

Argentina



**“Preparing for a Foreign –
Currency Public Bond Issue”**

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Agenda

➤ Legal Framework

➤ Documentation in Place

➤ Flexible Internal Decision Process

➤ Direct Dialogue with Investors

➤ Selecting Lead Managers

➤ Elements of Pricing Analysis

➤ Human and technological resources

Legal Framework

Budget Law

- **Maximum debt issuance of the year**
- **Minimum allowed tenor**
- **No constraint between internal or external debt**
- **No constraint on currencies**
- **Delegates issuance in the Secretary of the Treasury**

Documentation in Place

- **EMTN program (USD 15 billion)**

 - Euro denominated transactions

 - USD denominated transactions
(under 144A or regulation S)

 - Other currencies

 - Canadian dollars

 - Japanese yens

 - Sterling

- **U.S. Shelf registration (USD 23 billion)**

 - USD registered transactions under SEC

- **Japanese Shelf registration (USD 1.4 billion)**

 - JPY Domestic placements

Flexible Internal Decision Process

- ① **Reception of a financing proposal**
- ② **Financial analysis**
- ③ **Technical discussions with Banks**
- ④ **Evaluation and recommendation**
- ⑤ **Decision of the Secretary of the Treasury**
- ⑤ **Transaction on the screens**

Direct Dialogue with Investors

- Active Financial Representative Offices in U.S. & in Europe
- Periodic road – shows related and no related to transactions
- One on ones with key investors
- Updated information through Internet

<http://www.mecon.ar>

<http://www.infoarg.org>

Appointment of Lead Managers

Lender's Minimum Requirements to offer a Financing Proposal

- **To offer it directly to the Government**
- **To be a top Financial Institution**
- **To have a high degree of:**
 - Solvency
 - Reputation
 - Professionalism
- **High rating**

Appointment of Lead Managers

Criteria

- **Primary Market capabilities**
 - Participation and position in League tables
 - Antecedents in similar transactions
i.e. Plain Vanilla, Latin Country
 - Sales force distribution power
 - Investors Opinion

Appointment of Lead Managers

Criteria

➤ **Secondary Market capabilities**

- Liquidity commitment. (key element in this market)
- Reading of the market View of the flows
- Trading participation under stress scenarios
- Test through open market transactions; i.e buy backs
- Investors opinion

Argentina “ International Bond Issuance”

Year 1999	<u>Currencies</u>			
	<u>Total</u>	USD	EURO	Others
Amount (USD Billion)	10.3	4.6	5.5	0.2
Number of Issues	34	7	26	1
Number of Lead Managers	18	6	11	1

Elements of Pricing Analysis

- **Comparison within proposals**
- **Comparison against existing bonds**
 - Yield (European Market)
 - Spread (U.S. Market)
- **Comparison with similar credits**
 - Relative value analysis
- **Theoretical Swap to US Dollars**
(arbitrage between currencies)

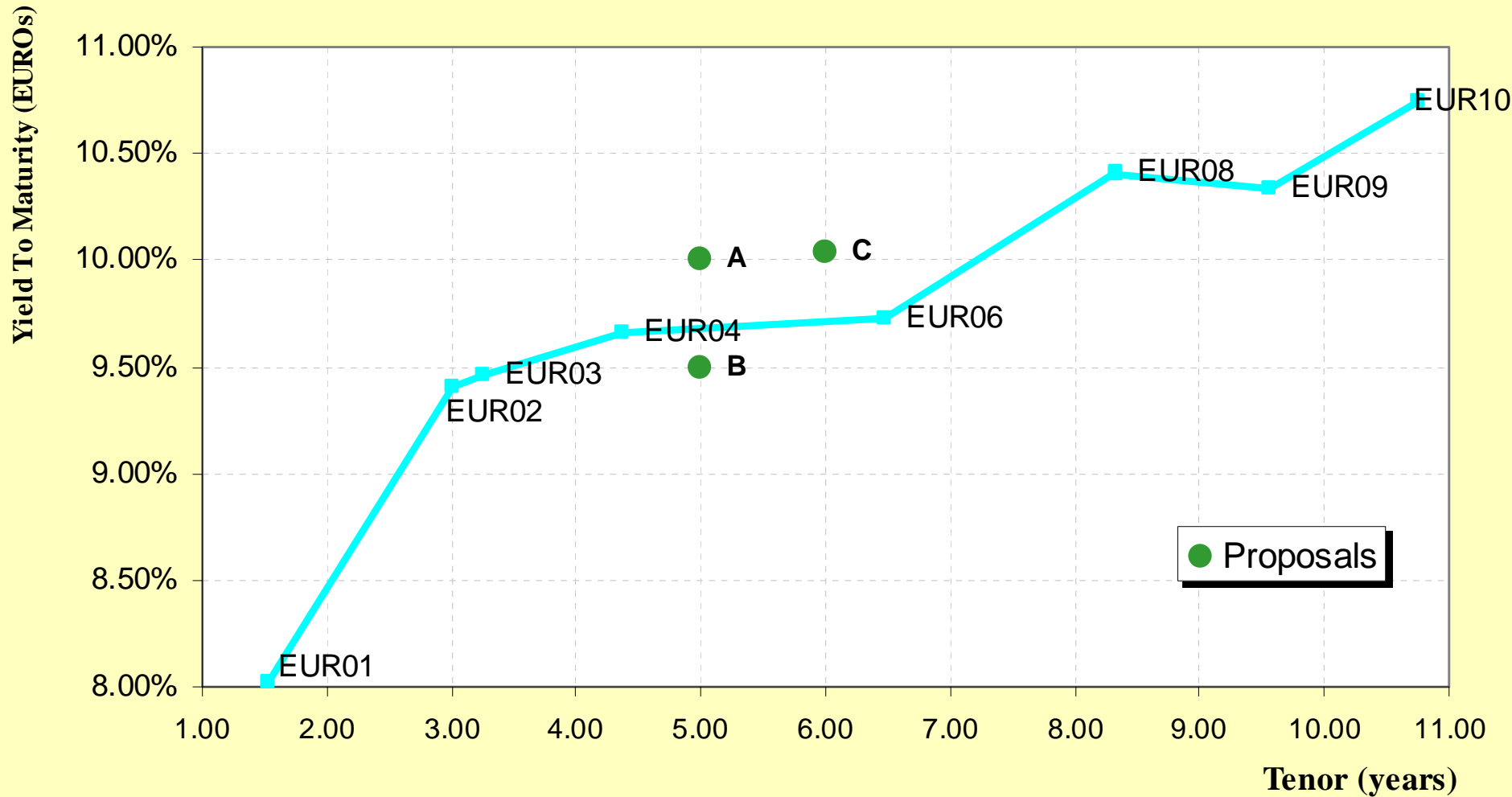
Example

Proposal in EUROS

	Bank A	Bank B	Bank C
Amounts (million)	500	50	500
Tenor (years)	5	5	6
Yield (% p.a)	10.0%	9.50%	10.04%
Spread over benchmark (in b.p.)	537	487	531

SOVEREIGN DEBT in Euros

Oct-29

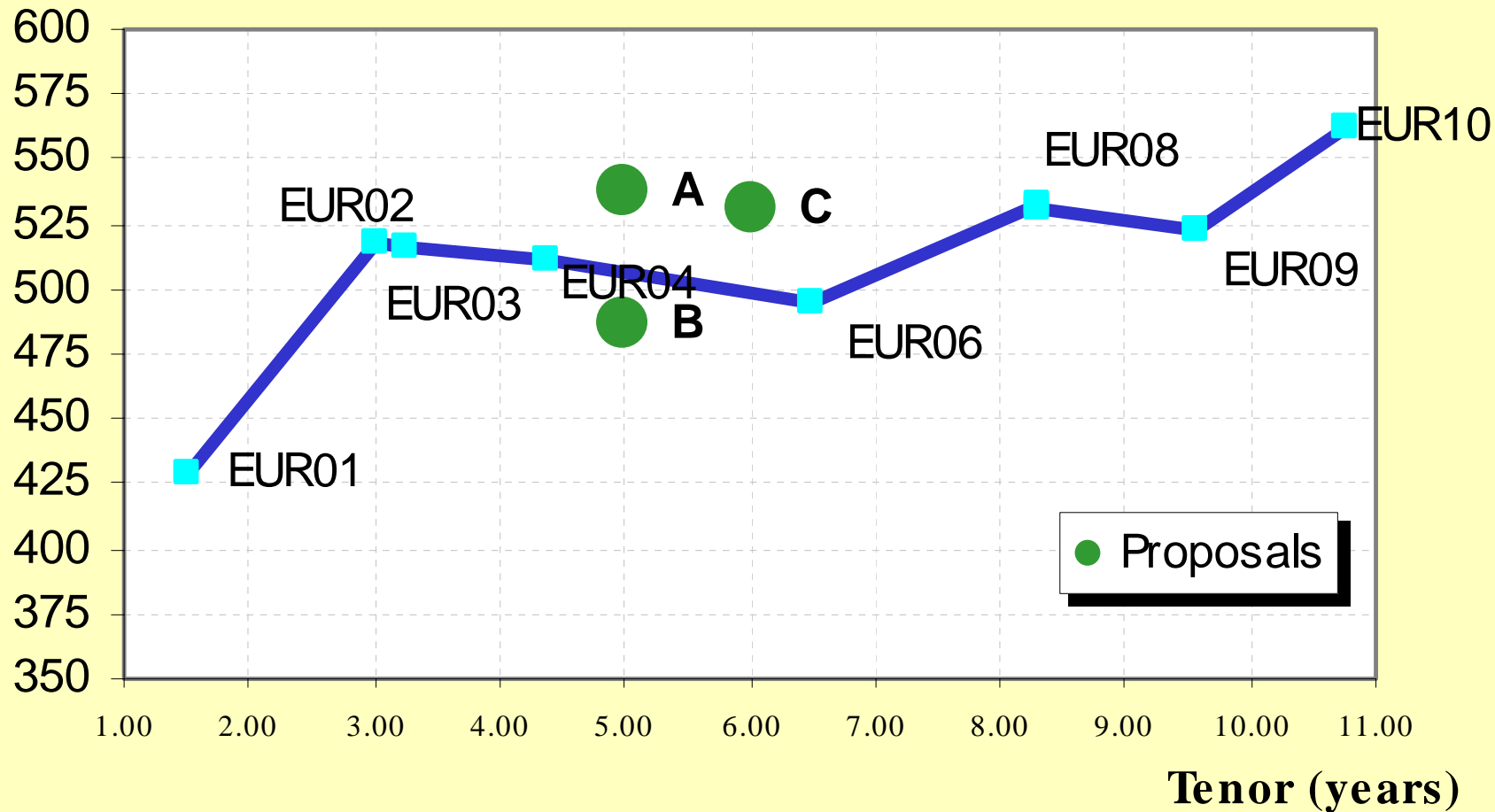


SOVEREIGN DEBT in Euros

Oct-29

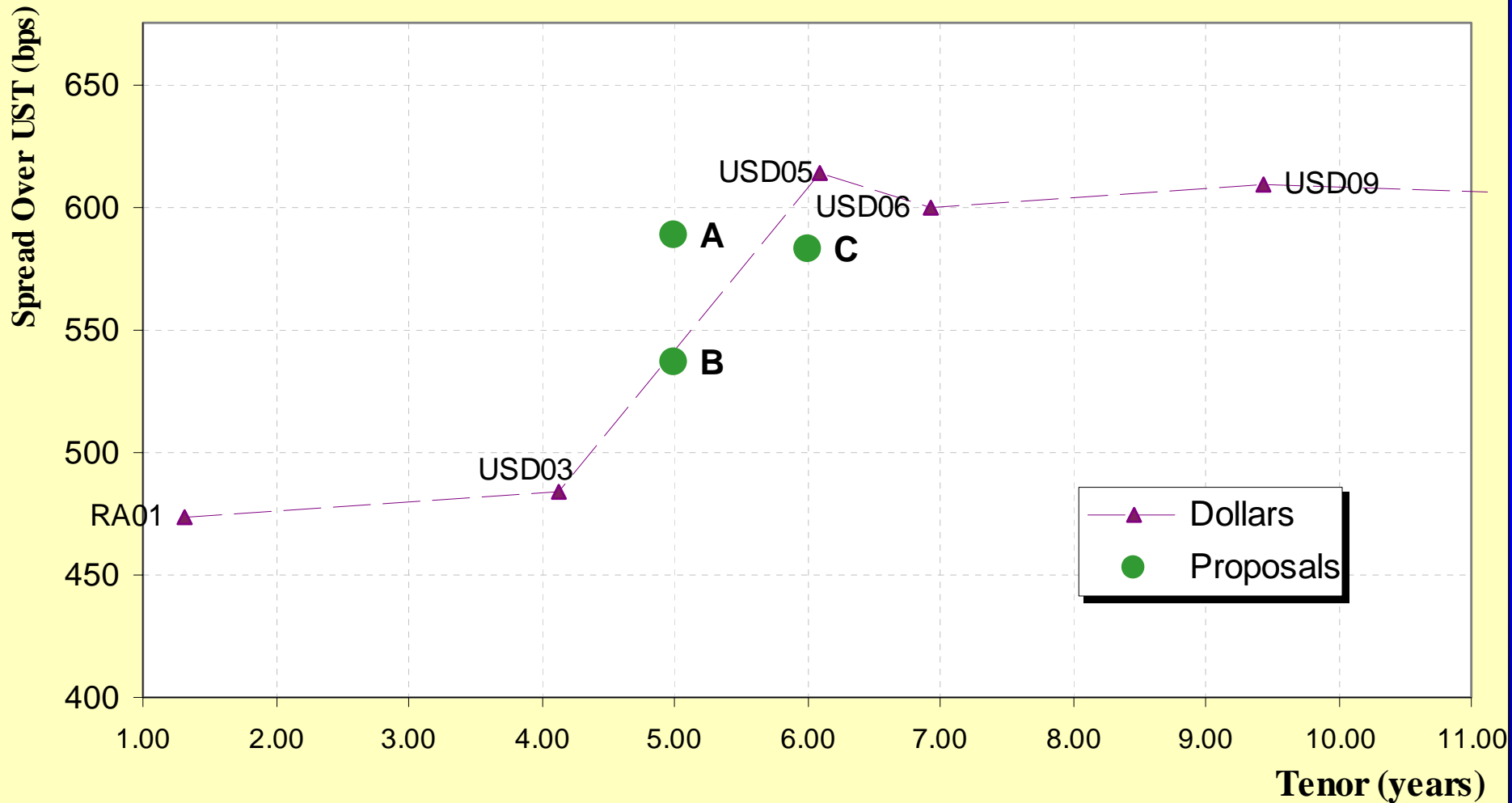
Spread Over Benchmark in EUROS

(bps)



SOVEREIGN DEBT in USD

Oct-29



Human and technological resources

Argentina's Debt Office Organization

