



GM/EG
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Minutes of 6th meeting of the STEP Market Committee

- Brussels, 12 December 2007, 10:00-15:00h -

List of participants:

Market Committee Members present:

- Mr Guido Ravoet, EBF (Chairman)
- Mr Olivier Brissaud, Volkswagen Group
- Mr Franck Hebeisen, SoGeCIB
- Mr Colin Withers, Citigroup
- Mr Holger Neuhaus, ECB (non-voting member)
- Mr Marco Lagana, ECB (non-voting member)

Via conference call:

- Mr Pepijn Sigtermans, ING
- Mr Michael Schneider, DZ Bank

Secretariat:

- Mr Emil Gospodinov, EBF
- Ms Gaëlle Marques Dos Santos, EBF

Observers:

- Mr Dirk Janssens, National Bank of Belgium
- Ms Susan Hindle Barone, Credit Suisse
- Ms Eliane Klein, Banque de France
- Ms Marie-Sybille Brunet-Jailly, Banque de France

Apologies:

- Mr Tim O'Connel, EIB
- Mr Michael Schneider, DZ Bank
- Mr Philippe Billot, Pictet
- Mr Arturo Mesón, Banco de España
- Ms Claudia Benci, Banca Monte dei Paschi di Siena
- Ms Melanie Hollub, Deutsche Bundesbank

1. Opening and welcome

The Chairman, Mr G.RAVOET, welcomed the members and underlined the importance of the issues to be discussed.

2. Approval of the minutes of the 5th meeting

Mr. H.NEUHAUS asked the Secretariat to add the following sentence (previously requested by the ECB in their comments): *“Against the background that the breakdowns for aggregated data (by maturity, rating, sector, currency) had already been agreed at earlier occasions, Mr Holger Neuhaus requested a clarification of the information the ECB would be requested to release for individual STEP programmes to find the right degree of transparency.”*

The amended minutes were approved. Ms. S.HINDLE BARONE and Mr. C.WITHERS expressed their view that the minutes should reflect the meeting’s discussion exactly. Mr H.NEUHAUS suggested that we should be more flexible and diplomatic when drafting and presenting the minutes. The Secretariat was requested to circulate the draft minutes shortly after the meeting and to share all comments with Market Committee members. In case of diverging views, it was decided to discuss the minutes at the time of the following meeting.

3. Report from the STEP Secretariat on labeling

The Secretariat reported that, since the last meeting of the STEP Market Committee, 9 new labels had been granted, which raised the total number of STEP labels to 66. The Secretariat was requested to make the distinction between the respective ECP, CP and CD granted STEP labels in future reports on the labeling process.

Mr. E.GOSPODINOV explained that a major problem encountered by the Secretariat was the question of pre-reviewing applications. The Secretariat was receiving signed applications and issuers were not willing to modify signed documentation. The fact that some applications were based on previously granted labels, and not on the templates, also represented a problem, especially in reviewing the received individual information memorandums.

In order to avoid applications based on precedents, the Secretariat added an important note on the website reminding that applications should follow the templates and that those templates can be amended only with the Secretariat’s consent. Members then discussed the non-mandatory character of the templates and suggested that following the templates is highly desirable, although not mandatory, as the original idea was to avoid

putting too many constraints on applicants. However, in case of not following the templates the applicants should communicate with the Secretariat during the preparation of the documentation and prior to signing it.

As a solution to these two problems, it was decided to accept some exceptions, e.g. particular cases that did not match the templates, and to mention to applicants the open possibility of requesting advice and assistance from the STEP Secretariat before submitting their applications. Members also commented that this approach would be a good incentive for the STEP project.

Mr E.GOSPODINOV also informed Market Committee members that the STEP Secretariat has the intention to review the templates in order to facilitate the preparation of applications. The aim is to explain the requirements in more detail, e.g. exact name of the programme, type, contact person, etc. The Secretariat was requested to review the templates and to submit suggested changes to the Market Committee members for feedback.

4. Report from the ECB on statistics

Mr H.NEUHAUS presented the ECB's report on statistics and referred to the development of the overall outstanding amounts from August to October 2007.¹

Regarding interest rates, already in September, EURIBOR had moved up much more in 1 month than comparable STEP rates of banks in the rating 1 category (lowest credit risk), even if the transaction-based STEP rates were more volatile. While the difference had essentially narrowed to zero in October, Euribor recently again increased much more, while STEP now shows a much more stable curve.

Regarding further enhancements of the STEP statistics, the ECB finalised its work on the IT infrastructure that also meets the requirements previously put forward by the STEP Market Committee to the ECB or IT infrastructure developers on an interactive website for any interested parties to access the information. It was also noted that the remaining data providers are making further progress in preparing for the regular sending of daily detailed data.

5. Review of the STEP market Convention

The Chairman shortly briefed the members on the developments since the last meeting and highlighted the importance of a European wide labeling

¹ <http://www.ecb.europa.eu/stats/money/step/html/index.en.html>

process, as well as the willingness of the parties to reach an agreement on the idea of STEP getting an international passport, to get traditions on board so as to make it cross border. He also reiterated the suggestion of setting up a Task Force to review the STEP Convention, in order to upgrade the STEP label and increase its value for the ECP market, whereas the main issue that should be discussed in this Task Force is the aspect of a mandatory/optional legal opinion to be provided with the applications.

It was suggested that on one hand, having legal opinions for each programme is a common practice and a market standard for the International CP dealers. Ms. S.HINDLE BARONE brought up the quality question mentioning that investors might not be too interested in (ECP) programmes with no legal opinion, as they would not see the added value. On the other hand, making the legal opinion compulsory would be a burden and weaken the marketability of the STEP label, as currently there is no mandatory legal opinion on any programmes (although provided extremely frequently, but not implicated by the regulator). The Members argued that a legal opinion would guarantee the content of the programmes, which was not reviewed in the application process. It was also agreed that STEP should be made relevant to all European markets and not primarily to single ones.

Mr. F.HEBEISEN recalled that when STEP was conceived, it was aimed at being a norm for quality of information (programme documentation), not the quality of the programme itself. Mr. G.RAVOET agreed that a distinction had to be made between that quality of information and quality of programme (with a common framework) and added that the issuers committed themselves to following the rules and providing accurate information. Mr. O.BRISSAUD also mentioned that if the issuer is a known name, no legal opinion would normally be needed and in case of new unknown issuer it would be up to the dealer to require a legal opinion. As suggested by Mr. M.SCHNEIDER, a compromise could be to consider the legal opinion as optional and not compulsory.

As regards the mandate of the Task Force, it would be relatively open. At the first stage, it would review the question of the legal opinion, the templates, the impact of the UCITS Directive, and the ACME Standards. The Task Force would have a clear timeline and would get back with some proposals to the Market Committee before next Market Committee meeting in March 2008. It should be composed of 5 members total (Chair included, STEP Secretariat will liaise to organise) with one Market Committee member and one legal expert from each side/market. ECB's representatives expressed willingness for the ECB to participate only as an observer in this initiative.

Mr. G.RAVOET concluded by saying that there was room for more convergence between different practices within the ECP market.

6. Management of the STEP labeling as from mid-2008

Mr. G. RAVOET reported on the conference call he had had with Mr. F. PAPADIA (ECB) on the management of the STEP labeling as from mid-2008. The ECB was willing to extend its support to the STEP Secretariat to another one or two years. This proposal has still to be approved by the ECB Governing Council and an official letter would have to be sent by the STEP Secretariat to Mr. TRICHET.

Mr. G. RAVOET informed the Market Committee that the EBF President, Mr Pébureau, was going to meet Mr TRICHET on 20 February 2008. He added that consequently the STEP Secretariat would have more time before going *solo* but that it had to be pro-active and meet market needs and requests. Mr M.LAGANA expressed that the ECB wanted to see stronger commitment from stakeholders in order to achieve convergence and added that the issue of the above-mentioned Task Force could also be a proof of this commitment. Mr O.BRISSAUD also suggested having the EACT (European Association of Corporate Treasurers) and ICMA (International Capital Markets Association) to support the extension of the ECB's commitment and it was received as a good idea.

In the event of the ECB continuing to provide support to the STEP Secretariat, the idea of requesting a fee from issuers could be set aside for the time being. It was also added that, in an initial stage, achieving convergence was more important than receiving financial compensation. A fee structure could still be put in place after 2008 in order that the project is self-supporting.

7. STEP Public Relation Activities

Mr. H.NEUHAUS informed members that the ECB was in the throes of publishing an indicator of financial integration in Europe and that was going to add special features to its key activities in March 2008. On a separate note, Mr. O. BRISSAUD referred to the STEP conference held in October 2007 and informed the Market Committee that he had sent a questionnaire to all participants. He will report on the outcome of this questionnaire at the next meeting.

Market Committee members discussed the possibility of organising a STEP event/conference in 2008. Mrs. S. HINDLE BARONE declared she would be happy to promote such an event. Mr. G. RAVOET added that it was possibly premature to organize a STEP event before completing the review by of the Convention by the Committee.

8. Website content and technical issues

Mr. G.RAVOET and Mr. E.GOSPODINOV informed Market Committee members that the STEP website was to be completely reviewed in 2008 in order to provide more information on the programmes and to provide issuers and dealers with more assistance when applying for a STEP label. They also reported on an XML file gathering with information on the properties related to the programmes (name, STEP *id (italics if Latin) etc.*) and data related to the registration of a new label (newly created, updated, withdrawn, etc.) This XML was to be sent to the ECB on a daily basis (in the evening for the same day) for statistical purposes and to be available to the public *via* the online directory page.

Two problems should be taken into account relating to the communication of the XML to the ECB (Mr. H.NEUHAUS gave a brief explanation what is an XML file): having an encryption process would prevent the need of an automatic XML production file. However, this would necessitate the Secretariat having to send the data manually on a daily basis, leaving the door open to manual processing related errors. What is more, the Secretariat does not see added value of an encryption system, as the XML file would be made public. Mr. M.LANAGA suggested that the Market Committee send a letter to flag the interest of information providers such as Bloomberg. The members also suggested that individual issuer's statistics should be implemented very soon.

9. Any Other Business

a) ***Update of STEP Secretariat on treatment of STEP in national UCITS implementations***

Mr. E. GOSPODINOV informed the Market Committee that the Secretariat was looking into this issue and would provide Market Committee members with more information in January 2008.

The representatives from *Banque de France* informed the members that the UCITS legislation had been transposed into law in France in August 2007. The legal text is available on www.legifrance.fr.

Mr. F.HEBEISEN added that a clear position had to be validated by EFAMA on the interpretation of the text as it seemed quite restrictive. Mr. G. RAVOET expressed that it was important to have an overview of UCITS implementation in the other countries. Furthermore, it was suggested that a link page be added to the STEP website with relevant information (e.g. French Treasury, UCITS legislation, etc.).

