

EMTA, ISDA and FX Committee announce addition of new Brazilian Real rate source definition.

The Emerging Markets Traders Association, the International Swaps and Derivatives Association and the Foreign Exchange Committee jointly announce on March 14, 2000, the following amendment to the Brazilian Real rate source definition in Annex A of the 1998 FX and Currency Option Definitions (the “Definitions”):

Section 4.5(c)(ii) of Annex A of the Definitions is amended, effective as of March 14, 2000, to add the following new Brazilian Real rate source definition:

(K) “BRL Industry Survey Rate” or “BRL11” each means that the Spot Rate for a Rate Calculation Date will be the Brazilian Real/U.S. Dollar offered rate for U.S. Dollars, expressed as the amount of Brazilian Reais per one U.S. Dollar, for settlement in two Business Days, which is calculated by the Chicago Mercantile Exchange pursuant to the BRL Methodology, and which appears on the Reuters Screen EMTA page at approximately 12:30 PM São Paulo time, or as soon thereafter as practicable, on the Business Day following the Rate Calculation Date. “BRL Methodology” as used herein means the methodology dated November 8, 1999 establishing a centralized industry-wide survey of financial institutions in Brazil that are active participants in the Brazilian Real/U.S. Dollar spot market for the purpose of determining the BRL Industry Survey Rate.

Note: The BRL Methodology dated November 8, 1999 is attached. For further information on the BRL Methodology, please contact Starla Cohen at EMTA at (scohen@emta.org) or by phone at (+331) 4306-7416 or Scott Brusso, Vice President Currency Marketing at the Chicago Mercantile Exchange at (sbrusso@cme.com) or by phone at (312) 930-3133.

**CHICAGO MERCANTILE EXCHANGE (“CME”)/
EMERGING MARKETS TRADERS ASSOCIATION (“EMTA”)
BRAZILIAN REAL/U.S. DOLLAR INDUSTRY SURVEY METHODOLOGY
(the “BRL METHODOLOGY”)
DATED NOVEMBER 8, 1999**

Background

On March 22, 1999, market participants from the over-the-counter (“OTC”) non-deliverable forward (“NDF”) Brazilian Real/U.S. Dollar market participated in a meeting to discuss a variety of issues affecting efficient development of this and other NDF markets in Latin America. Market participants agreed that establishing a centralized industry-wide survey mechanism to determine a back-up Settlement Rate for use in settling Brazilian Real NDFs, in the event that the primary rate source (the PTAX Rate¹) was not published, would greatly improve the efficiency of the Brazilian NDF market and reduce risks associated with the inability to obtain a rate source for settlement of an NDF².

NDF market participants currently settle their contracts to the PTAX Rate published by the Central Bank of Brazil (the “Central Bank”)³. This is the same rate used by the CME to settle its Brazilian Real futures contracts on the last business day of the month for the Central Bank immediately preceding the next Brazilian Real contract month (the “CME BRL Futures Valuation Date”). The CME submitted proposed back-up cash settlement rules for its Brazilian Real futures contract (the “CME BRL Rules”) to the Commodities Futures Trading Commission (the “CFTC”) at the end of 1998, which established procedures for conducting a survey of financial institutions inside of Brazil that are active participants in the Brazilian Real/U.S. Dollar spot market to determine a back-up cash settlement rate for use in settling the CME’s Brazilian Real futures contracts on the CME BRL Futures Valuation Date, in the event the PTAX Rate was not available. The CME BRL Rules were reviewed by certain participants in the NDF market and slightly modified

¹ The PTAX Rate, as used herein, means the U.S. Dollar offer (Brazilian Real bid) rate, expressed as the number of Brazilian Reais per one U.S. Dollar, calculated by the Central Bank of Brazil for transaction code PTAX 800, option 5.

² The discussion also focused, although to a lesser extent, on non-deliverable currency option (“NDO”) transactions. The BRL Methodology may also be used in determining a back-up reference rate for valuation of an NDO, when appropriate.

³ The current PTAX Rate has been published by the Central Bank since February 1, 1999. Formerly, the Central Bank published two rates, the PTAX Commercial Rate and the PTAX Floating Rate, based upon the designation of certain transactions as commercial rate transactions or floating rate transactions. The PTAX Commercial Rate was based upon the weighted average price of all U.S. Dollar/Brazilian Real commercial transactions in Brazil’s foreign exchange market as reported to the Central Bank through the SISBACEN network, as adjusted by the Central Bank pursuant to its methodology to represent the “Dollar offered” side of the market.

in mid-January. On January 21, 1999 EMTA submitted a letter to the CFTC in support of the modifications to the CME BRL Rules recommended by NDF participants. The CME BRL Rules were approved by the CFTC on January 26, 1999.

Subsequently, NDF market participants who are active in the Brazilian Real/U.S. Dollar NDF markets (the “BRL NDF Advisory Group”) have analyzed in great detail the CME BRL Rules and proposed further modifications. These modifications were approved by the CFTC on November 5, 1999. The BRL Methodology establishing the centralized industry-wide survey mechanism to determine a back-up Settlement Rate for use in settling Brazilian Real NDFs (the “BRL Industry Survey Rate”) is based substantially upon the amended CME BRL Rules, and is set forth below.

The BRL Methodology

In the event that the PTAX Rate is not calculated by the Central Bank and/or not broadcast by SISBACEN on a Rate Calculation Date for an NDF transaction, the following shall apply, as appropriate:

I. PTAX Rate Not Available—No Prior Notice

If there has been no prior notice that the PTAX Rate would not be calculated by the Central Bank and/or not broadcast by SISBACEN on such Rate Calculation Date, and EMTA and/or the BRL NDF Advisory Group requests that the CME Clearing House (the “Clearing House”) conduct a survey of financial institutions, the Clearing House shall conduct a survey of financial institutions inside of Brazil that are active participants in the Brazilian Real/U.S. Dollar spot market on the Business Day following such Rate Calculation Date for the purpose of determining the BRL Industry Survey Rate for such Rate Calculation Date.

The Clearing House shall survey no less than 12 financial institutions that are active participants in the Brazilian Real/U.S. Dollar spot market beginning at approximately 11:00 AM São Paulo time⁴, or as soon thereafter as practicable, on the Business Day following the Rate Calculation Date. Each survey participant will be asked to provide its view of what the PTAX Rate would have been had it been published the previous day, based upon such participant’s knowledge of the Brazilian Real/U.S. Dollar spot market and activity therein during the previous trading day.

II. PTAX Rate Not Available—Prior Notice

If there is prior notice that the PTAX Rate will not be calculated by the Central Bank and/or not broadcast by SISBACEN on a Rate Calculation Date, and EMTA and/or the BRL NDF Advisory Group requests that the Clearing House conduct a survey of financial institutions,

⁴ This is 8:00 AM NYC time when Standard Time is in effect in NYC and Daylight Savings Time is in effect in São Paulo; 9:00 AM NYC time when either Standard Time or Daylight Savings Time is in effect in both NYC and São Paulo; and 10:00 AM NYC time when Daylight Savings Time is in effect in NYC and Standard Time is in effect in São Paulo.

the Clearing House shall conduct a survey of financial institutions inside of Brazil that are active participants in the Brazilian Real/U.S. Dollar spot market after the close of the trading day on such Rate Calculation Date for the purpose of determining the BRL Industry Survey Rate for such Rate Calculation Date.

In this case, the Clearing House shall survey no less than 12 financial institutions that are active participants in the Brazilian Real/U.S. Dollar spot market beginning at approximately 6:00 PM São Paulo time⁵, or as soon thereafter as practicable, on such Rate Calculation Date (the "6:00 PM Survey"). Each survey participant will be asked to provide its view of what the PTAX Rate would be were it to be published on that trading day, based upon such participant's knowledge of the Brazilian Real/U.S. Dollar spot market and activity therein during the current trading day.

If less than 3 responses to this survey question are obtained from the 6:00 PM Survey, EMTA will notify market participants that insufficient responses were obtained. Subsequently, EMTA and/or the BRL NDF Advisory Group may request that the Clearing House conduct a survey of financial institutions that are active participants in the Brazilian Real/U.S. Dollar spot market on the Business Day following such Rate Calculation Date for the purpose of determining the BRL Industry Survey Rate for such Rate Calculation Date. In this case, the procedures set forth in I above will apply.

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Before a quote is officially accepted, it must be confirmed either by telex, facsimile, or other hard-copy confirmation, or by recorded telephone message. If for any reason there is difficulty in obtaining a quote within a reasonable time interval from one of the participants in the sample, that participant shall be dropped from the sample, and another shall be randomly selected to replace it.

If either of the surveys' procedures results in 8 or more responses, the Clearing House shall eliminate the 2 highest and 2 lowest rates, and then compute the arithmetic mean of the remaining 8, 7, 6, 5 or 4 rates, as appropriate. This number shall become the BRL Industry Survey Rate for the relevant Rate Calculation Date.

If either of the surveys' procedures results in at least 4, but less than 8, responses, the Clearing House shall eliminate the lowest and highest of such rates, and then compute the arithmetic mean of the remaining 2, 3, 4, or 5 rates, as appropriate. This number shall become the BRL Industry Survey Rate for the relevant Rate Calculation Date.

⁵ This is 3:00 PM NYC time when Standard Time is in effect in NYC and Daylight Savings Time is in effect in São Paulo; 4:00 PM NYC time when either Standard Time or Daylight Savings Time is in effect in both NYC and São Paulo; and 5:00 PM NYC time when Daylight Savings Time is in effect in NYC and Standard Time is in effect in São Paulo.

If either of the surveys' procedures results in 3 responses, the Clearing House shall compute the arithmetic mean of such 3 responses. This number shall become the BRL Industry Survey Rate for the relevant Rate Calculation Date.

If either of the surveys' procedures results in less than 3 responses, the Clearing House will so inform EMTA, and EMTA and/or the BRL NDF Advisory Group will inform market participants that no BRL Industry Survey Rate will be published for the relevant Rate Calculation Date.

The results of the BRL Industry Survey Rate will be published on the Reuters Screen EMTA Page at approximately 12:30 PM, São Paulo time⁶, or as soon thereafter as practicable, on the first Business Day following the Rate Calculation Date. The survey procedures will also be tested periodically to ensure the credibility of the survey. When tested, the survey results will be kept strictly confidential.

The CME, EMTA and the BRL NDF Advisory Group disclaim liability for the BRL Industry Survey Rate, and no representation or warranty, express or implied, is made concerning the BRL Industry Survey Rate (including, without limitation, the methodology for its determination and its suitability for any particular use).

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⁶ This is 9:30 AM NYC time when Standard Time is in effect in NYC and Daylight Savings Time is in effect in São Paulo; 10:30 AM NYC time when either Standard Time or Daylight Savings Time is in effect in both NYC and São Paulo; and 11:30 AM NYC time when Daylight Savings Time is in effect in NYC and Standard Time is in effect in São Paulo.