



**MEETING OF THE
STEP MARKET COMMITTEE**

**BRUSSELS, 26TH OF SEPTEMBER 2006
10H – 16H**

MINUTES

List of attendants:

Market Committee Members :

Present:

- Claudi Benci
- Philippe Billot
- Olivier Brissaud
- Francesco Galiana
- Franck Hebeisen
- Tim O'Connel
- Guido Ravoet (partly) - *Chairman*
- Michael Schneider
- Colin Withers

ECB (non voting member):

- Sergio Grittini
- Holger Neuhaus

Apologies:

- Pepijn Sigtermans

Secretariat:

- Didier Hermans

Observers:

- Thierry Cazaux Euribor ACI

0. Introduction

The Secretariat thanks all the participants for joining this meeting and welcomes everyone. The Secretariat introduces the agenda and quickly reminds the participants of the role and composition of the STEP Market Committee as described in the Market Convention. All participants are introducing themselves.



1. Market Committee organisation and role

- Chairmanship

The STEP Market Committee is chaired by the Secretary General of the FBE as per the article 1.1 of the Annex 1 of the STEP Market Committee. However, it is suggested to due to the nature of the work of the STEP Market Committee, a co-chair (alternate chair) is to be appointed.

As all members of the Market Committee suggested that more time is given to them to consider being candidate, the discussion and possible election of a co-chair will take place at the next meeting of the Committee

- Secretariat

The role of the Secretariat for this Committee is given to the FBE Secretariat (D. Hermans)

- Relationship with non STEP Market Committee members (ad-hoc task forces)

As specialized skills may be needed for certain issues in the future, and as some individuals that are not part of the Market Committee have expressed their willingness to commit time and resources, the possibility to create ad hoc working group is discussed and approved. These working groups will be created on ad hoc basis and be under the responsibility and chaired by of one member of the Market Committee that will report the results of the working group to the entire Market Committee.

2. STEP Market Convention guidance

- Feedback of the labeling process so far

13 Labels have been given so far and the Secretariat has interacted with 5 NCBs. The interaction has been going well so far.

- Form and degree of involvement of the Market Committee

The STEP Secretariat has received many and various questions on the interpretation of the Market Convention. Most of the questions didn't require further guidance. However, on some occasions, further guidance has and will probably in the future be required. Guidance is to be given the Market Committee. In practical terms, it has been agreed that in such cases, the Secretariat will address its request for guidance directly to 2 to 3 members of the Committee and copy the entire Committee. This would ensure that someone is responsible to provide feedback but also that full transparency is achieved in the guidance process.



- Existing issues for discussions

- o co-existence or non coexistence of Information Memoranda (existing one and STEP compliant one).

The debate centered on the case in which a STEP memorandum was issued in parallel to a conventional memorandum (which was not STEP compliant). Both documents were published on the STEP website raising questions and concerns about the existence of both documents.

After long discussions, the Committee concluded that we will continue to encourage issuers to provide one single "reformatted" document that is STEP compliant. It also acknowledged the fact that to gain some critical mass more quickly, we would accept a solution in which the STEP memorandum can encompass the conventional memorandum (as an annex). This could only be acceptable provided that a) this solution is a transitional solution until the next update of the conventional info memo (and in practical terms, we would verify that at the moment of the next mandatory info memo update) and b) that the STEP info memo is complete and avoids too many cross-reference to the conventional info memo in annex. The latter is rather subjective but the goal is to avoid creating a STEP info memo with just references and will need to be assessed on a case by case policy. In any case, there should NOT be two documents called info memo as part of the published documentation on the STEP website.

We also decided that this policy is non public as we want to encourage issuer to redraft their info memo.

- o pre-screening of STEP label for complex programs

Pre-processing was not an option supported by the STEP Market Committee.

- o signature of the Information Memorandum and clarification on contact details required

In Germany it appears difficult to comply with the STEP rule requiring an individual person being responsible for the programme since the institution acquiring the label is legally liable.

The Committee concluded that for Germany, and for similar situations, we could continue with the existing solution found so far, i.e. indicate that the institution is signing the info memo and that the institution confirms to the best of its knowledge that the statements are accurate and that no material aspects have been omitted. It is also suggested that in case of concerns, the person responsible could be quoted with an "on behalf of" indication to overcome the concerns of some individuals

- STEP website

- Publication of the Info Memorandum – which details are needed?

At this stage, the information published seemed fine with the exception of the name/type of program. It should be made clear (in two separate columns) what is the name of the program (issuer name) and the type of program (e.g. Global, ECP, as described in the info memo). In a later stage, some more details could be given.



- Disclaimer in case of Global Programs

Colin brought up the issue of possible liabilities for dealers of labeled programs that are freely accessible on the STEP Website. He suggests having this part of the website password protected to keep track of who is visiting and who is allowed to see that section. However, the majority of the STEP Market Committee is rather in favor of an alternative solution. This solution would be to have any viewers click on a disclaimer page before accessing to the page listing and allowing download of the info memo. The Secretariat will work on this technical solution with the help of some members of the Committee for the wording of this extra disclaimer (as the website and the info memo page already contain two disclaimers). The situation will be reevaluated in the future once this solution has been implemented.

3. Marketing Aspects of the STEP initiative

- Meeting with the French *Trésor*

Frank is updating the Committee on his work with the French *Trésor* regarding STEP and the eligibility of short term instruments as assets for UCITS. He will circulate his presentation to the *Trésor* and will follow-up that issue. All members of the Committee offered their help should their need be.

- UCITS eligibility debate

The Secretariat updated the Committee on the general issue of UCITS eligible assets clarification undertaken by the European Commission. The Commission is now proposing a Commission Directive to clarify this matter. The proposed text can be found on the Commission website. The text has some positive elements and some negative aspects. Two key concerns are raised. Firstly, it still differentiates the treatment of short term instruments issued by corporate from the instruments issued by financial institutions. Secondly, the wording of the art 5(2) – 3 bullet of the proposed text is rather unclear as it refers to “control of this information by an appropriate qualified third party not subject to instruction from issuer”. It is not clear what control means as well as what “a qualified third party” refers to. In some jurisdictions, the national regulator could interpret this provision in a way that makes the STEP Secretariat and the STEP Market Committee a “non-qualified third party”. In these hypothetical jurisdictions, STEP would be a non-regulated market that does not fulfill the UCITS criteria; therefore, STEP-labeled instruments would be subject to the 10% portfolio constraint in these jurisdictions. Further actions need to be made towards the Commission even if the document is not subject to formal consultation. It would also be adequate to lobby the national governments/regulators.

- ECB Collateral eligibility

Sergio and Holger informed the STEP Market Committee on the recent announcement on the acceptability of STEP for collateral purposes. On 14 September 2006, the Governing Council of the European Central Bank (ECB) decided that the STEP market would be accepted as a

non-regulated market for collateral purposes in Eurosystem credit operations, as soon as the daily STEP statistics on yields are published on the ECB's website.

Quoting the ECB press release, Sergio and Holger said that the ECB will be able to publish such yield statistics as soon as the input data become available and are of sufficient quality to produce reliable statistics.

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>).

The ECB members also stressed that the Governing Council assessed the STEP market on the basis of the provisions of the STEP Market Convention and related documents. Retention of the acceptability status will depend on the strict implementation of such provisions..

4. STEP financial plans

The current institutional sponsors for STEP are the Eurosystem, the ECB, the ACI and the FBE.

The Eurosystem commitment for assuming some operational tasks related to the labeling process is for two years. Therefore, in order to look beyond this horizon, and ensure consistent quality of service, some alternatives to the Eurosystem need to be found. Amongst the alternatives discussed is the total in-sourcing of the operational tasks by the STEP Secretariat. However, this would require additional resources. Some additional resources could come from a fee levied on the labeled programs after the end of the Eurosystem commitment period. In order to assess possible fees structure, the Market Committee is asking the Secretariat to estimate the costs of the entire labeling activities based on various assumptions and present its findings at the next STEP Market Committee meeting.

5. Relationship with Securities Settlement Systems

- Distribution of static /dynamic data

The STEP Secretariat has been approached by various SSSs in order to get an announcement when a new program gets a STEP Label. Although the responsibility to advise the SSSs is and clearly remains with the issuer, the Secretariat proposes to advise all SSSs on an level playing field basis of the attribution of a new label. The Market Committee approves this solution.

An SSS also approached the Secretariat to request all the ISIN codes of all the outstanding issues of the labeled programs. Unfortunately, the Secretariat does not have this information and the Market Committee is of the opinion that this matter is to be dealt with by the issuer and the SSSs.

- Feedback on the first set of statistics published

Holger reports on the recently published first set of ECB statistics on the STEP market and the various breakdowns the ECB intends to publish following a step-wise implementation. The Market Committee volunteers to help the ECB identifying the key figures needed in case of doubts and help with prioritization of the data publication should there be a need. Holger has circulated via the Secretariat for feedback more information on the statistics.

a) the link to our website featuring information on STEP.
<http://www.ecb.int/stats/money/step/html/index.en.html>

It currently contains in particular the outstanding amounts and the reporting instructions we will use for the daily statistics, including the description of the yield formula to be used either by us when we receive the price or by reporters.

b) the table template which the ECB intend to eventually publish (showing less tables and breakdowns at the beginning).

Members of the Committee are requested to send their feedback to the ECB.

6. A.O.B.

7. Date and place of the next meeting

The next meeting will take place on 14 December 2006 in Paris hosted by the ACI.

A third meeting is envisaged for February.

A meeting schedule for the full year 2007 will be proposed and discussed at the December meeting.