



**Summary of the 4<sup>th</sup> Meeting of the  
STEP Market Committee  
- Brussels, 24 April 2007 9:30 -15:30**

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**List of attendants:**

**Market Committee Members:**

**Present:**

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| - Guido RAVOET      | Chairman                                  |
| - Claudia BENCI     |   |
| - Philippe BILLOT   |   |
| - Olivier BRISSAUD  |   |
| - Franck HEBEISEN   |   |
| - Michael SCHNEIDER |   |
| - Colin WITHERS     |   |
| - Marco LAGANÁ      | European Central Bank (non-voting member) |
| - Holger NEUHAUS    | European Central Bank (non-voting member) |

**Apologies:**

- Francesco GALIANA
- Tim O'CONNEL
- Pepijn SIGTERMANS

**Secretariat:**

- Laura Cerrato

**Observers/Guests:**

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| - Vincent De SMET <sup>1</sup> | ACI Belgium                       |
| - Vincent DELVA                | Volkswagen Group Services Belgium |
| - Thierry CAZAUX               | ACI –EURIBOR                      |
| - Melanie HOLLUB               | Deutsche Bundesbank               |
| - Dirk JANSSENS                | National Bank of Belgium          |
| - Eliane KLEIN                 | Banque de France                  |
| - Suzanne LOUIS                | Deutsche Bank                     |
| - Koen SCHOENINGH              | Volkswagen Group Services Belgium |

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From 11:00 to 14:00

## **1. Opening and welcome**

The Chairman, Guido RAVOET, thanked Olivier BRISSAUD and Volkswagen Group Services Belgium for hosting this 4<sup>th</sup> STEP Market Committee (SMC)

Guido RAVOET informed the SMC that Didier HERMANS who had been in charge of the STEP Secretariat had left the European Banking Federation. The SMC asked the Chairman to transmit its thanks to Didier HERMANS for the outstanding job performed on the STEP project and the running of the STEP Secretariat and wished Didier HERMANS success in his new position.

The SMC took note that the European Banking Federation is well advanced in the recruitment of a successor and had appointed for the interim period Ms Denisa Mularova, who is being supported by Ms Laura CERRATO. The STEP Secretariat's main interlocutors would be informed about the permanent replacement once the successful candidate takes up his or her position.

## **2. Approval of the minutes of the 3<sup>rd</sup> meeting**

The STEP Market Committee approved the minutes.

## **3. Report from the STEP Secretariat on labelling**

a) Laura CERRATO informed the SMC that the STEP Secretariat had started testing a new software dedicated to the label management (automatic generation of programme ID, accept label, reject label, upload directly Information Memorandum and attachment on the web site, automatically inform security settlement systems and eligible data providers also on details of new programme, provide data on STEP programmes and issuers to ECB for the production of STEP statistics). The first experience was positive.

b) 9 new programmes have been labelled since the last STEP Market Committee meeting. Franck Hebeisen points out that after a year of existence, the (potential) size of the STEP labelled programmes exceed € 400 billion, with live outstanding issues as of end March 2007 of more than € 200 billion.

c) Guido RAVOET agreed to the SMC request that the new EBF staff member who will eventually take over the STEP Secretariat will, with the kind help of his predecessor, work on an internal manual to improve the resilience of the STEP Secretariat and on some FAQ files. The latter would be added to the web site to help issuers to get fast answers to basic questions. The SMC also recalled the procedure agreed at the 2<sup>nd</sup> SMC meeting, according to which the STEP Secretariat could contact STEP Market Committee members to inquire about any specific issue with the following procedure:

1. the STEP Secretariat sends an email request to 2 members of the STEP Market Committee of its choice, copying the other SMC members (including the ECB non-voting members);
2. one, or the 2 members answer(s), copying the initial addressees of the email. The other members are free, but not expected, to reply as well.

This procedure ensures impartiality, transparency, rapidity and efficiency. Questions clarified via this procedure would in principle also be included in the FAQ to be established.

d) Some information memoranda contain a statement that STEP notes could be settled in other “recognised” settlement systems in addition to some explicitly mentioned (STEP compliant) SSSs. The SMC clarified that this is not in contradiction with the Market Convention: it is confirmed that issuances would be made exclusively in the named and STEP eligible SSSs, while delivery transactions might be settled in other SSSs.

e) Holger NEUHAUS requests the STEP Secretariat to remind to issuers that when a label is granted, SSS have to be informed about it. This would help that programmes are included in the statistical reporting on a timely basis. The SMC suggests that, where possible, IPAs should be involved as they are the natural interlocutors of SSSs. In addition, Holger NEUHAUS mentions the request of a data provider that the automatic email sent by the STEP Secretariat to the SSSs and (potential) data providers when a new label is granted also contains additional information on the new programme and the issuer.

f) Suzanne Louis informed the SMC about complaints at the ECPA level about the non-involvement of dealers in validating STEP information memoranda while being mentioned in them. These dealers consider that they have a responsibility when delivering the information memorandum to investors for a programme and are of the view their approval should be requested by the issuer (and arranger in some cases) of the programme to change the info memo. Franck HEBEISEN points out that this is a practice which differs from one market to another and that on some markets as the French market dealers are not involved in the process at all, and when not satisfied with the information memorandum, either leave the dealership or interrupt the placement of the programme. Franck HEBEISEN pointed out that, at least for banking issuers represented via ACI, issuers have to remain free about the way they want to tap the market (with or without dealers).

#### **4. Website directory page**

Laura CERRATO explained that, following an earlier request, access on the STEP Secretariat’s web site to the information memoranda now requires the acceptance of a disclaimer.

Moreover, the user-friendliness of the website would be improved to display more information on a programme (e.g. full name = name of issuer + sector of issuer, size of programme, date of granting, rating of the programme<sup>2</sup>, ...). A specific proposal would be made in writing following the meeting. It will be investigated whether the programmes can be sorted by at least some of the variables at a later stage.

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<sup>2</sup> Provided a reference is made that the information displayed is the information provided by the issuer.

Laura CERRATO confirms that a link between the STEP web site and the ECB web site pages dedicated to STEP will be set up.

## **5. Discussion with Mr Vincent De SMET, Chairman of ACI, Belgium**

Mr de Smet, President of ACI Belgium, provided an overview of the activity of ACI Belgium and a reminder of the work already produced to support the STEP initiative amongst Belgian issuers at ACI Belgium level.

He proposes to the STEP Market Committee to organise an event with the local section of European Association of Corporate Treasurers – ATEB, EACT Belgium - (chaired by Olivier BRISSAUD, member of the STEP Market Committee) in order to motivate the Belgian dealers/issuers/investors to support the development of the label.

Olivier BRISSAUD confirms the commitment of ATEB for this event and after discussions within the committee, a target date proposed is mid September, in Brussels.

The STEP Market Committee welcomes this proposal, in its own right and also for the positive message delivered to the market by this joint initiative.

Vincent de SMET leaves the meeting after the presentation.

## **6. Update from the ECB on the statistics**

### **6.1 Update on STEP Statistics**

Holger NEUHAUS makes a [presentation](#) about statistics produced by the ECB on STEP, the output of which is also always provided in a downloadable format.<sup>3</sup>

Monthly outstanding amounts are released since September 2006. By the end of March, the outstanding amount exceeded EUR 200 billion. With some 80% of the STEP notes being issued in euro, this implies that around one quarter of euro-denominated non-government short-term debt securities issued world wide already carry the STEP label. The SMC noted this and the fact that the STEP market is bigger than significant domestic markets in Europe as an encouragement that the STEP initiative was on the right track.

Daily yield statistics are provided by the ECB since 2 April 2007 on a weekly basis. They comprise yield data broken down by maturity of the issue, rating categories and sector of the issuer and spreads against different benchmark instruments. At the moment spreads are typically quoted against EONIA; the SMC expects that with a better data coverage on STEP labelled Euro Commercial Paper also the EURIBOR will serve as reference rate.

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<sup>3</sup> <http://www.ecb.int/stats/money/step/html/index.en.html>

The ECB is working together with national central banks and security settlement systems acting as data providers to further enhance the coverage of the yield statistics and to prepare the release of more timely and disaggregated volume statistics on outstanding amounts and new issues. This would, as foreseen, also require that in the future the STEP Secretariat would provide the ECB with so-called static data, i.e. infrequently changing data on the programmes (e.g. programme size) and issuers (e.g. name).

The SMC thanked the ECB and all other parties involved for their successful efforts to date and the envisaged enhancements. It noted some possible further improvements. In particular, investors have made a strong request to obtain information on the outstanding amounts by programme, preferably broken down by currency. This information, which was also requested in the original ACI-STEP Task Force's report, would provide STEP notes holders with the opportunity to better monitor their exposure vis-à-vis the issuing entities. To monitor the impact of the transparency of individual issuers' positions, the SMC agreed that initially, the publication of individual issuers' outstanding amounts would be on a monthly basis and with more than one day delay. An increase in the frequency and timeliness would be considered at a later stage. A release of volume data should, according to the SMC conclusion, only take place once all data providers send the necessary data. In the context, the SMC requested that all data providers be asked to prepare for the sending of daily data to the ECB. Potential data providers who currently have no STEP issues to report would ensure that they could send data according to the ECB's reporting requirements within six months after the first STEP note was settled in the settlement system covered by them.

Moreover, market participants would, for valuing and cross-checking their positions and transactions, appreciate if in the future the release frequency could be moved from weekly to daily, and if the release of the statistics could take place earlier. The SMC noted the clarification of the ECB that a publication of statistics on the day of settlement was not possible because for technical reasons and to limit market participants' costs the ECB receives data only by 9:30 on the day after settlement. The SMC agreed that its Chairman would send a letter to the ECB President to reflect the aforementioned points.

The SMC members also provided further suggestions for clarifying the content of the current statistical tables.

Holger NEUHAUS briefly explains the progress made in testing data transmissions from new data providers. In some instances the data did not contain the necessary information calculate the yields, The SMC agrees that issuers have to be informed by the STEP Secretariat in case such information was frequently missing in order for them to insist that their IPA deliver the relevant information. The STEP Secretariat should in this case be informed by the ECB. Dealers would not be involved in this process.

Colin WITHERS reiterates a concern raised by an SSS at a recent ECP dealer meeting about market participants who request (via their IPA) SSSs to flag their issuances as "unknown issuer", possibly jeopardizing the process of collection of statistics. It is agreed that, when informed of such problem (e.g. via the ECB), the STEP Secretariat should recall to the issuer that such practice is in contradiction

with the STEP Market Convention that could – in case the transactions would be systematically excluded from the ECB's STEP statistics by this practice - ultimately lead to the withdrawal of the label.

A similar reminder should be made by the STEP Secretariat on request of the ECB if the late reporting of transactions concerning specific issuers led to the necessity to revise STEP statistics after they have been originally released.

## **7. Acceptance of the STEP Market by the ECB as a non-regulated market for collateral purposes in Eurosystem credit operations**

Marco LAGANÁ gave a brief summary about recent changes in ECB policy concerning asset eligible as collateral for ECB refinancing operations: As announced by the ECB on 15 September 2006, following the publication of the yield statistics, the ECB accepts the STEP market since 2 April 2007 as a non-regulated market for collateral purposes in Eurosystem credit operations.

In order to be eligible as collateral for Eurosystem operations, notes issued under STEP-compliant programmes will also have to comply with all the eligibility criteria listed in Chapter 6 of “The implementation of monetary policy in the euro area: general documentation on Eurosystem monetary policy instruments and procedures” (<http://www.ecb.int/mopo/>). This implies for instance that paper must be euro-denominated paper, issued by non-credit institutions and located in the euro area. Moreover, in case of an ECP issued in an ICSD, the paper will have to be issued under the New Global Note format.

Some SMC members suggested that the ECB should review its approach which consist in not accepting short-term papers issued by Banks as collateral (except when when they are listed on regulated markets). They point out that they are ready to build a file which will be very cautiously elaborated to address carefully and answer positively to majors concerns from the ESCB about potential drawbacks linked to acceptance of short-term papers issued by bank as collateral.

## **8. Discussion on market evolution and marketing actions**

The SMC identifies a need for a short synthesis of the possible practical of the UCITS Directive on fund managers and the STEP market. Guido RAVOET confirmed that a specialist at the EBF could follow up on this suggestion.

In the interim, Franck HEBEISEN explains that according to the conventional understanding, collective investment undertakings can, without restriction, invest in money market instruments if the issuer is a supervised financial institution. The availability of an Info Memo for the Programme or the Financial Statement of the Issuer or a description of the issue will be enough for the short-term paper to be considered as a money market instrument. These issuers would not need a STEP label. Franck HEBEISEN pointed out that nevertheless most of the issuers who have recently applied for the label had been aware of this. According to him,

the motivation for having their programmes labelled was more to encourage and foster market integration.

Should the issuer be a corporate or an asset backed commercial paper (ABCP) issuer, the programme will have to comply with most of the transparency criteria promoted by the STEP initiative to be considered as a money market instrument. In this case, the STEP label could be very helpful.

Some uncertainty remains on the implementation of the Directive in to national laws, due in July 2008, which might differ between countries. Franck HEBEISEN points out that, according to the perception he has from French national regulatory authorities, the transcription of the directive should be as strict as possible. Emphasis should be put, not only in France, on the capacity of investors to have available reliable statistics about individual programmes' outstanding amounts to allow investors to gauge their relative exposure to the programme, which is a regulatory constraint not applied with discipline for the moment. He points out that from an international perspective, only STEP is able to provide such type of information at this stage and that this should be a good support for the development of the STEP market.

## **1. Presentations done since beginning of 2007**

a) Franck HEBEISEN summarises the different presentation which have been made for the promotion of STEP since the beginning of 2007:

- ACI France for EACT France in Paris on March 25th 2007
- ACI Ireland in Dublin on March 29th 2007
- ACI Netherlands in Amsterdam on April 12th 2007
- ACI Italy - Liquidity Days - in Taormina on April 21st 2007

b) The STEP Market Committee agreed that the different documents used for these presentations can be sent to the STEP website administrator for publication to a wider audience. People concerned agreed to send their documents to Laura CERRATO.

## **2. Discussion with Bloomberg**

Franck HEBEISEN informed the STEP Market Committee of progresses with Bloomberg regarding the promotion of STEP on Bloomberg. They study their capability of integrating in their DES (description) menu a field which would indicate whether a programme is STEP labelled. Laura CERRATO confirms that she is ready to get in touch with Bloomberg to organize communication of data between Bloomberg and the STEP Secretariat.

## **9. Form of transmission of yearly update**

By the time of the SMC meeting, the period of release of 2006 annual reports for issuers and validation (AGM) has started since March and

issuer will have to ensure that financial information is made available for the STEP Secretariat (and consequently for investors).

An appropriate template of transmission should be put on the web site to ease the process for Issuers and Arrangers.

#### **10. Dates and venues of next meetings for 2007**

27 September 07

It is proposed that the next STEP Market Committee will be held in Brussels in junction with the STEP presentation to the Investors, Dealers and Issuers.

December 07

The STEP Market Committee proposes London as an appropriate location and explicitly foresees that observers, e.g. ECP dealers or other interested parties, can participate in its meeting. Colin WITHERS proposes to host the meeting in Citigroup premises. Date to be confirmed.

#### **11.A.O.B**

None