Forum

Issuance trends, liquidity, potential defaults and investment opportunities will be the focus of EMTA's annual EM Corporate Bond Forum. BNP Paribas will host the event at The Marriott Marquis Hotel on 45th Street and Broadway, New York City, on Wednesday, October 1, 2014.

BNP Paribas' David Spegel will serve as the Forum's panel leader. In addition, at press time, confirmed speakers included Anne Milne (Bank of America Merrill Lynch), Jamie Nicholson (Credit Suisse), and Katherine Renfrew (TIAA-CREF). A cocktail reception will follow the discussion.

Attendance for EMTA members is complimentary. A registration fee of US$695 applies to non-members who wish to attend the event.

Please contact Jonathan Murno of EMTA at jmurno@emta.org for more information.

EMTA Forums in Asia

EMTA's Annual Forum in Singapore is scheduled for Tuesday, October 21, 2014 and will be held at the Fullerton Hotel in Singapore. The Forum in Singapore, to be held over luncheon, will feature a sell-side panel and an investor panel, each addressing local market investment themes.

EMTA's Annual Forum in Hong Kong is scheduled for Thursday, October 23, 2014 and will be held at the JW Marriott in Hong Kong. Also a lunchtime event, the Forum in Hong Kong will feature both sell-side and investor panelists addressing local market investment opportunities and risks.

ING Bank will sponsor both the Annual Forum in Singapore and the Annual Forum in Hong Kong. MarketAxess will provide additional support.

Registration information and details on speakers and the agendas will be available shortly on the EMTA website.

Sold-Out Charity Ball in London to Raise Funds for EM Health and Education Projects

The trustees of the annual industry charity benefit in London would like to thank the EM community for their strong support, as the event has sold out once again. This year's event will be held on Thursday, October 9, 2014, at the historic Brewery on Chiswell Street in central London.

For the eleventh consecutive year, MarketAxess will sponsor the Benefit with proceeds from its annual Charity Trading Day. MarketAxess' Annual Charity Trading Day has raised over US$800,000 for the annual New York and London Charity Balls since its inception in 2004.

Argentine broker TPCG will also continue its historical support of the ball.

The EM Ball London has distributed over GBP 3.25 million since 2004 to organizations working to improve health and education in emerging countries. Proceeds from the 2014 event will benefit:

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

The Ball is a black-tie event, featuring a champagne reception, a seated dinner, a wide assortment of entertainment and a live band. A live auction will also be held; check the EM ball website at www.emball.net for the list of available prizes.

For further information please contact Clare Turnbull of Nomura at clare.turnbull@nomura.com, or Jonathan Murno of EMTA at jmurno@emta.org.

Limited Tables Remain for Emerging Market Benefit in New York

Limited tables remain for the annual EM Charity Benefit (EMCB) which will be held on December 4, 2014 at The Park in New York's Chelsea neighborhood. Tables of ten are available for $12,500 if settled by November 1, and rise to $15,000 thereafter.

Last year the EM Charity event raised over $525,000 for six EM charities. The proceeds will be used, among other purposes, to provide health and education projects.

After reviewing a long list of candidates, and holding two meetings to discuss the applicants, the EMCB Planning Committee selected five charities as beneficiaries of the 2014 event. They are:

- **The Afya Foundation**, which collects, and delivers containers of donated medical and humanitarian supplies to health centers throughout Africa and the Caribbean. www.afyafoundation.org
- **Children of Peru Foundation**, which makes grants to organizations to provide better healthcare and education for disadvantaged children in Peru. www.childrenofperu.org
- **Care 2 Communities**, which saves lives by bringing sustainable primary health care to communities in the developing world. www.care2communities.org
- **Orphaned Starfish Foundation**, which works with orphans and disadvantaged children throughout Latin America and Ethiopia. www.orphanedstarfish.com
- **Pueblo a Pueblo**, which improves access to health, education and food security in rural coffee-growing communities of Guatemala. www.puebloapueblo.org

For the eleventh consecutive year, MarketAxess will sponsor the Benefit with proceeds from its annual Charity Trading Day. MarketAxess' Annual Charity Trading Day has raised over $800,000 for the annual New York and London Charity Balls since its inception in 2004.

EMCB also welcomes Sberbank as a new lead sponsor in 2014.

In addition to supporting the event via table purchases, the Committee welcomes donations of auction items. Tax-deductible contributions may also be made.

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

Membership Update

EMTA warmly welcomed three new members during the Third 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:

- **Absa Capital**
- **Balanz Capital**
- **Stone Milliner AG**

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.

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.

- "Argentina: The Coming Storm." August 1, 2014 - Joshua Rosner (GrahamFisher).
- "The Rules Changed Overnight; Downgrade Assured Guaranty and MBIA to Underweight." June 30, 2014 - Peter Troisi, Brian Monteleone and Thomas Walsh (Barclays).
- "Implications of Puerto Rico's Recovery Act." June 27, 2014 - Thomas Weyl, Sarah Xue and Ming Zhang (Barclays).

New Developments

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

August 25, 2014
- Republic of Argentina Untendered, Defaulted Noteholders Invited to Join Ad Hoc Group.

August 20, 2014
- Standard & Poor's Upgrades Ecuador's Long-Term Sovereign Credit Rating from B to B+.

August 18, 2014
- Holiday Schedule for EM Bond Trades for UK Summer Bank and US Labor Day Holidays.

August 15, 2014
- Russia Responds to Ukraine Sanctions with Ban on Certain Food Imports from the EU, USA, Canada, Australia and Norway - Cleary Gottlieb Steen & Hamilton Memorandum.

August 14, 2014
- OFAC Issues New Guidance on Entities Owned by Blocked Persons – Cleary Gottlieb Steen & Hamilton Memorandum.

August 13, 2014
- ISDA Determinations Committee Decision on Argentina Bonds; Auction Date of August 21, 2014.
- Sanctions Update - Cadwalader, Wickersham & Taft Memorandum.

August 11, 2014
- EMTA Forum on Sub-Saharan Africa in London to be Held on Tuesday, September 23, 2014.

August 8, 2014
- New Clarification on Market Practice Recommendation for Most Argentina Sovereign Bonds.
- Moody's Upgrades Angola's Government Bond Rating from Ba3 to Ba2.
- Sanctions Summary – Cadwalader, Wickersham & Taft Memorandum.

August 6, 2014
- Argentina Finance Ministry Statement to The Bank of New York.
- Argentina Finance Ministry Statement to Citibank (in Spanish).

August 4, 2014
- Ukraine-Related Sanctions – Sullivan & Cromwell Memorandum.

August 1, 2014
- Argentina Finance Ministry Statement (in Spanish).
- EU Imposes Wide-Ranging Sectoral Sanctions Against Russia – Cleary Gottlieb Steen & Hamilton Memorandum.
- Clarification on Market Practice Recommendation for Most Argentina Sovereign Bonds.
- EMTA Announces 2Q 2014 EM CDS Volume Stood at US$389 Billion.
- ISDA Determinations Committee Triggers Failure to Pay Credit Event.

Website (continued)

July 31, 2014
- Fitch Downgrades Argentina's Foreign Currency Issuer Default Rating from CC to RD (Restricted Default).
- Sanctions Summary – Cadwalader, Wickersham & Taft Memorandum.
- Market Practice Recommendation for Most Argentina Sovereign Bonds.
- Moody's Changes Argentina's Outlook to Negative.

July 30, 2014
- Sanctions Summary – Cadwalader, Wickersham & Taft Memorandum.
- Standard & Poor's Downgrades Argentina's Long-Term Foreign Currency Sovereign Credit Rating from CCC- to SD (Select Default).

July 29, 2014
- Sanction Update – Cadwalader, Wickersham & Taft Memorandum.
- Moody's Upgrades Vietnam's Government Bond Rating from B2 to B1.

July 28, 2014
- Moody's Upgrades Colombia's Government Bond Rating from Baa3 to Baa2.
- The Foreign Exchange Committee released the results of its twentieth Survey of North American Foreign Exchange Volume. The announcement to this survey can be found on the Foreign Exchange Committee's website at http://newyorkfed.org/fxc/. Results of this survey, together with the list of reporting dealers and explanatory notes, are available online at www.newyorkfed.org/fxc/volumesurvey.

July 25, 2014
- Ukraine-Related Sanctions – Sullivan & Cromwell Memorandum.
- Ukraine-Related Developments – Cadwalader, Wickersham & Taft Memorandum.
- Fitch Upgrades Rwanda's Long-Term Foreign Currency Issuer Default Ratings from B to B+.
- EMTA Special Seminar: Argentina: Way Forward to be Held in Buenos Aires on August 20, 2014.

July 21, 2014
- EMTA publishes New and Updated FX Documentation for Trading the Ghanaian Cedi, Kenyan Shilling and Zambian Kwacha.

July 17, 2014
- U.S. Significantly Expands Ukraine-Related Sanctions; Europe Announces New Measures – Cadwalader, Wickersham & Taft Memorandum.
- Additional US and EU Sanctions Imposed on Russia and the Russian Government Reaction – Dechert Memorandum.
- Moody's Downgrades Mongolia's Foreign-Currency Government Bond Rating from B1 to B2.
- Ukraine-Related Sanctions – Cleary Gottlieb Memorandum.

July 17, 2014
- Moody's Downgrades Mongolia's Foreign-Currency Government Bond Rating from B1 to B2.
- Ukraine-Related Sanctions – Cleary Gottlieb Memorandum.

July 16, 2014
- OFAC Russia Sanctions, FAQ, OFAC General License and Draft EU Conclusions.

July 10, 2014
- EMTA Issues FX and Currency Derivatives Market Practice for BRL/USD NDF and NDO Transactions and Valuation Dates Falling on the "Last Weekday of the Year" dated July 10, 2014.
- EMTA Special Seminar: Assessing Public Debt Sustainability to be Held in NYC on July 10, 2014.
  - Agenda
  - PowerPoint

July 8, 2014
- Moody's Assigns Cote d'Ivoire a Foreign-Currency Issuer Rating of B1.

July 2, 2014
- Moody's Places Argentina's Caa2 Foreign-Legislation Debt on Review, Direction Uncertain.
- Moody's Upgrades Peru's Sovereign Rating from Baa2 to A3.

June 24, 2014
- EMTA Special Seminar: Argentina: Post U.S. Supreme Court Review to be Held in London on July 9, 2014.
- Sovereign *Pari Passu* Clauses: NML Capital 2, Argentina 0 - Clifford Chance Memorandum.

June 23, 2014
- Russia Sanctions Update – Cadwalader, Wickersham & Taft Memorandum.
- Canada Imposes Sanctions on Ukrainian and Russian Individuals – Cadwalader, Wickersham & Taft Memorandum.
- EMTA Special Seminar: Russia/Ukraine: An Update
  - Agenda
  - Trusted Sources Research
  - Arnab Das PowerPoint
  - John Reynolds PowerPoint
  - Laura Brank PowerPoint

June 30, 2014
- Argentina Finance Ministry Statement (in Spanish).
- Emerging Markets Charity Benefit to be Held in New York on Thursday, December 4, 2014.

June 27, 2014
- Griesa Transcript. Additional Legal Documents can be Found in EMTA's Litigation Section.
- Moody's Downgrades Ghana's Sovereign Rating from B1 to B2.
- ICMA Sovereign Bond Consultation Paper Supplement.
- Press Statement from the Republic of Argentina to Court Order to Bank of New York to Return Payment (in Spanish).

June 26, 2014
- Argentine Economy Minister Kiciloff Statement (in Spanish).

Website (continued)

June 25, 2014

- Calculations for Payments on Uruguay VRR's Announced.
- U.S. Supreme Court Rules that Sovereign States Are Not Immune from U.S. Court Discovery into their Worldwide Assets – Clifford Chance Memorandum.

June 18, 2014

- Southern District Court Transcript in NML Capital v. Argentina.
- Press Statement from the Republic of Argentina in Response to Second Circuit Court of Appeals Order (in Spanish).
- EMTA Special Seminar: Puerto Rico: Crisis and Opportunity to be Held in NYC on June 25, 2014
- EMTA Announces 1Q 2014 EM Debt Trading Ticks Up to US$1.589 Trillion.
- Holiday Schedule for EM Bond Trades for US Independence Day Holiday.

June 17, 2014

- EM Benefit to Be Held in London on October 9, 2014.
- Standard & Poor's Downgrades Argentina's Long-Term Foreign Currency Rating from CCC+ to CCC-.

June 16, 2014

- Supreme Court Decision in NML Capital, et al v. Argentina (Discovery Case) and Denial of Argentina's Cert Petition.
- U.S. Supreme Court Rejects Limits on Post-Judgment Discovery Into Foreign States' Assets – Sullivan & Cromwell Memorandum.

June 13, 2014

- Standard & Poor's Downgrades South Africa's Long-Term Foreign Currency Sovereign Credit Rating from BBB to BBB-.
- Moody's Upgrades Latvia's Government Bond Rating from Baa2 to Baa1.

June 9, 2014

- EMTA Issues its Recommended FX and Currency Derivatives Market Practice No. 72 recommending a change effective June 30, 2014 in the Primary Settlement Rate Option for ARS Non-Deliverable FX Forward and Currency Option Transactions.
- EMTA's Second Quarter Bulletin is Now Available in our Bulletin Section.

June 6, 2014

- EMTA Special Seminar: Argentina: Update on Its Prospects for Supreme Court Review to be Held in NYC on June 19, 2014.
- EMTA Special Seminar: Russia/Ukraine: An Update to be Held in NYC on June 23, 2014.

June 3, 2014

- EMTA Special Seminar: Assessing Public Debt Sustainability to be Held in NYC on July 10, 2014.

June 2, 2014

- Moody's Downgrades Barbados' Government Bond Rating from Ba3 to B3 (three notches).

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

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

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

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

Website (continued)

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

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

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

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

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

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

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Africa	Jonathan Murno/Leslie Payton Jacobs	(646) 289-5413/(301) 838-4552
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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
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/Board/Policy	Michael Chamberlin	(646) 289-5410
EMTA Membership	Jonathan Murno/Suzette Ortiz	(646) 289-5413/5414
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
Netting Facilities	Aviva Werner	(646) 289-5412
OFAC Sanctions	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).

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Nadine Simonelli	nsimonelli@emta.org
Aviva Werner	awerner@emta.org

EMTA Calendar 3rd Quarter 2014

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
Wed., July 9	**EMTA Special Seminar: Argentina: Post U.S. Supreme Court Review (London)** **Sponsored by Puente** **Hosted by Allen & Overy** **One Bishops Square**
Thurs., July 10	**EMTA Special Seminar on Assessing Public Debt Sustainability (NYC)** **360 Madison Avenue, 17th Floor** **(on 45th St. between Madison and 5th Aves.)**
Wed., August 20	**EMTA Special Seminar: Argentina: Way Forward (Buenos Aires)** **Hosted by TPCG Valores S.A.** **The Four Seasons Hotel** **Posadas 1086/88**
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
Tues., Sept. 16	**Fall Forum (NYC)** **Hosted by UBS** **1285 Avenue of the amiercas (at 51st Street), 14th Floor**
Tues., Sept. 23	**EMTA Forum on Sub-Saharan Africa (London)** **Hosted by Standard Bank** **Gibson Hall** **13 Bishopsgate**
Wed., Oct. 1	**Corporate Bond Forum (NYC)** **The Marriott Marquis Hotel** **(on 45th Street and Broadway)**
Thurs, Oct. 9	**Emerging Markets Benefit London** **Brewery on Chiswell Street** **Central London**
Mon., Oct. 13	Recommended Market Close (NYC) Columbus Day Recommended 12:00 Noon (London) Early Market Close
Tues., Oct. 21	**EMTA Forum in Singapore** **Hosted by ING Bank** **The Fullerton Hotel**
Thurs., Oct. 23	**EMTA Forum in Hong Kong** **Hosted by ING Bank** **JW Marriott**

Calendar (continued)

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)** **The Park** **118 Tenth Avenue**
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)