Operating Highlights

	For the Year Ended December 31,			
	1995	1994	1993	1992
Market trading volume (in billions of U.S.$)	**2,739**	$ 2,766	$ 1,978	$ 734
Brady Bonds	**1,580**	1,684	1,021	247
Non-Brady Eurobonds	**233**	164	176	NA
Loans	**175**	244	273	229
Local Markets Instruments	**571**	518	NA	NA
Number of Members at year end:				
Full	**60**	83	75	64
Associate	**43**			
Affiliate	**43**	69	43	14
Total Members	**146**	152	118	78
Revenue				
Membership dues	**$1,337,250**	$1,364,250	$ 894,500	$ 677,528
Fees for program services	**2,212,351**	1,434,922	—	—
Directors' support (assessments and donated services, facilities and supplies)	**1,170,000**	1,312,500	787,949	171,423
Other	**148,620**	30,675	13,203	10,371
Total revenue	**4,868,221**	4,142,347	1,695,652	859,322
Expenses				
Staff	**1,763,810**	1,269,064	366,983	117,174
Office	**309,775**	201,987	91,436	54,619
Communications	**335,653**	260,433	11,241	—
Professional and vendor services	**2,153,876**	1,945,580	839,169	767,051
Conferences, receptions and travel	**235,549**	196,415	250,707	1,049
Total expenses	**4,798,664**	3,873,479	1,559,536	939,893
Increase (decrease) in net assets	**69,558**	268,868	136,116	(80,571)
Net assets:				
Beginning of year	**356,301**	87,433	(48,683)	31,888
End of year	**$ 425,859**	$ 356,301	$ 87,433	$ (48,683)

Despite difficult market conditions in the early part of the year, the volume of trading in Emerging Markets debt instruments remained strong in 1995, but without the across-the-board growth seen in prior years. With erratic trading volumes early in the year, and steadier volumes and price recovery characterizing the rest of the year, aggregate 1995 trading volumes were U.S.$2.74 trillion, down 1% from U.S.$2.76 trillion for 1994. During this period, the market's resiliency demonstrated its increasing maturity, and a wide variety of EMTA projects helped contribute to the market's orderly development. EMTA membership ended the year at 146, as compared with 152 at the end of 1994. The decline was probably a result of adverse market conditions during much of 1994 and early 1995.

EMTA's most important 1995 projects included: (a) the formal launch of Match-EM, an electronic post-trade matching and confirmation system. The System came on-line in May 1995 and by year end a daily average of 1,200 trade inputs were being entered into the System, with an average matching ratio of approximately 92%; (b) the Multilateral Netting Facility continued operating throughout the year, in which a total of 1,377 outstanding trades of primarily Russian loans were netted and settled (aggregating almost U.S.$ 4 billion in face amount); (c) EMTA continued to distribute average prices for the most active Brady Bonds and Loan Assets to Members at each month-end throughout the year; (d) the settlement time for trades of many Loan Assets was shortened from 21 calendar days with the adoption of the revised Standard Terms for Assignments of Loan Assets (effective January 1, 1996); (e) the first substantial local market project was undertaken, as EMTA Working Groups were formed to help improve liquidity in the Argentine debt and equity markets; and (f) the feasibility of an EMTA-sponsored Emerging Markets clearing corporation to reduce risks and costs in clearing brokered Brady Bond trades was studied throughout 1995, resulting in a formal recommendation of approval on March 20, 1996 to EMTA's Board of Directors.

Revenue

Total revenue increased 18% in 1995 to $4.9 million, from $4.1 million in 1994. The increase was primarily due to a rise in fees for program services of $800,000. Revenue from Match-EM accounted for $600,000 of this rise as it moved from pilot stage to formal implementation on May 1, 1995. Another $200,000 came from the Multilateral Netting Facility, as the number of trades netted and settled increased from 942 in 1994 to 1,377 in 1995, with a slight decline in the average fee per trade input.

Membership dues declined by $27,000 (2%), as the dues structure was changed by adding a third category, which altered the mix of Members. In addition, there was a decline of 4% in the number of Members during 1995.

Other revenue increased by $118,000 because of $100,000 derived from a consulting project for the Debt Traders Association, another financial trade association that requested EMTA's assistance in connection with its organization.

As a result of the above offsetting factors and the expenses described below, EMTA was able to reduce its Board of Director assessments by approximately $140,000 (11%) from $1.3 million in 1994 to less than $1.2 million in 1995.

Expenses

Total expenses increased 24% to $4.8 million in 1995, from $3.9 million in 1994, basically, as a result of the increase in scope of activities. Other underlying factors (further described below) were the trend for EMTA to rely less on outside consultants as its staff performed more work, and the move to independent office space in the first quarter of 1995.

Staff costs increased to $1.8 million in 1995 from $1.3 million in 1994 (39% rise). This was due to an increase in staff from 13 at the beginning of 1995 to 16 at the end, as amplified by the fact that the average hire in 1995 occurred earlier in the year than in 1994, and average staff salaries and benefits increased slightly.

Professional services, the largest individual component of expenses, increased 11% to $2.2 million in 1995, from $1.9 million in 1994. The primary factors for this increase were: (a) consultants' expenses for program services rose from $800,000 to $1.2 million, mostly because of an increase in Match-EM expenses of $600,000, partially offset by a decline of $300,000 in Multilateral Netting Facility (Net-EM) expenses. The former was due to Match-EM's implementation in May 1995, and the latter was due to the fact that most of the financial work on Net-EM was brought in-house in the first quarter of 1995; (b) legal fees declined 19% to $650,000 in 1995 from $800,000 in 1994 because more legal work was also brought in-house; (c) expenses for public relations and annual report declined by 22% from $325,000 in 1994 to $250,000 in 1995 because of tighter management controls; and (d) other less significant developments.

Office and communications expenses rose 40% to $650,000 in 1995, from $460,000 in 1994, primarily because (a) supplies and administration costs rose 124% to $110,000 in 1995 from $50,000 in 1994 because of funding completely independent office operations in 1995 and the fact that more photocopying was done in-house in 1995 rather than sending it out to outside vendors; (b) telecommunications rose to $180,000 in 1995 from $80,000 in 1994 because of a new fax broadcast method of communicating with Members; (c) depreciation rose to $50,000 from $10,000 because of the 1994 and 1995 purchase of office equipment; (d) shipping and delivery and printing costs declined by about $25,000 despite increased activities because of increased use of in-house photocopying and reliance on fax broadcast; and (e) other less significant factors.

Conferences, receptions and travel expenses rose 20% to $235,000 in 1995 from $195,000 in 1994. This was due to increases in travel, lodging and meals of $50,000 due to increased activities, offset somewhat by a decline of $10,000 in the cost of conferences, receptions and meetings.

Statements of Financial Position

	December 31, 1995	1994
Assets		
Current assets:		
Cash and cash equivalents	**$ 912,181**	$ 1,236,346
Dues and fees receivable from Members	**975,435**	24,331
Prepaid expenses and other assets	**13,112**	—
Total current assets	**1,900,728**	1,260,677
Property and equipment		
Leasehold improvements	**89,112**	18,612
Computer equipment and network	**74,832**	32,097
Furniture and fixtures	**77,761**	—
Telecommunication equipment	**30,654**	—
	272,359	50,709
Less accumulated depreciation	**(61,853)**	(10,699)
	210,506	40,010
Total Assets	**$2,111,234**	$ 1,300,687
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	**$ 572,407**	$ 687,112
Payable to Director	**—**	257,274
Unearned Membership dues	**1,060,500**	—
Total current liabilities	**1,632,907**	944,386
Deferred rent expense	**52,469**	—
Total liabilities	**1,685,376**	944,386
Net assets	**425,858**	356,301
Total Liabilities and Net Assets	**$2,111,234**	$ 1,300,687

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

Statements of Activities

	For the Year Ended December 31,	
	1995	1994
Revenue		
Membership dues	**$1,337,250**	$1,364,250
Fees for program services	**2,212,351**	1,434,922
Directors' assessments	**1,170,000**	1,312,500
Investment income	**46,830**	25,735
Other	**101,790**	4,940
Total revenue	**4,868,221**	4,142,347
Expenses		
Compensation, benefits and related taxes	**1,763,810**	1,269,064
Occupancy	**147,210**	141,600
Office supplies and administration	**111,411**	49,688
Depreciation	**51,154**	10,699
Telecommunications	**183,750**	84,709
Shipping and delivery	**78,722**	83,119
Printing of documents for Member services	**73,181**	92,605
Legal	**648,818**	800,335
Program consultants	**1,206,572**	792,620
Public relations and annual report	**254,934**	327,971
Audit, tax and computer consultants	**43,553**	24,654
Conferences, receptions and meetings	**112,045**	118,508
Travel, lodging and meals	**123,504**	77,907
Total expenses	**4,798,664**	3,873,479
Increase in net assets	**69,557**	268,868
Net assets, beginning of year	**356,301**	87,433
Net assets, end of year	**$ 425,858**	$ 356,301

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

Statements of Cash Flows

	For the Year Ended December 31,	
	1995	1994
Cash flows from operating activities		
Increase in net assets	**$ 69,557**	$ 268,868
Adjustments to reconcile increase in net assets to net cash provided by (used for) operating activities:		
Depreciation	**51,154**	10,699
(Increase) decrease in Directors' assessments receivable	**—**	277,753
(Increase) decrease in dues and fees receivable from Members	**(951,104)**	18,669
(Increase) decrease in prepaid expenses and other assets	**(13,112)**	—
Increase (decrease) in accounts payable and accrued expenses	**(114,705)**	399,241
Increase (decrease) in payable to Director	**(257,274)**	257,274
Increase (decrease) in unearned Membership dues	**1,060,500**	—
Increase (decrease) in deferred rent expense	**52,469**	—
Net cash provided by (used for) operating activities	**(102,515)**	1,232,504
Cash flows from investing activities		
Capital expenditures	**(221,650)**	(50,709)
Net cash used for investing activities	**(221,650)**	(50,709)
Increase (decrease) in cash and cash equivalents	**(324,165)**	1,181,795
Cash and cash equivalents, beginning of year	**1,236,346**	54,551
Cash and cash equivalents, end of year	**$ 912,181**	$1,236,346

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 fees for program services.

EMTA is exempt from federal income tax under the provisions of Section 501(c)(6) of the Internal Revenue Code. However, EMTA is subject to tax on any unrelated business taxable income. Similar provisions of tax codes of state and local jurisdictions also apply.

2. Summary of Significant Accounting Policies

General

The financial statements of EMTA are prepared on the accrual basis of accounting. Certain 1994 amounts have been reclassified to conform to 1995 presentation.

Membership Dues and Directors' Assessments

EMTA's membership contained three categories during 1995:

Full Members – institutions that, directly or through affiliates, act as traders or broker-dealers of Emerging Markets instruments;

Associate Members – institutions which trade or are broker-dealers of Emerging Markets instruments, but which are smaller and less active than Full Members; and

Affiliate Members – institutions that are not eligible as Full or Associate Members, but have an interest in or affiliation with the Emerging Markets.

During 1994, the membership contained two categories, Primary and Associate, which were essentially separated by whether the institution traded in Emerging Markets instruments. An additional category was added in 1995 to allow differentiation according to the magnitude of trading, brokering or dealing activity in Emerging Markets instruments.

EMTA's membership and fiscal years are the same. Dues are billed in advance and are recorded as unearned dues in the Statement of Financial Position at the time of billing. The unearned dues are then 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.

Fees for Program Services

EMTA provides certain services to participating Members, for which it charges a fee. Such services include a Multilateral Netting Facility, through which market participants net and settle trades of loans (primarily Russian), and Match-EM, an automated trade confirmation and matching system.

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 Statement Financial of Position.

Fixed Assets

Depreciation of computer and telecommunications 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. Depreciation of furniture and fixtures is provided on a straight-line basis over estimated useful lives of five years.

Software Development Costs

Costs associated with the development of the computer program for the Multilateral Netting Facility are expensed as incurred and are recorded as program consultants expense in the Statement of Activity. Such costs amounted to approximately $289,000 and $622,000 in 1995 and 1994, respectively.

3. Summary of Expenses

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

	Year ended December 31,	
	1995	1994
Program expenses		
Direct:		
Multilateral Netting Facility	**$ 394,309**	$ 690,650
Match-EM	**820,469**	202,620
Documentation and Market Practices	**239,023**	384,161
Publications, including Trading Volume Survey and asset price quotes	**59,083**	40,000
Conferences, receptions and meetings	**112,045**	118,508
Other	**253,853**	163,477
Indirect (primarily staff and facilities costs)	**1,721,375**	1,240,596
Total program expenses	**3,600,157**	2,840,012
Non-Program expenses		
Direct:		
Public relations and membership development	**254,934**	327,971
General administration	**132,204**	136,701
Indirect (primarily staff and facilities costs)	**811,369**	568,795
Total non-program expenses	**1,198,507**	1,033,467
Total expenses	**$4,798,664**	$3,873,479

4. Summary of Revenue

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

	Year ended December 31,	
	1995	1994
Membership dues:		
Full	**$ 912,000**	$ —
Primary	**—**	1,167,750
Associate	**302,250**	—
Associate	**—**	196,500
Affiliate	**123,000**	—
	$1,337,250	$1,364,250
Fees for program services:		
Multilateral Netting Facility	**$1,518,858**	$1,334,596
Match-EM	**693,493**	100,326
	$2,212,351	$1,434,922

During 1994 and through March 31, 1995, 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. In 1995, these expenditures consisted of rent expense of $28,200 and various office services of $18,913. In 1994, these expenditures consisted of rent expense of $141,600, purchases of computer equipment of $30,720 and various office services of $149,454.

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 is $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 1995 and 1994 contributions were 9% and 7% of eligible compensation, which amounted to $83,775 and $28,493, respectively. These amounts are included in compensation, benefits and related taxes in the Statement of Activity.

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, 1995 and 1994, 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 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.

New York, New York
March 1, 1996