



**NOTICE OF EXCHANGE RATE DIVERGENCE**

To: EMTA, Inc.

From: Peter Allem - Amia Capital LLP

Observation Days for Exchange Rate Divergence: 10 October 2019, 9 October, 8 October 2019

Notice Dated: 11 October 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 for standard size financial transactions 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 rate which is quoted when we buy or sell onshore ARS denominated instruments for USD settlement.

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 quarters



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:  
October 08, 2019, October 09, 2019, October 10, 2019

Notice Dated: October 11, 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) for standard EMTA template USDARS NDF transaction significantly differed from the rate for a standard size Argentine Peso/U.S. Dollar financial transaction for the same-day settlement in the Buenos Aires marketplace. Two examples of this observation are as follows:

**(1) Foreign Investors Recipients of Argentine Peso financial proceeds from variation margin calls relating to futures positions in the Matba Rofex S.A. exchange are restricted from buying US Dollars at the ARS MAE (ARS05) rate; and**

**(2) Foreign Investors Recipients of Argentine peso financial proceeds from the 15% face value payment of Bonds with the ISIN ARARGE5207Q2, ARGTB 0 03/11/20 (previously referred to as ARGTB 4.25 09/13/2019) are restricted from buying U.S. Dollars at the ARS MAE (ARS05) rate. The Blue Chip Swap rate is the only rate that was accessible to transact ARS from the financial transactions above. The Blue Chip Swap rate has a significant divergence from the ARS MAE rate as shown in the graph below:**

The Blue Chip Swap rate is the only rate that was accessible to transact ARS from the financial transactions above. The Blue Chip Swap rate has a significant divergence from the ARS MAE rate as shown in the graph below:



## **NOTICE OF EXCHANGE RATE DIVERGENCE**

**To: EMTA, Inc.**

**From: Goldman Sachs and Carlos Fernandez-Aller**

**Observation Days for Exchange Rate Divergence:  
October 8, 2019; October 9, 2019; October 10, 2019**

**Notice Dated: October 11, 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			
8-Oct-19	66.90	67.30	57.8390	15.7%	16.4%
9-Oct-19	66.75	67.00	57.9786	15.1%	15.6%
10-Oct-19	67.25	67.50	57.9902	16.0%	16.4%

# 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: October 8, 2019, October 9, 2019,  
October 10, 2019

Notice Dated: October 11, 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
10/8/2019	57.83	66.00
10/9/2019	57.96	66.14
10/10/2019	57.99	67.57

*(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: October 8, 9 and 10, 2019

Notice Dated: October 11, 2019

PIMCO submits this notice as an EMTA Member and market participant in order to promote the proper and efficient functioning of market mechanisms. For purposes of background, PIMCO’s prior notices of ARS/USD Exchange Rate Divergence<sup>1</sup> are incorporated herein by reference in the entirety with respect to the 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, available at <https://www.emta.org/template.aspx?id=11296>.