

## NOTICE OF EXCHANGE RATE DIVERGENCE

To: EMTA, Inc.

From: Peter Allem - Amia Capital LLP

Observation Days for Exchange Rate Divergence: 23 September 2019, 20 September 2019, 19 September 2019

Notice Dated: 24 September 2019

We confirm that (i) we are an EMTA Member in good standing, acting independently, and (ii) in our reasonable opinion, an Exchange Rate Divergence has been observed for the three consecutive Buenos Aires Business Days referenced above.

Since the imposition of various capital controls limiting foreign investors' access to US Dollars, we have noticed increasing divergence between the prevailing exchange rate and the settlement rate of ARS NDF contracts.

The current settlement rate (ARS MAE - as published by the Mercado Electronico Abierto) for standard EMTA Template USDARS NDF transactions no longer reflects the prevailing bid and offer rates in a standard size financial transaction for same-day settlement in the Buenos Aires marketplace. It is widely accepted and published that the conventional market rate known as the "Blue Chip Swap Rate" more accurately reflects the price at which foreign exchange is being transacted in standard size transactions in Buenos Aires. It is the implied FX price calculated by observing the same stocks prices in the onshore exchange in ARS and the offshore exchange in USD.

Please see chart below depicting the divergence of the official exchange rate and the "Blue Chip Swap" rate.

**Chart showing both the ARS MAE Fixing and the Blue chip swap rate for the last several years**



**Chart showing more recent performance of the divergence in FX rates**



NOTICE OF EXCHANGE RATE DIVERGENCE

To: EMTA, Inc.

From: Cargill, EMTA member  
Dave Hoover, Sender

Observation Days for Exchange Rate Divergence: September 19, 2019, September 20, 2019, September 23, 2019

Notice Dated: September 24, 2019

We confirm that that (i) we are an EMTA Member in good standing, acting independently, and (ii) in our reasonable opinion, an Exchange Rate Divergence has been observed for the three consecutive Buenos Aires Business Days referenced above as follows:

We observed that the ARS MAE (ARS05) differed by more than 20% from the Argentine bid and offer rates for a standard size Argentine Peso/U.S. Dollar financial transaction for the same-day settlement in the Buenos Aires marketplace.

## **NOTICE OF EXCHANGE RATE DIVERGENCE**

**To: EMTA, Inc.**

**From: Goldman Sachs and Julio Badi**

**Observation Days for Exchange Rate Divergence:  
September 19, 2019; September 20, 2019; September 23, 2019**

**Notice Dated: September 24, 2019**

We confirm that (i) we are an EMTA Member in good standing, acting independently, and (ii) in our reasonable opinion, an Exchange Rate Divergence has been observed for the three consecutive Buenos Aires Business Days referenced above as follows:

As a result of the introduction of capital controls on foreign exchange transactions by the *Banco Central de la República Argentina* ("BCRA") effective as of September 1, 2019, the ARS MAE (ARS05) failed to reflect the current prevailing ARS/USD bid and offer rates for a standard size ARS/USD financial transaction for same-day settlement for all market participants in the Buenos Aires marketplace for the Observation Dates referenced above, each of which were business days in Buenos Aires.

First, as a non-resident we were unable to obtain quotes for a standard size ARS/USD financial transaction in an amount of approximately USD 2 million from local banks/ dealers at the MAE rate since the new BCRA restrictions prohibit purchases by non-residents of USD in an amount in excess of USD1,000 per month unless expressly authorized by the BCRA.

Second, as a non-resident we were able to obtain quotes for a standard size ARS/USD transaction in an amount of approximately USD 2 million from local broker- dealers at the "contado con liquidacion" (Blue Chip swap) rate. However, as set forth below, the Blue Chip swap rate quotes we obtained diverged from the MAE (ARS05) rate on each of the Observation Dates.

Date	Blue Chip Swap Quote		MAE (ARS05)	% Divergence	
	Bid	Offer			
19-Sep-19	68.50	69.50	56.6161	21.0%	22.8%
20-Sep-19	68.60	69.25	56.6402	21.1%	22.3%
23-Sep-19	66.50	67.00	56.9343	16.8%	17.7%

# KING STREET®

## NOTICE OF EXCHANGE RATE DIVERGENCE

To: EMTA, Inc.

From: King Street Capital Management, L.P.  
[cpt@kingstreet.com](mailto:cpt@kingstreet.com) and [kslegal@kingstreet.com](mailto:kslegal@kingstreet.com)

Observation Days for Exchange Rate Divergence: September 19, 2019, September 20, 2019,  
September 23, 2019

Notice Dated: September 24, 2019

We confirm that (i) we are an EMTA Member in good standing, acting independently, and (ii) in our reasonable opinion, an Exchange Rate Divergence has been observed for the three consecutive Buenos Aires Business Days referenced above as follows:

On September 1, 2019, the Central Bank of the Argentine Republic issued a decree imposing certain capital controls in respect of the Argentine Peso (ARS), which will be effective until December 31, 2019.<sup>1</sup> The foregoing currency restrictions have subsequently resulted in the occurrence of an Exchange Rate Divergence Disruption Event, as defined in the EMTA ARS Template Terms, dated January 1, 2018.

In our reasonable opinion, we believe that such Exchange Rate Divergence Disruption Event is evidenced by the following:

Due to the currency controls that have been implemented, financial transactions by non-Argentine residents in excess of \$1,000 per month are not permitted (the "**Controlled Transactions**"), and therefore cannot be conducted at the MAE rate (ARS MAE (ARS05)). As such, Controlled Transactions must be executed by alternative methods, including, through a two-step process in which local bonds denominated in USD must be purchased with ARS locally and then sold abroad. In our reasonable opinion and evidenced by the numerical details provided in the table below, ARS MAE (ARS05) has failed, for at least the three consecutive Buenos Aires Business Days referenced above, to reflect the current prevailing Argentine Peso bid and offer rates for ARS / USD financial transactions in excess of \$1,000 for same-day settlement in the Buenos Aires marketplace.

Dates	MAE ARS	Transactional ARS
9/19/2019	56.63	69.52
9/20/2019	56.63	68.08
9/23/2019	56.90	67.10

*(remainder of page intentionally blank)*

<sup>1</sup> Benedict Mander and Colby Smith, "Argentina imposes currency controls", *Financial Times* (September 1, 2019) <https://www.ft.com/content/2387309c-cce9-11e9-99a4-b5ded7a7fe3f>; Philip Sanders, "Argentina Imposes Capital Controls as Reserves Drain Away", *Bloomberg* (September 1, 2019) <https://www.bloomberg.com/news/articles/2019-09-01/argentina-imposes-currency-controls-as-debt-crisis-escalates>.

Respectfully yours,

**KING STREET CAPITAL MANAGEMENT, L.P.**

By:  \_\_\_\_\_

Name: Howard Baum

Title: Authorized Signatory

## NOTICE OF EXCHANGE RATE DIVERGENCE

To: EMTA, Inc.

From: Pacific Investment Management Company LLC (“PIMCO”)  
By: Ismael Orenstein, Senior Vice President & Portfolio Manager

Observation Days for Exchange Rate Divergence: September 19, 20, and 23, 2019

Notice Dated: September 24, 2019

PIMCO submits this notice as an EMTA Member and market participant in order to promote the proper and efficient functioning of market mechanisms. Reference is made to the EMTA notice to EMTA Members, dated September 23, 2019, confirming the occurrence of an ARS Exchange Rate Divergence on September 24, 2019 (the “**EMTA ERD Announcement**”).<sup>1</sup> PIMCO’s Notice of Exchange Rate Divergence, dated September 23, 2019, as set forth in the EMTA ERD Announcement is incorporated herein by reference in its entirety for purposes supporting evidence of an Exchange Rate Divergence observation for the three consecutive Buenos Aires Business Days referenced above.

We confirm that (i) we are an EMTA Member in good standing, acting independently, and (ii) in our reasonable opinion, an Exchange Rate Divergence has been observed for the three consecutive Buenos Aires Business Days referenced above as evidenced by the following:



<sup>1</sup> EMTA Notice, *ARS/USD Exchange Rate Divergence* (September 23, 2019) available at <https://www.emta.org/template.aspx?id=11296>.