

7TH MEETING OF THE STEP MARKET COMMITTEE
- Brussels, 30 April 2008, 10:30-16:30h

Minutes

1. Opening and welcome

The Chairman, Mr G. RAVOET welcomed the participants, in particular Mr K. SCHÖNINGH, who replaced Mr O. BRISSAUD as a member of the Market Committee, and Mrs A. BORTOLOTTI and L. CEREGHETTI, who exceptionally attended this meeting.

A list of participants is attached.

2. Approval of the minutes of the 6th meeting

The minutes of the previous meeting were approved without any further comments.

3. Matters arising from the previous meeting

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

Mr M. STUBBE informed the participants that the ECB Governing Council agreed to prolong the ESCB's support to the STEP Secretariat in the labeling process for two additional years (until June 2010), with two requirements:

1. The STEP Secretariat was requested to draw up a Business Plan in order to optimize the two additional years.
2. A legal review of the STEP Convention was to be conducted by an external Law firm. Mr M. STUBBE added that the ECB was willing to help the STEP Secretariat to define the mandate of the law firm, which was not only to verify the conformity of the Convention with Belgian law but also ensure that the features of the Convention would allow financial products from one jurisdiction to be used in another one. He reminded that the EFMLG¹ had made a preliminary legal assessment in 2006.

¹ European Financial Markets Lawyer Group

Mr G. RAVOET welcomed this decision.

4. Report from the STEP Secretariat on labeling

Mrs G. MARQUES reported that, since the last Market Committee meeting (12 December 2008), the STEP Secretariat had granted 8 labels (3 French CDs, 1 German CP, 3 Belgian CPs and 1 Euro CP), and withdrawn 2 French CDs upon request of the issuer (*Banca Popolare di Verona* and *Ixis Corporate and Investment Bank*), which raised the total number of STEP labels to 73. She explained that the withdrawal of the two French CDs was due to mergers and that these programmes had been replaced by new ones.

Mrs G. MARQUES added that, so far, the STEP Secretariat had only received 7 updates and that two new Belgian CP programmes were in the pipeline.

She also informed the participants that, since a note was added on the STEP website inviting issuers/dealers to contact the STEP Secretariat for informal pre-screening, the STEP Secretariat encountered fewer problems with final applications.

5. Report from the ECB on statistics

Mr H. NEUHAUS reported on ECB statistics. He provided the participants with:

- an extract on the STEP initiative of the ECB report on Financial Integration in Europe:
<http://www.ecb.europa.eu/pub/pdf/other/financialintegrationineurope200804en.pdf>
- a print screen of the ECB website on the latest outstanding amounts. This last print showed that there was an increase in outstanding amounts from January 2008, as new programmes have been added every month. The net increase from end of July 2007 in particular reflected net increase in the issuance made under large STEP programmes and to a limited extent by the increase in the number of STEP programmes.
<http://www.ecb.europa.eu/stats/money/step/html/index.en.html>
- A chart highlighting the parallel moves of the (effective, *i.e.* volume-weighted) EONIA and comparable STEP rates, and the fact that the effective 10-40 days STEP rate hovers around the quote-based EURIBOR 1 month rate.

Mr H. NEUHAUS also informed the participants that the ECB Governing Council requested the access to individual data (in particular yields) to a limited extent for non-statistical purposes. The ECB would be committed to preserving confidentiality. In the event of this being accepted by the Market Committee, a mention hereof should be made in the STEP Convention such that the issuers would give their consent when requesting the STEP label.

Some members expressed their concerns on an ECB-internal circulation of confidential data for non-statistical purposes and the conclusions that the ECB could take from these statistics. They insisted on the need for dialogue with the ECB, and possibly with issuer associations, taking into account Mrs S. HINDLE BARONE's comment that this could represent another obstacle for the issuers.

Mr M. STUBBE, in his capacity as a potential operational user of the data, ensured that confidentiality would not be breached (only a limited number of staff would access such data) and explained that this would allow the ECB to identify tensions on the market and to take the necessary measures.

Mr F. HEBEISEN suggested the ACI would formalise an answer to the STEP Secretariat and Mr SCHÖNINGH agreed to raise the issue with the EACT.

On a separate note, Mr F. HEBEISEN highlighted the urgent need for the availability of statistics on outstanding amounts by issuer initially on a monthly basis. He insisted on the fact that investors needed to be informed, from a trustworthy source, the outstanding amounts of a programme to better calculate their relative exposures. He reminded those present that the purpose of the STEP initiative was, *inter alia*, to have clear and reliable statistics and to harmonise the disclosure of information and added that credit exposure measurement would be an incentive for issuers. Mr P. BILLOT confirmed this need from the fund managers' side.

Mr H. NEUHAUS informed the Market Committee that the ECB was technically in a position to release aggregated daily volumes and yield statistics with detailed breakdowns as well as outstanding amounts for individual programmes, which would foster the transparency on issuers' activity and would facilitate investors in managing their exposure to individual counterparties.

To release such statistics, the ECB would need to receive data from all data providers. The remaining two (out of five) had committed themselves to sending actual data for testing purposes by mid-year. To the extent possible, testing was being carried out, with a particular focus on being able to release monthly outstanding amounts by programme. First results were positive.

6. Review of the STEP Market Convention

Mr M. STUBBE expressed ECB's support for the work of the Task Force on the review of the Convention and felt that there was a general agreement on the proposed changes. He made it clear that the ECB did consider STEP as a label which should be applicable to different types of programmes, instead of an instrument (contract). He added that the market convention and the STEP procedures (e.g. application for a STEP label and the declaration of adherence) should be examined carefully within the legal framework and that it was important to ensure that this legal framework was applicable to all EU jurisdictions. This was also the reason why the ECB requested a comprehensive legal review of the Convention by an independent law firm.

The ECB recommended that the Market Committee should in principle approve the draft revised Convention, considering that it would allow the STEP project to better fulfill its objectives, but requested the Task Force to clarify a series of points and an international law firm to be commissioned.

Mrs S. HINDLE BARONE did not support the revised Convention. She considered that the Task Force had regressed at their second meeting. She expressed her concern that the ECB would change the basis of the Convention (e.g. on the issuers' liability).

Mr F. HEBEISEN agreed that the last meeting of the Task Force had re-opened questions resolved in the past but felt that the draft revised Convention produced by the Secretariat

reflected very well the views of the Task Force. He summarised the main changes to the Convention as follows:

- (i) the signature of the information memorandum would be optional while the declaration of adherence would be enhanced. The commitment that the issuer provides correct information would be public;
- (ii) electronic form should be privileged as much as possible;
- (iii) the minimum issuance amount should be as flexible as possible without any ceiling but should be mentioned in the information memorandum;
- (iv) templates should serve as guidelines but would not have to be strictly followed.

He confirmed his feeling that the goal to make the STEP process more marketable to the ECP market be reached, which Mrs S. HINDLE BARONE disagreed with.

It was then decided that, after receiving comments from Mrs HINDLE BARONE, the Task Force would hold another meeting to discuss, *inter alia*, the explicit requirement for an existing valid programme, exact components of the STEP documentation and the extension of the Governing law to EU + G10 to make it consistent with repo transactions. The revised Convention should be adopted in September 2008 as an ultimate deadline.

7. Involvement of other Associations in the STEP Project

Market Committee members discussed the possibility to enlarge the sponsorship of STEP² and generally felt that this would provide STEP with a pan-European dimension and would be in line with the aim of the STEP initiative to foster the integration of the European markets.

Members discussed the implications of such enlargement on the composition of the Market Committee and on the management of STEP.

Mr RAVOET suggested analysing possible changes in the governance of STEP while keeping the management under the umbrella of EBF and ACI. He recalled that ACI and EBF invested time and money in the STEP initiative.

Members agreed that the format of the Market Committee should be reviewed after the end of its current mandate (September 2008) in order to enhance its representativeness and ensure a high level of participation in meetings.

At their next meeting, members will identify possible sponsors (*e.g.* ICMA, EACT) and discuss the status of the new sponsors.

8. STEP Public Relation Activities

Mr K. SCHÖNINGH reported on the STEP conference which was held in October 2007. He commented that the low feedback on the questionnaire circulated to the participants in the conference did not allow them to make statistical outcome. From bilateral feedbacks, he concluded that marketing efforts, mainly by banks, should be done to promote the STEP initiative.

² Current sponsors are EBF and ACI

Members agreed that the STEP Convention should be finalised before organising a STEP conference in London.

9. Website content and technical issues

a. Layout of the online STEP Directory

Mrs G. MARQUES reported on the changes that should be made to the STEP online directory further to the adoption of the revised Convention.

b. Addition of a link page

Mr H. NEUHAUS informed the participants that the link to the ECB website had changed too and requested the Secretariat to amend the STEP website accordingly.

It was decided that the Secretariat should complement the list of hyperlinks available on the STEP website.

10. Any Other Business

STEP business plan: The ECB confirmed that the business plan requested by the Governing Council as a condition for the ESCB support in the labeling process should come out of a consultation process.

11. Date and place of next meeting

It was decided that the next meetings of the Market Committee would take place:

- on 25 June 2008 in Paris (*optional – has been postponed to 10 July*);
- on 8 October 2008 in London; and
- on 12 December 2008 in Brussels.

*

*

*

7th STEP Market Committee Meeting

List of participants

Members:

Mr	Guido RAVOET	EBF Secretary General	(Chairman)
Mr	Philippe BILLOT	Pictet Gestion	
Mr	Franck HEBEISEN	Société Générale	
Mr	Timothy O'CONNEL	European Investment Bank	<i>(via conference call)</i>
Mr	Michael SCHNEIDER	DZ Bank	<i>(via conference call)</i>
Mr	Koen SCHÖNINGH	Wolkswagen	
Mr	Colin WITHERS	Citibank London	<i>(via conference call)</i>
Mr	Holger NEUHAUS	ECB	
Mr	Michel STUBBE	ECB	

Secretariat:

Mr	Emil GOSPODINOV	EBF – Step Market Secretariat
Mrs	Gaëlle MARQUES	EBF – Step Market Secretariat

Observers:

Mr	Peter BALAZ	European Investment Bank <i>(via conf call)</i>
Mr	Aldo BORTOLOTTI	Banca Popolare di Milano
Mr	Luca CEREGHETTI	Banca Popolare di Milano
Mrs	Christine GLOCKMANN	Deutsche Bundesbank
Mrs	Susan HINDLE BARONE	Crédit Suisse London
Mr	Dirk JANSSENS	National Bank of Belgium
Mrs	Eliane KLEIN	Banque de France

Apologies:

Mrs	Claudia BENCI	Banca Monte dei Paschi
Mr	Francesco GALIANA	Banco Santander Central Hispano
Mr	Pepijn SIGTERMANS	ING Bank