E M T A

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EMTA's 25th Year - A Look Back to:

EMTA's Beginnings

by Bruce Wolfson,
General Counsel of Jaguar Growth Partners
and Former EMTA Director

[EMTA was formally incorporated in December 1990. To help mark EMTA's 25th anniversary, EMTA's Bulletin is featuring a series reprinting articles on the early periods of EMTA's history. This issue contains Bruce Wolfson's nearly 'prehistoric' recollections of the informal meetings in the late 1980's that eventually led a group of leading Emerging Markets (then LDC!) debt traders to establish an industry trade association.

(continued on page 3)

Russia and Ukraine Seminars Highlight Challenges Ahead to Regain Investor Confidence

Recent events involving Russia and Ukraine present a unique challenge to policymakers and to Emerging Markets investors. The EMTA Special Seminar held on February 11, 2015 at EMTA's offices in NYC provided a timely update and covered the Russian economics outlook, liquidity, oil pricing and the ratings downgrade and sanctions, as well as the Ukraine situation.

A similar panel, moderated by Andreas Kolbe (Barclays), with the following panelists -– Stanislav Gelfer (BlueBay Asset Management), Neil MacKenzie (BlueCrest Capital Management), Anna Shamina (JP Morgan Asset Management), Kaan Nazli (Neuberger Berman) and Jamie Boucher (Skadden, Arps, Slate, Meagher & Flom LLP) -– will be held on March 26, 2015 in Skadden Arps' London office, will also address the prospects for Ukraine following its recent IMF Agreement.

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Trade Association for the Emerging Markets

EMTA Board Meeting

EMTA's Board of Directors held its first formal meeting of 2015 by telephone conference call on Thursday, March 5.

Giving effect to the annual election of Board officers and some routine changes by several firms, EMTA's Board of Directors for 2015 is currently as follows:

Co-Chairs

Mark L. Coombs (Ashmore Investment Management) Robert H. Milam (J.P. Morgan Chase)

Vice Chairs

Brian Weinstein (Bank of America/Merrill Lynch) Alberto Agrest (Citigroup)
Marcel Naime (Deutsche Bank) Ricardo Mora (Goldman Sachs)
Dean Menegas (Spinnaker Capital) Mohammed Grimeh (Standard Chartered Bank)

Other Board Members

Matthew Clinton (Barclays)
Alex Garrard (BTG Pactual Asset Management)
John Carlson (Fidelity Investments)
Tom Cooper (GMO)
Eduardo Ikuno (Itau Unibanco)
Sandy White (MarketAxess)
Sara Zervos (OppenheimerFunds)
Garth Appelt (UBS)
David Spegel (BNP Paribas)
Kasper Bartholdy (Credit Suisse)
Liew Tzu Mi (GIC Private Limited)
Mehmet Mazi (HSBC Bank)
Peter Marber (Loomis Sayles)
TBD (Morgan Stanley)
Mark Fox (Standard Bank)
Keith J. Gardner (Western Asset Management)

Reviewing EMTA's financial results for 2014, EMTA CEO and Executive Director Michael Chamberlin explained that EMTA's 2014 financial results came out ahead of budget, largely as a result of strong membership dues and Events revenues. Against a budgeted Surplus of $75,000-$130,000, EMTA turned in an Operating Surplus for 2014 of about $244,000. Consistent with promoting market transparency, integration of the EM markets into the global marketplace and promoting the EM asset class, EMTA sponsored 31 forums or other presentations during 2014 (compared with 25 in 2013 and 19 in 2012), which together generated net revenues of about $246,000 (not allowing for any allocation of staff time). Most notably, new investor forums were successfully initiated in Boston, LA, Zurich and Frankfurt. EMTA's on-going work in the FX derivatives area continued to be very active in setting market standards, adapting legal documentation for various EM currencies and transitioning rate-setting methodologies and administrative responsibilities. Activity in the Fixed Income area increased somewhat from 2013 and included market developments regarding the trading and settlement of Argentina bonds, Russian sanctions and the move to T+2 settlement.

EMTA's budget for 2015 shows a projected Operating Surplus of about $139,000, but is subject to some uncertainties regarding a new local market initiative and possible legal expenses relating to on-going investigations in the FX derivatives area.

The Board also reviewed developments in the FX derivatives area (including possible changes in rate-setting methodologies for the Russian Ruble and certain fallback surveys (see page 6)), gave its formal approval to the establishment of an EMTA Argentine Advisory Council (see page 7) and discussed the Emerging Markets NYC Benefit (scheduled for December 3) and a new local markets initiative.

EMTA's 25th Year (continued)

Bruce has been a leading EM lawyer and aficionado since the early 1980's, chaired EMTA's first Documentation Committee and has served as an EMTA Director on behalf of several firms off and on since 1994. These recollections of EMTA's beginnings were first published in 2000, when Bruce was a Senior Managing Director at Bear Stearns.]

Not long after the first restructurings for Latin American debt were agreed in December 1982, the first loan trades were consummated. At first, the trades were for the limited purpose of allowing lenders to reallocate their portfolios of sovereign credits. Trades (called 'ratio' or 'cocktail' swaps) were structured as exchanges of assets, avoiding any mention of prices that might force the parties to adjust the value of billions of dollars of similar credits still on their books.

A few years later, provisions allowing creditors to exchange sovereign debt for equity or other assets were introduced into the new restructuring agreements. This brought added impetus to the trading markets, as prospective investors became purchasers of restructured debt. Financial institutions representing such investors often accumulated debt to be used in debt/equity and other swaps.

The restructuring process continued in Latin America throughout the 1980's and then spread to other Emerging Markets around the world. The first round of restructuring was succeeded by others, vastly increasing the supply of tradable loans. When Citibank established a significant reserve against its LDC debt in the spring of 1987, most other major lenders followed. Sales for cash by some lenders to generate tax losses occurred in late 1987, and throughout 1988 the cash market further developed. Loan trading volumes soared, heralding the creation of a new trading asset class and bringing considerable attention to this young industry.

Unfortunately, not all of the attention was favorable. Press coverage of the trading industry (as well as coverage of bank debt negotiations) was somewhat hostile, and market rumors abounded. Banking regulators had begun to express their concerns that sovereign loan trading resembled a 'Wild West Show'.

As book values of loans became more realistic, it became harder to get commercial banks to make the new money loans required under the Baker Plan. At the same time, public concerns were growing about the ability of sovereign borrowers to repay loans, and about the cost to the countries of doing so. Mexico's Aztec Bonds in 1988 represented one of the early efforts by a debtor country to 'capture the discount' that the trading markets had made plain to all.

Against this backdrop, U.S. Treasury Secretary Nicholas Brady delivered an address at Bretton Woods in March 1989 proposing partial forgiveness of LDC debt in exchange for collateralized instruments that would be easier to trade. Mexico's negotiations began the next month, resulting in a deal by July and a term sheet in September. The deal was set to close in March 1990.

There were many significant aspects of the so-called "Brady Plan". Principal maturities were to be extended to thirty years. Debt relief was provided by means of a reduction in principal (in the case of Mexico, by 35%) or interest (in Mexico's case, to 6.25% fixed). The U.S. Treasury sold borrowers zero-coupon bonds to be used as principal collateral. Interest was to be partially collateralized as well. Oil warrants, called Value Recovery Rights, were issued to Mexico's creditors, and Venezuela, Uruguay, Nigeria and Costa Rica issued similar instruments. Perhaps most importantly for purposes of this article, loans were to be exchanged for bonds in a variety of series and currencies, all of which were designed to be instruments capable of trading freely in the secondary markets.

EMTA's 25th Year (continued)

From the term sheet, Brady Bonds looked like they would be complicated trading instruments, and the trading community pondered the approaching deadline for their creation. For years, Emerging Markets trading desks had devoted enormous amounts of time and money to preparing, negotiating and executing loan trading documentation on a trade-by-trade basis. Although a small group of commercial banks had worked out confirmation forms for the Aztec Bonds, there were no other standard documents or market practices, and loan trades routinely took weeks to settle. Most of the major players were commercial banks or former commercial bankers with just enough experience in bond trading to know that individually negotiated documentation and delayed settlements would not work for Brady Bonds.

A few traders had long harbored hopes of creating a trade association to bring greater efficiency and transparency to the markets. The advent of the Brady Plan, along with the added regulatory focus on the growing loan trading business, made the moment ripe. One afternoon in late 1989, Peter Geraghty, then head of the LDC debt trading business at NMB, invited a few of his colleagues around the Street to discuss procedures for trading Brady Bonds.

The urgent need to develop standard documents for trading Brady Bonds was recognized by all, but most firms were hesitant to confer any authority to enforce their use or define market practices. As the meeting adjourned, a small group of lawyers was formed to prepare draft confirmations, but no decision to form a trade association was taken.

In the weeks and months that followed, Peter Geraghty continued to lobby his colleagues to form a trade association to bring greater order and efficiency to the markets. Nick Rohatyn of JP Morgan argued that industry standards had to be above reproach and that such an association could address concerns of regulators that LDC loan trading was in need of increased regulation. As the effort to create standard bond confirmations proceeded, the firms seemed to grow more comfortable with the idea of working together under the auspices of a trade association. In due course, trade confirmation forms for Mexico's Brady Bonds were completed and put into use.

The first issuance of Brady Bonds [March 1990] gave further fuel to the market's growth and development. Before long, the first broker's screens were introduced. If LDC debt trading was still a club, its membership was growing.

As interest in a trade association grew, many of the fears remained. There was widespread agreement on the wisdom of developing standard documentation that counterparties could use to facilitate settlement. There was also significant support for publishing standard market practices that would govern all trades unless the parties otherwise agreed. On the other hand, there was no appetite for a self-regulatory organization. Participation in the new trade group, provisionally called the LDC Debt Traders Association, was to be wholly voluntary. There was to be no authority to require members to use standard documents or to follow published market practices. The Association was to act only on matters as to which a broad consensus could be reached.

Thus, the decision was made to form the association that is today the Emerging Markets Traders Association. The eleven original Directors, which included a number of the traders who had attended the early Aztec and Brady Bond meetings, were Rick Haller of Morgan Grenfell, Kathy Galbraith of The Chase Manhattan Bank, Nick

EMTA's 25th Year (continued)

Rohatyn of JP Morgan, Peter Geraghty of NMB, Alex Rodzianko of Manufacturers Hanover, Peter Drittel of Bear, Stearns, Manuel Mejia-Aoun of Merrill Lynch, Steve Dizard of Salomon Brothers, Hugo Verdegaal of Citibank, Neil Allen of Bankers Trust, and Robert Trisciuzzi of Bank of Tokyo. Nick Rohatyn served as the first Chair and later contributed EMTA's first offices and Executive Director — Tom Winslade, a JP Morgan attorney, who was seconded to EMTA full-time from June 1992 through 1993. Following a 'beauty contest', Michael Chamberlin of Shearman & Sterling was named outside legal counsel in late 1990 and was charged with incorporating the Association.

In December 1990, the LDC Debt Traders Association was formally incorporated. What began the 1980's as a few heavily negotiated asset swaps greeted the 1990's as a major industry. The subsequent years have been challenging for EMTA, and for the business it represents. But through the many highs and lows, there can be little doubt that the efforts of those who met in that conference room at NMB just over a decade ago have contributed more to the stability and transparency of the Emerging Markets than even they could have imagined.

A postscript: Sadly, Peter Geraghty passed away in 2011, but he is fondly remembered by everyone in EM trading and investment who knew him. Please see his EMTA memorial here.

FX Currency & Derivatives

EMTA Indicative Surveys – Time for a Change?

An EMTA Working Group has been constituted to review the EMTA Indicative FX Rate Surveys (which, if activated, would provide back-up FX rates for 11 currencies, including the Argentine Peso, Brazilian Real, Chilean Peso, Colombian Peso, Peruvian New Sol, Egyptian Pound, Ghanaian Cedi, Kazakhstan Tenge, Nigerian Naira, Russian Ruble and Ukrainian Hryvnia). The effort is, at least initially, aimed at all currencies and seeks to address the issue of whether, following the substantial changes in the regulatory landscape for foreign exchange and the trickle-down effect of those changes, any changes in these carefully crafted disruption fallback methodologies are desired.

EMTA has been in touch with the Singapore Foreign Exchange Market Committee regarding this issue and will seek ongoing coordination with such Committee.

The CME-EMTA Russian Ruble Reference Rate – Next Steps?

The EMTA Ruble Traders Working Group recently has been meeting with regularity to address the topic of the CME EMTA Russian Ruble Reference Rate Survey (the "Survey") as the primary settlement rate option currently recommended by EMTA for the valuation of Ruble Dollar Non-Deliverable Forward FX Transactions. The Survey, developed and instituted in 1998 following the suspension by MICEX of its fixing rate in connection with the Russian financial crisis at that time, is derived from a poll of onshore banks that deal spot in the Moscow marketplace. The Working Group is investigating and analyzing possible alternatives to the Survey as the primary rate source option for these contracts and has been investigating all possible alternatives with a view to ensuring continuity and minimizing the potential for market disruption should a transition be recommended.

Trading Hours for FX Options

Progress continues on the work EMTA is doing to develop industry consensus around standardization of observation hours for barrier options. A working group is engaged in reviewing exactly which products (barrier, binary) and which currencies should be included, the proposed hours for observation and in identifying what additional information it might be useful to cover in this exercise.

EMTA Members wishing to weigh in on the project should contact Leslie Payton Jacobs (lpjacobs@emta.org).

EMTA Advisory Council for Argentina

The EMTA Board of Directors has given its formal approval to the creation of an EMTA Advisory Council for Argentina, which will be organized in the next month and then begin the process of establishing standing rules and developing its initial agenda. Juan Pablo Werner (JP Morgan Buenos Aires) has been asked by the EMTA Board to be the initial chair to oversee the formation of the Council. An organizational meeting of the Council is being planned to coincide with the EMTA Forum in Buenos Aires on April 16, 2015.

The Council will report to the EMTA Board and advise it 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 at lpjacobs@emta.org for more information.

EMTA Notifies Members of Warrant Payments

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

During the fourth quarter, EMTA notified its Members of the 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 Survey: 2014 Annual Emerging Markets Debt Trading At US$5.922 Trillion

Volumes Down 8% in Fourth Quarter

Turnover in local markets instruments stood at US$3.558 trillion in 2014, accounting for 60% of total reported volume. This compares to US$3.654 trillion in 2013, a 3% decrease. On a quarterly basis, participants reported US$688 billion in local debt volumes in the fourth quarter, down 20% vs. US$857 billion in the fourth quarter of 2013 and down 19% compared to US$852 billion in the third quarter.

Mexican instruments were the most frequently traded local markets debt in 2014, at US$810 billion. Other frequently-traded local instruments were those from Brazil (US$432 billion), India (US$364 billion), South Africa (US$267 billion) and Singapore (US$198 billion).

Eurobond Volumes at US$2.344 Trillion

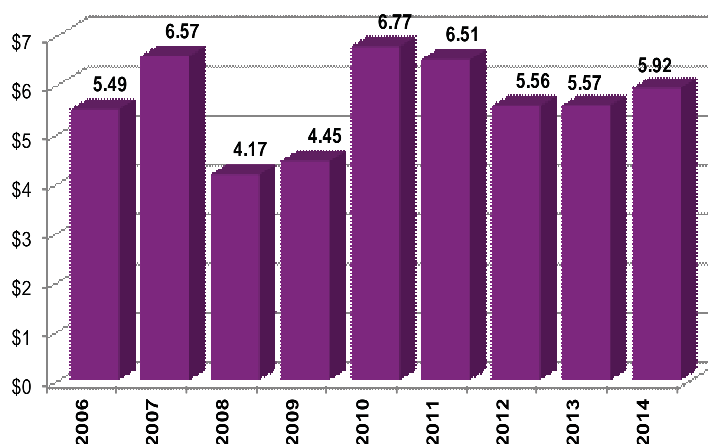
Eurobond trading stood at US$2.344 trillion in 2014, a 24% increase on 2013's US$1.890 trillion. On a quarterly basis, Eurobond trading stood at US$519 billion in the fourth quarter, up 13% from US$458 billion in the fourth quarter of 2013, while down 13% from US$597 billion in the third quarter.

49% of Eurobond activity involved sovereign debt issues in 2014, with Survey participants reporting US$1.145 trillion in sovereign Eurobond turnover. This compares to a 56% share of Eurobond activity in the previous year, when such volumes stood at US$1.073 trillion.

Corporate Eurobond trading stood at US$1.104 trillion in 2014, accounting for 47% of total Eurobond activity (compared to 41% in 2013). Sovereign Eurobond activity accounted for just over 19% of overall Survey volumes, with corporate trading at just under 19% of total turnover.

The most frequently traded individual EM Eurobonds in 2014 included Russia's 2030 bond (US$83 billion in annual turnover), Argentina's US$ Discount bond (US$23 billion), and its US$ Par bond (US$19 billion), Brazil's 2025 bond (US$17 billion) and Ukraine's 2017 bond (US$12 billion).

Figures in Millions of US Dollars



Debt Survey (continued)

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$17 billion in warrant and option trades during the year, US$1 billion in loan assignments and US$1 billion in Brady bond trades. These categories combined represented less than one percent of total volume.

Mexican, Brazilian and Russian Instruments Most Frequently Traded

Mexican instruments were the most frequently traded instruments overall according to Survey participants, with US$983 billion in turnover. This compares with US$749 billion in 2013 (a 31% increase). Mexican volumes accounted for 17% of total Survey trading, compared to 13% in the previous year.

Brazilian instruments were the second most frequently traded instruments in the EMTA report, at US$682 billion, according to Survey participants. This represents a 24% decrease on the US$902 billion reported in 2013. Brazilian volumes accounted for 12% of total reported volume (down from 16% in 2013).

Third were Russian assets, at US$452 billion in turnover. This compares to US$499 billion in 2013, a 9% decrease. Russian instrument trading accounted for 8% of Survey volume.

Other frequently traded instruments were securities from India (US$411 billion) and South Africa (US$326 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.

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

EMTA Survey: Emerging Markets CDS Trades At US$1.560 Trillion In 2014

Reported Annual Volumes Up 46% Compared to 2013

Emerging Markets CDS trading stood at US$1.56 trillion in 2014, according to a Survey of 13 major dealers released on February 5, 2015 EMTA. This represents a 46% increase in volume compared to reported transactions in 2013.

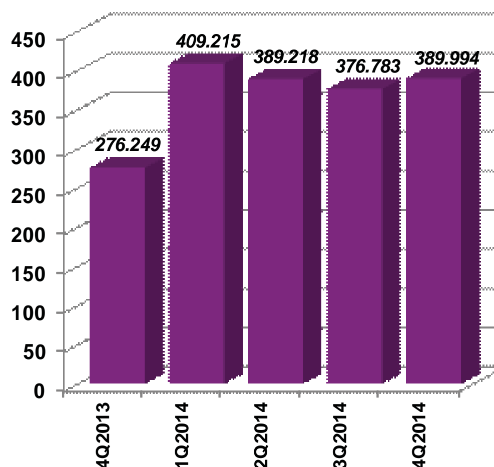
EMTA CDS Survey participants reported trading US$385 billion in the fourth quarter of 2014. This compares to US$276 billion in reported Emerging Markets CDS contract volume in the same quarter in 2013 (a 39% increase) and up 2% compared to the US$377 billion reported to EMTA in the third quarter of 2014.

The largest CDS volumes in the Survey during the quarter were those on Brazil, at US$68 billion. EMTA Survey participants also reported US$47 billion in Russian CDS (representing a 112% increase on fourth quarter 2013 volumes, although down 30% compared with third quarter 2014 volumes). Turkish and Mexican volumes followed at US$36 billion each.

The Survey also included volumes on nine corporate CDS contracts, with the highest reported quarterly volume on Petrobras (US$6 billion, more than tripling the volume reported in the same quarter last year). Participants also reported US$4 billion in Gazprom contracts and over $2 billion in Pemex CDS.

For a copy of EMTA's Fourth 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



Joint IIF, ICMA and EMTA Meetings in London and NYC Discuss Pro's and Con's of Engagement Clauses

In response to ICMA's New Sovereign Debt Contract Reforms, joint roundtable meetings of the Institute of International Finance (IIF), the International Capital Market Association (ICMA) and EMTA were held on February 5 at Clifford Chance's offices in London and on March 2, 2015 at EMTA's offices in NYC.

The ICMA sovereign debt contract reforms, including model aggregated collective action, *pari passu* and creditor engagement clauses for inclusion in new sovereign bond contracts, were released in August 2014. They were endorsed by the IIF, and welcomed by many authorities and commentators as a means of facilitating collective action and avoiding restructuring disruptions. Although a number of sovereign borrowers have adopted the new provisions, some aspects relating to creditor engagement have met with resistance and/or indifference.

At these joint IIF, ICMA and EMTA meetings, buy-side market participants, along with leading capital markets and legal professionals, have examined the pro's and con's of including creditor engagement provisions in EM sovereign bond contracts.

The March 2 panel, moderated by Hans Humes (Greylock Capital Management), included Charles Blitzer (Blitzer Consulting), Lee Buchheit (Cleary, Gottlieb, Steen & Hamilton), Hung Tran (IIF) and Aaron Kim (PIMCO).

A further EMTA panel on April 13 will endeavor to summarize these proposals and the private sector's trading and investment community's reactions to them, and then articulate a sensible path forward. A Washington, DC panel on April 19 is also being organized by IIF to coincide with the upcoming joint IMF/World Bank meetings in April.

EMTA has hosted similar events on the international financial architecture of EM sovereign debt restructurings in NYC, London and Washington, DC in 2013 and 2014.

March 2 Panel Summary

Michael Chamberlin, EMTA's Executive Director, in his opening remarks clarified that, because of EMTA's diverse constituency, EMTA's role was not to come out either for or against the engagement clause per se, but rather to provide a forum where the pro's and con's of these type of clauses were understood, vetted and thoroughly discussed. Generally speaking, in times of trouble, creditors are likely to gather, work through their differences with one another and the issuer and find a common path forward. That is as it should be, regardless of whether it is required contractually. The real questions are: Does a contractually mandated engagement clause bring value to the marketplace? If so, how should such a clause be worded? How can inclusion of a generally acceptable engagement clause be encouraged?

Aaron Kim (PIMCO) stated that typically the threshold was 10% for bondholders to request a meeting and that the engagement clause seemed to have been "laser-like removed" from indentures that adopted revised *pari passu* and CAC clauses that ICMA recommended. He also noted that the ICMA-recommended single limb CAC clause was modified in the recent Mexico indenture to delete the notion that the same terms would apply across all series of bonds, thus enabling the issuer to adopt whatever exchange rate it desired and/or, as Charles Blitzer (Blitzer Consulting) noted, collude against some creditors. If Chile and Panama were to follow Mexico's example, that would, in Blitzer's estimation, gut the checks and balances embedded in the ICMA clauses. Lee Buchheit (Cleary, Gottlieb, Steen & Hamilton) responded that it's likely that there's nothing sinister about the Mexico documents, and that exclusion of "same terms" language was probably unintentional and likely to be fixed.

Joint IIF, ICMA and EMTA Meetings (continued)

Buchheit provided some background on the formation of committees from the Corporation of Foreign Bondholders of the late 1900's to the 1933 Foreign Bondholders Protective Council to the 1980's Bank Advisory Committees (BAC's) and Bank Steering Committees, where the 10-12 banks with the largest credit exposure provided a communications link with issuers, didn't admit any fiduciary duty to other note/bondholders and negotiated approximately 24 issuers' debt agreements. The committees' "fatal flaw" was that all terms be unanimously agreed. While this didn't matter in the early days when like-minded creditors were part of the committee and moral suasion was used because of peer or regulatory pressure, the need for unanimity was impracticable given the differences in size and geography of the diverse creditors.

Buchheit noted that, as time progressed, the banks became even more disparate in interests and two practices grew: either a committee would be formed to discuss terms with the issuer or the issuer's financial advisors would consult with market participants to assess the market's expectations. He claimed that issuers didn't want a big holdout problem (especially in a CAC environment), and that in recent years issuers were consulting with creditor committees more regularly. Such committees were useful and their principal virtue from the issuers' standpoint is the "good housekeeping seal of approval" of creditors who have vetted and stress-tested the restructuring proposals. Once engaged with a committee, however, it is difficult for the issuer to disengage even if the process bogs down. An issuer with a diverse debt stock (bonds, loans, trade credits, etc.) cannot in practice attempt to negotiate with each group. And, finally, with more investors mark-to-marking their positions, their instinct is not to form committees too early in the process, but their community of interests dictates a resolution and return of value. Hans Humes (Greylock Capital Management) countered that issuers are more likely to be slow to admit a potential problem.

Humes noted that the balance of power was shifting to creditors (due to the Argentine litigation), and that the latest ICMA-recommended *pari passu*, CAC and engagement clauses were also part of that mix. He stated that creditors could band together, and this worked even in the complicated Argentine restructuring. Creditors need to be heard and should participate in the restructuring process (albeit primary bondholders may not be as attune as they should be to what is covered by the documents they are signing).

Blitzer provided a spreadsheet of 16 recent restructurings, 12 of which used committees successfully (with a 98.5% success rate), where issuers were engaged and worked in good faith to reach a quick resolution (with the notable Argentine exception). Of the remaining 4 issuers, Dominican Republic was still a successful restructuring without a committee and Dominica was very difficult to restructure and had a low participation rate. He stated that the evidence was clear – committees work, are widely recognized, don't ask for more than appropriate, are a way to overcome collection action problems and are part of the ICMA-recommended clauses, which should be taken as a whole (a "win/win"). They add integrity into the process and build investor confidence.

Hung Tran (IIF) stated that creditors' rights have been further weakened by omitting the engagement clause, which contributes to orderly, timely and swift restructurings, while preserving value. While some may think engagement clauses are not necessary, Tran posits that clear ground rules understood by all, which provide for a minimum of 25% of creditors to form committees, are required for an orderly process. Issuers and creditors must engage with one another, and not just through financial advisors. Committees are more efficient and should pool resources to engage with issuers and the IMF. Moreover, committees can provide analyses of an issuer, crystallize the private sector view and provide for bondholder protection.

Joint IIF, ICMA and EMTA Meetings (continued)

In response to questions regarding the problems for issuers of no-capped fees and fees not determinable in advance, Tran suggested that those items can be worked out. What is imperative is that creditors have input into the restructuring process, and issuers should not have veto power over the formation of committees. The market for sovereign claims is unenforceable, and the nuisance value of litigation seems to be creditors' only leverage. With CACs shrinking the power of creditors, a needed balancing tool, such as engagement clauses, is warranted. Why there is such resistance to regular consultation with creditor committees and inclusion of these clauses is troubling.

Buchheit agreed that committees may be useful, but not always, and cited the 2005-6 Iraq restructuring (the largest before Greece), which had a very diverse group of creditors. Multiple committees were formed, each wanting preferential treatment. Times have changed, so winning at least 75% acceptance is essential, and issuers will engage with committees if it makes sense to do so. Blitzer countered that typical minimum thresholds have been below 75%, and that typical participation is 98% with committees and 80% without committees. Humes suggested that Argentina could have had 95% participation and should have tweaked the GDP warrants, but instead chose not to listen to its creditors.

Blitzer responded that Iraq was totally irrelevant, there were indeed no competing, fractious committees, and that a presumptive engagement clause in the documents was a sign of good faith by issuers. Also, a committee can be formed even before a default (i.e., Uruguay). The suggested clause states that a committee be formed if the issuer announces its intent to restructure its debt. Having one "super-aggregated" committee will aid issuers in not having to contend with multiple factions. Committees would provide fair and sensible restructuring terms to preserve creditors' value.

Tim DeSieno (Morgan, Lewis & Bockius) from the audience suggested that the worry was not so much about issuers, but rather the official sector who may not want to deal with another body, such as creditors' committees, ex-ante. Buchheit pointed out that the IMF's lending in arrears program was available only to those sovereigns that acted in good faith negotiations with its creditors, so the protection already exists without the need for actual committees to be hard-coded into the documents. There have been successful restructurings without committees because issuers are under the same pressures.

Chamberlin questioned the expectations for engagement and whether the ICMA clauses are having any effect on pricing of deals. Tran responded that the 2004 Guiding Principles for Fair Capital Flows provided an expectation that issuers act promptly and on a timely basis to get private sector input. The 2006 Principles Addendum reinforced this notion by developing steps to engage a creditor's committee. He noted that Clifford Chance found that, with 48 recent sovereign bond issuances under NY and UK law, 42% of them had engagement clauses.

Humes noted that more people were starting to pay more attention and financial advisors who just want to get a deal done and collect their fees was not the solution; the most obvious solution to the problem of stripped creditors' rights was the formation of creditors' committees. Blitzer stated that, with the possibility of gaming the system and the complexity of negotiations, standardization of an engagement clause (and possibly other clauses as well) was the better approach.

Russia / Ukraine (continued)

In the first panel in NYC, Yury Tulinov (Rosbank Russia), as the moderator, provided a summary of the elements of the perfect storm that has led to the current situation in Russia - low oil prices, virtually closed capital markets and high domestic interest rates. Recession for 2015 looks almost unavoidable (-3% to -5%). Consumption dynamics are weak, due to rising and steadily high inflation in the last few months (15.6% as of early February 2015) with wages that haven't caught up and banks tightening the lending standards. Investments will be pressured this year due to a combination of a gloomy and uncertain business climate, collapse of oil prices and uncertainty about the revenues of the domestic government.

Tulinov mentioned that Russia always talks about diversifying when oil is weak, but then all the talk goes away when prices rebound. Further, the government may be just waiting for oil prices to rebound because ultimately it is not enthusiastic about making changes. He predicted that restructuring the economy, while oil prices are dropping and other prices are increasing, will be "very painful".

Alexander Kudrin (Sberbank CIB) added to the above litany of events the ratings downgrade and its effect on the bond markets (although the potential downgrade has already been priced in). The picture is mixed with a low sovereign debt to GDP ratio (3%), on the one hand, and, on the other hand, a complicated political situation and risk of non-payment assessed as real in select corporate and banking names only (although most of the Eurobonds are highly graded with a solid profile and low default possibility, while Russia remains committed to support its corporates and banks). He felt that the $380 billion in reserves could not possibly save all the corporates and banks, but by looking deeper into the structure of Russia's external debt one could see that there was probably more money available than expected.

Responding to Tulinov's questions on the risks and rewards of investing in Russian bonds, Christopher Tackney (Greylock Capital Management) responded that, although market liquidity was not great, the sanctions risk was not the sole driver – the Crimea invasion, downing of a plane, decrease in oil prices and ratings downgrade all contributed to the profound shedding of risk. Regarding the sanctions, he claimed that investors are gun-shy about which assets to invest in since the sanctions are not as directed and more broadly spread.

Real money investors (many of which are not traditional EM investors) are primarily underweight Russia. Barclays Aggregate Index investors have also purged risk in recent episodes. On the flip side, liquidity was so poor that small volumes could move prices. The structural degradation of the market (a large part of which is regulatory), coupled with high volatility, low volume and a low risk budget/tolerance, makes the decision to invest difficult – the valuation call was clear, in Tackney's view, but he questioned " is it a value trap, or is it something that an investor can monetize?" Those investors with a long-term perspective and a smaller present capital commitment are likely to do well with this investment opportunity.

Responding to Tulinov's assertion that "going long" may be the best alternative, Tackney agreed that trading actively now in Russian assets will likely get you "chopped up"; it's best to stick to high quality names that don't need access to the foreign debt market in the coming year. A "counter-cyclical trading policy" where one buys when the market sells off and sells if there's an appreciation may also work well.

Russia / Ukraine (continued)

Jamie Boucher (Skadden, Arps, Slate, Meagher & Flom) provided some color on the sanctions front, which she categorized as “uncertainty, layered with the current aggressive enforcement environment”. The BNP $9 billion penalty was illustrative of how financial institutions can be hit hard with sanctions risks. “Bank management tolerance for risk is not zero; it is below zero,” she commented. She viewed the OFAC sectoral sanctions as unusual in that policymakers were using sanctions in new ways and treading new ground, thus opening up for interpretation every word in the directives. The US political environment with a President that has two years left in office, a Senate Foreign Relations Committee that is considering even more aggressive legislation (akin to sanctions on Iran and Cuba) and an Administration that owes Congress a report on its strategy in the Ukraine all contribute to the present uncertainties and challenges.

Given the skyrocketing compliance costs (which include a high burden of proof) that banks face while they attempt to navigate the US and EU regulations (which are different, as are the sanctions applications even within the EU countries), it is no wonder that investors may have such a low risk tolerance and many sit on the sidelines.

Dmitri Petrov (Nomura International plc) discussed the macro and bond market implications of a Ukraine restructuring by listing three possible scenarios for the current crisis: (1) a Chechnya scenario, where Ukraine retakes control of its territories and provides fiscal investment into rebuilding the area, (2) a Yugoslavia scenario, where there is further involvement by others as no mutually acceptable government in Kiev is found and (3) a “frozen conflict” scenario, his base case, with uncertain timing.

He posited that most of the adjustments already occurred even if the GDP numbers are not reflective of those adjustments. There will be impacts on inflation, dependent on when the conflict ends, but the economy will stabilize at some point. The short-term scenario includes talks of a restructuring and negotiation with the IMF, while the longer-term scenario includes ongoing conflict. Petrov was more confident on debt re-profiling, given the need to reduce the coupon, but the recent devaluation changed the framework and it’s unclear what investors will demand. The longer-term outlook remains uncertain and this is unlikely to be the last restructuring. He predicted a 1% possibility for full repayment and a 70% possibility of some form of reprofiling. In reality, restructuring with a 25% discount in principal is required to make the debt sustainable and acceptable to investors. Default was also a possibility.

At the Q&A session, Boucher reminded the audience that it was easier to impose sanctions than remove them and that cutting off Russia from SWIFT was a major escalation relating to the stability of its banking system, so the US was likely to use other, less draconian measures.

Tulinov concluded that “the road to restoration of Russia’s investment attractiveness and market confidence is a long one, but hopefully successful if taken in small steps”.

EMTA Winter Forum Speaker Views on US Rate Hike Reaction Diverge

Over 175 market participants attended EMTA's Winter Forum in London on February 17, 2015. JPMorgan hosted the event at its newly-refurbished Great Hall.

Luis Oganes (JPMorgan) provided context for the event by reviewing recent developments in EM. He asked speakers if EM growth would disappoint in 2015, and for their thoughts on how US rate hikes would affect the asset class. Citi's David Lubin viewed EM as "sort of stuck between China and the US." He explained that after a decade or so of Chinese interests being aligned with that of other EM countries, the rebalancing in China towards consumer spending-led growth, and weaning the economy of dependence on stimulus, translated into reduced benefits for its trading partners. Furthermore, "it's not completely mad that the government might even want to weaken the RMB in the future...that would be a major shock along the lines of US rate hikes," he cautioned.

On US rates, Lubin noted that his firm was predicting minimal tightening by year-end, and reminded attendees that this would occur in the context of other liquidity-enhancing actions by the BOJ and ECB. US hikes were "not coming out of the blue...we went through the dress rehearsal in 2013."

Societe Generale's Benoit Anne argued that rate hike action by the Fed would actually prove beneficial. "Once they start, 'Fed fear' will go away, when the market realizes the pace will be slow." Anne compared the market to an anxious dental patient, adding "I cannot wait until this tightening starts...because there will be a 'relief rally' as the market realizes that it can deal with the Fed actions."

Michael Trounce (Standard Chartered) expressed a more cautious short-term stance, expecting "maybe three months of disruption" in the marketplace once hikes begin. However, he concurred with Anne on a longer-term basis. Moderator Oganes also acknowledged there could be "some trauma" in the aftermath of US rate hikes, while noting his firm's 2.4% UST 10-year forecast was the lowest among the firms represented.

The panel discussed local markets instruments. Anne revealed his enthusiasm for CEE local paper, citing negative inflation rates, strong-risk appetite prompted by ECB actions, and the easing direction of the Romanian, Polish and Hungarian Central Banks. Oganes noted his firm's forecast of 3% local currency debt returns (real terms), while Lubin warned that EM FX would remain under pressure for the longer-term.

Panelists remained wary of investing in Ukraine, Venezuela or Russia. Anne acknowledged he had considered recommending Russia until the Central Bank's surprise rate cut decision. Lubin expected a debt payment crisis in Caracas before year-end.

Winter Forum (continued)

The event's investor panel was moderated by Aberdeen Asset Management's Kevin Daly. Speakers discussed their thoughts on 2015 EM performance, with Ben Sarano (EMSO) noting technical support from redemptions exceeding new issuance, and competing debt instruments trading below a 0% yield. Alex Garrard (BTG Pactual Asset Management) agreed that many G-3 investors were being pushed "to look a little down the credit ladder," and favored African and Middle Eastern credits. Graham Stock (BlueBay Asset Management) predicted 6% returns in both hard- and local-currency debt, while Greg Saichin (Allianz Global Investors) saw local-currency returns at 5 to 7%.

The panel revisited its 2014 discussion of high-beta credits. Ukraine's outlook has dramatically changed over the past year, Sarano noted, with no hard-currency inflows and Central Bank reserves dwindling to $7 billion. "Ukrainian bonds are a long way from offering value," in his assessment. For Stock, Ukraine was "too toxic to buy," noting that historical debt precedents don't apply because "Ukraine's neighbor is so intent on destabilizing it." Saichin noted that it was hard for investors to analyze traditional debt ratios when Ukraine's territorial integrity remained unclear, while Garrard was more sanguine on Ukraine's potential debt restructuring, expecting it to take the form of cash flow-relief from private creditors, rather than stock reduction, at this stage. ("The longer term is a different question," he stated.)

Speakers were divided on whether Venezuela could avoid defaulting. Saichin predicted a credit event by year-end, and argued that Caracas wouldn't remain in a state of default for long because of its dependence on food imports. He preferred PDVSA bonds over the sovereign, because "PDVSA needs to be current and it's much easier to attach oil assets."

Sarano viewed a "muddle-through" was possible this year, and saw upside on Venezuela based on factors such as potential political changes via a recall election, PDVSA's efforts to attract liquidity, Venezuela's willingness to pay and the country's 2015 payment schedule. "We are not a million miles from recovery value," he added. Garrard would market-weight Venezuela in a benchmarked portfolio, and moderator Daly stated his base case was payments would be made this year (while pointing out that distressed investors are making increasing investor trips to Venezuela).

Winter Forum (continued)

The panel also touched on Brazil. Stock was sceptical of chatter that new Finance Minister Levy would prove "the saviour of Brazil; I'm not convinced any one person can save the country." Garrard expressed concern that the Petrobras scandal "seems to have some more chapters to run through; we are not close enough to the end yet."

Sarano acknowledged he was having difficulties remaining bearish on Russia. "Spreads are pricing in a downgrade to BB, and, although the latest cease-fire is tenuous, I don't think a more aggressive sanctions approach will happen." He noted local support for Russian debt, and ruled out a sovereign default despite a challenging economic situation. Saichin believed Russian corporates offered value to investors who either believed the crisis would end soon, or that Moscow would bail out corporates "on the QT."

As for liquidity in EM debt, speakers largely concurred that the sell-side's ability to warehouse bonds had permanently changed. Garrard stressed that, as a result, investors needed to adapt their business models, while Sarano expressed concern that the next "too big to fail" scenario would involve an asset manager.

Photography by Helen Couchman *(c) hcphotowork*

Liquidity, Default Ratios, and Issuance Trends Analyzed at EMTA Corporate Bond Event

Speakers at EMTA's Corporate Bond Forum in London debated liquidity, default ratios, and issuance trends. BNP Paribas hosted the event on Tuesday, January 27, 2015. A capacity crowd of 150 market professionals attended.

In opening remarks, moderator David Spegel (BNP Paribas) noted that "2014 proved a volatile year for EM corporate bonds, which broadly underperformed sovereigns, returning just 3.4% vs 5.5% for sovereigns last year." Spegel observed that this was largely due to weakness in Russian and Brazilian issues, which represent larger positions in corporate indices than in sovereign.

Spegel opened the conference by asking panelists for the likely trends in EM corporates in 2015. Rebecca Klausen (Moore Capital Management) observed that major themes in the EM corporate bond market this year were likely to be dollar strength, commodity weakness and Central Bank-induced shocks, such as the recent removal of the cap on the Swiss Franc vis-a-vis the euro. Kay Hope (Bank of America Merrill Lynch) noted that, for those focusing on Russian issues, the instability in both the rouble and oil pricing would affect performance, with politics dominating fundamentals.

Panelists acknowledged that liquidity remained a concern for the asset class. In the new regulatory environment, "banks just don't have the ability to warehouse this amount of corporate issues," lamented Kathleen Middlemiss (UBS). Klausen added that the difficulty in selling some corporate issues has paradoxically depressed asset class volatility, although this wouldn't prevent a "risk-off" turn from leading to market turmoil. Okan Akin (AllianceBernstein) observed that the growing inclusion of EM corporate into general corporate indices would further tie EM corporates to more general sell-offs. In his assessment, volatility in the EM corporate marketplace would not be sui generis in nature, but would result from a larger sell-off in other credit markets.

Spegel expressed concern that a huge amount of EM corporate bonds were rated at BBB or BBB- level, representing a threat to portfolios in case of "falling angel" downgrades. Specifically, sovereign downgrades of Russia, South Africa and Kazakhstan could lead to forced selling...which could potentially be reinvested in higher-grade issuances from countries such as Chile, etc.

The effects of the oil price slide were also debated. At $65 per barrel or above, most EM oil companies would be able to maintain their ratings, according to a stress test performed by Akin's firm. Receipts in dollars help firms such as Petrobras subsidize local markets, Akin added, although Kazakh and Azerbaijani oil companies were of concern. Hope noted that Turkey was the consensus "winner" from low oil pricing, followed by South Africa "to a lesser extent." Middlemiss warned the oil market had not bottomed out.

Corporate Meeting (continued)

Most speakers agreed that the expected EM corporate default rate would hover around 3% in 2015, with several notable missed coupon payments in January. Middlemiss questioned the willingness to pay on Ukrainian corporates, anticipating a domino effect following a widely-expected sovereign restructuring. Spegel added that, if PDVSA were to default, the default ratio would skyrocket to 9%.

EM corporate issuance estimates ranged from a low of $285 billion (Middlemiss) to $370 billion (Spegel), with Akin noting that Russia would drag down new issuance volumes, and Klausen pointing out that energy sector-heavy Latin American volumes would also be lower. Panelists concurred that the bulk of new issues in 2015 would be from Asia.

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EMTA Miami Speakers Disagree Over U- or V-Shaped Recovery in Oil Market

Approximately 100 market participants attended EMTA's Fourth Annual Forum in Miami, which took place on Tuesday, January 20, 2015. Alberto Ramos (Goldman Sachs) moderated the Forum's discussion, reviewing recent developments in the global economy, while highlighting that a main theme of 2015 would be the FOMC's rate decisions.

Bulltick Capital's Alberto Bernal anticipated that the Fed would wait until December 2015 to initiate rate increases, delayed in large part due to stagnant US wages. Ramos believed that G-3 inflation would remain below desirable levels in 2015, and that would push the ECB and BoJ to additional quantitative easing. He expected the initial Fed hike to occur in September, and that, while starting slowly, over the medium-term the Fed would accelerate the pace, and would move rates to a terminal level likely higher than current market expectations.

On oil, Bernal commented that just as no one had expected the dramatic oil price drop in the second half of 2014, the market would equally be shocked by the velocity of a pricing rebound, predicting that unprofitable drilling operations going off line and China and India acting to build up stockpiles would act to reduce excess supply. In contrast, other speakers foresaw a more gradual U-shaped oil price recovery. Alejandro Estevez-Breton of Santander noted that attendees at his firm's recent investor conference appeared to anticipate a one- to two-year period of low prices, which would end when high financing costs cause some US shale producer failures. Tony Volpon (Nomura) agreed that a U-shaped recovery in the oil markets was most likely, prompted either by US shale producers becoming unprofitable, or a reversal of Saudi production policy. Anne Milne (Bank of America Merrill Lynch) highlighted that the current situation was generally positive for EM, as EM oil exporter production costs were generally lower than their DM counterparts, albeit with notable exceptions.

Estevez-Breton discussed the political challenges from radical/fringe parties in maintaining EU unity, and contrasted the recoveries of Germany and Spain to the sluggish growth in France and Italy. He expressed concern that the ECB could possibly under-deliver in its widely-expected announcement on QE policy. Bernal saw room to keep Greece in the Eurozone even if parties advocating a "Grexit" won government elections. In any case, he argued, "it will be painful for Greece, but not for Europe," as Greek banks would suffer deposit flight, while there would be no major contagion effects to other European economies.

Turning to Brazil, Volpon spoke positively on the appointment of Joaquim Levy as the country's new finance minister. "He is the 'real deal'….and he has room to implement new measures – not infinite room, but some, at least until pressure kicks in next year if there is no economic growth." Volpon believed that inflation could be brought back to target levels in 2016 and that the adoption of Draghi-like language by officials was intentional, in order to boost confidence.

Estevez-Breton expressed some concerns on over-bullishness on Mexico following the passage of recent reforms. Risks included an erosion of consumer confidence in the country, as well as security and over-centralization.

Miami (continued)

Bernal believed Venezuela might be able to avoid a default (by ending discounted Petrocaribe oil sales among other measures), but was convinced President Maduro's term would finish prematurely, most likely as a result of military involvement. Moderator Ramos stated that Venezuela had "crossed a point of no return and a period of extreme difficulty would now occur," but stopped short of saying a credit event was inevitable.

Among the biggest risks to the corporate market were the possibilities of Russia or Brazil losing investment grade status, according to Milne, who then stressed that a Brazilian downgrade was not her base case. Argentine corporates (ex-utilities) served as a safe haven to many investors, with the government likely to do whatever was necessary to maintain YPF's market access. She expected 45% of all EM corporate issues to emanate from Asia in 2015, and predicted that Chinese debt issuance would surpass that of Brazil this year.

Milne was constructive overall on EM corporates. She underscored that 90% of new issue proceeds have been used to refinance debt or for capital expenditures; that 2014 default rates were lower than expected and 2015 defaults should not surpass 3%; and state ownership of many EM oil companies would serve to limit EM energy defaults (with the exception of PDVSA, which she thought was highly vulnerable to a credit event).

The panel concluded with panelist reflections on the most surprising economic events in 2014 (oil pricing, the positive surprise of Levy's appointment, the Petrobras scandal and Mexico's economic struggle) and risks and investor recommendations for 2015.

The event concluded with a cocktail reception sponsored by MarketAxess. Bank of America Merrill Lynch, Bulltick Capital, Goldman Sachs, Nomura and Santander also provided support for the event.

Editors note: On February 15, 2015, Mr. Volpon was appointed as Director of International Affairs at the Central Bank of Brazil.

January EMTA Forum Explores Oil Pricing Effects on EM Assets

In response to the dramatic decline in oil pricing, EMTA held a seminar focusing on the commodity and the likely geopolitics surrounding it in 2015. The event was held on Thursday, January 8, 2015 and was hosted by Bank of America Merrill Lynch. 200 EM professionals attended.

Well-known oil expert Dr. Gary Ross (Pira Energy Group) delivered keynote remarks. Among the topics covered in Dr. Ross' presentation were the events that led to the collapse in oil pricing, his prognosis for 2015 price levels, the factors that influenced Riyadh's decision not to cut back production, and geopolitical events that could cause further price erosion.

Following Ross' keynote, Alberto Ades (Bank of America Merrill Lynch) moderated a discussion focusing on how oil price movements were affecting EM portfolios. Tim Ash (Standard Bank) sketched his view of how the global economy would play out in 2015 – a continuing and gradual US recovery, with a cautious Fed avoiding actions that would kill off the economic recovery, while weakness in Europe persisted. Low oil pricing would help oil importers in both the DM and EM worlds, with EM countries generally facing a challenging, and piecemeal, recovery.

OppenheimerFunds' Sara Zervos regarded recent decisions by oil producers as a "pseudo-Prisoner's Dilemma – no one wants to cut unless they know everyone else is cutting," she stated. Venezuela was undoubtedly the country which would be most hurt by weak oil prices, while the savings in importing countries would have large economic benefits. "The bulk of EM countries are winners from cheap oil," she summarized.

Patrick Esteruelas (EMSO) focused on the relationship between lower oil price and MENA politics. Esteruelas argued that the US Congress would maintain a hawkish stance against Iran, and thus was pessimistic about a nuclear deal (which could potentially increase oil supply). He feared increasing political violence in 2015.

Russia had not taken advantage of higher oil pricing in recent years to enact reforms, Ash lamented, venturing that sustained lower oil revenues might finally force policymakers in Moscow to act. While not anticipating any imminent moves, and believing that President Putin would likely try to ride out lower oil prices, "heads will have to roll, and Prime Minister Medvedev is probably out." Ash added that he maintained an underweight recommendation on Ukraine, because of Moscow's seeming emphasis on retaining Ukraine in its sphere of influence.

"If you were negative on Venezuela at $100 per barrel, then you have to be negative on Venezuela at $50 a barrel," rationalized UBS' Rafael De La Fuente. The country would remain in serious trouble if oil stabilized at such levels, although a muddle-through scenario remained possible if prices rebounded. The Maduro administration appears to remain convinced that defaulting would be a net negative for the country, he added. Furthermore, he stressed that much of Venezuela's international political support was a result of sweetheart oil arrangements, and the loyalty of Petrocaribe countries was more questionable when oil was at $50/barrel. Esteruelas added that no other EM country was at risk of defaulting because of lower oil prices, and he didn't anticipate contagion in such a scenario.

Puerto Rico Seminar Stresses Road Ahead May Be Rocky, But Not Insurmountable

A discussion of Puerto Rico's economic and financial situation, "Puerto Rico: Scenarios for 2015", took place at EMTA's offices in NYC on December 12, 2014. Charles Blitzer (Blitzer Consulting) moderated the panel, and other panelists included Joseph Rosenblum (AllianceBernstein), Arturo Porzecanski (American University), Aaron Stern (Fir Tree Partners), Matthew McGill (Gibson, Dunn & Crutcher) and David Hitchcock (Standard & Poors).

The authorities in Puerto Rico have faced a daunting task in order to stabilize the Commonwealth's creditworthiness, which included balancing the government budget, improving the public sector's liquidity position and getting the island's economy growing again. The panel discussed the extent of progress to date in these areas, as well as other questions, including:

> What impact are these policy changes having on the economy's fundamentals, and is the economy starting to recover? What additional policy changes should be considered? Are concerns about the Commonwealth's cash flow and solvency situation being ameliorated? Is the ring-fencing strategy a correct one, and can the Commonwealth expect to pay off this debt? How likely is a default or preemptive restructuring during 2015? On the other hand, how likely is a significant rally in central government and development bank bonds? Is adequate information on the fiscal situation, debt and the economy available on a timely basis to evaluate Puerto Rico government risk? How is Puerto Rico risk priced relative to other below investment-grade sovereigns? What are the prospects for a default-free restructuring of state-owned agencies? What are the wider implications of the ongoing Doral Financial litigation? What interventions might the Federal government consider to help Puerto Rico?

Mr. Blitzer led the panel by laying some of the groundwork – he explained that, while Puerto Rico (PR) has no Central Bank and takes orders from the US government, other sovereigns can learn valuable lessons from it. Its debt level is supported by taxes (40% to GDP, with low debt service costs) and, while it may have a liquidity problem, it will be awhile before that becomes an insolvency problem. He referred to a chart he prepared of comparable countries and raised a plethora of issues for the panel's consideration – economics, debt, fiscal, governing issue and rule of law, state enterprises, policy recommendations and market pricing.

Mr. Hitchcock explained that S&P views PR as a territory subject to Federal law, with issues surrounding its ability to access the debt markets in the future, hence its BB rating. The potential for shortfalls in revenue, coupled by its willingness to pay (as evidenced by the Recovery Act), contribute to this rating.

Mr. Stern portrayed PR as a semi-sovereign with a complex capital structure, an investor base that is changing, and with general obligation bonds that are yielding upwards of 9%. Unlike states, PR has more control over its taxes and has exhibited support to increase them over time, as well as decrease its expenses. PR is trying to fix its public corporations and improve disclosure. Market price doesn't reflect fundamentals or government actions to date.

Mr. McGill, representing two creditors of PR, Doral on a tax issue and BlueMountain on a US constitutional challenge to the Recovery Act, likened PR to Guam and DC (instead of a state), subject to plenary Congressional authority. Therefore, the current "no taxes on residents" and Federal transfer payments

Puerto Rico (continued)

to PR structures could change at any time, thus possibly decreasing PR's general ability or willingness to pay its creditors. In fact, McGill views Doral's behavior in nullifying its contracts as an unwillingness to pay and a willingness to walk away from its obligations, thus leading to a degradation of the rule of law.

Fortunately, while the Doral case was brought in a PR court, other cases against PR or its corporations may be brought in a Federal court and any judgments can be enforced in the US (unlike in the case of Argentina where assets could be moved to avoid payment on those judgments under a Foreign Sovereign Immunities Act rubric).

Mr. Rosenblum echoed earlier comments that PR was facing a liquidity and credit deterioration problem and that better disclosure was necessary. He viewed the Recovery Act as an "avoidance law" and felt that PR needed to convince its investors that it was truly investment-grade.

Mr. Porzecanski characterized PR's actions as "patches" with "band-aid solutions", with structural issues behind its fiscal situation that "won't go away any time soon". This was not a cyclical situation. Losing 20% of its population in the past 8 years (mostly attributable to young working adults) has had huge consequences and PR will have to scale down its services. Although he posits, "any crisis can turn into an opportunity".

Responding to Blitzer's query about whether PR's comparability to sovereigns is too rosy, Rosenblum viewed the lack of economic growth, coupled with the exodus of the best young adults, as serious issues that should be addressed for PR as a whole (and that it was a mistake to analyze individual discrete corporate credits). Stern reminded the panel that the government has ring-fenced its public corporations through the Recovery Act (instead of using tax revenues) and that, while PR growth is low, it has never dipped and private sector employment has increased (as buttressed by a Fed article stating that jobs were increasing). And, while tax collections are low (vs. sovereigns and states), there is room to grow revenue. Moreover, PR's need for money may parallel that of munis', but it's still relatively low and a good investment opportunity.

Hitchcock perceived speculative elements to the payment of debt, didn't see restructuring as inevitable and continued to see risks with the government's figures showing marginal growth (and questions as to how real growth is even calculated) and decreased employment and manufacturing. However, he viewed the situation as stabilized, although lacking clarity as to how the US recovery would impact PR. McGill claimed PR was different from sovereigns, as people were free to leave and go to Florida, with many educated young people moving to the mainland (thus masking the even greater unemployment rate if they did not do so).

Responding to Blitzer's query about sustainability and the possibility of utilities' bail-outs, Rosenblum viewed sustainability as key and McGill claimed that PR's appetite for raising rates was low (as evidenced by its reluctance to increase the oil tax) and that the Recovery Act was not reasonable nor was the Prepa cram-down necessary. Stern believed that the Act passed to fill a void because PR was not eligible for Chapter 9 relief (in fact, Blitzer termed the Act the "Cleary Gottlieb version of Chapter 9") and to separate out the corporations since PR did not want to use taxpayer funds to support the utilities. Porzecanski viewed the state-owned companies as of "a different era" with debt accumulations and budget deficits that couldn't be privatized away. He hoped the business model would be changed, with a "new culture of payment" developing.

Puerto Rico (continued)

Responding to Blitzer's query about what are the panelists' top suggestions for increasing growth, as growth leads to greater investment, Hitchcock stated that most things are out of PR's control (such as stronger growth in the US (since PR exports go to the US), decline in pharmaceuticals and manufacturing (with needed lower costs), decreasing oil prices and an increased minimum wage (a Fed issue)). Rosenblum suggested focusing on Prepa, more investment in plants and a quasi-private airport, attention to more spending and lower rates and the challenges with Medicaid. McGill cautioned that US direct investment in Prepa was utterly dependent on the rule of law, thus leading to a problem if there's doubt as to whether PR will abide by its rules and contracts. The government needs to pay attention to how PR is perceived in the market, the culture of and respect for the rule of law needs to be advanced, and PR needs to rebuild its credibility and refrain from doing things that damage its credibility (like the Recovery Act enactment, FBI raids and repeated discussions with Congress). Stern pointed to the internationally accepted Nominal GDB data and statistics that show the striking increase in PR's growth every year (without dips in growth, like the US had in 2008 and 2009), and he suggested that fixing the fiscal issues and the public corporations could help the economy grow.

Blitzer stated that, while PR's current account was in surplus, PR was set in the mindset that's behind the times and needs modernizing, with a tax system that needs reform in a fundamental way (too much revenue falls on too small a base). He asked the panelists what the US government could do to help PR. Hitchcock replied that the US could offer special tax breaks and avoid increasing the minimum wage. The rating agencies don't currently assume US support, so if there was any it would be viewed as a positive. McGill suggested that extending Chapter 9 to PR would eliminate uncertainties as to the restructuring options available to Prepa, but cautioned that whatever Congress implements will come with oversight, "shining a bright light" on how things work. He also suggested that Congress look into GDB, which is currently unaudited and not regulated. Stern said that anything the US can do at the margin would be very helpful since the amount of money PR needs to fund its fiscal deficits is "shockingly low for its size". Rosenblum doesn't "hold hope" for the US to step in with funds and he reminds us that a control board was created for DC and Detroit was given funds for its municipality, not its creditors. Porzecanski encouraged PR to ask for US help since it's highly likely that it would get it "without high consultancy charges" and that PR can do more than a "political third rail". The "patient has to want to take the medicine [and] swallow [its] pride". Its problems are structural and it needs more resources to deal with them.

Blitzer summarized the panel discussion: PR needs assistance with its "statistics mess" in redoing its books to show its investor base and help investors understand PR's issues; it lacks a top-down approach and needs a macro conceptual advisory group; and it needs to increase productive growth and profit from any hearings in Congress as to how to turn PR around. PR's issues can be solved, but PR needs to "think bigger and wider". The growth model needs to be changed.

Click Here for the Meeting Agenda and Handouts.

EMTA Annual Meeting: Reflections on 2014 and EM in 2015

Citi hosted EMTA's 2014 Annual Meeting on Thursday, December 4th. The event, which attracted an audience of 300 market professionals, took place in Midtown Manhattan.

David Lubin (Citi) moderated a panel of EM speakers. With oil pricing dominating the headlines, he questioned his speakers if 2015 would be the year of "sell all commodity exporters?" Gunter Heiland (Gramercy) viewed the oil price decrease in the context of a series of events that would bolster global growth. "The Fed was first in pushing growth; then the EU and Japan chimed in; then this might be the final push," he stated. Oppenheimer's Sara Zervos saw falling commodities benefiting importers on both the inflation and growth fronts.

Speakers were not convinced that the threat of deflation in China was a serious threat to the asset class. Hari Hariharan (NWI Investments), borrowing from Stan Fischer, differentiated between "good and bad deflation," and argued that a clear, across-the-board commodity price drop could be good for Chinese GDP. "I'm not worried about China," he concluded, and underscoring that he had made the same comment in 2013. On the other hand, Zervos signaled that, if Beijing were to react to a drop in exports by allowing the RMB to fall to 7 per dollar, "significant repercussions would occur; you are already seeing the Asian bloc reacting to JPY weakness," she stated.

Speakers concurred that Russia was the EM commodity-exporter most likely to be downgraded by credit ratings agencies, although they differed in assessing prospects for other ratings drops. Dave Rolley (Loomis Sayles) speculated that Brazil would also be vulnerable, while Heiland and Hariharan saw the shoe dropping next on South Africa.

Ukraine and Venezuela would not dent the appetite of capital inflows into EM, panelists concluded. "Crossover investors are not involved in those credits at all," stated Rolley, while acknowledging that that it was "more a difficulty for those who have those credits in your benchmark."

On the perennial topic of US rate hikes, "the market has cried wolf so many times…I think it is now overdone as a grossly over-blown fear," according to Hariharan.

Annual Meeting (continued)

Joyce Chang (JPMorgan) moderated the event's sell-side panel, taking her seat at the EMTA Annual meeting for the 19th consecutive year. Chang reviewed 2014 in the EM marketplace, observing that "few investors were positioned for the macro directional calls that actually played out—lower UST yields, commodity prices falling dramatically and EM FX weakness….as well as Russia invading Ukraine." Chang also highlighted that that the gap between DM and EM growth was at its narrowest in ten years (2.3% vs 4%, respectively).

The panel discussed 2015 macro-economic variables. Bank of America Merrill Lynch's Alberto Ades predicted 4.5% EM growth in 2015, while Barclay's Christian Keller revealed a more optimistic 4.6/4.7% forecast. Most speakers expected US outperformance.

Panelists held a variety of views on dollar strength, with Ades believing the rally was reaching its end (although he viewed most LatAm currencies as overvalued), while Keller offered the most bullish rate on $/Euro at 1.07 by year end and an assessment that the "RUB was not yet in an 'overshoot' and we believe it would go weaker." Drausio Giacomelli (Deutsche Bank) forecast a 2.75 BRL/$ rate in 2015. Ades expected the first rate hike in September, followed by a pattern of hikes at every other FOMC meeting.

On China, Standard Chartered's Will Oswald argued that a distinction existed between headline and underlying growth, "and some information suggests slower-than-reported growth in China." He added that Chinese growth would not come from the export sector but rather from areas such as domestic demand and the property sector. Keller forecast 7% Chinese growth.

Chang invited commentary on high-beta credits. Giacomelli (Deutsche Bank) anticipated that Ukraine would restructure its debt in 2015, and estimated that Venezuelan recovery value would be in the 40s. Ades admitted to holding a "wimpy" view on Argentina, Ukraine and Venezuela –i.e. Ukraine and Venezuela would avoid defaulting in 2015, while no substantial progress would be made to cure Argentina's default under the Kirchner administration. Keller would overweight Venezuela on a technical basis, underscoring the investor's challenge of comparing market prices to potential recovery value.

Most sell-side speakers agreed with the investor panel that Russia was the most vulnerable major EM credit at risk of losing its investment-grade rating. "A couple of months ago we would have also worried about Brazil, South Africa and Turkey as well, but the situation has become generally more benign," stated Ades. Chang added that her own firm was underweight Ukraine and neutral on Argentina and Venezuela.

Photography by Chuck Fishman

EMTA Forum in Dubai to Focus on Oil, Risks to the EM Asset Class and More

EMTA's Fifth Annual Forum in Dubai will be held on Tuesday, March 17, 2015. The event will be held at The Shangri La Hotel with 100 EM investors, analysts, traders and salespeople expected to attend.

Among the topics to be discussed at the event will be risks to the EM marketplace, the oil and commodity outlook, Russia's economic situation and credit status, changes in the EM investor base, liquidity, MENA debt issuance, FX, and much more.

David Spegel (BNP Paribas) will lead the session's investor panel, which will also feature Ahmet Akarli (Goldman Sachs), Simon Williams (HSBC), Walid Haram (Nomura) and Stuart Anderson (Standard & Poor's).

Confirmed investor speakers at the event include Dino Kronfol (Franklin Templeton), John Carlson (Fidelity), Abdul Kadir Hussain (Mashreq Capital), Saeb Elzein (Spinnaker Capital) and Eric Fine (VanEck Global).

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

EMTA's Second Annual Investors' Forum Set for April 1, 2015

EMTA will hold its Second Annual Investors' Forum in Boston on Wednesday, April 1, 2015. The event will be held at the Langham Hotel in Boston's financial district. The Forum will be sponsored by MarketAxess, with additional support from Santander.

Alejandro Estevez-Breton (Santander) will lead a panel discussion on current issues in EM debt. He will be joined by confirmed speakers, which include Michael Cirami (Eaton Vance), Heather Hagerty (Fidelity Investments), Tom Cooper (GMO) and Alex Kozhemiakin (Standish). A crowd of 75 EM investors and other market participants is expected to attend.

Invitations are now being sent to EMTA Members. The registration fee for Members is $75; non-members may attend at a cost of $695.

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

EMTA Seminar on Brazil Scheduled for Thursday, April 9, 2015

EMTA will host a special EMTA Forum on the Outlook for Brazil on Thursday, April 9, 2015. The event will focus on the economic and political outlook for Brazil, including, among other topics, the Petrobras scandal, ratings concerns, and the second term of the Dilma administration.

Alberto Ramos (Goldman Sachs) will moderate the panel discussion. Confirmed speakers also included Anne Milne (Bank of America Merrill Lynch), John H. Welch (CIBC), Ruggero deRossi (Federated Investors) and Dave Rolley (Loomis Sayles). The event will end with a cocktail reception.

There will be a nominal registration charge for EMTA Members; the admission charge for non-Members is $695. Bank of America Merrill Lynch, CIBC and Goldman Sachs will provide additional support for the event.

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

EMTA Forum in São Paulo to be Held April 14

On April 14, 2015, EMTA will sponsor its Eighth Annual Forum in São Paulo [to be held at the offices of local sponsor HSBC in São Paulo, Brazil. There will be a panel of 4 speakers led by HSBC's Constantin Jancsó addressing macroeconomic conditions in Brazil as well as investment prospects in the emerging markets in general. The panel discussion will be followed by a cocktail reception hosted by HSBC. Featured speakers will include ex-Central Bank officials, Alexandre Schwartsman, Luiz Fernando Figuereido and Afonso Bevilaqua. In addition, Rafel Guedes of Fitch Ratings will round out the panel.

This event is complimentary for EMTA Members and a fee of USD$695 applies for non-EMTA Members. Please email Leslie Payton Jacobs (lpjacobs@emta.org) for more information about this event.

EMTA Forum in Buenos Aires to be Held April 16

On April 16, 2015, EMTA will sponsor its Eighth the Annual Forum in Buenos Aires to be held at the Hilton Hotel in Puerto Madero, Buenos Aires. The local sponsor of the event is Puente. There will be a panel of 4 speakers led by Puente moderator, Alejo Costa, addressing the investment environment in Argentina for investors as well as the investment prospects in the emerging markets generally for Argentine and other investors. The featured speakers will be Daniel Canel of AdCap, Gustavo Canonero of Deutsche Bank, Lionel Modi of Origenes and Gabriel Arguissain of Consultatio. The panel discussion will be followed by a cocktail reception hosted by Puente.

This event is complimentary for EMTA Members and a fee of USD$695 applies for non-EMTA Members. Please email Leslie Payton Jacobs (lpjacobs@emta.org) for more information about this event.

EMTA Spring Forum Slated for April 28, 2015

Gordian Kemen will moderate EMTA's Spring Forum, scheduled for Tuesday, April 28, 2015 in New York City and hosted by HSBC Securities (USA) Inc.

The event will include a panel discussion focusing on the global economy, as well as LatAm and CEMEA credits. Confirmed speakers include Paul DeNoon (AllianceBernstein) and Alberto Bernal (Bulltick Capital Markets).

Registration is complimentary for EMTA members; there is a $695 registration fee for non-members.

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

Argentina Update Seminar on Political, Economics and Legal Matters Scheduled for May 1, 2015 in NYC

This EMTA Special Seminar, sponsored by TPCG Group, and held at EMTA's offices in NYC, on May 1, 2015 will provide analysis and commentary by a panel of market analysts and legal experts on the latest developments in Argentina and its lawsuits in the US and UK.

Fernando Alvarez de la Viesca (TPCG Group) will moderate the panel discussion, and other panelists will include: Pablo Goldberg (Blackrock Financial), Siobhan Morden (Jefferies LLC), Javier Kulesz (Nomura Securities International), Henry Weisburg (Shearman & Sterling) and Timothy G. Nelson (Skadden, Arps, Slate, Meagher & Flom LLP). Jefferies, Nomura, Shearman & Sterling and Skadden, Arps are providing additional support for the event.

Invitations will be sent to EMTA Members, who may attend at a nominal registration fee. There is an attendance fee of $695 for employees of non-member firms. Please contact Aviva Werner at awerner@emta.org for more information.

Turkish and Hungarian Officials to Speak at EMTA Forum in Vienna on Tuesday, May 5, 2015

Turkey's Deputy Central Bank Governor Turalay Kenc and Gyula Pleschinger, a Member of the Bank of Hungary's Monetary Council, will take part in a panel discussion at EMTA's Forum in Vienna. The event will take place on Tuesday, May 5, 2015 and will be sponsored by Unicredit.

Erik F. Nielsen (UniCredit Bank AG) will moderate the discussion. Additional panelists include David Hauner (Bank of America Merrill Lynch), John Carlson of Fidelity and Walter Reihsner (Uniqa).

Bank of America Merrill Lynch is providing additional support for the event.

Invitations will be sent to EMTA Members, who may attend at a nominal registration fee. There is an attendance fee of $695 for employees of non-member firms. Please contact Jonathan Murno at jmurno@emta.org or Leslie Payton-Jacobs at lpjacobs@emta.org.

EMTA Investor Forum in Los Angeles Set for May 14, 2015

EMTA is pleased to announce its Second Annual Investors Forum in Los Angeles. The event will be held on Thursday, May 14, 2015 at The Courtyard at LA Live Hotel (901 West Olympic Blvd, Los Angeles, CA). MarketAxess will host the event, with additional support provided by Deutsche Bank.

Drausio Giacomelli (Deutsche Bank) will moderate the panel. Confirmed speakers include Kristin Ceva (Payden & Rygel), Chris Getter (PIMCO), Blaise Antin (TCW) and Robert Abad (WAMCO).

There will be a $75 registration fee for EMTA members and a $695 fee for non-members.

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

EMTA Frankfurt Forum Scheduled for June 1, 2015

EMTA's Second Annual Forum in Frankfurt has been scheduled for Monday, June 1, 2015. The event, which is expected to draw a crowd of 50 EM investor and other market participants, will be held at the Steinberger Hof (Am Kaiserplatz) in Frankfurt aM, Germany.

The event will be sponsored by MarketAxess, and will include a panel discussion moderated by Benoit Anne (Societe Generale). Confirmed speakers also include Andreas Hahner (Allianz Global Investors), Nicolas Schlotthauer (Deutsche Asset & Wealth Management), Dmitri Petrov (Nomura) and Frank Ehrlich (Union Invest).

Nomura and Societe Generale are providing additional support for the event.

Invitations will be sent to EMTA Members, who may attend at a nominal registration fee. There is an attendance fee of $695 for employees of non-member firms. Please contact Jonathan Murno at jmurno@emta.org or Leslie Payton-Jacobs at lpjacobs@emt.org for more information.

EMTA Forum in Zurich, Switzerland Set for June 3, 2015

EMTA will hold its Second Annual Forum in Zurich, Switzerland on Wednesday, June 3, 2015. The event will be sponsored by MarketAxess, and will be held at the Kongresshaus, Gotthardstrasse 5 in Zurich.

Tim Ash (Standard Bank) will moderate a discussion of EM themes. Confirmed panelists include John H. Welch (CIBC), Gonzalo Borja (CSAM) and Rafael de la Fuente (UBS). Additional support for the Forum is being provided by CIBC, Standard Bank and UBS.

Invitations will be sent to EMTA Members, who may attend at a nominal registration fee. There is an attendance fee of $695 for employees of non-member firms. For more information, please contact Jonathan Murno at jmurno@emta.org or Leslie Payton-Jacobs at lpjacobs@emta.org.

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

The trustees of the annual industry charity benefit in London have announced that this year's event will be held at the Marriott Grosvenor Square on Friday, October 2, 2015.

For the twelfth consecutive year, MarketAxess will sponsor the Benefit with proceeds from its annual Charity Trading Day. MarketAxess' Annual Charity Trading Day has raised almost US$900,000 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 3.5 million since 2004 to organizations working to improve health and education in emerging countries. Proceeds from the 2015 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.

Tickets will go on sale shortly.

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

Emerging Markets Benefit in New York Raised over $400,000 for EM Charities

The industry's annual EM Charity Benefit (EMCB) in New York raised over $400,000 for EM charities. The event was held on Thursday, December 4, 2014 at The Park in New York's Chelsea neighborhood, with over 350 EM professionals in attendance. The event has now disbursed over $5.3 million to EM charities since EMTA began chairing the event over a decade ago.

For the eleventh consecutive year, MarketAxess sponsored the Benefit with proceeds from its annual Charity Trading Day held in September. MarketAxess' Annual Charity Trading Day has raised almost $900,000 for the annual New York and London Charity Balls since its inception in 2004.

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

At press time, funds were being disbursed to the evening's five beneficiaries:

- **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 and
- **Pueblo a Pueblo**, which improves access to health, education and food security in rural coffee-growing communities of Guatemala. www.puebloapueblo.org

Since its inception, EMCB has donated millions of dollars to charities in emerging countries to promote health and education projects.

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 3 new members during the First quarter of 2015. EMTA's members now include over 180 banks, broker-dealers, money management firms, hedge firms, and others.

Our most recent new members include:

- **Access Bank PLC**
- **Mandel, Katz & Brosnan LLP**
- **Varde Partners**

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.

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.

- "Moody's downgrades Puerto Rico GO bonds to Caa1 from B2, COFINA to B3/Caa1 from Ba3/B1." February 19, 2015 - Edward Hampton, Emily Raimes(Moody's Investor Service).
- "EM Outlook GEM in 2015: Keep Calm and Carry Bonds." December 11, 2014 - Benoit Anne, Eamon Aghdasi, Amit Agrawal, Bernd Berg, Régis Chatellier, Jason Daw, David Hok, Roxana Hulea and Phoenix Kalen (Societe Generale).
- "2015 Outlook More Risk, Less Reward" December 1, 2014 - Gordian Kemen, Alejandro Martinez-Cruz, Aaron Gifford and Sarah Leshner (HSBC Securities (USA) Inc.)
- "Sovereign Debt Restructuring: There Has to Be a Better Way." December 4, 2014 – Rafael de la Fuente (UBS).

New Developments

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

March 12, 2015
- EMTA Forum in São Paulo to be Held on April 14, 2015.
- Ukraine Ministry of Finance Welcomes IMF $17.5 Billion Extended Fund Facility and Begins International Bondholders' Consultations.

March 11, 2015
- EMTA Special Seminar: Outlook for Brazil 2015 to be Held in New York on April 9, 2015.
- IMF Press Release on Extended Fund Facility for Ukraine.

March 9, 2015
- Seven Venezuelan individuals sanctioned by Executive Order to address Human Rights Concerns.

March 2, 2015
- EMTA Investor Forum in Boston to be Held on April 1, 2015.
- Creditor Engagement Clauses - Pro's and Con's.
  - Agenda
  - ICMA Engagement Clause
  - Committees and Sovereign Bond Exchanges, 2003 to present (Charles Blitzer, Blitzer Consulting)
  - Excerpt from Contractual and Policy Improvements for Future Sovereign Debt Restructurings: Proposals for a More Orderly Market (Dean Menegas/Christian Kopf, Spinnaker Capital Limited)

February 26, 2015
- House Subcommittee Hearing on H.R. 870 Granting Recognition of Puerto Rico as a "State" for Purposes of Access to Chapter 9 of the U.S. Bankruptcy Code – Professor Arturo Porzecanski Statement and Statement of Four Witnesses and Video of the Proceedings.

February 20, 2015
- Moody's Downgrades Russia's Sovereign Debt Rating from Baa3 to Ba1.

February 19, 2015
- Statement of Daniel A. Pollack, Special Master in Argentina Debt Litigation.
- Moody's Downgrades Puerto Rico GO Bonds to Caa1 from B2, COFINA to B3/Caa1 from Ba3/B1.

February 17, 2015
- 2015 Year-End Forecast Slide Displayed at EMTA Winter Forum in London.

February 13, 2015
- Moody's Upgrades Latvia's Government Bond Rating from Baa1 to A3.

February 9, 2015
- Creditor Engagement Clauses - Pro's and Con's to be Held in NYC on March 2, 2015.
- Standard & Poor's Downgrades Bahrain's Long-Term Foreign Currency Sovereign Credit Rating from BBB to BBB-.
- Standard & Poor's Downgrades Kazakhstan's Long-Term Foreign Currency Sovereign Credit Rating from BBB+ to BBB.
- Standard & Poor's Downgrades Venezuela's Long-Term Foreign-Currency Sovereign Credit Rating from CCC+ to CCC.
- U.S. District Court Holds that Puerto Rico's Recovery Act is Unconstitutional – Cadwalader, Wickersham & Taft Memorandum.

February 5, 2015
- EMTA Announces 2014 Annual EM CDS Volume Stood at US$1.56 Trillion.

January 30, 2015
- EMTA Special Seminar: Russia/Ukraine: An Update to be Held in NYC on February 11, 2015.

January 29, 2015
- EMTA Forum in Dubai to be Held on March 17, 2015.
- Fitch Upgrades Paraguay's Long-Term Foreign-Currency Issuer Default Rating from BB- to BB.

Website (continued)

January 27, 2015
- The Foreign Exchange Committee today released the results of its twenty-first Survey of North American Foreign Exchange Volumes. The press release can be found on the Foreign Exchange Committee's website at http://newyorkfed.org/fxc/. The survey, together with the list of reporting dealers and explanatory notes, are available online at www.newyorkfed.org/fxc/volumesurvey.

January 26, 2015
- Standard & Poor's Downgrades Russia's Foreign-Currency Sovereign Rating from BBB- to BB+.
- U.S. Economic Sanctions: United States Eases Elements of Cuban Embargo; New Regulations Issued by U.S. Treasury and Commerce Departments Implement Cuban Policy Changes Announced in December - Sullivan & Cromwell Memorandum.
- Revised Cuba Regulations – Cleary Gottlieb Steen & Hamilton Memorandum.
- Market Acceptance of ICMA's New Sovereign Debt Contract Reforms: Joint meeting of the Institute of International Finance, EMTA and ICMA in London on February 5, 2015.

January 23, 2015
- Moody's Upgrades Slovenia's Government Bond Rating from Ba1 to Baa3.

January 22, 2015
- Moody's Comment on Cuba (Rated Caa2).

January 16, 2015
- Moody's Downgrades Russia's Government Bond Rating from Baa2 to Baa3.

January 15, 2015
- EMTA Winter Forum in London to be Held on February 17, 2015.

January 13, 2015
- Moody's Downgrades Venezuela's Government Bond Rating from Caa1 to Caa3.

January 9, 2015
- Fitch Downgrades Russia's Long-Term Foreign Currency Issuer Default Ratings from BBB to BBB-.

January 7, 2015
- Holiday Schedule for EM Bond Trades for Martin Luther King, Jr. Holiday.

January 5, 2015
- Revised 2015 Holiday Schedule.

December 24, 2014
- U.S. Economic Sanctions - Recent Developments: President Prohibits Trade with and New Investment in the Crimea Region of Ukraine; Congress Passes New Laws Authorizing New Ukraine-Related Sanctions - Sullivan & Cromwell Memorandum.

December 23, 2014
- U.S. Enacts New Russia Sanctions Law; President Obama Imposes Trade/Investment Embargo on Crimea – BakerHostetler Memorandum.

December 22, 2014
- Calculations for Payments on Uruguay VRR's Announced.

December 21, 2014
- U.S. Imposes Comprehensive Sanctions Against Crimea - Cleary Gottlieb Steen & Hamilton Memorandum.

December 19, 2014
- Moody's Upgrades Ecuador's Issuer Rating from Caa1 to B3.
- EU Expands Existing Restrictions in Relation to Crimea and Sevastopol – Dechert Memorandum.

December 18, 2014
- Fitch Downgrades Venezuela's Long-Term Foreign Issuer Default Rating from B to CCC.

December 17, 2014
- Ukraine-Related Sanctions: New U.S. Statute Creates Secondary Sanctions Targeting Certain Dealings with Russia – Cleary Gottlieb Steen & Hamilton Memorandum.
- New Law Significantly Expands Legal Basis for US Sanctions Against Russia – Dechert Memorandum.

December 16, 2014
- Moody's Downgrades Lebanon's Government Bond Rating from B2 to B1.

December 12, 2014
- EMTA Special Seminar: Puerto Rico: Scenarios for 2015.
  - Agenda
  - EMTA Panel on Puerto Rico (Aaron Stern, Fir Tree Partners)
  - Country Comparison (Charles Blitzer, Blitzer Consulting)
  - Weak Economic Growth Prospects Could Constrain Puerto Rico's Credit Quality, Latin American and Caribbean Sovereign Rating Trends Mid-Year 2014 (David Hitchcock, Standard & Poor's)
- 2015 Holiday Schedule.

December 11, 2014
- Moody's Upgrades The Philippines from Baa3 to Baa2.
- Holiday Schedule for EM Bond Trades for Christmas, Boxing Day and New Year's Holidays.

December 9, 2014
- EMTA Corporate Bond Forum, Sponsored by BNP Paribas, to be Held in London on January 27, 2014.

December 8, 2014
- EMTA Special Seminar: Geopolitics of Oil 2015 to be Held in NYC on January 8, 2015.

December 3, 2014
- EMTA's Fourth Quarter Bulletin is Now Available in our Bulletin Section.
- EMTA's Fourth Annual Miami Forum to be held on January 20, 2015.

December 2, 2014
- EMTA Announces 3Q EM Debt Trading at US$1.454 Trillion.

December 1, 2014
- List of Silent Auction Items Available at EM Industry Charity Benefit to Be Held in NYC on December 4, 2014.

Website (continued)

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

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

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

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

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

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

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

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

Website (continued)

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

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

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

EMTA Hotlines

Topic	Contact	Telephone
Africa	Jonathan Murno/Leslie Payton Jacobs	(646) 289-5413/(301) 838-4552
Asia	Jonathan Murno/Leslie Payton Jacobs	(646) 289-5413/(301) 838-4552
Bond/Loan Trading	Aviva Werner	(646) 289-5412
CNH	Leslie Payton Jacobs	(301) 838-4552
Corporate Bonds	Jonathan Murno/Leslie Payton Jacobs/ Aviva Werner	(646) 289-5413/(301) 838-4552/ (646) 289-5412
Credit Derivatives	Leslie Payton Jacobs/Aviva Werner	(301) 838-4552/(646) 289-5412
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
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Legal/Compliance	Aviva Werner	(646) 289-5412
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EMTA Calendar

Thurs., Jan. 1, 2015	Recommended Market Close (NYC/London) New Year's Day (2015)
Thurs., Jan. 8	**EMTA Special Seminar on The Geopolitics of Oil 2015 (NYC)** **Hosted by Bank of America Merrill Lynch** **One Bryant Park (42nd St. and 6th Ave.)**
Mon., Jan. 19	Recommended Market Close (NYC) Martin Luther King Jr. Day Recommended 12:00 Noon (London) Early Market Close
Tues., Jan. 20	**EMTA Forum in Miami** **Hosted by MarketAxess** **The InterContinental Hotel** **100 Chopin Plaza**
Tues., Jan. 27	**EMTA Corporate Bond Forum (London)** **Hosted by BNP Paribas** **5 Aldermanbury Square**
Wed., Feb. 11	**EMTA Special Seminar: Russia/Ukraine: An Update (NYC)** **360 Madison Avenue, 17th Floor** **(on 45th St. between Madison and 5th Aves.)**
Mon., Feb. 16	Recommended Market Close (NYC) Presidents' Day Recommended 12:00 Noon (London) Early Market Close
Tues., Feb. 17	**Winter Forum (London)** **Hosted by JPMorgan** **60 Victoria Embankment**
Mon., March 2	**Creditor Engagement Clauses -- Pro's and Con's (NYC)** **360 Madison Avenue, 17th Floor** **(on 45th St. between Madison and 5th Aves.)**
Thurs., March 5	**EMTA Board Meeting (NYC)**
Tues., March 17	**EMTA Forum in Dubai** **Shangri La Hotel** **Al Bader Ballroom** **Sheikh Zayed Road**
Thurs., March 26	**EMTA Special Seminar: Russia/Ukraine: An Update (London)** **Hosted by Skadden, Arps, Slate, Meagher & Flom LLP** **40 Bank Street, Canary Wharf**
Wed., April 1	**EMTA Investor Forum in Boston** **Hosted by MarketAxess** **The Langham Hotel** **Chase Room** **250 Franklin Street**
Friday, April 3	Recommended Market Close (London) Good Friday Recommended 12:00 Noon (NYC) Early Market Close
Monday, April 6	Recommended Market Close (London) Easter Monday

Calendar (continued)

Thurs., April 9	**EMTA Special Seminar on Brazil (NYC)** **360 Madison Avenue, 17th Floor** **(on 45th St. between Madison and 5th Aves.)**
Mon., April 13	**Creditor Engagement Clauses -- Market Perspectives on Pro's and Con's (NYC)** **360 Madison Avenue, 17th Floor** **(on 45th St. between Madison and 5th Aves.)**
Tues., April 14	**EMTA Forum in São Paulo** **Hosted by HSBC Bank Brasil S.A.** **Av. Brigadeiro Fario Lima 3064, 1 andar** **Auditorio**
Thurs., April 16	**EMTA Forum in Buenos Aires** **Hosted by Puente** **Hilton Hotel** **Av. Macacha Guemes 351** **Puerto Madero**
Tues., April 28*	**Spring Forum (NYC)**
May*	**EMTA Investor Forum in Los Angeles**
Fri., May 1	**EMTA Special Seminar: Argentina (NYC)** **Hosted by TPCG Valores S.A.** **360 Madison Avenue, 17th Floor** **(on 45th St. between Madison and 5th Aves.)**
Monday, May 4	Recommended Market Close (London) May Day Bank Holiday
Tues., May 5	**EMTA Forum in Vienna** **Hosted by Unicredit** **Room Oktogon** **Schottengasse 6-8**
Fri., May 22	Recommended 2:00 p.m. (NYC) Early Market Close
Mon., May 25	Recommended Market Close (NYC/London) Memorial Day/Spring Bank Holiday
Mon., June 1*	**EMTA Forum in Frankfurt** **Hosted by MarketAxess** **Steinberger Hof Hotel, am Kaiserplatz**
Wed., June 3	**EMTA Forum in Zurich** **Hosted by MarketAxess** **Kongresshaus** **Gotthardstrasse 5, PF 2523**
Tues., June 23	**Summer Forum (London)** **Hosted by Bank of America Merrill Lynch** **2 King Edward Street**

***Details TBA**

Calendar (continued)

Fri., July 3	Recommended Market Close (NYC/London) Independence Day
Mon., August 31	Recommended Market Close (London) Summer Bank Holiday
Fri., Sept. 4	Recommended 2:00 p.m. (NYC) Early Market Close
Mon., Sept. 7	Recommended Market Close (NYC/London) Labor Day
September*	**EMTA Forum on Sub-Saharan Africa (London)**
September*	**Corporate Bond Forum (NYC)**
Wed., Sept. 16*	**Fall Forum (NYC)**
October*	**EMTA Forum in Singapore**
October*	**EMTA Forum in Hong Kong**
Fri., Oct. 2	**EM Benefit - London Marriott Grosvenor Square**
Mon., Oct. 12	Recommended Market Close (NYC/London) Columbus Day
Mon., Nov. 11	Recommended Market Close (NYC/London) Veterans' Day
Wed., Nov. 25	Recommended 2:00 p.m. (NYC) Early Market Close
Thurs., Nov. 25	Recommended Market Close (NYC/London) Thanksgiving Day
Fri., Nov. 27	Recommended 2:00 p.m. (NYC) Early Market Close
Thurs., Dec. 3*	**EMTA Annual Meeting (NYC) Hosted by Citi**
	Emerging Markets Benefi t (NYC)
Thurs., Dec. 24	Recommended 2:00 p.m. (NYC) Early Market Close
Fri., Dec. 25	Recommended Market Close (NYC/London) Christmas Day
Mon., Dec. 28	Recommended Market Close (London) Boxing Day
Thurs., Dec. 31	Recommended 2:00 p.m. (NYC) Early Market Close
Fri., Jan. 1, 2016	Recommended Market Close (NYC/London) New Year's Day (2016)

***Details TBA**