Emerging Markets Traders Association

1997 Annual Report

Integrating the Emerging Markets into the Global Financial Marketplace

The Emerging Markets Traders Association is dedicated to promoting the orderly development of fair, efficient and transparent trading markets for Emerging Markets instruments and to helping integrate the Emerging Markets into the global capital markets.

LETTER FROM THE CO-CHAIRS

Frederic Z. Haller

Frederic Z. Haller is Head of Emerging Markets at Deutsche Bank AG. He also serves as a member of the Group Executive Committee of the Deutsche Bank Group and the Management Committee of Deutsche Bank AG.

Jorge V. Jasson

Jorge V. Jasson is a Managing Director of Chase Manhattan and Head of International Fixed Income. He is responsible for Chase's Global Emerging Markets business and for all of Chase's non-U.S. Capital Markets and Securities businesses.

After falling sharply last autumn during the East Asian financial crisis, confidence levels in most Emerging Markets countries have strongly rebounded. Market reaction showed greater restraint and sophistication than in the past, and, for the most part, lasting economic and financial contagion was limited to the East Asian region. Trading volumes have continued to grow, particularly for Emerging Markets Eurobonds, which have been issued in record numbers over the last year.

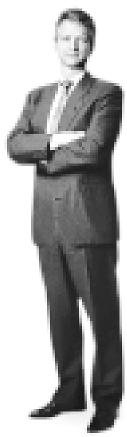
Contributing to the market's recovery and continued growth has been a healthy competition among political leaders and economic officials throughout the Emerging Markets to assure international investors that their country's political and economic reforms will be sustained. Despite a swift response by some governments to the Asian crisis, the overall reaction by the official sector and the developed nations fell short of the market's expectations. Policy-makers must appreciate that, in today's world of interconnected global capital markets, their first responsibility in times of economic and financial crisis must be to provide a stable anchor for market expectations. Based upon last year's unusual experience, the official sector urgently needs to review and address its role in monitoring economic performance and, when appropriate, taking decisive action to restore investor confidence. A more serious effort to encourage the development of local capital markets and stronger financial infrastructure would also clearly help to prevent the recurrence of scenarios such as last year's crisis.

If one bright spot in last year's events was the generally more sophisticated response from investors and government officials in the Emerging Markets, another was the ability of our marketplace to continue functioning efficiently during a time of acute stress. For the most part, the credibility that our market's infrastructure had earned with market professionals and investors alike proved well-justified. New developments, most notably the recent start-up of the Emerging Markets Clearing Corporation, will help provide further assurance that the marketplace can reliably meet the needs of today's market participants.

Just as the individual Emerging Market countries must adopt and implement sound economic and social policies to enable them to compete effectively with each other for investment capital, our marketplace, as it integrates more closely into the global capital markets, must also compete with other markets for the attention of investors. EMTA provides a valuable forum for both the buy-side and the sell-side of our industry to ensure that its development is orderly and that investors have the utmost confidence in its efficiency, transparency and professionalism.

We urge all market participants to join and support EMTA's many activities. Finally, we would like to take this opportunity to express our appreciation to EMTA's staff for the on-going commitment to our marketplace.

LETTER FROM THE EXECUTIVE DIRECTOR



Michael M. Chamberlin

Michael M. Chamberlin has been EMTA's Executive Director since January 1994. Previously he was a partner of Shearman & Sterling, concentrating on international financings such as Mexico's Brady Plan restructuring and global debt offerings for Petróleos de Venezuela.

By providing a forum for orderly development, EMTA has helped the Emerging Markets trading industry to manage its rapid growth responsibly and to avoid potential trouble spots. Stronger systems, and a forum to review and improve them, have enabled our marketplace to better accommodate market stress and volatility. As EMTA works to integrate the Emerging Markets into the global trading and investment marketplace, we cannot afford to relax in the effort to upgrade the market infrastructure that your franchises, and your customers, rely upon.

There is no blueprint for orderly development of the Emerging Markets, only a continuing process of identifying issues, seeking consensus and moving ahead as quickly as that consensus permits. Unfortunately, the process of reaching consensus on issues as complex as market infrastructure and voluntary self-regulation is not always a comfortable one. There is always the risk of moving too fast for some and too slowly for others. The growing diversity of the marketplace also makes it harder to establish priorities and reach consensus, but in our dynamic environment, to stand still is to risk falling behind.

In 1997, EMTA's two most important projects involved sponsoring the Emerging Markets Clearing Corporation (EMCC) and coordinating a complex multilateral netting facility in support of Russia's debt restructuring. EMCC has taken several years to develop but is now operational. By settling over $7.3 billion of bilateral net trading positions reported by 161 market participants, the multilateral netting facility compressed months, if not years, of painstaking settlement work into several difficult weeks. Both projects have brought substantial value to our marketplace, thanks to the good efforts of our dedicated staff and many market participants.

Looking ahead, it seems clear that, while EMTA's general direction will not change, our decision-making and consensus-building process must evolve to meet the changing demands of a more diverse and complex Emerging Markets trading community. Our marketplace is still meeting the challenges, and uncovering the opportunities, presented by the East Asian financial crisis. As our market evolves, we will continue to focus on what EMTA has always done best – providing a forum for the industry to review its progress and prospects and, when appropriate, to marshall resources to address its specific problems and take advantage of its opportunities.

EMERGING MARKETS TRADING AND INVESTMENT

Emerging Markets trading has evolved in the past decade into a global over-the-counter trading market for debt instruments that services the needs of a sophisticated investor base. As the Emerging Markets have developed, they have diversified beyond Latin America to include Russia, Central and Eastern Europe, Asia and Africa. Investors have a wider selection of geographically diversified investment opportunities than ever before with a broad spectrum of investment instruments and risk characteristics.

Size and Diversity of the Marketplace

The past few years have seen exceptional growth in the overall size and depth of the trading market for Emerging Markets instruments. Total trading volumes for debt instruments alone have risen from U.S.$734 billion in 1992 to nearly U.S.$6 trillion in 1997, an increase that reflects the growing importance of Emerging Markets debt to the global trading and investment communities.

As Emerging Markets countries and companies have re-entered the capital markets and internal capital markets have become more highly developed, Brady Bonds have been supplemented by an ever wider variety of Eurobonds and local currency instruments. At the same time, the increased need for equity investment throughout the Emerging Markets has created a myriad of opportunities in the rapidly developing private sectors. Along with this increase in investment instruments, and in the development of their marketplace, has come greater liquidity and innovation in the use of derivative instruments and other hedging techniques to permit better risk management.

Market participants include the world's major commercial and investment banks and various local entities, as well as a range of institutional investors seeking higher yields than are normally available in the developed economies.

Trading and Settlement

The marketplace for Emerging Markets debt instruments is an OTC market of dealers and investors located worldwide but linked informally through a network of broker screens as well as normal telecommunications channels. Most trading is conducted orally, either directly between dealers and investors or, in the case of Brady Bonds, often through brokers. Settlement in Brady Bonds and Eurobonds is normally made through Euroclear or Cedel.

In general, the trading and settlement of Brady Bonds and Eurobonds occurs in accordance with customary international securities practices (including procedures for the U.S. institutional markets). Due to their unique origins and characteristics, EMTA has developed many Market Practices for trading Brady Bonds. Electronic trade confirmation and matching is provided by EMTA's Match-EM system, and since beginning operations in April 1998, the Emerging Markets Clearing Corporation has been available to reduce counterparty risk and improve efficiency.

Loan trading and settlement generally is conducted in accordance with EMTA Market Practices and Standard Terms.

Formed in 1990 in response to the trading opportunities created by the sovereign debt rescheduling under the Brady Plan, EMTA now has approximately 169* member institutions, including leading financial institutions worldwide. EMTA's approximately 64* Full Members are firms that actively trade Emerging Markets instruments.

EMTA's Board of Directors is composed of leaders in Emerging Markets trading who meet quarterly to set EMTA policies. Most EMTA projects are developed and implemented through Working Groups composed of industry representatives.

Headquartered in New York City, EMTA has a full-time staff of 14* professional and support personnel. EMTA also maintains an informal presence in London.

ABOUT EMTA

A Forum for Voluntary Self-Regulation

EMTA actively encourages the highest standards of integrity and professionalism by providing a forum for voluntary self-regulation. EMTA's Code of Conduct for the trading of Emerging Markets instruments encourages all market participants to ensure that the marketplace remains as professional as possible. Through the adoption of general trading principles and more specific Market Practices, EMTA also strives to develop a better common understanding of market conventions that help ensure an orderly market.

Better Risk Management and Greater Efficiency

Managing risk and improving operating efficiency in the rapidly evolving Emerging Markets trading business is a major challenge. EMTA's efforts have met these needs by ensuring that bond and loan trades are confirmed and settled more quickly and, in the case of its netting facilities, by allowing market participants to reduce their aggregate levels of counterparty exposure. The new Emerging Markets Clearing Corporation and EMTA's Match-EM system were developed by EMTA to respond to the need to reduce counterparty risk and improve operational efficiency in the trading of Brady Bonds. Other measures to promote greater efficiency include EMTA's Standard Terms for Assignments of Loan Assets and the 1998 FX and Currency Option Definitions, which were developed in collaboration with the International Swaps and Derivatives Association (ISDA) and the Foreign Exchange Committee. By facilitating better risk management, EMTA enables individual market participants to conduct their activities with greater confidence, efficiency and safety and helps to reduce systemic risk.

More Transparency

Through a variety of projects, including its annual and quarterly Volume Surveys of debt trading and Month-End Pricing Survey, EMTA promotes greater market transparency for the benefit of investors and other market professionals. EMTA's Match-EM system permits EMTA to collect and disseminate market volume and price data on a nearly real-time basis.

*as of May 1, 1998

1997 PROJECT HIGHLIGHTS

Two projects that represent EMTA's recent contributions to the orderly development of the marketplace for Emerging Markets instruments are its sponsorship of the Emerging Markets Clearing Corporation (EMCC) and recent multilateral netting facilities for Russian VEB loans.

Emerging Markets Clearing Corporation

Most Brady bond trading in the inter-dealer market occurs through trading screens made available by a number of inter-dealer brokers. To support this screen-based trading, and to address concerns about related counterparty risk, EMTA has sponsored the development of an Emerging Markets Clearing Corporation. EMCC, which began operations in April 1998, brings improved efficiency and reduced counterparty risk to the marketplace for Brady bonds and sovereign Eurobonds by assuming and netting matched trades and delivering net settlement instructions directly to the Euroclear and CEDEL settlement systems. In future years, EMTA expects that EMCC will expand to include additional Emerging Markets instruments.

The EMCC project, developed in conjunction with the National Securities Clearing Corporation (NSCC) and the International Securities Market Association (ISMA), provides a good example of EMTA's process of convening industry working groups to identify and address market needs. This process gives market participants the opportunity to be heard, without sacrificing the need for prompt industry action once consensus has been reached.

Russian VEB Loan Restructuring

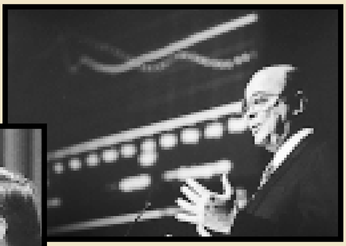
In recent years, the Russian Republic has emerged as one of the world's fastest growing sources of investment opportunities. In December 1997, Russia's Vnesheconombank and its bank creditors completed the long-awaited rescheduling of over U.S.$28 billion in principal and overdue interest claims. The rescheduling followed several difficult years of negotiation and debt reconciliation and was widely heralded as a milestone in Russia's efforts to normalize its relations with Western financial institutions. EMTA devoted considerable resources during 1996 and 1997 to assist market participants in the successful completion of the rescheduling.

Most importantly, EMTA provided a forum that permitted market participants to evaluate the rescheduling package and its complex mechanics. Building on this knowledge, an EMTA working group then developed various recommendations and market advisories that facilitated the complex debt reconciliation that preceded the rescheduling. In addition, EMTA recommended various Market Practices and operated Multilateral Netting facilities that led to the prompt and orderly settlement of the thousands of participation trades, when-restructured trades of principal and when-issued trades of Interest Notes that occurred during the pendency of the restructuring. These facilities netted and settled an aggregate of $7.3 billion face amount of bilateral net trade positions reported to EMTA by 161 market participants. Finally, to promote greater efficiency in the future trading and settlement of Restructured Loans, an EMTA working group has developed various Market Practices that facilitate the pricing, netting and prompt settlement of trades.

In view of Russia's significance to the debt marketplace, EMTA continues to study mechanisms for making the trading of Russian debt instruments more efficient.

1997 ANNUAL MEETING

EMTA's Annual Meeting is an opportunity for market participants in Emerging Markets to gather, hear and discuss presentations by leading market professionals and government officials of Emerging Market countries. The 1997 Annual Meeting featured keynote speakers Dr. Mikhail Kasyanov, Deputy Finance Minister of Russia, and Dr. Francisco Lopes, Director of Monetary Policy at the Central Bank of Brazil, who described the current economic programs in their respective countries.



▲ Dr. Francisco Lopes

◀ Dr. Mikhail Kasyanov

Speaking only one week after the completion of Russia's VEB loan restructuring, ***Dr. Kasyanov*** *stated, "The closing of this agreement represents an important milestone and now enables us to focus on the future. It has put our relationship with the international financial community on a new footing and paves the way for investor confidence in Russia."*

In his address to Members, ***Dr. Lopes*** *stressed that a low inflation environment with price stability was essential to a healthy Brazilian economy and that the government would defend the current low inflation scenario, "with all its strength, as if it were a life or death struggle."*

Touching upon recent developments in the Emerging Markets, EMTA Co-Chair Jorge Jasson (Managing Director and Head of International Fixed Income at Chase Manhattan) noted the recent market conditions in Asia and their effect on the international marketplace. "In today's world of interconnected global capital markets," said Jasson, "the first commandment for the multilateral financial institutions is to provide a stable anchor for market expectations or, in other words, a basis for confidence."

EMTA PANEL DISCUSSIONS

Jose Luis Daza (J.P. Morgan) moderated a panel on the Economic Outlook for the Emerging Markets that included Richard Gray (Bank of America), Lawrence Brainard (Chase Securities Inc.), Paulo Leme (Goldman Sachs), Arturo Porzecanski (ING Barings) and Joyce Chang (Merrill Lynch).

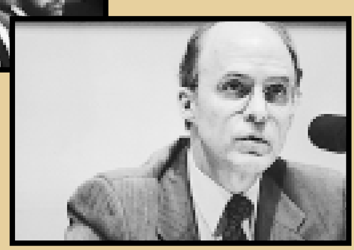
For the second year, Wayne Lyski (Alliance Capital) led a popular panel on the Investor's Perspectives on Emerging Market Assets. Panelists included Mark Siegel (Darby Overseas Investments), Ashwin Vassan (Oppenheimer Management Corporation), Mark Franklin (Salomon Smith Barney) and Luis R. Luis (Scudder, Stevens & Clark).

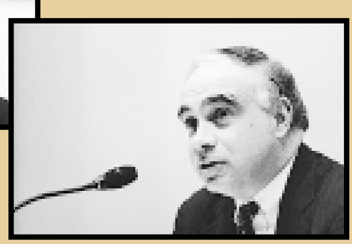








1997 FINANCIAL REVIEW

Highlights

	For the Year Ended December 31,				
	1997	1996	1995	1994	1993
Market trading volume (in billions of U.S.$)	**5,916**	5,297	2,739	2,766	1,979
Brady Bonds	**2,403**	2,690	1,580	1,684	1,021
Other Bonds	**1,335**	568	211	159	177
Loans	**305**	249	175	244	274
Local Markets Instruments	**1,506**	1,274	593	524	NA
Number of Members at year end	**169**	154	146	152	118
Revenue					
Membership dues	**$1,782,417**	$1,652,167	$1,337,250	$1,364,250	$ 894,500
Fees for program services	**1,432,037**	1,711,782	2,212,351	1,434,922	—
Directors' support (assessments and donated services, facilities and supplies)	**1,137,500**	1,151,250	1,170,000	1,312,500	787,949
Other	**293,234**	416,137	148,620	30,675	13,203
Total revenue	**4,645,188**	4,931,336	4,868,221	4,142,347	1,695,652
Expenses					
Staff	**2,577,942**	2,490,805	1,763,810	1,269,064	366,983
Office	**350,452**	372,247	309,775	201,987	91,436
Communications	**204,658**	251,085	335,653	260,433	11,241
Professional services	**774,080**	1,198,475	2,153,877	1,945,580	839,169
Conferences, receptions and travel	**161,283**	240,713	235,549	196,415	250,707
Total expenses	**4,068,415**	4,553,325	4,798,664	3,873,479	1,559,536
Increase in net assets	**576,773**	378,011	69,557	268,868	136,116
Net assets at end of year	**$1,380,642**	$ 803,869	$ 425,858	$ 356,301	$ 87,433

MANAGEMENT'S DISCUSSION AND ANALYSIS

EMTA streamlined its operations and refocused its activities in 1997, resulting in a larger increase in net assets ($576,773) than in 1996 ($378,011).

Revenue

Total revenue declined by $286,000, or 6%, to $4,645,000 in 1997. This was mainly due to: (a) a decrease in revenue from program services of $280,000 (16%) primarily because of the reduced need for Multilateral Netting, (b) a decrease of $186,000 (52%) in Other Income, due to completion of a consulting project in 1996, which together offset (c) an increase in Membership dues of $130,000 (8%) because of a slight increase in the number of Members, primarily at the Affiliate level.

Expenses

Total expenses declined by $485,000, or 11%, to $4,068,000 in 1997. This was primarily due to the continued policy of reducing the reliance on outside consultants in favor of performing work by EMTA staff, and in addition, to streamlining certain operations.

Staff expenses increased by $87,000 (3%) to $2,578,000 in 1997. The total number of staff peaked at 20 for the first half of the year and declined in the second half, as three departing staff were not replaced. Thus, the average number of staff remained roughly constant from 1996 to 1997.

Office costs declined by $22,000 (6%) to $350,000 in 1997. The majority of this reduction resulted from cost-savings in office supplies and administration categories pursuant to management review of office policies and vendor costs.

Communications costs declined by $46,000 (18%) to $205,000 in 1997. This resulted from renegotiation of telephone long distance rates and broadcast fax rates, as well as the elimination of the fee paid to a market data provider in early 1997.

Professional services costs declined by $424,000 (35%) to $774,000 in 1997. The major components of this decline were: (a) a reduction in legal expenses of $169,000, (b) a reduction of $147,000 in development work for the Match-EM system and (c) public relations expenses declined by $74,000 as this function was largely phased out in early 1997.

Conferences, receptions, travel and other expenses declined by $79,000 (33%) to $161,000 in 1997. The largest component of this decline was a reduction of $67,000 in travel costs, due to a refocusing of local markets activities in mid-year.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of the Emerging Markets Traders Association

In our opinion, the accompanying consolidated statements of financial position and the related consolidated statements of activities and of cash flows present fairly, in all material respects, the financial position of the Emerging Markets Traders Association and its subsidiaries (the "Association") at December 31, 1997 and 1996, and the results of their activities and their cash flows for the years then ended in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Association's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse LLP

Price Waterhouse LLP

New York, New York
February 9, 1998

Consolidated Statements of Financial Position

	December 31,	
	1997	1996
Assets		
Current assets:		
Cash and cash equivalents	$3,771,236	$1,979,349
Directors' assessments receivable	500	68,750
Dues and fees receivable from Members	211,497	149,357
EMCC subscriptions receivable	1,441,193	917,000
Prepaid expenses and other assets	17,710	5,200
Total current assets	5,442,136	3,119,656
Property and equipment:		
Leasehold improvements	89,112	89,112
Computer equipment and network	105,618	95,628
Furniture and fixtures	80,607	80,607
Telecommunication equipment	38,000	38,000
	313,337	303,347
Less accumulated depreciation	(206,656)	(133,655)
	106,681	169,692
EMCC start-up costs	95,960	—
Total Assets	$5,644,777	$3,289,348
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 682,084	$ 636,543
Unearned Membership dues	182,387	35,000
Payable to EMCC	3,340,000	1,752,500
Total current liabilities	4,204,471	2,424,043
Deferred rent expense	59,664	61,436
Total liabilities	4,264,135	2,485,479
Net assets	1,380,642	803,869
Total Liabilities and Net Assets	$5,644,777	$3,289,348

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Activities

	For the Year Ended December 31,	
	1997	1996
Revenue		
Membership dues	**$1,782,417**	$1,652,167
Fees for program services	**1,432,037**	1,711,782
Directors' assessments	**1,137,500**	1,151,250
Investment income	**119,481**	56,766
Other	**173,753**	359,371
Total revenue	**4,645,188**	4,931,336
Expenses		
Compensation and benefits	**2,577,942**	2,490,805
Occupancy	**136,964**	142,847
Office supplies and administration	**140,487**	157,598
Depreciation	**73,001**	71,802
Telecommunications	**111,213**	183,902
Shipping and delivery	**74,595**	53,047
Printing of documents for Member services	**18,849**	14,136
Legal	**313,869**	483,082
Program consultants	**298,296**	441,112
Public relations and annual report	**111,751**	203,934
Audit, tax and computer consultants	**50,164**	70,347
Conferences, receptions and meetings	**24,905**	78,838
Travel, lodging, meals and other	**136,379**	161,875
Total expenses	**4,068,415**	4,553,325
Increase in net assets	**576,773**	378,011
Net assets, beginning of year	**803,869**	425,858
Net assets, end of year	**$1,380,642**	$ 803,869

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Cash Flows

	For the Year Ended December 31, 1997	1996
Cash flows from operating activities		
Increase in net assets	**$ 576,773**	$ 378,011
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	**73,001**	71,802
(Increase) decrease in Directors' assessments receivable	**68,250**	(68,750)
(Increase) decrease in dues and fees receivable from Members	**(62,141)**	62,578
(Increase) decrease in EMCC subscriptions receivable	**(524,193)**	(917,000)
(Increase) decrease in prepaid expenses and other assets	**(12,510)**	7,912
Increase (decrease) in accounts payable and accrued expenses	**45,541**	64,136
Increase (decrease) in unearned Membership dues	**147,387**	(262,000)
Increase (decrease) in payable to EMCC	**1,587,500**	1,752,500
Increase (decrease) in deferred rent expense	**(1,772)**	8,967
Net cash provided by operating activities	**1,897,837**	1,098,156
Cash flows from investing activities		
EMCC start-up costs	**(95,960)**	—
Payments for purchases of property and equipment	**(9,990)**	(30,988)
Net cash used for investing activities	**(105,950)**	(30,988)
Increase (decrease) in cash and cash equivalents	**1,791,887**	1,067,168
Cash and cash equivalents, beginning of year	**1,979,349**	912,181
Cash and cash equivalents, end of year	**$3,771,236**	$1,979,349

NOTES TO FINANCIAL STATEMENTS

1. Organization

The Emerging Markets Traders Association ("EMTA") is a non-profit corporation, formed in 1990 to promote the orderly development of fair, efficient and transparent trading markets for Emerging Markets instruments. EMTA's primary sources of revenue are Membership dues, Directors' assessments and, through its subsidiaries, fees for program services.

2. Summary of Significant Accounting Policies

Principles of Consolidation and Operations of Subsidiaries

The consolidated financial statements include the accounts of EMTA and its four subsidiaries described below. Intercompany accounts and transactions are eliminated in consolidation.

The subsidiaries were organized in 1996 to provide services to participating Members, for which it charges fees, in carrying out EMTA's mission. The subsidiaries include: (a) Match-EM, Inc., which operates an electronic post-trade matching and confirmation system, (b) Net-EM, Inc., which operates a multilateral netting and clearing facility for outstanding trades of loans and other instruments, (c) Clear-EM, Inc., which serves as EMTA's interface with Emerging Markets Clearing Corporation (EMCC); and (d) EMTA Black Inc., a holding company for the above three subsidiaries. EMTA Black Inc. owns 100% of the common stock of its three subsidiaries; EMTA owns 100% of the common stock of EMTA Black Inc.

Membership Dues and Directors' Assessments

EMTA has four membership categories:

Full Members – active market participants that trade or invest in Emerging Markets instruments;

Associate Members – market participants that trade or invest in Emerging Markets instruments, but which are smaller and less active than Full Members;

Affiliate Members – non-market participants that are nevertheless interested in Emerging Markets trading such as advisors, vendors, law firms, rating agencies and consultants; and

Local Markets Members – locally-based market participants that trade or invest in Emerging Markets instruments.

Membership dues and Directors' assessments for each calendar year are billed in advance and are recorded as unearned in the Consolidated Statement of Financial Position at the beginning of such year. The unearned dues and assessments are then amortized to income throughout the year as earned. Members not paying their annual dues within 60 days of billing may be suspended from membership. The Board of Directors may levy special assessments on Members to defray certain expenses. Such special assessments are to be equal for all Members of the same class. Additionally, the Board may agree to levy additional assessments on Directors (payable by the Members that employ them) to meet working capital deficiencies.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Excess funds are maintained in either: (a) an interest-bearing money market account with a bank that is also an EMTA Member or (b) an income-producing mutual fund managed by the same bank. This mutual fund invests in high quality short-term obligations of corporations, governments and banks and is carried at fair value. Balances in these two accounts are included in cash and cash equivalents in the Consolidated Statement of Financial Position.

Property and Equipment

Amortization of leasehold improvements is provided on a straight-line basis over the shorter of the estimated lives of the improvements or the related lease, beginning at the lease inception date. Depreciation of computer, network and telecommunications equipment is provided on a straight-line basis over estimated useful lives of three years. Depreciation of furniture and fixtures is provided on a straight-line basis over estimated useful lives of five years.

Income Taxes

EMTA is exempt from income tax under Section 501(c)(6) of the Internal Revenue Code and similar provisions of state and city tax codes. However, EMTA is subject to tax on any unrelated business taxable income. An unused net operating loss carryforward of approximately $96,000 was available at December 31, 1997 and can be used to offset future taxable unrelated business income. This carryforward will expire in 2010 if not used before then. The operations of EMTA's subsidiaries are also subject to income tax, but taxable income generated since inception in 1996 has not been material.

3. Summary of Expenses

Following is a summary of program and non-program expenses:

	Year ended December 31, 1997	1996
Program expenses		
Direct:		
Multilateral Netting Facility	**$ 20,600**	$ 31,483
Match-EM	**307,982**	474,826
Clear-EM	**65,893**	212,123
Documentation and Market Practices	**159,053**	173,806
Publications, including Trading Volume Survey and asset price quotes	**—**	400
Conferences, receptions and meetings	**24,905**	78,838
Other	**8,363**	7,033
Indirect (primarily staff and facilities costs)	**2,249,770**	2,223,888
Total program expenses	**2,836,566**	3,202,397
Non-Program expenses		
Direct:		
Public relations and membership development	**111,751**	203,934
General administration	**100,439**	94,871
Indirect (primarily staff and facilities costs)	**1,019,659**	1,052,123
Total non-program expenses	**1,231,849**	1,350,928
Total expenses	**$4,068,415**	$4,553,325

4. Summary of Revenue

The individual components of the primary revenue categories are set forth below:

	Year ended December 31, 1997	1996
Membership dues:		
Full	$1,216,667	$1,156,667
Associate	347,500	317,500
Affiliate	192,000	153,000
Local Markets	26,250	25,000
	$1,782,417	$1,652,167
Fees for program services:		
Multilateral Netting Facility	$ 853,100	$1,141,868
Match-EM	578,937	569,914
	$1,432,037	$1,711,782

5. Office Space Lease

In January 1995, EMTA entered into an agreement to lease independent office space in a new location for a period that started March 1, 1995 and will expire January 31, 2003, with an option to renew for five additional years at a rate of 95% of the fair market rental at July 31, 2002. The annual rent is $124,614 plus EMTA's proportionate share of increases in property taxes and other building expenses after the first year. In addition, EMTA paid no rent for six months in 1995 and for three months in 1996. An EMTA Member employing a Director has provided a letter of credit (subject to partial reimbursement by three other Members that also employ Directors) to provide additional security to the landlord of EMTA's performance under the lease.

6. Employee Benefit Plans

During 1996, EMTA had a non-contributory, defined contribution employee benefit plan for its employees. Employees with at least 1,000 hours of service in the year were eligible to participate. Balances in participants' accounts are fully vested at all times. Employer contributions range from 0% to 15% of eligible compensation, at the election of EMTA each year. The 1996 contributions were 12% of eligible compensation, which amounted to $155,710. This amount is included in compensation and benefits in the Consolidated Statement of Activity. In 1997 this Plan was discontinued, the account balances paid out to participants, and two other Plans adopted to take its place:

- a 401(k) Plan, whereby participants are allowed to contribute up to 15% of taxable compensation to the Plan, subject to statutory limitations. EMTA matches the first 4% of such contributions. All employees are eligible to participate, and balances in participants' accounts are fully vested at all times; and
- SEP-IRA arrangement, whereby EMTA contributes a certain percentage of eligible compensation each year, at the election of EMTA and subject to statutory limits. All staff employed at year-end are eligible to participate, and balances in participants' accounts are fully vested at all times.

Contributions to the above two Plans totaled $170,563 in 1997, which is included in compensation and benefits in the Consolidated Statement of Activity.

7. Commitments — Emerging Markets Clearing Corporation ("EMCC")

In 1996, EMTA entered into an agreement with a subsidiary of National Securities Clearing Corporation ("NSCC") to develop EMCC, which is to clear trades of Emerging Markets debt instruments. EMTA has coordinated industry decision-making regarding EMCC's development. In this connection, EMTA, through its subsidiary Clear-EM, Inc., has provided management and legal expertise and certain administrative services, including billing and collection of EMCC's initial funding requirements. These receivables are recorded as EMCC subscriptions receivable, and the related credit is recorded as payable to EMCC, in the Consolidated Statement of Position.

Total subscriptions of approximately $4.8 million have been billed, half in each of 1997 and 1996. The proceeds are to be used for development and implementation of EMCC, of which $1.5 million has been remitted to NSCC, half in each of 1997 and 1996. The remainder will be remitted to EMCC in 1998 after deducting agreed-upon cost reimbursements to Clear-EM, Inc. Such reimbursements amount to approximately $150,000 in each of 1997 and 1996, and are recorded as other revenue in the Consolidated Statement of Activities. In addition, it is expected that EMTA will receive a minority interest in EMCC in exchange for various services rendered by EMTA in connection with EMCC's development and for the transfer of Match-EM to EMCC. The transaction is not expected to generate a material gain or loss, as the carrying cost of the investment in EMCC will be the 1997 loss of $95,960 generated by Clear-EM, Inc, which has been capitalized as EMCC start-up costs in the Consolidated Statement of Financial Position. These costs consist primarily of allocated but unreimbursed staff compensation and benefits.

EMTA FULL MEMBERS

Full Members are institutions which actively trade Emerging Markets instruments.

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Associate Members are institutions that trade Emerging Markets instruments but are smaller and less active than Full Members.

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Local Market Members are locally-based market participants that trade or invest in Local Markets Instruments.

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Affiliate Members

Affiliate Members are institutions that may not trade Emerging Markets instruments, but have a strong interest in the Emerging Markets trading industry.

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