2000 Annual Report

E M T A

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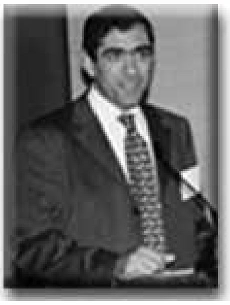
Formed in 1990, EMTA is dedicated to:

- promoting the orderly development of fair, efficient and transparent trading markets for Emerging Markets instruments,
- helping integrate the Emerging Markets into the global capital markets and
- building and promoting the Emerging Markets asset class.

Letter from the Co-Chairs



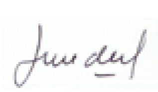
"We have a great opportunity to improve not only our marketplace but also our asset class."

The Emerging Markets trading and investment industry is at a crossroads, and so is EMTA.

The continuing prosperity of our industry depends on many factors, among them increased confidence in the transparency of our marketplace and of the governmental policies that so strongly affect it. We believe that the recent debate initiated by policymakers about 'bail-outs' and official sector and private sector 'burden-sharing' in the context of sovereign financial crises has been counter-productive, confusing or driving away investors and potential investors and generally distracting attention away from the more important policy goal of how best to encourage and support the process of continued economic development and reform throughout the Emerging Markets. When and if the effort to achieve this goal fails, and prospects of a resulting financial crisis deepen, the immediate objective of policymakers should be to catalyze, rather than punish, continued private sector involvement.There are legitimate concerns, from both the official and private sector viewpoints, about the appropriate mechanisms, under various circumstances, for involving the private sector more effectively in resolving such financial crises. With so much common interest in addressing these concerns, as well as the more fundamental question of how to catalyze private capital flows in support of economic development and reform, it is unfortunate that the policy discussion between the official and private sectors has become so muddled.

Over the past decade, EMTA has established a remarkable track record in its effort to promote the orderly development of the trading marketplace. Through its many market practices, trading documents and new market infrastructure (such as the Emerging Markets Clearing Corporation), EMTA has brought much greater efficiency to the marketplace and substantially reduced counterparty risk. At the same time, EMTA's activities have reassured regulators and supervisors, once alarmed at the prospect of a rapidly growing but potentially undisciplined and under-regulated market, that orderly development of a complex, global marketplace can occur largely without formal regulatory intervention. Our industry can be justifiably proud of its record to date, which is due, in equal parts, to good leadership and active membership participation.

Along with an orderly trading market has come a more diversified investor base, but also concerns among dealers and investors alike that, despite impressive historical returns, the EM asset class is under-performing its potential, due in part to a continuing lack of transparency in the way EM economies are developing and performing and in the way financial crises are resolved and contract expectations and rights are treated. Despite the progress that many Emerging Markets countries have made in reforming their economies and political institutions, many investors fear that, in the current environment, they simply will not be able to realize their investment's upside potential, or to protect adequately against its downside, because of unfair limitations on their ability to exercise the rights that they would normally expect to have as an investor. This lack of transparency has frustrated existing investors and made new ones reluctant to enter the asset class.In the past year, EMTA has devoted much time and resources to the all-important task of ensuring that its mission continues to meet the needs of today's and tomorrow's marketplace and the asset class it serves. With the addition of new Directors over the past year, EMTA's Board of Directors now reflects the interests of a broader spectrum of market participants than ever before. During 2000, EMTA initiated efforts to help build and promote the Emerging Markets asset class. These new additions to our Board, and some of the preliminary changes in EMTA's activities made in the past year, are described in greater detail in the Executive Director's Letter and under '2000 Project Highlights'. In the coming year, we intend to work closely with our new Directors to develop and implement a more comprehensive market-wide agenda that will benefit all of our Members. In doing this, we also intend to reach out more actively and seek more input from our Membership, particularly those that we don't ordinarily hear from.EMTA's track record in promoting the orderly development of our marketplace has positioned it well to take on these new challenges, and we are confident that EMTA can play a very constructive role in addressing the concerns shared by the broader marketplace. In the years to come, we have a great opportunity to use EMTA's existing resources and credibility, as well as the other collective talents of our industry, to improve our marketplace and our asset class.



Juan del Azar

Modesto Gomez

Mark L. Coombs

Letter from the Executive Director

"Times have changed, and EMTA is changing with them."

For the past several years, as our market slowly recovered from the Asian flu and its aftermath, EMTA has been redefining its mission so as to meet the needs of a broader marketplace more effectively. I would like to say a few words about EMTA, its original goals and track record and our path ahead in the year 2001.

Background/EMTA's Origins and Original Goals

EMTA was formed in late 1990 by the major dealers to help make the market for trading sovereign loans and Brady bonds more efficient and more professional. Much of EMTA's work, particularly in its early years, has focused on the needs of the global inter-dealer market as it has been affected by a series of specific country situations and market events. As the market has evolved, EMTA has been reasonably successful in enabling the market to deal with many of its internal "growing pains". Partly as a result of EMTA's efforts, the Emerging Markets trading industry has been able, through voluntary self-regulation, to identify or anticipate its own problems and address them itself and thus minimize the need for governmental intervention.

Now, a decade after EMTA's formation, we have reached the point where EMTA's original goals have largely been achieved; by any measure, the trading markets for Emerging Markets debt instruments are much more efficient, transparent and professional than they were ten years ago.

Recent Track Record

Several recent EMTA activities are worth mentioning:

(1) Burden-Sharing Debate. For several years, there have been growing concerns about official sector efforts to involve the private sector in resolving financial crises in the Emerging Markets. These concerns came to a head in the context of Ecuador's 1999 default on its Brady bonds and subsequent exchange offer in August 2000 that effectively rescheduled them.

In response to these concerns, EMTA has hosted various speakers forums and issued several policy papers that argued that pushing burden-sharing too far would run the risk of driving private capital away from the Emerging Markets. EMTA also sponsored ill-fated consultations between Ecuador and its creditors in late 1999 that fell apart as Ecuador's domestic political crises deepened.

In remarks delivered to a joint EMTA/SIA gathering in October 2000, U.S. Treasury Under-Secretary Timothy Geithner offered several constructive proposals to improve the process for crisis resolution, including greater transparency in official policy to help facilitate dialogue and cooperation between the official sector and the private sector, and between debtor countries and their creditors.

EMTA welcomed these proposals as reflecting an effort to respond to many private sector concerns about how Ecuador was handled. Particularly encouraging were his proposals to make the Paris Club more transparent and to get debtor countries to invest more in dialogue and communications with their private creditors, during good times and bad.

For its part, the Paris Club seems serious about improving its transparency, and its new website (www.clubdeparis.org) is a big step forward. What remains to be seen is how useful the Paris Club website will be as a country crisis evolves and whether greater transparency and better communications will improve what creditors sometimes see and hear.

EMTA agrees wholeheartedly with the objective of promoting flows of private capital into the Emerging Markets, because these flows can finance development and help sustain the political and economic reform process, and they provide the feedstock for the trading markets. Equally strongly, we also believe that the best way to ensure that this objective is met is to insist that, once they occur, these flows must be returned to the private sector in accordance with their terms. In the unfortunate event that a debtor country experiences a severe financial crisis and is therefore unable to service its debt, any restructuring proposals should be as market-oriented as possible or, if need be, negotiated with an appropriate private creditor body.

The goal in crisis management, as in medicine, should be first, to do no harm and second, to return the debtor country to normally functioning capital markets as soon as possible. Even more important than crisis management, however, is crisis prevention.

The burden-sharing debate is likely to continue as long as financial crises remain an unfortunate fact of life in the Emerging Markets. EMTA will continue to advocate and support the process of economic reform throughout the Emerging Markets, and the building of stronger legal and regulatory infrastructure, because they provide the best way to ensure that debtor countries properly bear the primary responsibility for their own financial and economic health. As a trade association, we will also continue to work to develop and advocate sensible industry positions on specific issues as they arise, to press for improvements in the nuts and bolts of debt rescheduling, to promote crisis prevention and market approaches to resolving them and to argue against coercive debt restructuring techniques and to promote constructive dialogue when it is possible to do so.

(2) New Market Practice for Mexico VRR's. During 2000, EMTA and the marketplace devoted considerable effort to cleaning up a large backlog of failed Value Recovery Rights transfers that had accumulated contrary to Market Practice over several years. Although the clean-up is still not fully completed, it is well underway, and its progress enabled EMTA to recommend a new Market Practice for trading all Mexico Brady bonds separately from their related Rights, effective February 1, 2001. Reaching market consensus on the change took longer than expected (see "2000 Project Highlights"), but the new Market Practice has brought some additional value to the holders of Value Recovery Rights. We expect that the new Market Practice will soon be extended to cover Venezuela, Nigeria and Uruguay Brady bonds.

(3) EMTA Website. EMTA enters its second decade leaner and able to communicate and disseminate information more effectively than ever before through our website (www.emta.org)(see "2000 Project Highlights"). This past year, to help bring greater visibility to current industry thinking on major issues affecting our marketplace, we launched an area that highlights and presents Key Industry Views from some of the brightest minds in our business. To apprise market participants more quickly and accurately of up-to-date information about EMTA activities and market news, EMTA also initiated a New Developments area that lists news summaries chronologically and allows market participants to access and download more complete information as they wish instantaneously.

We are proud of these enhancements and encourage you to take advantage of them, as we continue to build a website that we hope will become an increasingly important resource for the entire Emerging Markets trading and investment community.

Looking Ahead/Time for Some Changes

With the securitization of U.S. $ billions of debt, and the steady (and in many respects, remarkable) improvement of credit fundamentals throughout the Emerging Markets, has come a general restoration of access to the capital markets and an increasingly diversified investor base. At the same time, the different types of Emerging Markets financial products have proliferated, and within dealer firms the resulting instruments are seldom structured and traded within a single Emerging Markets products group.

Times have changed, and EMTA is changing with them.

For the past several years, EMTA has increasingly made its resources available, often in collaboration with other trade groups, to meet the needs of various constituencies closely related to our core business, such as the Emerging Markets foreign exchange area. This trend will continue, and EMTA will continue to work harder in the year to come to identify areas of common interest with other sectors of the Emerging Markets community, most notably the fixed income Buy-Side and the derivatives, local markets and Equities areas.

EMTA's priorities, governance and financing are all being examined to see how best to accommodate this diversification.

In 1999, after several years of focusing its activities tightly on the needs of the inter-dealer markets, EMTA began exploring ways to meet the needs of a broader marketplace and investor base. Increasingly, the consensus for recommending EMTA Market Practices and completing other projects required Buy-side input gathered by Sales desks from their customers - clearly a less effective and transparent process than the markets deserved. Last Summer, EMTA's Board added representatives from five Buy-side firms, as part of an effort to get more investor input directly at the Board level. Even more Buy-side representation was added to EMTA's Board in February of this year, and investors now comprise ten of EMTA's 25 directors. At the same time, EMTA worked to help form the Global Equities Markets Association, much as we had previously assisted LSTA (the Loan Syndications and Trading Association) in its early years.

Changing the Association's name from the Emerging Markets Traders Association to simply "EMTA" was not merely symbolic. The name change was accompanied by a significant change in EMTA's corporate purposes to recognize that EMTA's mission now includes projects that meet the needs of the broader EM trading and investment community. Defining this mission, and executing it, has been a new challenge for EMTA. Already, the nature of this challenge is becoming apparent. EMTA's recent efforts to develop industry positions on issues like burden-sharing and Value Recovery Rights abundantly demonstrate that, although dealer and Buy-side interests overlap, they do not always coincide.

It is of course unrealistic to expect that EMTA can address all needs at all times of all market participants in the Emerging Markets. We cannot pretend to be all things to all constituencies. Redefining EMTA's mission is in large part a pragmatic exercise in determining what our realistic goals should be and raises very basic and practical questions of what services EMTA can and should provide to the marketplace and who should pay for them.

EMTA's track record is relevant in addressing these questions.

While it is true that EMTA has been most successful in projects involving voluntary market self-regulation, EMTA's most significant accomplishment to date is not that the EM fixed income trading markets have become more efficient and transparent. Rather, EMTA's most significant accomplishment, in my view, is that it has reliably provided a forum to enable market participants to address a multitude of issues that have faced a diverse Emerging Markets trading and investment community over the past decade in a variety of product and geographic areas.

In the past, when it was predominantly a Sell-side body, EMTA occasionally served exclusively dealer interests, or interests perceived as dealer interests, and some firms, both Sell-side and Buy-side, have asked whether Buy-side/Sell-side conflicts will impede EMTA's effectiveness or prevent EMTA from representing the marketplace as a whole.

While such conflicts may arise from time to time, I believe that they are no more a bar to effective industry action than the conflicts that have routinely existed between competitors and between buyers and sellers in the marketplace. The industry's major challenges today are market-wide, and addressing them will require the efforts of all market participants. The occasional conflict between the dealers and investors should not obscure the substantial common ground they share, and much is to be gained from greater collaboration between Sell-side and Buy-side firms in addressing market-wide problems and advocating industry positions.

As diverse as our marketplace is, what we have in common is an abiding commitment to the Emerging Markets; as a forum, an important part of EMTA's track record is that it has been able to accommodate the special Emerging Markets qualities, attitudes and skills that have shaped our industry and enabled it to adapt, and occasionally thrive, under market conditions that are rarely ideal.

In the past, EMTA projects (such as its Code of Conduct, multilateral netting facilities, Market Practices and trading documentation, and sponsorship of the Emerging Markets Clearing Corporation) have brought not only greater efficiency, but greater credibility to the marketplace for Emerging Markets instruments. Looking ahead, EMTA's effort to broaden its agenda will be successful only if that agenda is also perceived by market participants (and others) as helping to inspire greater confidence in the Emerging Markets asset class and, indeed, in the Emerging Markets themselves.

Michael M. Chamberlin

Emerging Markets debt trading is a global over-the-counter trading market that serves a diverse and 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 broader spectrum of investment instruments and risk characteristics.

Size and Diversity of the Marketplace

The 1990's saw exceptional growth in the overall size and depth of the trading market for Emerging Markets instruments. Fueled at first by a succession of sovereign reschedulings of commercial bank loans, and later by new bond issuances, total trading volumes for debt instruments alone rose from approximately U.S. $95 billion in 1990 to U.S. $2.2 trillion in 1999, a trend that reflects the importance of Emerging Markets debt to the global trading and investment communities. Trading activity peaked at U.S. $5.9 trillion in 1997 before declining to current levels in the wake of the Asian and Russian financial crises.

Trading volumes began to rebound in 2000, and overall liquidity is considered excellent in comparison to most other sectors of the fixed income markets.

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 private sector opportunities. 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, including non-deliverable currency forwards and various structured products. Market participants now include the world's major commercial and investment banks and various

Risks and Yields

Investors have been drawn to the Emerging Markets by their strong growth potential and by the expectation of higher yields than are generally available in the developed economies. And, over the past decade, such yields have substantially exceeded the returns available in the high-yield or other debt markets. Of course, such yields reflect the different types and higher levels of risk that typically characterize Emerging Markets investments. Volatility in the Emerging Markets debt trading markets has been very high at times, but market participants have generally been able to rely upon considerable liquidity, at least in the market's benchmark instruments, even during periods of market stress.

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 and sovereign Eurobonds, most often through brokers. As in other trading markets, electronic communications networks have recently been introduced and although not yet extensively used by the dealer community, are expected to become an increasingly important market factor within the next several years. Bond settlements are normally made through Euroclear or Clearstream on a T+3 basis.

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. Since beginning operations in April 1998, the Emerging Markets Clearing Corporation has helped to reduce counterparty risk and improve efficiency in the inter-dealer market by assuming trades and effecting settlement on behalf of most major dealers. Sovereign loan trading and settlement is generally conducted in accordance with EMTA Market Practices and standard documentation.

Formed in 1990 in response to the new trading opportunities created by the sovereign debt reschedulings under the Brady Plan, EMTA's membership includes most of the world's leading financial institutions that actively participate in the Emerging Markets.

EMTA's Board of Directors is composed of leaders in Emerging Markets trading and investment, 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 11* professional and support personnel. EMTA also maintains an informal presence in Europe.

Integrity and Professionalism

EMTA actively encourages the highest standards of integrity and professionalism by providing a forum for voluntary self-regulation. Developed in the early 1990's, EMTA's Code of Conduct for the trading of Emerging Markets debt 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 and investment industry is a major challenge. EMTA's efforts have met these needs in the areas of bond, loan and FX derivatives trading by ensuring that trades are confirmed and settled more quickly and, in the case of its netting facilities and documentation, by allowing market participants to reduce their aggregate levels of counterparty exposure.

The Emerging Markets Clearing Corporation (EMCC) was developed under EMTA sponsorship 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 trading 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 trading activity and Month-End Pricing Survey, EMTA promotes greater market transparency for the benefit of all market participants. EMTA also collects and disseminates market volume and price data on a 'next day' basis for the over 90 eligible instruments cleared by EMCC. New Developments in the Emerging Markets, ranging from country and other market announcements to Key Industry Views and expert market commentary to EMTA's own recommendations, internal news and Quarterly Bulletins are posted daily on EMTA's rapidly expanding website (www.emta.org).

Industry Advocacy

EMTA provides a forum for market participants to develop industry positions and present them to governments and other official sector bodies. Over the years, EMTA has developed substantial expertise and credibility that have given a strong voice to the Emerging Markets trading and investment community on public policy issues. Most recently, EMTA has developed position papers calling for greater transparency from the Paris Club and for closer consultations between the official and private sectors on how best to prevent and resolve sovereign financial crises in

*As of May 1, 2001.

1. EMTA Revises its Mission.

Since its formation in 1990 by eleven traders as the trade association for the young LDC debt trading industry, EMTA has worked to promote the orderly development of fair, efficient and more transparent trading markets for Emerging Markets debt instruments and to support the integration of emerging capital markets into the global marketplace. During this time, EMTA has helped build a strong infrastructure to support the Emerging Markets trading industry, and has reduced risk and costs for industry participants through the adoption of numerous market practices, development of standard legal documentation and operation of multilateral netting facilities. EMTA has also provided a forum for discussion of Emerging Markets issues with the official sector and among EM participants, and has acted as an advocate for industry views on important trading and investment issues and as a reliable conduit of information to the marketplace.

With the securitization of our debt markets, and general improvement in credit fundamentals in many Emerging Markets countries, has come an increasingly diversified investor base. As the Emerging Markets have changed, EMTA has changed with them. To signify this evolution, EMTA recently changed its name from the Emerging Markets Traders Association, which reflected EMTA's origins as a dealer group, to simply "EMTA". This name-change underscores our commitment to serve the interests of a broader marketplace beyond just the dealer community, while preserving our global identity and remaining true to our roots.

During 2000 and early 2001, EMTA added seven fund managers to its Board of Directors, bringing total investor representation on EMTA's Board to ten out of 25 Directors. Mark Coombs of Ashmore Investment Management was elected one of three EMTA Co-Chairs, and John Cleary of INVESCO became one of three EMTA Vice-Chairs.

More importantly, EMTA's mission statement has been broadened to include initiatives that meet the needs of a broader Emerging Markets trading and investment community. In addition to its traditional activities, EMTA's revised mission now includes promoting investor rights across all instrument categories and generally building, promoting and inspiring greater confidence in the EM asset class for the benefit of all market participants.

EMTA's newly constituted Board of Directors has agreed that, despite their occasional differences, the dealers and investors share much common ground in these areas and that EMTA can bring significant value-added to them. Going forward, EMTA's agenda will increasingly focus on these areas.

Building and Promoting the Emerging Markets Asset Class

Having helped to build the infrastructure for a more fair, efficient and transparent Emerging Markets marketplace and to reduce the risk of trading in Emerging Markets instruments, EMTA has become a strong voice for the market on some of its most important issues, and the entire marketplace. EMTA members and non-members alike, have benefited from the credibility that EMTA has built over a decade of consistent and objective representation of the Emerging Markets industry.

EMTA uses its experience and credibility to promote the Emerging Markets asset class and to help encourage private capital flows to Emerging Markets more effectively by demonstrating the advantages and explaining (or, when possible, working to eliminate) the disadvantages of EM investing. Examples of EMTA's work in this area include sponsoring or drawing attention to research that compares Emerging Markets volatility and returns to other high-yield debt, highlights liquidity in the market, and provides new methodologies for analyzing or managing Emerging Markets risks. For recent research on these and other topics, please visit the Key Industry Views area on our website. Going forward, EMTA will more actively seek out and publicize such research.

EMTA will also continue to represent the industry's views before other associations, policymakers and the investing public. Recent examples of this advocacy include EMTA's position papers on Burden-Sharing and the Paris Club and EMTA's efforts to promote a better dialogue between the private and official sectors on these and related issues. Copies of these position papers ("Is Burden-Sharing Being Pushed Too Far?" (Michael Chamberlin, September 24, 1999) and "Burden-Sharing 2001: Now is the Time to Reform the Paris Club" (Michael Chamberlin, February 8, 2001)) are available on our website in the Key Industry Views and New Developments areas.

Promoting Emerging Markets Investor Rights

Despite the progress many Emerging Markets have made in reforming their economies and political institutions, and that the Emerging Markets asset class has made to broaden its appeal to the mainstream investor, many investors fear that they will not be able to realize their investment's upside potential, or protect against its downside, because of unfair limitations, legal or practical, on their ability to exercise the rights that they would normally expect to have as an investor. These concerns, which apply equally to debt and equity investors, include lack of transparency, lax corporate governance and underdeveloped insolvency or bankruptcy regimes. These limitations can be especially acute in the area of Emerging Markets sovereign assets.

EMTA's initiatives to address these concerns include the following:

- Advocating private sector positions in the public debate about how best to involve the private sector in resolving sovereign financial crises in the Emerging Markets
- Recommending types of clauses to be contained in bond documentation (such as voting and amendment provisions, record date setting mechanisms, waivers of immunity, cross-defaults or accelerations) and/or reviewing specific clauses against recommended ones
- Reviewing, analyzing or establishing best practices for issuers and agents regarding such matters as the use of exit consents, offering procedures and dissemination of information to creditors
- Reviewing proposals or practices (particularly those of the official sector) that affect sovereign debt restructuring (including urging more effective consultations between the official and private sectors)
- Supporting private sector efforts at the local country level to implement insolvency, corporate governance and other legal and regulatory reforms

EMTA's consensus approach to decision-making, coupled with its strong and independent internal staff, has established an excellent track record for identifying important industry issues, assessing alternatives and developing and implementing effective market-wide solutions. Traditionally, EMTA has sought to avoid conflicts and maximize its effectiveness by not interceding in bilateral disputes or taking sides in specific transactions and country situations. This has generally enabled EMTA to employ its resources efficiently and for the benefit of all market participants.

With a Board that now reflects greater buy-side representation, EMTA is better positioned than ever before to represent the interests of the broader marketplace.

2. EMTA Reaches Consensus on a New Market Practice for Mexico VRR's

On February 1, 2001, a new EMTA Market Practice became effective that provided for trading Mexico Value Recovery

Rights separately from their related Discount or Par Bonds (or, to look at it another way, the Market Practice provided for trading such Bonds separately from their related VRR's). Previous Market Practice, dating back to 1991, had been that a trade of such Bonds was assumed, unless otherwise agreed, to include the related VRR's (the previous Market Practice being justified by the fact that, historically, the VRR's had rarely been 'in the money' and therefore were generally perceived as having no market value).

The change in Market Practice was largely driven by a sharp increase in global oil prices during 2000 that put the VRR's in the money and increased their market value. Providing for separate trading of VRR's from their related Bonds was perceived as offering several advantages to the marketplace: (1) separate trading would create a market for the VRR's, thereby enhancing and 'unlocking' the market value of the VRR's that, under the old Market Practice, was embedded in the price of the related Bond; and (2) separate trading would permit Discount and Par Bond trades to settle without the need for transferring the related VRR's, a transfer that, unfortunately under the old Market Practice, was rarely done, thus creating over the years a massive accumulation of failed VRR transfers. To assist the marketplace in better understanding Mexico VRR's and their trading characteristics, EMTA prepared and published "EMTA's Primer on Mexico Value Recovery Rights".

The new Market Practice has been enthusiastically received by the marketplace, but the process of developing and implementing it was convoluted and slow-moving. Many market participants had wanted the new Practice to become effective in mid-2000, but its implementation was delayed by half a year when the fragile consensus in its support broke down in late Spring over concerns about several potential disadvantages. While ultimately successful, EMTA's experience in connection with adopting this new Market Practice illustrates both the pros and the cons of EMTA's decision-making process.

The marketplace seemed in uniform agreement on the two advantages of the new Market Practice described above. Many market participants also believed that, in addition to halting the increase of failed VRR transfers ("stopping the bleeding"), the new Practice would actually help reduce the outstanding backlog by creating a supply of VRR's in the market for use in settling old fails and by establishing a VRR value that would quantify the potential risks associated with the backlog. Several other market participants disagreed, arguing that, while trades in Discount and Par Bonds would settle without problems under the new Market Practice, any separate trades of VRR's would likely fail, thus aggravating the existing backlog; moreover, the change in Market Practice, they felt, would increase the likelihood of disruptive buy-ins and potentially contentious claiming for VRR payments. In effect, these market participants strongly believed that the new Market Practice should not be adopted until further progress had been made in the reconciliation and clean-up of the accumulated backlog of failed or otherwise unsettled VRR trades.

In the absence of clear consensus, EMTA reluctantly decided to defer the new Market Practice until later in the year and in the interim concentrate on the reconciliation and clean-up process. This decision was not uniformly popular, particularly with Buy-side firms that understandably wanted to recognize the embedded value of the VRR's as early as possible.

EMTA's Decision-Making Process

For an organization that works to promote greater transparency in the marketplace, it is perhaps odd that EMTA's own decision-making process is somewhat opaque. But making decisions for a marketplace that is composed of buyers and sellers with diverse and often-opposing interests is hardly simple or straightforward. Despite by-laws that provide, in most cases, for decision by majority voting of the Board of Directors, by long-standing custom most EMTA decisions, and certainly those involving Market Practices, are made by consensus, a process that has been worked out over time but may not always be self-apparent.

Market Practices are proposed by EMTA members. These proposals are developed and circulated by EMTA's staff in consultation with ad hoc working groups as draft recommendations for review by the market. If consensus is not reached in the first instance, the draft recommendations are revised and recirculated to the market for further review and comment. When consensus is reached, the recommendations are republished prior to their becoming effective. Occasionally, so-called final recommendations are revised before their effective date. Following their formal recommendation, Market Practices are subject to review and may be revised from time to time. In general, EMTA's Market Practices are recommendations that, as such, are not binding on market participants except to the extent that they agree, explicitly or implicitly, to be bound by them in the context of specific transactions.

How well have these informal procedures served the marketplace? And what constitutes a consensus?

For over a decade, EMTA's decision-making procedures have enabled the industry to address many of its most pressing problems. While they have sometimes slowed down market-wide decision-making, they have never resulted in stalemate. For the most part, in an environment of volatile uncertainty, they have worked well to allow market participants with diverse, and often strongly-held, views to resolve their differences and make progress on complex issues. While mistakes are sometimes made, serious ones have been avoided.

As it has evolved, EMTA's consensus approach clearly requires more than a majority and somewhat less than unanimity. Above all, reaching consensus within EMTA requires a balancing of interests. The majority implicitly agrees not to override a reasonable objection from a significant minority, and the minority agrees not to raise unreasonable objections and to graciously drop their objections when (and if) it becomes clear that they have been raised and fairly considered. All commit in good faith to work to resolve differences and reach an acceptable consensus view as soon as possible. This approach seems to balance the interests of all market participants, whether they are in the majority or the minority. Speed is sometimes sacrificed for the greater certainty and legitimacy that usually comes from considering all views seriously. Weighing factors such as the influence of a market participant and the strength of its conviction or the reasonableness of its views requires subjective judgment, and determining when consensus is reached (and sometimes where it can be reached) may be more art than science.

This consensus approach has generally served the marketplace well. Did it work perfectly in the case of the new VRR Market Practice? Perhaps not quickly enough, but well enough considering the serious concerns that were raised.

Although the new Market Practice was delayed for over six months, during the delay sufficient progress was made in reconciling old trades and cleaning up the existing backlog to allay previous concerns and enable a stronger consensus to form. Since its introduction, the new Market Practice has worked well, and the buy-ins and claiming that some had feared have not materialized. While the new Market Practice has undoubtedly been successful, its benefits have come later than some market participants would have wanted.

3. EMTA Launches its Website

On March 6, 2000, EMTA launched its new website (www.emta.org), which has been designed and re-designed to meet the market's need for more timely and accurate information regarding the on-going evolution of the marketplace, country developments and EMTA market practices and activities. As an added benefit, increased use of the new website to publish EMTA's quarterly Bulletin, Annual Report and other materials has helped EMTA to cut costs and distribute information quickly and more efficiently. In addition to popular areas entitled New Developments and Key Industry Views, the website contains all of EMTA's market practices and standard documentation, as well as descriptions of the marketplace and its evolution and links to many other key sources of information regarding the Emerging Markets.

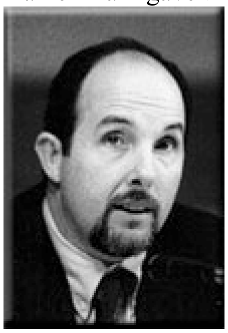
EMTA plans to develop the site into an even more important information network for the Emerging Markets trading and investment community. A serious effort is underway, for example, to ensure that the Key Industry Views area contributes to a more active discussion of the industry's most important issues, including burden-sharing between the official and private sectors and the relative yields and volatility of the EM and High-yield markets. Other enhancements that EMTA members can expect in future months include daily historical price and volume data on over 230 EMCC-eligible Emerging Markets debt securities, current and historical CME/EMTA back-up exchange rates and information regarding bond coupon settings, amortizations and capitalizations, as well as daily average bid and ask prices on a variety of exotic EM debt instruments.

EMTA is actively seeking ways to make the website more useful to its membership. In appropriate cases, for example, space on the website has been made available to market participants or country representatives to distribute information not otherwise generally available. Consideration has also been given to various ways in which the website could be made more interactive.

You can help keep EMTA's website fresh, informative and useful by visiting it often and sharing with us your comments and ideas.

2000 Annual Meeting

EMTA's 2000 Annual Meeting was held on December 7, 2000 at Salomon Smith Barney's offices in Tribeca, New York City. Over 350 market participants attended the event, which capped EMTA's tenth anniversary year. Brazil Central Bank President Arminio Fraga and Argentina's Secretary of Finance Daniel Marx gave the keynote addresses.



Fraga, who previously participated at EMTA's 1996 and 1998 Annual Meetings as an Investor Panelist during his tenure at Soros Fund Management, discussed crisis prevention and lessons learned from the past. "My read on crises, having been on both ends of them in my career," noted Fraga, "is that the thing that gets us in the end is weak balance sheets, at the government level or at the private sector level." Fraga added that for those involved in Emerging Markets finance, "We have to look for what leads to the sort of situation we so often find—i.e., countries that are borrowing a lot of short term debt, or banking systems that are running huge mismatches, etc.

"Weak macroeconomic regimes are a major part of the problem, according to Fraga, who then described Brazil's key reform legislation and currency float. In addition, he stated that the country must improve its banking sector and corporate governance. He noted that, while not a panacea, better information flow helps. "I have been on your side demanding from governments better information, and I think, sitting where I sit now, it's obvious that it is in our interest to respond to that, because we allow for good fundamental analysis," Fraga told the assembly.

Fraga also discussed private sector involvement in Emerging Markets financial crises. He commented that, although the debate originally polarized the official and private financial sectors, there appeared to be greater convergence towards flexible rules. Fraga opined that there appears to be a consensus that "those who do well will be supported…It's a bit fuzzy, but probably the way it should be." In discussing exchange rate regimes, Fraga pointed out that he has come to accept the "polar view" that only pure floats or very strong pegs work.

Argentina Finance Secretary Marx immediately followed Fraga and spoke while the market speculated on the size of Argentina's international rescue package; Marx apologized for not being able to discuss specifics of the deal, which was in fact unveiled eleven days later. Like Fraga, Marx also reiterated the importance of information being provided to the private sector, and spoke of the progress in information flow that Argentina has made in recent years.

Regarding Mercosur, Marx stated that, "We are making Mercosur work. It is becoming a really integrated market place." He added that Mercosur countries were unanimous in their desire to expand the trade grouping; and that Mercosur authorities should begin to negotiate lower trade barriers with the rest of the world.

Marx addressed the issue of low local confidence in the Argentine economy by suggesting that the De La Rua coalition government had been working its way along a learning curve, and that although "confusing signals" had caused a decline in local sentiment, more recently there had been increased "coherence and a consensus on strategic views" in the government.

Other topics discussed by Secretary Marx included reforms in the pension sector, domestic banking reform and Argentina's Convertibility Law. He concluded by noting that, "Progress is never done in a straight line, but I am pretty confident that the bigger the challenge, the better…the results."

Sellside Panelists Generally Upbeat, Discuss Source of New Inflows

J.P. Morgan's Jose Luis Daza, again leading EMTA's Sellside Panel, started the discussion by commenting that 2000 was a "decent" year for the asset class, although he noted that much of the EMBI+'s returns in 2000 could be attributed to rebounds in Ecuador and Russia and U.S. interest rates. Looking forward to 2001, panelists were generally upbeat on investment prospects albeit using a variety of arguments.

Asked where new investment money would come from in the future, panelists emphasized different segments of the markets. Some panelists saw European investors as having a potentially increased appetite for EM debt in 2001, while others concentrated on rising interest by crossover investors. The panel did agree, however, that participation by dedicated funds was likely to remain "essentially stagnant" in the near future. Joyce Chang (Chase Securities) noted that the generally improving credit ratings of EM debt issuers is attracting 'high grade crossover investors' while also pointing out that weaker countries will not benefit from additional flows.

Arturo Porzecanski (ABN Amro) commented that, because of recent dealer consolidation, the "good old days of liquidity" are unlikely to return even in a bullish market.

When asked whether the Mexican success story could be attributed to good luck (including oil and geography) or strong policies, most analysts responded that Mexican performance was a result of some combination of both. Paulo Leme (Goldman Sachs) was vocal in his praise of the current Mexican economic team, noting that although passage of legislation may prove difficult, conditions are good for executing the "right policies."

Sellside Panelists were also largely bullish on Brazil, seeing the risks to Brazil as mostly being external, while also keeping an eye on the 2002 presidential elections.

Investors Call for Expanded Benchmarks, Increased Input in Restructurings

Investor panelists stated that continued work to expand benchmark indices was necessary. Mark Siegel (Babson Mass Mutual) referred to current benchmarks as "the product of the historical profligacy of developing market governments, which are no longer in power," while Abigail McKenna (MSDW Investment Management) noted that existing indices are an important factor in deterring new money from entering the markets.

Hari Hariharan (NWI Investment Management) commented that the state of the EM debt markets was good despite concerns about liquidity and tight new issue spreads, and that, with the increased role of local pension fund investors, the "quality of the investor base…is imperceptibly but definitely improving."

David Rolley (Loomis Sayles) stated that, if he were asked to provide his advice to Brazilian officials, his response would be, "Three words: more exports, please," adding that Brazil continues to run a trade deficit despite the effective devaluation of the Brazilian real in 1999.

Investor panelists also discussed their lack of input into recent debt restructurings and the formation of the Emerging Markets Creditors Association, as well as market concerns with the Argentine and Turkish economies.

Transcript of Sellside Panel

Transcript of Investor Panel

Transcript of Remarks made by Arminio Fraga, President of the Central Bank of Brazil, and Daniel Marx, Secretary of Finance, Republic of Argentina

Transcript of Remarks made by EMTA Executive Director Michael Chamberlin

& London Summer Forum

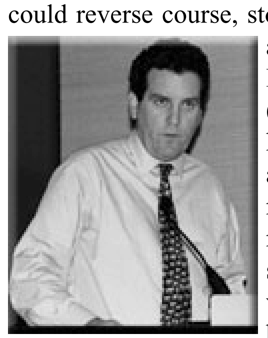
Over 180 EMTA members and guests attended EMTA's Third Annual Summer Forum, held in London on July 13, 2000. The event, which was hosted by Deutsche Bank, included two wide-ranging panel discussions which addressed most current issues throughout the Emerging Markets.

Sell-side panelist Karim Abdel-Motaal (J.P. Morgan) characterized the Emerging Markets debt markets as "healthier, but not totally healthy," while restating his firm's year-end EMBI forecast of 600 bps. He noted the disappearance of the large hedge funds from the market but observed that liquidity was becoming more healthy as trading volumes picked up. Generally agreeing with Morgan's EMBI prediction, Philip Poole (ING Barings) told attendees there is still upside potential for Mexican debt despite a widely-anticipated credit rating upgrade by Standard & Poor's because some funds cannot buy debt until it is actually rated investment grade by both major ratings agencies.

Robin Hubbard (Chase) warned the audience not to be too complacent about the probability of a "soft landing" in the U.S., and also noted his longer-term concern of the "classic overvaluation" of the Argentine peso. Stuart Parkinson (Deutsche Bank) agreed with other panelists that Turkish debt remained attractive in the near term, although he expressed long-term concerns. Finally, sell-side panel moderator Jerome Booth (Ashmore Investment Management) opined that, while there is still much industry confusion over "burden sharing," there has been a softening of position at the U.S. Treasury ("they know they made a mistake"), which may become more pronounced in the next U.S. Administration. All of the Sell-side panelists agreed that voluntary exchange offers were far preferable to forced reschedulings and that "most deals so far have been reasonably favorable".

On the Buy-side panel, DIT's Michael Sonner spoke positively on Brazil Bradys and stated that he has recently seen some new money enter the Emerging Markets, though in smaller amounts than in the past. He cautioned that Mexico's political transition between now and December "was not a non-event". Ingrid Iversen (Rothschild Asset Management) spoke positively on Kazakhstan and Russia, calling Russia's new President Putin "bad for democracy but good for the economy". She also gave credit to debtor countries that had not defaulted on their external debt despite official sector encouragement to do so. Paul Murray-John (Scudder Threadneedle Investments) said that he foresaw Russian debt tightening by 150 bps; while implementation risks remain for the government's reforms, he was impressed by the declining role of barter in the economy.

Of greatest concern for Invesco's John Cleary: President Putin could reverse course, stop addressing Western concerns and assert Russia's right as a world power. Finally, panel moderator Mark Franklin (Citigroup) gently chided the panel for having remarkably similar portfolio allocations, while suggesting that they may be too bullish on the prospects for reform in Russia; he also forecast another short-term Paris Club deal for Russia, which would allow MinFin IV's and V's to be excluded. Franklin also expressed surprise that bondholders had thus far brought few, if any, lawsuits against sovereign debtors and suggested that, given its expertise, EMTA take a more active role in reviewing sovereign bond documentation.



Transcript of Buy-Side Panel

Transcript of Sell-Side Panel

Highlights

	For the Year Ended December 31,					
	2000	**1999**	**1998**	**1997**	**1996**	**1995**
Market Trading Volume (in U.S.$ billions)	2,847	2,185	4,174	5,916	5,297	2,739
Brady Bonds	712	771	1,541	2,403	2,690	1,580
Non-Brady Eurobonds	936	626	1,021	1,335	568	211
Loans	99	69	213	305	249	175
Local Market Instruments	993	599	1,176	1,506	1,274	593
Derivatives (Options, etc.)	106	119	223	367	471	179
Number of EMTA Members at year end:						
Full	43	44	60	62	63	60
Associate	30	31	43	36	35	43
Affiliate	27	32	39	65	51	43
Local Markets	-	-	5	6	5	-
Total Members	100	107	147	169	154	146
EMTA Revenue:						
Membership dues	$1,633,750	$1,725,916	$1,981,337	$1,782,417	$1,652,167	$1,337,250
Program services	375,400	553,863	1,539,856	1,432,037	1,711,782	2,212,351
Directors' support	765,000	815,000	950,000	1,137,500	1,151,250	1,170,000
Other	343,828	202,620	206,164	293,234	416,137	148,620
Total Revenue	3,117,978	3,297,399	4,677,357	4,645,188	4,931,336	4,868,221
EMTA Expenses:						
Staff	2,272,580	2,205,084	2,110,905	2,577,942	2,490,805	1,763,810
Office	256,737	258,585	346,122	350,452	372,247	309,775
Communications	73,810	124,507	165,475	204,657	251,085	335,653
Professional services	64,991	209,255	608,033	774,080	1,198,475	2,153,877
Conferences, receptions, travel, etc.	40,942	37,527	93,560	161,284	240,713	235,549
EMCC investment	-	227,959	-	-	-	-
Total Expenses	2,709,060	3,062,917	3,324,095	4,068,415	4,553,325	4,798,664
Increase in Net Assets	408,918	234,482	1,353,262	576,773	378,011	69,557
Increase (decrease) as % of Total Revenue	13.1%	7.1%	28.9%	12.4%	7.7%	1.4%
Net Assets at Year-End:	$3,377,304	$2,968,386	$2,733,904	$1,380,642	$ 803,869	$ 425,858

	1994	1993	1992
Market Trading Volume (in U.S.$ billions)	2,766	1,979	734
Brady Bonds	1,684	1,021	248
Non-Brady Eurobonds	159	177	23
Loans	244	274	229
Local Market Instruments	524	NA	NA
Derivatives (Options, etc.)	142	57	NA
Number of EMTA Members at year end:			
Full	83	75	64
Associate	-	-	-
Affiliate	69	43	14
Local Markets	-	-	-
Total Members	152	118	78
EMTA Revenue:			
Membership dues	$1,364,250	$ 894,500	$ 677,528
Program services	1,434,922	-	-
Directors' support	1,312,500	787,949	171,423
Other	30,675	13,203	10,371
Total Revenue	4,142,347	1,695,652	859,322
EMTA 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, travel, etc.	196,415	250,707	1,049
EMCC investment	-	-	-
Total Expenses	3,873,479	1,559,536	939,893
Increase in Net Assets	268,868	136,116	(80,571)
Increase (decrease) as % of Total Revenue	6.5%	8.0%	(9.4%)
Net Assets at Year-End:	$ 356,301	$ 87,433	$ (48,683)

EMTA's net assets increased by $409,000 from net assets at year-end 1999. This increase resulted primarily from aggressive cost-savings in the areas of communications and professional services and from the non-recurrence of 1999's one-time charge of $228,000 for EMTA's investment in EMCC. Details are presented below.

Revenue

Total revenue declined by $179,000 (5%) to $3.1 million in 2000 from $3.3 million in 1999. Individual components were:

Continuing the consolidation of recent years in the banking industry, 2000 saw EMTA membership contract slightly from 107 at the end of 1999 to 100 at the end of 2000 (7% decline). Because the contraction was concentrated in the Affiliate category, the decline in Membership dues was limited to 5%, as it decreased from $1.7 million in 1999 to $1.6 million in 2000. Continuing a trend which began in 1995, Directors' assessments were reduced by $50,000 (6%) to $765,000 from $815,000 in 1999, primarily because individual assessments were lowered for both officer and non-officer Board members. Fees for program services declined by $179,000 (32%) to $375,000 in 2000 from $554,000 in 1999. This was due in equal parts to discontinuation of the Multilateral Netting Facility for Russia VEB loan assets in September 2000 and the termination of EMTA's involvement with Emerging Markets Clearing Corporation regarding its use of the Match-EM system in late 1999. However, the Multilateral Netting Facility logged $63,000 more revenue than originally planned in 2000. Other revenue increased by $141,000 (70%) to $344,000 in 2000 from $203,000 in the prior year, due to an increase in investment income of $73,000 (because of greater investment principal), and $60,000 from consulting revenue in 2000.

Expenses

Continuing its emphasis on aggressive cost management, EMTA further reduced its 2000 expenses by $354,000 (12%) to $2.7 million in 2000 from $3.1 million in 1999, in large part by reducing its reliance on outside service vendors.

The largest expense component, staff expenses, increased slightly (3%) to $2.3 million in 2000 from $2.2 million in 1999. This resulted from a small increase in aggregate compensation and average staff levels that were constant year over year. Office expenses declined by less than 1% to $257,000 in 2000 from $259,000 in 1999. This stemmed from a $12,000 increase from rent adjustments, offset by a decrease of $11,000 in depreciation due to postponing fixed asset purchases and other minor items.

Professional services expenses were down $144,000 (69%) to $65,000 in 2000 from $209,000 in 1999. The biggest factors were a $96,000 decrease in legal expenses, due to performance of nearly all legal work by EMTA staff, and a decrease of $54,000 in annual report costs because the annual report was published on-line in lieu of offsite printing.

Communications expenses declined $51,000 (41%) to $74,000 in 2000 from $125,000 in 1999. Underlying decreases included $15,000 in telephone expense due to renegotiated contracts with carriers, $15,000 in fax, internet and television due to less fax usage, $15,000 in website construction, $11,000 in postage and other minor decreases. These were partially offset by a $4,000 increase in teleconferencing expense.

EMTA charged nearly its entire investment of $228,000 in EMCC against operations in 1999 to bring its recorded investment to a nominal $1, and there were no further charges in 2000. Conferences, receptions, and travel increased $3,000 (9%) to $41,000 in 2000 from $38,000 in 1999 because of slightly increased staff travel.

FINANCIAL STATEMENTS

Consolidated Statements of Financial Position

	December 31, 2000	December 31, 1999
Assets		
Current assets:		
Cash and cash equivalents	$ 4,536,360	$ 4,039,396
Dues and fees receivable from Members	—	14,800
Prepaid expenses and other assets	13,539	8,760
Total current assets	4,549,899	4,062,956
Property and equipment:		
Leasehold improvements	89,112	89,112
Computer equipment and network	141,945	119,601
Furniture and fixtures	80,607	80,607
Telecommunication equipment	39,931	39,931
	351,595	329,251
Less accumulated depreciation	(312,459)	(287,764)
	39,136	41,487
Investment in EMCC	1	1
Total Assets	**$ 4,589,036**	**$ 4,104,444**
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 1,002,126	$ 939,650
Unearned Membership dues	185,000	160,000
Total current liabilities	1,187,126	1,099,650
Deferred rent expense	24,606	36,408
Total liabilities	1,211,732	1,136,058
Net assets	3,377,304	2,968,386
Total Liabilities and Net Assets	**$ 4,589,036**	**$ 4,104,444**

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

FINANCIAL STATEMENTS

Consolidated Statements of Activities

	For the Year Ended December 31,	
	2000	**1999**
Revenue		
Membership dues	$ 1,633,750	$ 1,725,916
Fees for program services	375,400	553,863
Directors' assessments	765,000	815,000
Investment income	257,062	183,914
Other	86,766	17,206
Total revenue	**3,117,978**	**3,295,899**
Expenses		
Compensation and benefits	2,272,580	2,205,084
Occupancy	147,670	137,845
Office supplies and administration	84,372	84,608
Depreciation	24,695	36,132
Telecommunications	48,778	87,302
Shipping and delivery	19,835	33,536
Printing of documents for Member services	5,197	3,669
Legal	7,547	103,948
Public relations and annual report	18,893	72,418
Audit, tax and computer consultants	38,551	32,889
Conferences, receptions and meetings	5,936	5,652
Travel, lodging, meals and other	35,006	31,875
Adjustment to carrying value of investment in EMCC	227,959	227,959
Total expenses	**2,709,060**	**3,062,917**
Increase in net assets	408,918	234,482
Net assets, beginning of year	2,968,386	2,733,904
Net assets, end of year	**$ 3,377,304**	**$ 2,968,386**

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

Consolidated Statements of Cash Flows

	For the Year Ended December 31,	
	2000	**1999**
Cash flows from operating activities:		
Increase in net assets	$ 408,918	$ 234,482
Adjustments to reconcile increase in net assets to net cash provided by (used for) operating activities:		
Depreciation	24,695	36,132
Adjustment to carrying value of investment in EMCC	—	227,959
Decrease in dues and fees receivable from Members	14,800	50,292
Decrease in prepaid expenses and other assets	(4,779)	117
(Decrease) increase in accounts payable and accrued expenses	62,476	(7,662)
(Decrease) increase in unearned Membership dues	25,000	(452,000)
(Decrease) in deferred rent expense	(11,802)	(11,145)
Net cash provided by operating activities	519,308	78,176
Cash flows from investing activities:		
Investment in EMCC	—	(132,000)
Payments for purchases of property and equipment	(22,344)	(1,619)
Net cash (used for) investing activities	(22,344)	(133,619)
(Decrease) increase in cash and cash equivalents	496,964	(55,443)
Cash and cash equivalents, beginning of year	4,039,396	4,094,840
Cash and cash equivalents, end of year	**$ 4,536,360**	**$ 4,039,396**

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

December 31, 2000 and 1999

1. Organization

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. All revenues and assets are unrestricted.

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 they charge fees, in carrying out EMTA's mission. The subsidiaries include: (a) Match-EM, Inc., which operated 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 served as EMTA's interface with Emerging Markets Clearing Corporation (EMCC), and (d) EMTA Black Inc., a holding company that is wholly owned by EMTA and that owns 100% of the common stock of the above three subsidiaries. The operations of Match-EM and Clear-EM were discontinued in November 1999 (see Note 7).

Membership Dues and Directors' Assessments

EMTA had three membership categories during 2000 and 1999:

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

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 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.

Allowance for Doubtful Accounts

The allowance for doubtful accounts provides for the risk of losses arising from non-collection of dues, assessments and fees. Amounts included in the allowance are specifically reserved for, and the offsetting charge is recorded to the applicable revenue caption in the Consolidated Statement of Activities. Any subsequent recoveries are credited to the same caption. The allowance is increased by provisions for doubtful accounts and reduced by write-offs and recoveries of allowances previously provided. Write-offs are recorded when, in the judgment of management, a receivable is considered uncollectable. Such write-offs amounted to zero and $35,000 in 2000 and 1999, respectively.

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.

Investments

Investments are carried at cost adjusted for permanent diminutions in value.

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 $74,000 was available at December 31, 2000 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 Revenue

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

	For the Year Ended December 31, 2000	1999
Membership dues:		
Full	$1,051,250	$1,090,916
Plus recoveries of previously provided doubtful accounts	—	25,000
Subtotal Full	1,051,250	1,115,916
Associate	450,000	447,500
Affiliate	132,500	159,500
Plus recoveries of previously provided doubtful accounts	—	3,000
Subtotal Affiliate	132,500	162,500
Total Membership dues	**$1,633,750**	**$1,725,916**
Fees for program services:		
Multilateral Netting Facility	$ 375,400	$ 446,600
Clear-EM	—	107,263
Total fees for program services	**$ 375,400**	**$ 553,863**
Directors' assessments	$ 765,000	791,000
Plus recoveries of previously provided doubtful accounts	—	24,000
Total Directors' assessments	**$ 765,000**	**$ 815,000**

4. Summary of Expenses

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

	For the Year Ended December 31, 2000	1999
Program Expenses:		
Direct:		
Match-EM	$ —	$ 806
Documentation and Market Practices	2,507	6,183
Conferences, receptions and meetings	5,936	5,652
Advocacy	1,721	77,177
Indirect (primarily staff and facilities costs)	1,828,742	1,800,215
Total program expenses	1,838,906	1,890,033
Non-Program Expenses:		
Direct:		
Public relations and membership development	18,893	72,418
General administration	41,870	52,671
Indirect (primarily staff and facilities costs)	809,391	819,836
Adjustment to carrying value of investment in EMCC	—	227,959
Total non-program expenses	870,154	1,172,884
Total expenses	$2,709,060	$3,062,917

5. Office Space Lease

EMTA's office space lease became effective March 1, 1995 and runs through 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. (Fair market rental as of February 2001 was approximately $275,000 per year.) The annual payments for rent are $124,614 ("base") plus EMTA's proportionate share of increases in property taxes and other building expenses after the first year ("escalation"), except that EMTA made no payments for six months in 1995 and for three months in 1996. Annual rent expense consists of the year's ratable share of the total base amount to be paid over the life of the lease plus the escalation amount for the year, which totaled $122,568 in 2000 and $115,222 in 1999. 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

EMTA has two Plans, descriptions of which are set forth below:

- a 401(k) Plan, whereby participants are allowed to contribute up to 15% of taxable compensation, 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
- a 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 $174,327 in 2000 and $184,133 in 1999, which are included in compensation and benefits in the Consolidated Statement of Activities.

7. 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 clears trades of Emerging Markets debt instruments. EMTA coordinated industry decision-making regarding EMCC’s development. In this connection, EMTA provided management and legal expertise and certain administrative services, including billing and collection of EMCC’s initial funding requirements.

In March 1999, EMTA received a minority interest of 300 shares of Class A voting stock in EMCC in exchange for various services rendered by EMTA during the period 1996–1999 in connection with EMCC’s development. The recognized cost of this investment in EMCC of $95,960 is attributable primarily to unreimbursed staff expenses incurred in 1997.

In the fall of 1999 EMTA made an additional cash investment in EMCC of $132,000 representing 132 Class B non-voting shares, derived as the approximate revenue received from EMCC by Clear-EM during 1999. EMTA management has determined that it is appropriate to carry its investment in EMCC at a value of $1.

EMCC began actual operations in the spring of 1998. As part of its commencement of operations, it began paying a royalty to Clear-EM for trades processed through Match-EM and entered into EMCC, which is recorded as fees for program services in the Consolidated Statement of Activities. Such royalties amounted to $107,263 in 1999. Additionally, EMCC assumed responsibility for operating Match-EM, for which it reimburses the transaction costs incurred by Match-EM. These reimbursements amounted to $351,750 in 1999 and are recorded as a credit to program contractors expense in the Consolidated Statement of Activities, as if EMCC were legally responsible for liabilities incurred by Match-EM. Starting November 1999, EMCC began accepting trades from Match-EM members directly into its system, essentially replacing the functions of Match-EM. The operations of Match-EM and Clear-EM were discontinued at this time, and EMTA expects to dissolve these two entities in 2001.

Report of Independent Accountants

In our opinion, the accompanying consolidated statements ancial position and the related consolidated statements of ties and of cash flows present fairly, in all material respects, the financial position of Emerging Markets Traders Association and its subsidiaries (the “Association”) at December 31, 2000 and 1999, and the results of its net activities and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. 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 auditing standards generally accepted in the United States of America, 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.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

April 2, 2001

EMTA MEMBERS*

Full Members

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The Bank of Foreign Affairs of the USSR (Vnesheconombank)
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Clifford Chance Rogers & Wells
Davis Polk & Wardwell
Depository Trust & Clearing Corporation (DTCC)
Dewey Ballantine
Emerging Markets Clearing Corporation (EMCC)
The Equavent Group
Euroclear
European InterAmerican Finance
ILX Systems
International Securities Market Assn. (ISMA)
International Swaps and Derivatives Assn. (ISDA)
King & Spalding
Loan Syndications and Trading Assn. (LSTA)
PricewaterhouseCoopers
Reuters Information
Shearman & Sterling
Slaughter and May
Telekurs
Thomson Financial
United Nations Development Programme (UNDP)
Weil, Gotshal & Manges

***As of February 7, 2001.**

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EMTA is grateful to Shearman & Sterling, Slaughter and May and PricewaterhouseCoopers for their advice and ongoing commitment to serving its members.

Suzette Ortiz
Office Coordinator

Lisa Palazzola
Systems

Mandy Sleigh
European Coordinator

SIGNIFICANT MARKET EVENTS & EMTA ACCOMPLISHMENTS

2000

- Arminio Fraga, President of the Central Bank of Brazil, and Daniel Marx, Secretary of Finance of Argentina, address EMTA Annual Meeting
- Brazil closes U.S. $5 Billion exchange offer
- Ecuador reschedules 97% of its Brady bonds
- EMTA upgrades its Website, adding New Developments and Key Industry Views areas
- Mexico upgraded to an investment grade rating by Moody's
- Russia completes London Club restructuring Ecuador adopts dollarization
- ECN's introduce all-electronic trading of Brady bonds and Eurobonds
- EMTA helps launch Global Equity Markets Association (GEMA)
- Vicente Fox elected President in Mexico's fairest election; PRI turns over power after seven decades

1999

- Emerging Markets community debates ‘Burden-Sharing’
- Brazil effectively devalues the Real/Market confidence restored following support package
- Ecuador defaults on its Brady bonds and convenes a Consultative Group chaired by EMTA
- EMTA helps develop cross-product netting agreement with BMA and ISDA
- EMCC reaches critical mass
- U.S. Treasury official Timothy Geithner and IMF deputy head Stanley Fischer address EMTA Annual Meeting

1998

- EMCC launched in April
- EMTA introduces ‘batch settlement’ for Russian Loans
- EMTA helps develop 1998 FX and Currency Option Definitions in collaboration with ISDA and FX Committee
- EMTA develops Ruble/U.S.$ exchange rate in collaboration with CME after Russian ruble is devalued and Russia defaults on a number of debt instruments
- Emerging Markets community debates dollarization
- Trading volumes drop significantly in the aftermath of the Russian crisis

1997

- New Market Practices for Repos, Warrant trades and Russian loans
- Asian economic crisis begins
- EMTA Netting Facility helps to close Russia VEB debt restructuring
- Netting Facility also addresses Argentina interest ‘tails’
- Russian Deputy Finance Minister Kasyanov addresses EMTA Annual Meeting
- Annual trading volume reaches nearly U.S. $6 trillion for 1997
- South Korean recovery package announced

1996

- EMTA releases Feasibility Study for Emerging Markets Clearing Corporation (EMCC)
- EMTA helps launch the Loan Syndications and Trading Association (LSTA)
- Deputy Secretary of the Treasury Lawrence Summers addresses EMTA Members
- EMTA issues forms for trading Russian loans W/R (when-restructured)
- Standard Terms for Loan Participations developed
- EMTA issues Clarification Statements on Polish Securities Markets

1995

- Mexican rescue package stabilizes markets
- Bond markets begin settling on T+3 basis
- EMTA launches Match-EM trade comparison and matching system
- EMTA recommends Standard Terms for Assignments of Loan Assets
- Mexican Finance Minister Ortiz and Brazilian Finance Minister Malan address EMTA Annual Meeting
- Revised EMBI and EMBI+ Indices are introduced

1994

- Emerging Markets react to general interest rate increases
- EMTA develops facility for multilaterally netting loan trades
- Master Options Agreement issued
- Brazil introduces the Real Plan, ending its hyper-inflation
- Brady Plan rescheduling completed for Brazil
- NAFTA takes effect
- EMTA introduces month-end pricing report
- Mexico devalues peso in December (“Tequila Crisis”)

1993

- EMTA adopts Code of Conduct for trading EM instruments
- When-Issued trading forms recommended for Brazil Brady bonds
- Market Practices developed for Emerging Markets Options
- EMTA lobbies for passage of NAFTA
- Brady Plan rescheduling completed for Argentina

1992

- EMBI Index introduced by J.P. Morgan
- EMTA adopts Market Practices for Argentina Brady bonds
- Argentina Finance Minister Cavallo addresses EMTA Annual Meeting
- First EMTA Annual Volume Survey shows 1992 trading volumes of U.S. $734 billion

1991

- Argentina adopts the Convertibility Plan, linking the peso to the U.S. $ and ending its hyper-inflation
- First EMTA Annual Meeting, with FRBNY President Gerald Corrigan as keynote speaker
- EMTA issues first Market Practices

1990

- Brady Plan restructurings completed for Mexico and Venezuela
- Confirmation forms developed for Mexico and Venezuela Brady bonds
- EMTA formed in December 1990