

**1994**  
**FINANCIAL**  
**REVIEW**

**Operating Highlights**

	For the year ended December 31,		
	1994	1993	1992
Market trading volume (in billions of U.S.\$)	\$ 2,766	\$ 1,978	\$ 734
Number of Members at year end:			
Primary	83	75	64
Associate	69	43	14
Total Members	152	118	78

**Revenue**

Membership dues	\$ 1,364,250	\$ 894,500	\$ 677,528
Fees for program services	1,434,922	—	—
Other	30,675	13,203	10,371
Directors' support (assessments and donated services, facilities and supplies)	1,312,500	787,949	171,423
Total revenue	4,142,347	1,695,652	859,322

**Expenses**

Staff	1,269,064	366,983	117,174
Office	201,987	91,436	54,619
Communications	260,433	11,241	—
Professional services	1,945,580	839,169	767,051
Conferences, receptions and travel	196,415	250,707	1,049
Total expenses	3,873,479	1,559,536	939,893
Increase (decrease) in net assets	268,868	136,116	(80,571)
Net assets:			
Beginning of year	87,433	(48,683)	31,888
End of year	\$ 356,301	\$ 87,433	\$ (48,683)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Following a long period of expansion in trading volumes and increases in price levels for most assets, 1994 was characterized by continuing strong trading volumes, increased volatility and sharp declines in price levels for most Emerging Markets assets. EMTA assisted the Emerging Markets trading industry in responding to these challenges through various projects designed to enhance the efficiency, transparency and integrity of the marketplace. During 1994, EMTA substantially expanded its staff (from 4 to 13) and the scope and level of its activities and took steps toward greater independence from its individual Board Members. New programs included (a) a Multilateral Netting Facility, through which market participants netted and settled 942 trades of loans (primarily Russian) with an aggregate face value of over \$2.2 billion, and (b) development of an automated trade confirmation and matching system (Match-EM) for sovereign loans and Brady Bonds, which is expected, beginning in mid-1995, to permit almost instantaneous trade confirmation and matching, as well as the eventual collection and dissemination of market price and volume information on a nearly real-time basis.

### Revenue

Total revenue increased by 144% in 1994 to \$4.1 million from \$1.7 million in 1993, as a result of increases in each revenue category.

Membership dues increased by 53% to nearly \$1.4 million from just under \$900,000 in 1993, due to an

increase in membership (from 118 to 152) and an increase in annual dues for Primary Members (from \$10,000 to \$15,000). Membership dues covered 35% of total expenses in 1994, as compared with 57% in 1993.

Fees for program services went from nil in 1993 to over \$1.4 million in 1994 because of two new programs, the Multilateral Netting Facility and the Match-EM pilot program, which contributed revenue of approximately \$1.3 million and \$100,000, respectively. Fees for program services covered 37% of total expenses in 1994, as compared with nil in 1993.

Directors' support (including assessments and donated services, facilities and supplies), which continues to fund the shortfall between EMTA's revenues and total expenses, increased by 67% to \$1.3 million from \$790,000 in 1993. The form of this support changed in 1994 from predominantly donations of staff and facilities to assessments, as EMTA assumed greater independent responsibility for its operations, including staffing. Revenues from the Multilateral Netting Facility enabled cancellation of the 4th quarter 1994 Directors' assessment. One of EMTA's fiscal goals for 1995 is to fund a greater proportion of its operations from fees for program services and thereby reduce Directors' assessments.

### Expenses

Total expenses rose 148% in 1994 to \$3.9 million from \$1.6 million in 1993, reflecting substantial increases in staff and in the scope and level of EMTA's activities.

Staff costs increased by 246% in 1994 to \$1.3 million from \$370,000 in 1993, mainly as a result of the addition of 9 full-time employees during 1994 to supervise and conduct EMTA's activities (including various support functions and in-house legal work to contain outside legal fees).

Professional services increased 132% to \$1.9 million in 1994 from \$840,000 in 1993. The main reason for this increase was the consulting fees associated with the Multilateral Netting Facility and Match-EM, which went from \$40,000 in 1993 to \$900,000 in 1994. Legal fees increased 12% in 1994, to \$800,000, from \$712,000 in 1993. In 1994, legal fees constituted 21% of total expenses, as compared with 46% of total expenses in 1993.

Aggregate office and communications expenses increased 350% in 1994 to \$460,000 from \$100,000 in 1993, consistent with the increased scope and level of EMTA's activities. Conferences, receptions and travel expenses decreased 22% in 1994 to \$200,000 from \$250,000 in 1993, primarily due to lower costs for the 1994 IMF reception and a general reduction in EMTA's conference and reception activity in 1994.

**EMERGING MARKETS  
TRADERS ASSOCIATION**

**Statements of Financial Position**

	Year ended December 31,	
	1994	1993
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,236,346	\$ 54,551
Directors' assessments receivable	—	277,753
Dues and fees receivable	24,331	43,000
<b>Total current assets</b>	<b>1,260,677</b>	<b>375,304</b>
Computer equipment, net of accumulated depreciation of \$10,699 in 1994	21,398	—
Leasehold improvements	18,612	—
<b>Total Assets</b>	<b>\$ 1,300,687</b>	<b>\$ 375,304</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 687,112	\$ 287,871
Payable to Director	257,274	—
<b>Net assets</b>	<b>356,301</b>	<b>87,433</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,300,687</b>	<b>\$ 375,304</b>

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

**EMERGING MARKETS  
TRADERS ASSOCIATION**

**Statements of Activities**

	For the Year Ended December 31,	
	1994	1993
<b>Revenue</b>		
Membership dues	\$ 1,364,250	\$ 894,500
Fees for program services	1,434,922	—
Meeting admission fees	4,940	8,032
Investment income	25,735	5,171
Directors' assessments	1,312,500	277,753
Donated services, facilities and supplies	—	510,196
<b>Total revenue</b>	<b>4,142,347</b>	<b>1,695,652</b>
<b>Expenses</b>		
Compensation, benefits and related taxes	955,725	—
Temporary and seconded staff	313,339	366,983
Rent	141,600	48,000
Office supplies and administration	49,688	43,436
Depreciation	10,699	—
Telecommunications	84,709	11,241
Shipping and delivery	83,119	—
Printing of documents for Member services	92,605	—
Legal	800,335	712,227
Program consultants	792,620	53,772
Public relations and annual report	327,971	57,470
Audit, tax and computer consultants	24,654	15,700
Conferences, receptions and meetings	118,508	182,387
Travel, lodging and meals	77,907	68,320
<b>Total expenses</b>	<b>3,873,479</b>	<b>1,559,536</b>
<b>Increase in net assets</b>	<b>268,868</b>	<b>136,116</b>
<b>Net assets, beginning of year</b>	<b>87,433</b>	<b>(48,683)</b>
<b>Net assets, end of year</b>	<b>\$ 356,301</b>	<b>\$ 87,433</b>

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

**EMERGING MARKETS  
TRADERS ASSOCIATION**

**Statements of Cash Flows**

	For the Year Ended December 31,	
	1994	1993
<b>Cash flows from operating activities</b>		
Increase in net assets	\$ 268,868	\$ 136,116
Adjustments to reconcile increase in net assets to net cash provided by (used for) operating activities:		
Depreciation	10,699	—
(Increase) decrease in Directors' assessments receivable	277,753	(277,753)
(Increase) decrease in dues and fees receivable	18,669	(31,500)
Increase in accounts payable and accrued expenses	399,241	53,036
Increase in payable to Director	257,274	—
Net cash provided by (used for) operating activities	<b>1,232,504</b>	<b>(120,101)</b>
<b>Cash flows from investing activities</b>		
Purchases of computer equipment	(32,097)	—
Investment in leasehold improvements	(18,612)	—
Net cash used for investing activities	<b>(50,709)</b>	<b>—</b>
Increase (decrease) in cash and cash equivalents	<b>1,181,795</b>	<b>(120,101)</b>
Cash and cash equivalents, beginning of year	<b>54,551</b>	<b>174,652</b>
Cash and cash equivalents, end of year	<b>\$ 1,236,346</b>	<b>\$ 54,551</b>

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

**NOTES TO  
FINANCIAL  
STATEMENTS**

**1. Organization**

The Emerging Markets Traders Association (“EMTA”) is a non-profit service organization, formed in 1990, with the principal objective of enhancing the efficiency, transparency and integrity of the trading markets for Emerging Markets instruments. EMTA’s primary sources of income are membership

dues, directors’ assessments and, starting in 1994, fees for program services.

EMTA is exempt from federal income tax under the provisions of Section 501(c)(6) of the Internal Revenue Code. It is exempt from state and local taxes under similar provisions of the relevant tax laws of those jurisdictions.

**2. Summary of Significant Accounting Policies**

**General**

The financial statements of EMTA are prepared on the accrual basis of accounting. Certain 1993 amounts have been reclassified to conform to 1994 presentation.

### Membership Dues and Directors' Assessments

EMTA's membership contained two categories during 1994 and 1993:

*Primary Members* – institutions that directly or through affiliates act as traders, brokers or dealers in emerging markets instruments in the United States or abroad; and

*Associate Members* – institutions that do not directly trade emerging markets instruments, but have an interest in or affiliation with the emerging markets.

EMTA's membership and fiscal years are the same. Dues are billed in the first quarter of the year and are amortized to income throughout the year as earned.

Members who do not pay their annual dues within 60 days of billing may be suspended from membership in EMTA. 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 assessments on Directors (payable by the Members that employ them) to meet working capital deficiencies.

### 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. Balances in these two accounts are included in cash and cash equivalents in the Statement of Financial Position.

### Fixed Assets

Depreciation of computer equipment is provided on a straight-line basis over estimated useful lives of three years. 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.

## 3. Summary of Expenses

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

	Year ended December 31,	
	1994	1993
<b>Program expenses</b>		
Direct:		
Multilateral Netting Facility	\$ 690,650	\$ —
Match-EM pilot program	202,620	35,611
Documentation and Market Practices	384,161	348,991
Publications, including Trading Volume Survey and asset price quotes	40,000	53,399
Conferences, receptions and meetings	118,508	182,387
Other	163,477	185,179
Indirect (primarily staff and facilities costs)	1,240,596	362,868
Total program expenses	2,840,012	1,168,435
<b>Non-Program expenses</b>		
Direct:		
Public relations and membership development	327,971	57,470
General administration	136,701	158,518
Indirect (primarily staff and facilities costs)	568,795	175,113
Total non-program expenses	1,033,467	391,101
Total expenses	\$ 3,873,479	\$ 1,559,536

#### 4. Summary of Revenue

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

	Year ended December 31,	
	1994	1993
Membership dues:		
Primary	\$ 1,167,750	\$770,000
Associate	196,500	124,500
	<b>\$ 1,364,250</b>	<b>\$894,500</b>
Fees for program services:		
Multilateral Netting Facility	\$ 1,334,596	—
Match-EM pilot program	100,326	—
	<b>\$ 1,434,922</b>	<b>—</b>
Directors' support:		
Assessments:		
General assessment	\$ 1,312,500	\$144,654
Special assessment: Brazil reception	—	24,376
Special assessment: IMF reception	—	108,723
	<b>\$ 1,312,500</b>	<b>\$277,753</b>
Donations:		
Services	—	\$428,258
Facilities	—	66,638
Supplies	—	15,300
	<b>—</b>	<b>\$510,196</b>

Prior to 1994, EMTA's activities were carried out primarily by individuals whose services were contributed by Members. Additionally, the office space occupied by EMTA and a large portion of related office expenses were contributed by an EMTA Member. These contributions are included in donated services, facilities and supplies revenue and have been allocated to various expense categories based upon the nature of the expense. On January 1, 1994, EMTA began paying for its own staff, office space and related expenses. During 1994, EMTA occupied office space in a building owned by an EMTA Member and purchased much of its computer equipment and office supplies from that Member. These expenditures consisted of rent expense of \$141,600 and purchases of computer equipment of \$30,720 and various office services of

\$149,454. In addition, Members charged EMTA \$153,750 in 1994 for the services of two staff individuals for portions of the year, which costs are included in temporary and seconded staff in the Statement of Activity.

#### 5. Office Space Lease

In January 1995, EMTA entered into an agreement to lease independent office space in a new location for a period commencing March 1, 1995 and expiring 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 will be \$124,614 plus EMTA's proportionate share of increases in property taxes and other building expenses after the first year. In addition, EMTA will pay 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.

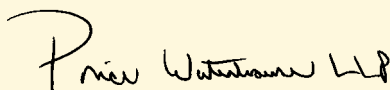
#### 6. Employee Benefit Plan

Effective January 1, 1994, EMTA adopted a non-contributory, defined contribution employee benefit plan for its employees. Employees who have at least 1,000 hours of service in a calendar year are eligible to participate. Balances in participants' accounts are fully vested at all times. Employer contributions may range from 0% to 15% of eligible compensation, at the election of EMTA each year. The 1994 contribution was 7% of eligible compensation, which amounted to \$28,493. This amount is included in compensation, benefits and related taxes in the Statement of Activity.

**REPORT OF  
INDEPENDENT  
ACCOUNTANTS**

**To the Board of Directors of the Emerging Markets Traders Association:**

In our opinion, the accompanying statements of financial position and the related statements of activities and of cash flows present fairly, in all material respects, the financial position of the Emerging Markets Traders Association (the “Association”) at December 31, 1994 and 1993, and the results of its activities and its 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 misstatements. 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.



New York, New York

February 24, 1995