

**16th MEETING OF THE STEP MARKET COMMITTEE
- Brussels, 05 November 2012 -**

Minutes

WELCOME

The Chairman, Mr G. RAVOET, welcomed the participants, in particular Mr. B. SAHEL who replaced Mr. M. STUBBE as ECB observer in the STEP Market Committee, Mr. Carlos MUNIZ MORELL who replaced Mr. F. GALIANA from Grupo Santander for the remainder of his mandate and Mr. H. THOUMIAND who represented Ms. MS BRUNET-JAILLY from Banque de France.

The list of participants is hereby attached (enclosure 1).

1. MINUTES OF THE PREVIOUS MEETING

Mr B. SAHEL requested to replace the word “political” by “policy” on page 1 of the draft minutes.

The minutes of the previous STEP Market Committee meeting held in Brussels on 3 May 2012 were unanimously approved, including Mr B. SAHEL’s comment.

2. SECRETARIAT REPORT ON STEP LABELLING

Ms G. MARQUES made a presentation on the STEP labels granted and withdrawn year-to-date, broken down by programme type and issuer type (enclosure 2).

Since January 2012, 14 labels were withdrawn at the request of the issuer and 22 new labels were granted. The total number of active programmes increased from 168 labels to 176 labels, with a 177th programme pending for approval. Most of the withdrawal requests occurred in the first half of the year and the trend started reversing.

Ms. G. MARQUES noted that the total number of active programmes reached the highest number of active programmes over the past two years. She specified to members that the re-introduction of STEP programmes issued by MFIs in the ECB collateral eligibility criteria in January 2012 after one year discontinuation most probably contributed to this development.

3. ECB REPORT ON STEP STATISTICS

Ms S. CORVOISIER, from the ECB statistics' team, made a presentation on the latest and future developments of the STEP statistics. Her presentation is hereby attached ([enclosure 3](#)).

The detailed STEP statistics published by the ECB on a weekly basis showed that the STEP market had continuously increased since June 2011 to reach its highest level in August 2012. The latest outstanding amount for 26 October 2012 was €466.3 billion stemming from 177 STEP-labelled programmes.

The total outstanding amounts of STEP-labelled programmes remained at the highest level of the end of 2012 Q1, around €460 billion. Ms. S. CORVOISIER noted that the high level since the beginning of 2012 could be explained by the decision of the ECB Governing Council in September 2011 to abolish the eligibility requirement for debt instruments issued by credit institutions which were only eligible if they were admitted to trading on a regular market.

Separately, Ms S. CORVOISIER Explained that the ratio of STEP securities denominated in euro and issued by non-government sectors to euro-denominated issuance of debt securities by worldwide non-government continued to increase since the second quarter of 2011 to reach around 43.5% in 2012. She added that the strong increase in the outstanding amounts of STEP programmes for the first quarter could be seen as a further sign of the success of the initiative in supporting financial market integration in the short-term papers segment.

At the end of September 2012, 87.9% of the total outstanding amount of STEP securities was issued by MFIs and 8.0% by the general government sector. The MFIs' share has increased from December 2010 (82.9%) to September 2012 (87.9%); level which is close to the level of December 2008. The increase of the volume issued by MFIs since December 2011 may be explained by the decision on the eligibility criteria for MFIs as of 01 January 2012.

Regarding the issuance currency, since June 2011, the issuance of STEP securities denominated in EUR had strongly increased. The issuance of STEP securities denominated in USD increased slowly for the same period.

Turning to the breakdown by type of programmes, the issuance of CD in EUR strongly increased between December 2011 and April 2012. The next strong issuance in EUR concerned ECP-ECD programmes with a volume of €59.8 billion in April 2012, followed by CP programmes with a volume of 23.5 billion in April 2012. The highest issuance in USD in terms of volume concerned ECP-ECD programmes with €29.3 billion in April 2012.

Due to the market conditions the yields continuously increased from around 0.4% in January 2010 to 1.6% in July 2011 and then strongly decreased to even a lower level than in 2010 for the yields of STEP total issuance with a maturity of 10-40 days. The yields of STEP total issuance with a maturity of 41-100 days were close to the Euribor 2-month in 2010 and at the beginning of 2011 the yields for that maturity bracket increased and therefore were between the Euribor 2-month to the Euribor 3-month.

Ms S. CORVOISIER underlined the deepest interest for STEP statistics from several ECB General Direction (DG-Market Operations, DG-Economics) and also from the public (research, treasury departments). She pointed out that the issuing and paying agents (IPAs) were also looking more carefully at STEP statistics, which is essential for data quality management in order to provide the most accurate STEP statistics as the ECB relies on the sending of data providers.

She also informed the members that the issue with two Security Settlement Systems (SSSs) – Euroclear France and Nederland – regarding the dissemination of outstanding amounts per individual programme to a weekly frequency had been handled with by the ECB STEP statistics team and was to be resolved mid-November 2012.

Finally, Ms S. CORVOISIER informed the members that, following the STEP task force's decision to implement new requirements in order to better fit the issuers and investors' needs, some additional formats of files such as xls and xml were to be made available on the ECB STEP website. In addition, new maturity brackets were being implemented in order to better compare STEP issue yields and issue prices to the usual benchmarks such as EONIA and EURIBOR.

These two enhancements as well as the automatic daily reporting of Euroclear France will be implemented in the following STEP release that to take place in December 2012-January 2013.

Mr. G. RAVOET underlined the link between STEP and Euribor. In addition, he noted the increase in STEP securities denominated in USD. The members commented that the statistics were surprising considering the difficulties to get dollars in European markets.

Regarding maturities, Mr M. SCHNEIDER asked whether issuance behavior had changed to longer maturities. Mr P. BILLOT and Mr P. SIMÉON confirmed that investors tended to request longer maturities while banks used to issue on shorter maturities (at lower rates than longer maturities).

4. STEP CONTRIBUTIONS

Mr. G. RAVOET reminded the Committee members that the STEP contributions structure was implemented in June 2010 at the request of the STEP Market Committee with a view to allow the STEP Secretariat to operate without the participation of the ESCB in the STEP labeling process. The contribution structure (particularly low compared to similar products) had been widely accepted by the market participants, and regularly paid. It helped financing partially employees and IT costs linked to the STEP project inside Euribor-EBF.

Considering the increase in IT costs (dedicated server, enhancement of the STEP directory), the growing number of exceptional updates (e.g. rating changes) and new requests and, globally, the further improved service to market participants, Mr G. RAVOET recommended reviewing the level of STEP contributions.

The members generally agreed that STEP yearly contributions could be increased, while the entry fee should remain unchanged. They requested the Secretariat to provide them with a financial overview of the costs generated by the STEP Secretariat and the proposed new contribution level.

5. STEP MARKET DIRECTORY

Ms G. MARQUES explained that, following the Market Committee's request to further enhance the access to STEP documents, the Secretariat would be launching a newly designed directory on 1 December 2012, with a direct access to all documents composing the STEP information package. She added that this newly designed directory was meant to provide a better accessibility to information for investors and facilitate the annual update procedure for issuers as well. The members received a copy of the communications to be sent to the market participants.

Mr P. BALAZ suggested changing the field "outstanding amount" into "programme ceiling" and reviewing the wording "ECB rating" which could be misleading. It was agreed that the Secretariat would suggest a new wording for this field in collaboration with the ECB.

6. ANY OTHER BUSINESS

Mr G. RAVOET informed Members that their two-year mandate was coming to an end. The Members insisted on the importance for the Committee to be adequately representative geographically and in terms of the diversity of the members' roles in the market.

Separately, Mr. G. RAVOET informed the Members of the request coming from the ECB to define more precisely the notions of ECP/ECDs compared to CP/CDs.

Mr. F. HEBEISEN noted that French Certificate of Deposit (FCD) and French Billet de Trésorerie (FBT) were clearly defined because of the French legal framework of the TCN (*Titres de Créances Négociables*) market. Conversely, there was no harmonised definition of ECP/ECD because of the different market practices amongst countries and the absence of legal documentation. He also mentioned the distinction between ECP/ECD and CP/CDs could not be limited to the reference to domestic/international markets. One aspect differentiating both types of programmes lied in the fact that some programmes were issued in domestic regulated markets whereas others were issued in non-regulated markets.

The Secretariat was requested to work on a definition to be added to the STEP glossary and submit it to the Market Committee. Some of the Members underlined the fact that a strict definition of the ECPs and ECDs would crystallized those programmes, which could have unexpected consequences on the market.

Finally Mr. G. RAVOET informed the members about the latest developments regarding the evolution of Euribor. He reported on the actions taken by Euribor-EBF in this respect and on the conclusions of the Euribor European stakeholders' workshop which was held in Brussels on 12 October 2012.

7. DATE AND PLACE OF NEXT MEETING

The Secretariat was requested to **circulate the 2013 meetings' calendar** to the STEP Market Committee in its new composition.

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Enclosures: 1-D2054B-2012-List of Participants
2-D2027A-2012-Presentation on STEP labelling
3-D2058A-2012-ECB Presentation on STEP Statistics