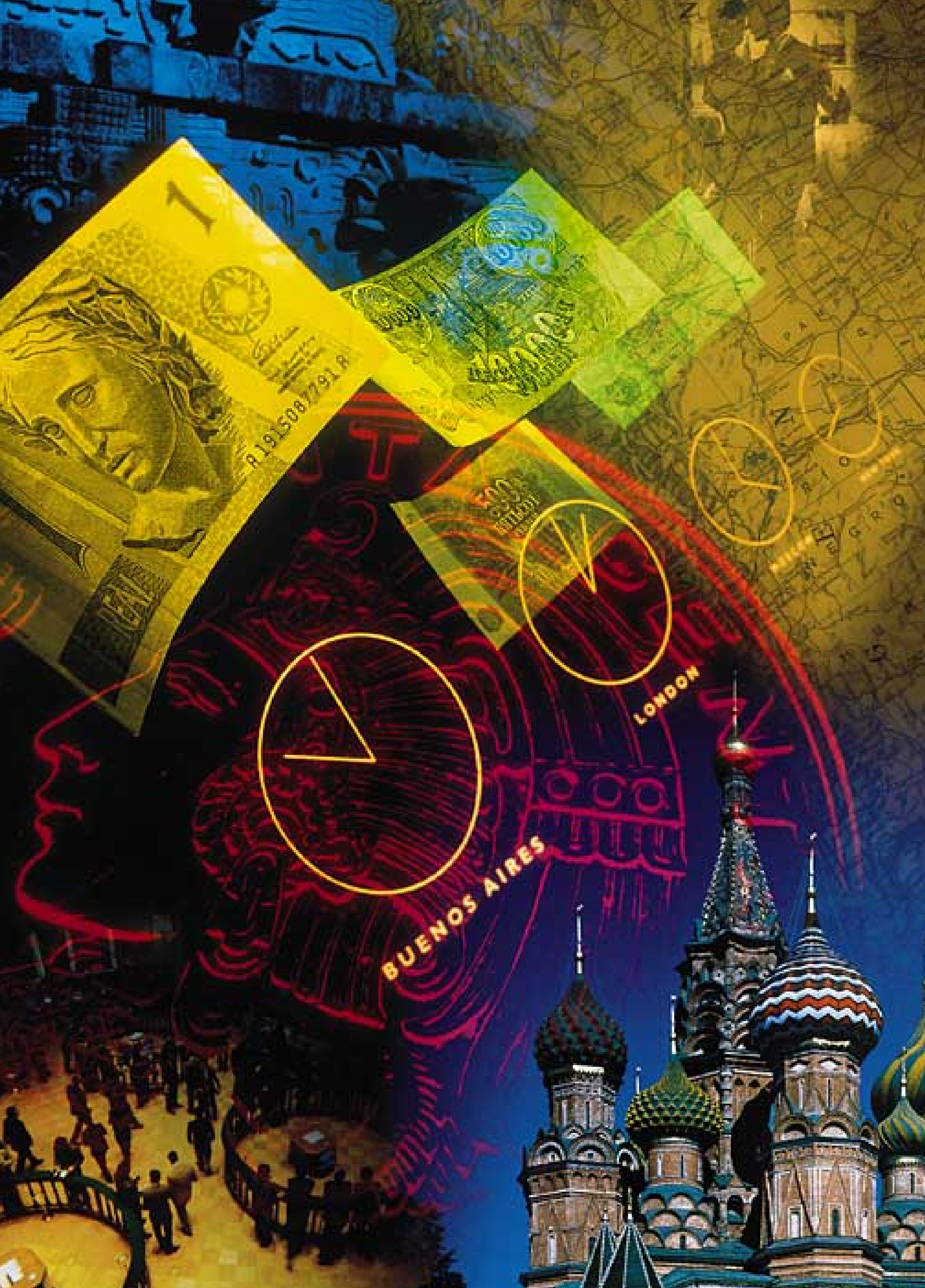
EMERGING MARKETS TRADERS ASSOCIATION

1995 ANNUAL REPORT



MISSION STATEMENT

The Emerging Markets Traders Association is a not-for-profit corporation dedicated to promoting the orderly development of fair, efficient and transparent trading markets for Emerging Markets instruments.

EMTA's 1995 Annual Report describes EMTA and its activities in the context of visual images that reflect the diversity, complexity and global significance of today's Emerging Markets.

Peter R. Geraghty is EMTA's London Co-Chair for 1996. He is a Managing Director of ING Barings and a member of the Global Management Committee of Baring Investment Bank. He has been a member of EMTA's Board of Directors since EMTA's formation in 1990.

Mexico's December 1994 devaluation caused a temporary loss of investor confidence that rippled throughout the Emerging Markets in early 1995. Market conditions improved considerably as the year progressed, although our market's recovery was hampered by the strong performance of the U.S. equity markets.

Emerging Market fundamentals were generally characterized by continuing reforms and by steady progress in the remaining debt reschedulings, particularly in Ecuador, Panama, Peru and Russia. Activity in the primary markets was characterized by substantial innovation, and capital flows into the Emerging Markets during 1995 exceeded expectations.

Despite some pessimistic predictions, trading of Brady Bonds and other Emerging Markets debt instruments (especially local market instruments) remained at high levels, as investors continued to take advantage of the diversity of investment opportunities available throughout the Emerging Markets.

The implications of these developments highlight the continuing importance of EMTA's role in promoting orderly trading markets. During 1995, EMTA's efforts to help reduce risk and increase efficiency were led by the formal introduction of Match-EM, EMTA's electronic post-trade confirmation and matching system. By streamlining the confirmation process, Match-EM enables market participants to better manage their trading positions and to meet settlement deadlines. In addition, Match-EM is making our marketplace more transparent by permitting the widespread dissemination of daily market volume and price data.

Although loan trading volumes generally slowed in 1995, as expected, we are pleased at the new efficiency that EMTA's Standard Terms and Multilateral Netting Facility have brought to the often difficult process of documenting and settling loan trades.

EMTA continues to strongly support the economic and political reforms that are occurring throughout the Emerging Markets, and, in that context, we were very pleased to welcome Pedro Malan and Guillermo Ortiz, Ministers of Finance of Brazil and Mexico, respectively, as keynote speakers at EMTA's 1995 Annual Meeting. Our latest Volume Survey underscores the importance of Brazil and Mexico to our marketplace, and we expect EMTA's future agenda to include greater emphasis on local market activities in these countries.

Peter R. Geraghty


Jorge V. Jasson and Daniel J. Canel were elected joint New York Co-Chairs of EMTA in March 1996. They are Co-Heads of Global Emerging Markets at The Chase Manhattan Corporation, responsible for origination, sales, trading and research for all Emerging Market fixed income securities, loans, equities, foreign exchange and derivatives, on a global basis.

Our markets opened 1996 in a climate of continued growth marked by the return of substantial voluntary capital flows into the Emerging Markets. Renewed investor confidence has been based in large part on the strengthening of the Mexican economy and a perception that other Emerging Market countries are also maintaining their commitment to the economic reform process. Strong fundamentals in many countries and reduced price levels for many assets combined to attract new investors to our marketplace from other markets, such as the U.S. high-yield market.

Prospects this year remain relatively buoyant, and international investors are seeing the benefits of long-term participation in the Emerging Markets. Even the ratings agencies have expressed their confidence in the economic fundamentals of these economies, as evidenced by the recent investment-grade ratings for certain countries.

Our market's continued growth and vitality is in part a tribute to its orderliness and efficiency. 1995 marked EMTA's fifth anniversary. Since 1990, much progress has been made in the development of the Emerging Markets trading industry, and EMTA has played a leading role in helping to bring greater efficiency and transparency to our marketplace.

One of EMTA's most significant projects, the Match-EM electronic matching system, has applied technology against the challenges of increased trading volumes and volatility, enhancing trading efficiency and access to better market information. We expect that, by building on Match-EM, EMTA will soon be in a position to create an integrated trading infrastructure for the Emerging Markets trading industry that also includes netting and clearing functions.

During 1996, EMTA will add to its past initiatives to increase efficiency and reduce risk in the loan market by broadening our multilateral netting efforts to include a facility to net and settle residual Argentina interest payments. We also intend to continue our industry's strong support of the country debt rescheduling process by, among other things, working with the Russian financial authorities to facilitate their debt restructuring.

In an effort to build a global network, EMTA is also actively providing market and infrastructure support to several emerging local markets. Through our efforts to promote consistency between local and international trading standards, EMTA hopes to increase the volume of cross-border transactions, while minimizing counterparty risk and operational barriers.

In the past five years, our industry has established a strong track record for working together, within EMTA, as a forum for voluntary self-regulation and for the orderly development of our trading market. Building on this record, EMTA is well-positioned to deal effectively with the challenges that lie before us. Through EMTA's continuing efforts to improve market efficiency and transparency, we hope to reinforce the confidence that investors have placed in the integrity of our marketplace.

Daniel J. Canel

Jorge V. Jasson

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

Our experience in the Emerging Markets teaches us to expect the unexpected, and we are rarely disappointed. 1995 was no exception. Mexico's stumble and the collapse and rebirth of Barings remind us why EMTA was formed – to promote the orderly development of our marketplace so that it can better withstand external shocks and changing conditions.

Confidence quickly returned to our marketplace, and EMTA's momentum continued during 1995. In a year when other sectors of the financial community rode through storms of criticism, we made quiet progress toward stronger systems that are necessary and desirable for the continued growth and prosperity of the Emerging Markets trading industry.

EMTA's accomplishments over the past five years have been the result of a remarkable team effort that has been guided by a clear vision – that the Emerging Markets trading industry have an effective forum for industry discussion, problem-solving and voluntary self-regulation. As much progress as the industry has made since 1990 toward the development of an orderly market, it is still too early to declare victory. But we are confident that we are on the right track.

EMTA's Match-EM system is a key first step toward building an integrated trading infrastructure that will eventually ensure high efficiency and a minimum of risk from time of trade through settlement. In 1996, working with representatives from ISCC, Euroclear and Cedel, we expect to take the next important step toward this goal--designing and constructing an industry-owned clearing utility that will take much of the current risk and operational uncertainty out of screen-based Brady Bond trading.

As if we needed more evidence, EMTA's 1995 Volume Survey confirms that our marketplace is rapidly evolving. In five years, Brady Bonds have replaced loan trading at the core of our business, and local market trading activities, as well as voluntary sovereign refundings, continue to grow in importance to the future direction of our industry. To meet the growing needs of these local markets, EMTA has begun to devote greater resources to projects involving local market instruments and trading practices.

We now take for granted that our marketplace operates globally and as a part of the broader capital markets. New technology and regulatory reform enable telecommunications and capital to cross boundaries and time zones more easily than ever before. Because traders react instantaneously to these developments, EMTA must help anticipate the future needs of our industry by minimizing or removing operational obstacles and undue risks that would impede the smooth functioning of a global electronic marketplace. Looking ahead, we envision a critical need for documentation, clearance and settlement systems that link local market financial centers with major international financial centers, and with each other, as efficiently as possible. Not only must each local market have its own soundly designed systems, but to ensure maximum efficiency on a global scale, these local systems must be designed to integrate easily into the global operational framework.

In short, the globalization of the world's capital markets requires harmony among them. In 1996, EMTA hopes to play a useful role in encouraging the requisite cooperation among global and local interests to ensure that the risks of inconsistency are minimized.

There is no sure blueprint for these tasks. But EMTA's aggressive approach toward identifying needs and solutions and building industry consensus has proven successful so far, and we will stay on that path in 1996.

Michael M. Chamberlin

1982 LDC debt crisis begins.

1984 Emergence of secondary trading market for LDC loans.

1987 Major U.S. money center banks take increased reserves against LDC loans.

Investors now have a wider selection of geographically diversified investment opportunities than ever before.

Emerging Markets Trading

Emerging Markets trading has grown in the past decade from a small group of LDC debt traders to a sophisticated global over-the-counter trading market for both debt securities and loans that services the needs of a growing institutional investor base. As the Emerging Markets have evolved, they have diversified beyond Latin America to include Russia/Eastern Europe, Asia and Africa. Investors now have a wider selection of geographically diversified investment opportunities than ever before with an even greater variety of investment instruments and risk characteristics.

Size of the Marketplace

The past few years have seen exceptional growth in the overall size and depth of the trading market for Emerging Markets instruments. Total trading volumes for debt instruments have risen from U.S.$734 billion in 1992 to over U.S.$2.7 trillion in 1995, reflecting the growing importance of Emerging Markets trading to the financial and investment communities worldwide.

Investment Instruments

As the market completes its steady evolution from loans to Brady Bonds, the increasingly innovative Brady refinancings have created over U.S.$140 billion face amount of high-yield fixed and floating rate debt securities, with and without collateral. As the voluntary capital markets have re-opened throughout the Emerging Markets, and the internal capital markets become more highly developed, the various Brady Bonds have been supplemented by an even wider variety of local currency instruments, as well as predominantly U.S. dollar and U.S. dollar-indexed securities issued by both public and private sector issuers in the international capital markets. At the same time, the need for equity investment throughout the Emerging Markets has cre-

1987-88

Rapid expansion of swaps and loan trading market, in part due to debt/equity programs.

1989-90

Brady Plans for Mexico and Venezuela create more liquid trading instruments.

ated a myriad of opportunities in the rapidly developing private sectors. Along with the rapid increase in the diversity of instruments, and in the development of the marketplace for them, has come greater liquidity, as well as greater evolution in the development of derivative instruments and other hedging techniques to permit the tailoring and management of risk.

Market Participants

Market participants include the major international commercial, investment and merchant banks and governments, brokers and dealers, multinationals and local companies around the world. In recent years, the market has expanded to include an ever-growing range of institutional investors (major insurance companies, pension funds, hedge funds and broadly-held mutual funds).

Trading and Settlement

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

In general, the trading and settlement of Brady Bonds occurs in accordance with customary international securities practices (including certain procedures for the U.S. institutional market). Due to the unique origins and characteristics of Brady Bonds and the marketplace for trading them, EMTA has developed numerous Market Practices for Brady Bond trading, including T+3 settlement.

The introduction of Match-EM in 1995 has expedited the processing of trades of both Brady Bonds and loans by permitting nearly instantaneous electronic confirmation and matching.

Loan trading generally is conducted in accordance with EMTA Market Practices and standard documentation. The settlement of loan trades is more complex and time-consuming than for Brady Bonds, largely because of the absence of centralized clearing and settlement mechanisms for loans. Accordingly, the settlement of loan trades is processed individually by dealers and other market participants.

1991 Voluntary capital markets begin to reopen.

1992 Argentina and Philippines Brady plans.

1993 Trading volumes reach U.S. $2 trillion. Brazil Brady plan. NAFTA ratified.

The Emerging Markets Traders Association is a not-for-profit organization dedicated to promoting the orderly development of fair, efficient and transparent trading markets for Emerging Markets instruments.

EMTA's Origins

EMTA was formed largely in response to the trading opportunities created by the sovereign debt reschedulings under the Brady Plan. In an effort to develop mechanisms to trade the new debt securities issued under these plans more efficiently, a small group of debt traders from major international financial institutions pooled their resources to form the Association in late 1990.

Membership/Structure

Today, EMTA has approximately 160* member institutions, including leading broker-dealers, commercial banks and other major financial institutions worldwide. The Association's approximately 60* Full Members are institutions that actively trade Emerging Markets instruments.

EMTA's Board of Directors is composed of leaders in Emerging Markets trading who, together with EMTA staff, actively identify and address key industry issues through their participation in various EMTA Working Groups.

Headquartered in New York City, EMTA has a full-time staff of 18 professional and support personnel.

Activities

With the continued expansion of trading activities beyond Latin America, and the number and diversity of trading instruments and volumes at high levels, EMTA plays an increasingly important role in promoting the orderly development of Emerging Markets trading. In 1995, EMTA expanded its range of activities substantially to include key initiatives that should benefit the Emerging Markets trading industry for years to come.

Support for Debt Rescheduling

Much of our industry's growth has been fueled by a series of Brady Plan reschedulings, which since 1990 have converted commercial bank loans into more liquid Brady securities. In 1995, Ecuador successfully completed its Brady rescheduling, following Brazil, Bulgaria, Poland and the Dominican Republic, which all closed in 1994. EMTA continues to strongly support the country debt negotiation process, which most recently has included agreements for Russia, Panama and Peru, as these transactions bring value to our marketplace and help strengthen the global economy.

Better Risk Management and Efficiency

Managing risk in a rapidly evolving trading business is a major challenge. EMTA's efforts to improve market efficiency have helped reduce risk by ensuring that trading transactions settle more quickly and, in the case of its standard netting

**As of March 31, 1996.*

1994

Bulgaria, Poland and Ecuador Brady plans. Russian trading emerges.

1995

Panama Brady plan. Progress on Russia rescheduling.

arrangements, by allowing market participants to reduce their aggregate counterparty exposure. Through April 1996, EMTA's Multilateral Netting Facility had netted and settled more than 2,480 loan trades aggregating nearly U.S. $6.7 billion in face amount. Other measures to promote greater efficiency in the trading market for bonds and loans include EMTA's Standard Terms for Loan Assignments and Match-EM, EMTA's automated trade confirmation and matching system. By facilitating better risk management, EMTA enables individual market participants to conduct their activities with greater confidence, efficiency and safety and helps to reduce systemic risk.

More Transparency

By publishing its annual Volume Survey of debt trading and by promoting standard Market Practices and a better information flow within the Emerging Markets, EMTA helps to ensure greater market transparency for the benefit of both investors and market professionals. In addition to acting as an information clearinghouse, EMTA's Match-EM System permits EMTA to collect and disseminate market volume and price data on a nearly real-time basis.

Voluntary Self-Regulation

Although Emerging Markets trading is well-regulated, EMTA actively promotes the highest standards of integrity and professionalism through voluntary self-regulation. EMTA's Code of Conduct for the trading of Emerging Markets instruments encourages all market participants to have appropriate trading policies to ensure that the marketplace is as professional as possible. The Code continues to be well-received by market participants and their regulators and supervisory authorities. 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 promote appropriate market discipline, as well as greater efficiency and transparency.

EMTA helps to ensure greater market transparency for the benefit of both investors and market professionals.

As EMTA's 1995 Volume Survey suggests, there is increasing investor interest in the local fixed income and equity instruments that trade on Emerging Market exchanges or in the OTC markets. This investor interest marks a sharp departure from the indifference of the 1980s. As part of the widespread economic reforms that have accompanied the Brady Plan, many Emerging Market governments have opened their markets to greater foreign participation by reducing exchange controls and reforming regulations which adversely affect foreign investors and financial institutions. Inflows of foreign capital into the Emerging Markets have increased dramatically as a result. As these foreign capital inflows have increased, Emerging Market governments have become even more receptive to reforms which further open their markets.

As a global membership organization representing the interests of both international and local market participants, EMTA is able to provide regulators and market participants with insight into the types of reform necessary to encourage foreign capital inflows. By emphasizing the importance of including both global and local market participants, EMTA works to better ensure the integration of local markets into the global capital marketplace.

Local Markets Debt Trading in Emerging Market Countries

	Reported Trading in Local Market Instruments	Percentage of all Debt Trading
1994	U.S.$ 518.9 billion	18.8%
1995	U.S.$ 571.4 billion	20.9%

EMTA's philosophy of consensus-building accommodates both local market and international agendas by building a partnership of global and local interests. In deference to domestic interests, EMTA's local market projects are implemented through locally-based Working Groups. Under local leadership and with technical input, as appropriate, from internationally-based members, EMTA Local Market Working Groups identify obstacles to fair, efficient and transparent trading which can be resolved through collective

EMTA works to integrate local markets into the global capital markets.

industry action. With input from New York and London-based EMTA members, EMTA Local Market Working Groups work to resolve market infrastructure and regulatory issues. Local Working Group participants also work with their international counterparts to develop global Market Practices and documentation. These global standards are expected to lead to enhanced efficiency and reduced risk on a global scale.

For its first local market projects, EMTA looked to countries where there is a keen interest on the part of the international financial community, and where there is strong interest among local market participants and regulatory authorities to make positive changes. EMTA also sought a geographic balance which reflects the diversity of its international membership. Based on this analysis, EMTA has chosen to focus initially on Argentina, Russia, Poland, Brazil and Mexico.

A Case Study: Argentina

Strong international interest in the opportunities provided by the Argentine local market precipitated EMTA's initial focus on Argentina. Global market participants in Argentina wanted to promote borrowing and lending of Argentine stocks. Argentine and international counterparties sought greater efficiency and transparency of securities financing transactions.

While Argentine and global market participants share a common interest in improving liquidity and efficiency in cross-border transactions, their interests sometimes diverge. The Argentine financial community is understandably interested in preserving the unique character of the Argentine market, while international financial institutions have a strong incentive to work towards global market practices and documentation which would allow greater consistency between Argentina and other markets.

To ensure that each of these constituencies has appropriate input and representation, EMTA has established a working relationship with the Board of Directors of the Mercado Abierto Electronico (the "MAE"). Composed of all of the major Argentine and international financial institutions domiciled in Argentina, the MAE makes all significant policy and Market Practice decisions which affect the trading of Argentine instruments. International financial institutions participate in the development process by providing input through one of several New York and London working groups composed of technical specialists.

EMTA's Argentine initiative began late in 1995. By the time of its inaugural meeting in March 1996, EMTA had attracted the support of over 50 financial institutions active in the Argentine local market. In addition to developing standardized documentation, representatives from these institutions are focusing on the development of an Argentine derivatives market, a local Code of Conduct and on various clearance and settlement issues.

In addition to its local markets projects, many of EMTA's global activities are conducted through Working Groups of industry experts whose time is donated by their Member firms. These Working Groups, and their most significant projects, have included:

European Working Group

EMTA's European Working Group meets periodically in London to discuss Market Practices and industry issues relevant to EMTA's European-based Members. During 1995, the European Working Group was chaired by Donald Pierce (Samuel Montagu) and Julie Chadney (Bank of America).

Exotics/Loan Trading Working Group

Loan trading continues to be an important part of the Emerging Markets trading industry, despite the exchange of many of these loans for Brady Bonds. EMTA's Exotics/Loan Trading Working Group, chaired by Carmen Paracchini (Chase Manhattan), has enhanced market liquidity for the so-called "Exotic" loans (e.g. Peru and Panama) by developing Market Practices that define these loans and provide for their efficient trading.

Derivatives Working Group

Options and other derivatives products play an important role in enabling investors and financial intermediaries to hedge their risks and otherwise participate in Emerging Markets trading opportunities. EMTA's Derivatives Working Group was formed in 1992 to develop Market Practices and a Master Agreement for put and call options on Emerging Markets debt instruments and continues to promote the development of these and related Market Practices.

Russia/Eastern Europe Working Group

EMTA's Russia/Eastern European Working Group was formed in 1993. Chaired by Alex Rodzianko (MC Securities/UCB) and Robert McCarthy (Deutsche Morgan Grenfell), it has supported the Polish, Bulgarian and Russian reschedulings, and Slovenian exchange offer, by issuing forms for confirming when-issued trades and developing various Market Practices.

Technology Working Group

In an effort to make the Emerging Markets trading industry more efficient and transparent, EMTA's Technology Working Group (led by Lou Bonavita at Chase) developed the Match-EM automated post-trade confirmation and matching system for Brady Bonds and sovereign loans. Developed in conjunction with GE Information Services, the Match-EM System, launched in 1995, better enables market participants to manage their inventories and to comply with the shortened settlement periods for both Brady Bond and loan asset trades. Match-EM also makes the Emerging

Markets trading industry more transparent by permitting the widespread dissemination of daily market volume and price data.

Risk Management Working Group

This Working Group was formed in 1995 (with Katy Briger (Indosuez Capital) and Donna Reino (J.P. Morgan) as Chairs) to create a forum to review and address issues of common concern to risk managers in the Emerging Markets trading industry. To date, this Group has examined areas of concern such as counterparty risk and the clearing arrangements used by Brady Bond brokers.

Global Equities Working Group

This Working Group was formed in 1994 to address issues concerning the secondary markets for Emerging Market equity instruments. In an effort to increase market transparency, the Group, chaired by Bruce Wolfson (Bear Stearns), has taken steps to improve the dissemination of relevant information regarding corporate actions and a variety of activities relating to the development of the Argentine and Russian equities markets.

Documentation Working Group

This Working Group, formed in 1994 under the leadership of Kathleen Wells (J.P. Morgan), developed the Standard Terms for Assignments of Loan Assets, which enables market participants to substantially reduce the paperwork and time necessary to complete the preparation of loan trade documentation. In 1996, the Standard Terms were revised to set T+10 and T+15 settlement periods and provide compensation for delayed settlement. The Group is also developing Standard Terms for Participations in Loan Assets.

EMTA is a forum for voluntary self-regulation that operates through industry participation and consensus, ever-mindful of the importance of investor confidence in our marketplace.

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	December 31, 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

William R. Araskog
Lazard Frères

Daniel J. Canel (Co-Chair)
Chase Manhattan

Mark L. Coombs
ANZ Grindlays

Peter R. Geraghty (Co-Chair)
ING Barings

Alexis F. Habib
Indosuez Capital

Frederic Z. Haller (Vice Chair)
Deutsche Morgan Grenfell

Wayne D. Lyski
Alliance Capital

Alexandra P. McLeod
Bank of America

Guido A. Mosca (Vice Chair)
J.P. Morgan

Jorge V. Jasson (Co-Chair)
Chase Manhattan

M. Farooq Maroof
Citibank

Paul A. Masco (Vice Chair)
Salomon Brothers

Jose Pedreira
Merrill Lynch

Felix E. A. Robyns
CS First Boston

Alexis O. Rodzianko
MC Securities/UCB

Charles B. Seelig, Jr.
Goldman Sachs

Ignacio E. Sosa
Bank of Boston

Bruce A. Wolfson
Bear Stearns

Joining Executive Director Michael M. Chamberlin at EMTA's 1995 Annual Meeting in New York City were EMTA Directors:

(Seated, left to right, first row)
1995 Director **Alberto Garcia Roche** (Banco Santander), Vice Chair **Paul A. Masco** (Salomon Brothers), Co-Chair **Peter R. Geraghty** (ING Barings), 1995 Co-Chair **Nicolas S. Rohatyn** (J.P. Morgan), **Michael M. Chamberlin** (EMTA).

(Seated, left to right, middle row)
1995 Director **Vicente S. Perez** (Lazard Frères), **Alexis F. Habib** (Indosuez Capital), 1995 Director **Abelardo S. Curdumi** (First National Bank of Chicago), **Alexandra P. McLeod** (Bank of America).

(Seated, left to right, back row)
Felix E. A. Robyns (CS First Boston), **Jose Pedreira** (Merrill Lynch), 1995 Director **Daniel M. McEvoy** (Goldman Sachs).

Pedro Malan
Minister of Finance, Brazil

EMTA's 1995 Annual Meeting featured keynote speakers Pedro Malan, Brazil's Finance Minister, and Guillermo Ortiz, Mexico's Finance Minister, who described the current economic situation in their respective countries. Mr. Malan commented on the progress that EMTA has made since its inception, saying:

"I'm convinced that...the next five years of the Association will be as productive and constructive as the last five ones, and listening to Nicolas [Rohatyn] and Peter [Geraghty], I'm confident that this will be the case."

Guillermo Ortiz
Minister of Finance, Mexico

EMTA MARKS ITS FIFTH ANNIVERSARY

1990/91
- Standard Documentation

1992
- Code of Conduct and Market Practices

1993
- Volume Survey
- Eastern Europe Working Group

1994
- Multilateral Netting Facility
- Master Options Agreement

1995
- Match-EM System
- Month-End Pricing
- Standard Terms for Loan Assignments
- New Brady Bond Market Practices
- Local Markets Initiative

FULL MEMBERS*

ABN Amro Hoare Govett
Amsterdam

Alliance Capital Management
New York City

ANZ Grindlays Bank
London

Arab International Bank
Cairo, Egypt

Banamex
Mexico City

Banco Icatu
Rio de Janeiro

Banco Mercantil Venezolano
Caracas

Banco Santander
Madrid

Banesco Casa de Bolsa
Caracas

Bank of America
London

Bank of Boston
Boston

Bankers Trust
New York

Banque Nationale de Paris
Paris

Bear Stearns & Co.
New York City

Bozano, Simonsen Securities
New York City

Cantor Fitzgerald
London

Cargill Financial Services
Minnetonka, Minnesota

Chase Manhattan
New York City

Citicorp Securities
New York City

CS First Boston Corporation
New York City

Daiwa Securities America
New York City

Deutsche Morgan Grenfell
London

Dresdner Bank
Frankfurt

E.D.F. & Man Global Markets
New York City

EuroBrokers Maxcor
New York City

Exprinter International Bank
Curacao, Netherlands Antilles

Fidelity Investments
Boston

Finely – CCF Group
Paris

Garantia Banking Limited
Sao Paulo

Goldman Sachs
New York City

Henry Ansbacher & Co.
London

Indosuez Capital
Paris/London

ING Barings
London

Inverworld Securities
San Antonio, Texas

J.P. Morgan
New York City

Kleinwort Benson
London

Lazard Frères
New York City

Lehman Brothers
New York City

Lloyds Bank
London

MC Securities/UCB
Moscow

Merrill Lynch
New York City

Moscow Narodny Bank
London

Most-Bank
Moscow

Paribas Capital Markets
Paris

Refco Securities
New York City

Republic National Bank of New York
New York City

RMJ Securities
New York City

Salomon Brothers
New York City

Samuel Montagu
London

Société Générale
Paris

Standard Bank London
London

Standard Chartered Bank
London

Swiss Bank Corporation
Basel

Tradition (North America)
New York City

Trigone Capital Finance
Geneva

Tullet & Tokyo International Securities
London/New York City

UBS Securities
New York City

Unibanco
Sao Paulo

Valores Finamex Internacional
Mexico City

Vnesheconombank
Moscow

West Merchant Bank
London

**Full Members are institutions that trade Emerging Markets instruments.*

Associate Members**

ARFINT – Credit Lyonnais
Paris

Atlantic Security Bank
Panama

Banco BMG
Grand Cayman

Banco Internacional
New York City

Banco Inverlat
Mexico City

Banco Real
New York City

Banco Rio de la Plata
Buenos Aires

Banco Sul America
Sao Paulo

Bancomer
Mexico City

Banque Commerciale pour L'Europe Du Nord – Eurobank
Paris

Banque Worms
Paris

BOT (Latin America)
Tokyo

Chapdelaine Corporate Securities
New York City

Compagnies d'Escomptes Financiers
Basel

Creditanstalt Bankverein
Vienna

Del Plata Investment Corporation
Montevideo

Deltec Asset Management Corporation
New York City

Donaldson, Lufkin & Jenrette
New York City

European Inter American Finance Corp.
New York City

Excel Banco
Sao Paulo

Exis Corporation
New York City

Finacor
Paris

Financial Portfolio Consulting
Paris

Financiera Rigton
Buenos Aires

Garban International
New York City

Hungarian International Bank
London

IBS, Inc.
Boston

International Business Investment Corp. (IBI)
Vienna, Virginia

International Mexican Bank
London

LAFISE
Miami

Lopez Leon Brokers
Buenos Aires

LTCB Latin America
New York City

MG Finance
Washington, DC

Morgan Stanley and Co.
New York City

Nafinsa Securities
New York City

NationsBank Capital Markets
Charlotte, North Carolina

NatWest Securities
London

New Alliance Corporation
Stamford, Connecticut

Nomura Securities
New York City

Pactual Overseas Corp.
Rio de Janeiro

Sanvest
Sao Paulo

Smith Barney Europe
London

UBAF Asset Trading
Paris

Union Bancaire Privee
London

Wasserstein Perella
New York City

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

Affiliate Members†

Allen & Overy
New York City

Arnhold & S. Bleichroeder
New York City

Ashurst Morris Crisp
London

Baker & McKenzie
New York City

Banco Inter-Atlantico
Sao Paulo

Bank of Montreal
Toronto

BfG Bank
Frankfurt

Buteler & Peralta Ramos
Buenos Aires

Carlsmith, Ball, Wichman, Murray, Case & Ichiki
Washington, DC

Cedel Bank
New York City

Cleary Gottlieb Steen & Hamilton
New York City

Clifford Chance
London

Commerzbank AG
Frankfurt

Davis Polk & Wardwell
New York City

Dewey Ballantine
New York City

Diffusion Finance S.A.R.L.
Luxembourg

Dow Jones Telerate
New York City

Eurasco Zurich AG
Zurich

Euroclear
London

European Bank and Trust
Hamilton, Bermuda

ICFI – Moscow Partners
Moscow

International Asset Transactions
New York City

The International Bank of Miami
Miami

King & Spalding
New York City

Linklaters & Paines
New York City

Longo & Bell
New York City

Millburn Ridgefield
New York City

Montpelier Asset Management Limited
London

Moody's Investors Service
New York City

Paul, Hastings, Janofsky & Walker
New York City

PIMCO
Newport Beach, California

Price Waterhouse LLP
New York City

Reuters Information Technology
New York City

SEI Global Capital Investments
Wayne, Pennsylvania

Shearman & Sterling
New York City

Simpson Thacher & Bartlett
New York City

Slaughter and May
London

TCW Americas Capital
New York City

Whitman, Breed, Abbott & Morgan
Washington, DC

†Affiliate Members are persons or entities not eligible for membership as Full or Associate Members.

Joining Deputy Director Kate Campana at EMTA headquarters in downtown Manhattan are:

(from left to right)
Cristina von Bargen
Jonathan Murno
Kate Campana
Brian J. Morrisroe
Katarina Dimich
Aviva Werner
Starla Cohen
Jacqualine Rushing
Moraima Pares

In implementing EMTA's policies and activities, EMTA's staff are regularly advised by John Kramer (Shearman & Sterling), Christopher F.I. Saul (Slaughter and May), E. Wilson Davis (Price Waterhouse) and James A. Marren (Ogilvy, Adams & Rinehart). In addition, in connection with its Argentine activities, EMTA is advised by Javier Errecondo (Bruchou, Fernandez Madero & Lombardi). EMTA is very grateful to these individuals and their firms for their professionalism and ongoing commitment to serving its Members.

EMTA Professional Staff

Michael M. Chamberlin
Executive Director

Kate Campana
Deputy Director

Starla Cohen
Special Projects
& Legal Counsel

Katarina Dimich
Associate & Legal Counsel

Donald Goecks
Finance & Administration

Brian J. Morrisroe
Analyst

Jonathan Murno
Analyst

Moraima Pares
Analyst

Sophie Pompea
Membership &
Project Development,
Russia/Eastern Europe

Jacqualine Rushing
Information Systems

Mandy Sleigh
European Coordinator

Cristina von Bargen
Public Affairs

Aviva Werner
Senior Legal Counsel

Design
Shari Finger Design

Photographic Illustration
Ralph Mercer Photography

Executive Photography
Ed Eckstein Photography

Printing
Daniels Printing Company

EMERGING MARKETS TRADERS ASSOCIATION

63 Wall Street, 20th Floor
New York, New York 10005
Tel (212) 908-5000
Fax (212) 908-5039