

20th STEP MARKET COMMITTEE MEETING
- Paris, 19 May 2015, 10.00-14.30 CET –

Final Minutes

OPENING AND WELCOME

Mr RAVOET welcomed the participants and informed them that the reappointment process has been completed. Two new members of the Committee have been appointed: Mr O'CONNELL representing EIB and Mr CORDERO representing EACT. He welcomed Mr CORDERO for his first participation at the STEP Market Committee meeting.

1. SIGNATURE OF THE 2015 STEP MARKET CONVENTION

Mr RAVOET informed that the revised STEP Market Convention can be published and distributed as agreed at the last STEP Market Committee, The STEP Market Convention was signed by Mr Franck HEBEISEN, representing ACI and by Mr RAVOET, representing the STEP Secretariat.

Over the next months, an information pack will be prepared by the STEP Secretariat and distributed to all STEP issuers. Similarly, rating agencies will be contacted and public communication will be posted on the website. The advice of the STEP Market Committee members may be required by written procedure regarding this information package.

2. SECRETARIAT REPORT ON STEP LABELLING

The number of STEP labels remains stable at 171 since the last meeting.

Mr RAVOET explained that the STEP Secretariat has identified some coding errors cumulated over the years. These errors regarding the coding sector of 6 issuers were addressed in cooperation with the ECB statistics team. Mr PETIT explained that aligning the whole historical series of aggregated outstanding amounts broken down by sectors was preferable in order to avoid artificial jumps in the series, simply due to the reclassification.

Mr RAVOET explained that the coding process of STEP at the Secretariat level is mainly manual and human errors cannot be ruled out over long periods. Therefore, the Secretariat is studying the most effective way to establish periodic checks to identify and address these errors in due course.

Mr RAVOET also explained that following the Espirito Santo Financial Group bankruptcy, the STEP label granted to this issuer had to be withdrawn by the Secretariat in light of the decision of the Luxemburg Court in charge of the process.

Linked to the above, Banco Espirito Santo was bailed out by the Portuguese state. Banco Espirito Santo was the issuer of one labelled programme through its London Branch. All its activities are now transferred to Novo Banco London Branch. Given the specificities of this transition, the members of the STEP Market Committee decided unanimously to withdraw the current programme and to invite Novo Banco London Branch to apply for a new label.

Mr GIL gave an update on the STEP labels granted/withdrawn during 2015.

Mr BRUNING pointed out that there are some labelled programmes for which the information packages/mandatory documents are not accurate. He stressed the importance of identifying these issuers and of reminding them the obligation to comply with the requirements of STEP in terms of updates. If they fail to address this situation, the label should be withdrawn. The Secretariat will analyse the database and submit a list of late programmes to the STEP Market Committee. Ms MICHEL informed the members that the Secretariat will work on a solution that would include automatic alerts or flags to identify out-of-date programmes.

Mr BRUNING and Mr BILLOT explained that most of the new programmes on the market are currently launched by Asian entities. These issuers would be good candidates to join the STEP label.

3. NEW SECURITIES SETTLEMENT SYSTEM TO JOIN STEP

In light of the changes in the Portuguese tax regulation, Interbolsa requested to join the STEP system as accredited SSS. This addition of this new SSS could enhance the attractiveness of the label for Portuguese issuers.

Mr RAVOET explained that neither the ECB nor the Secretariat have specific concerns at this stage about the ability of Interbolsa to meet the technical requirements of STEP statistical reporting. Therefore, the STEP Secretariat supported the application of Interbolsa to become a STEP-compliant SSS.

Mr PETIT added that the capacity of Interbolsa to meet the STEP reporting requirements must be assessed in cooperation with the ECB. This process includes a testing phase that could require several months to be completed since it requires from Interbolsa the implementation of a daily automatic data flow.

The members of the STEP Market Committee welcomed the application of Interbolsa and asked the ECB to start the procedure to establish the information exchange required to confirm the status of Interbolsa as eligible SSS.

Mr HEBEISEN suggested to target Portuguese issuers for the marketing plan as this new SSS could also be a good argument.

4. ECB REPORT ON STEP STATISTICS

Mr PETIT gave a presentation on the recent and future developments of STEP statistics.

He explained that the ECB has observed an increase in the outstanding until the end of April. Nevertheless, this trend seems to have reversed in early May. The ECB closely monitors the latest developments of the market.

The overall picture in terms of issuance remains relatively similar to the levels of the last STEP Market Committee meeting. The respective shares of issuing sectors did not significantly move, except for the Non-financial corporations (from 2.7% of the overall market in December 2014 to 4.7% in April 2015).

The market share for issuances in other currencies seems to be FX-arbitrage-driven, more specifically this hypothesis explains the declining trend of the Euro issuances compared to the Dollar issuances. In April 2015, the share of STEP papers denominated in EUR was 61.2%, compared to 23.58% for USD.

Developments on issuing yields remained consistent with other available benchmark rates (e.g. EONIA or Euribor spot week).

The members of the Committee also pointed out that the publication of yield curves would be of great interest for many market participants. In order to promote the label among issuers, yield curves can be useful information.

Mr PETIT explained that the cloud of points used to estimate the curves may be quite spread, leading to average values that may differ from statistics published where all yields are considered and aggregated. For that reason, yield curves will remain in the periodic presentations to the STEP Market Committee, but they will not be published together with the STEP Statistics on a regular basis at this stage.

The STEP statistics attract an increasing interest. Currently, 40 unique users of the Statistical Data Warehouse are observed monthly. Users from the webpage, though more numerous, cannot be precisely quantified. The statistics also receive increasing attention from other departments of the ECB (e.g. Market Operations).

On the operational side, the integration of Monte Titoli data flows will be soon complete. Interbolsa integration will start after the meeting.

The production system will also soon integrate the possibility to automatically trigger the opening of incidents in case some IT-health checks would fail.

Finally, the very good and always timely collaboration with the STEP Secretariat was acknowledged by Mr PETIT.

5. MARKETING OF THE STEP LABEL

Mr HEBEISEN gave a presentation on the marketing plan of the STEP label. He explained that the arrangement of a CP/CD programme is in principle a simple mechanism that becomes extremely complex due to the legal aspects of the documentation.

In this scheme, the Securities Settlement System is a central actor and STEP addresses it as primary source of information about the market situation.

The STEP initiative enhances the transparency and standardisation of the relevant market segments:

- Equivalent of a norm for all European Short Term Papers programmes aiming to catalyse market integration on this segment
- Guidelines to standardize presentation of short term papers programmes in Europe
- Transparency on the content of the documentation of the programme
- Mandatory update of information
- Independent, free of charge and reliable calculation and delivery of information about the activity of the programme
- Strong governance
- Partnership with ESCB on the delivery of data regarding market activity and content of the STEP Market Convention

In terms of eligible programmes, STEP already covers 50% of its potential market (by outstanding amount). Nevertheless, the question is raised in terms of the number of programmes.

The members of the STEP Market Committee gave feedback on the presentation to be used for communication to stakeholders. Mr SCHNEIDER noted that the references to credit risk should be clarified as STEP provides no hedging possibility. He also noted that the introduction of Money Market Statistical Reporting Regulation (MMSRR) could reduce the interest of STEP as the ECB will receive data from all major Monetary Financial Institutions (MFIs) regarding their activities in the Money Markets. This threat will depend on the level of disclosure that the ECB plans to give to the MMSRR data. Although the

scope of the STEP statistics is not limited to MFIs, STEP should highlight the complementary advantages that it provides to its users.

Mr BILLOT pointed out that the existence of MMSRR statistics could provide the users of the STEP label with a benchmark to quantify the worthiness of the label. Additionally, Mr HEBEISEN explained that the STEP Statistics provide detailed information at a programme level.

Regarding the presentation itself, Mr CORDERO proposed to detail the costs for issuers using the STEP label. Mr MUÑIZ suggested to separate and further describe the advantages for both issuers and investors in order to be more concrete in the information we give to both actors of this market. To be more efficient, the presentation should start with the advantages.

Mr SIMEON asked to elaborate on the lack of operational risk. As Mr SIMEON explained, the central source of information is currently Bloomberg. However, the information gathered by Bloomberg is provided by the issuers and dealers without any guarantee in terms of accuracy. Conversely, the STEP Initiative gathers its information from independent sources.

Mr TALLEI asked about the target of the presentation. With slight adjustments, the presentation will be a back-up document to schedule meetings with:

- Regulators in Paris and Brussels,
- Risk managers of asset management companies,
- Financial data vendors like Thomson Reuters and Bloomberg
- National and International Associations of Corporate Treasurers
- Lawyers (that are sometimes reluctant to recommend the STEP label to their clients as they perceive that increased standardisation can threaten their business)

Finally, the fact that STEP is one of the non-regulated markets that provides eligibility for the marketable assets list of the ECB should not be highlighted as it is not a feature that is under the control of the STEP Initiative.

6. ANY OTHER BUSINESS

Mr RAVOET informed the participants that the Secretariat was completing the analysis of the STEP+ Survey that received some 90 responses (both from individuals and institutions). No detailed assessment can be made until the entire analysis is ready. The tentative date of 2nd June for a STEP+ meeting will not be met, but Mr RAVOET thanked the representatives of Banque de France for their availability to host the meeting.

7. DATE AND PLACE OF THE NEXT MEETING

The next meeting will be organized during autumn 2015 in Brussels.