



**Minutes of the 2nd Meeting of the
STEP Market Committee
- Paris, 14th of December 2006 -**

List of attendants:

Market Committee Members:

Present

- **Claudi Benci**
- **Philippe Billot**
- **Olivier Brissaud**
- **Franck Hebeisen**
- **Tim O'Connel**
- **Michael Schneider**
- **Pepijn Sigtermans**

ECB (non voting member) – ESCB (guests) :

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|------------------------------|---------------------------------|
| - Christine Glockmann | Deutsche Bundesbank |
| - Dirk Janssens | National Bank of Belgium |
| - Eliane Klein | Banque de France |
| - Holger Neuhaus | European Central Bank |

Apologies

- **Francesco Galiana**
- **Guido Ravoet**
- **Colin Withers**
- **Sergio Gritini**

Chairman

Secretariat:

- **Didier Hermans**

Observers:

- | | |
|-------------------------|---------------------------------|
| - Peter Balaz | European Investment Bank |
| - Thierry Cazaux | EURIBOR-ACI |

0. Introduction

The STEP Secretariat thanked ACI France for hosting the meeting and adopted the final agenda.

The Secretariat gave a brief update of the labelling situation. While the last month showed a lower number of requests, more than 25 requests have been made so far. The FBE-EURIBOR last General Assembly meeting also formally approved the STEP Market Committee composition and nominations. It also approved road shows for 2007.

1. Approval of the minutes of the 1st meeting

The minutes are approved by the participants subject to the incorporation of last comments.

It is confirmed that the intention is to post the approved minutes to the STEP website to achieve full transparency of the STEP functioning and agreed to henceforth adopt the summary by written procedure to improve the timeliness of its release.

2. Market Committee organisation and chairmanship

After discussions, the Market Committee concluded that there is currently no urgency to appoint a deputy Chairman to Guido.

3. Market Convention guidance

The STEP Market Committee concluded the following on the cases that were submitted by the Secretariat:

CASE 1 - In case of the annual update the info memo and relevant appendices are to be submitted to the STEP Secretariat within 60 days of the approval of the annual accounts by the Board of directors of the issuer or its equivalent.

The STEP Market Committee confirmed that the 60 days period starts as from the moment the relevant body has approved the accounts. This body can be the Board of Directors, but could also be the General Assembly or the Supervisory Board as each country and each company types and bylaws can affect the entity responsible for the account approval.

CASE 2.1 - What sort of guidance can be given as to the information to be given for a governmental organisation providing guarantee for programs?

Two sets of elements must be given.

A. the details of the guarantor itself bearing in mind that not all information defined in the Market Convention may be applicable to a public entity. In that case, the equivalent information must be provided or "Not Applicable" be indicated.

B. the text of the guarantee.

CASE 2.2 – What if the issuer does not have recent annual reports?

There are two different situations.

A. no recent (n-1 and n-2) annual reports are available because the issuer itself was established only recently:

_ In that case, it is acceptable that the annual accounts are not made available but the issuer will seek to provide as much information as possible and provide the reports as soon as they are published.

B. no recent annual reports (n-1 and n-2) are available while the issuer has been incorporated and active for more than 2 years.

_ In that case, this could prevent an issuer to get a STEP Label. A case by case treatment would be required taking into account the efforts made to make remedy the non-availability of the annual accounts. In any case, if – at the latest - during the yearly updating process the most recent annual reports are not provided, the issuer will lose its label.

In both cases the relevant section of the information memorandum should indicate that no Annual Report is available, stating the reason (company too young or non establishment of Annual Report and or Accounts).

CASE 3 - What is the procedure for updating the Info Memo in case of additional information relating to the Business description of the guarantor ?

If this supplement touches the info menu (any element inside), it's an update of the Info memo, otherwise, the information is provided to the Step secretariat like an additional appendix.

In addition, the STEP Market Committee also clarified the maximum maturity of extendable notes issued under a STEP programme. The Committee confirmed that the wording of the STEP Market Convention should be interpreted such that the original time to maturity of any STEP note plus all maturity extensions may also ex post not exceed one year. It would review the issue at the latest at the occasion of an update of the STEP Market Convention.

4. STEP Website – Disclaimer issue

The STEP Market Committee reviewed the disclaimer mechanism and text implemented on the STEP website and confirmed its approbation for it.

5. Marketing Aspects

A. UCITS eligible asset debate (draft Commission Directive implementing Council Directive 85/611/EEC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) as regards the clarification of certain definitions)

The dossier is with the ESC and efforts should be made towards the ESC and its national members i) to explain the drawbacks of the current proposal as regards disclosure and information requirements. The proposed directive introduces various requirements depending on the legal nature of the issuer. For example, for money market instruments issued by establishments subject to prudential supervision, the information can be confined to either information on the issue or issuance programme or on the legal and financial situation of the issuer prior to the issue of the money market instrument while for non-financial corporations the requirements include information on the issue and issuance programme assets as well as on the legal and financial situation of the issuer. For the smooth and efficient functioning of the market, it is important that adequate and standardised information, as well as standardised statistics, are accessible to market participants;

and ii) to explain why the reference to the 'control of the information' by 'an appropriately qualified third party' in Article 5(2)(c) of the proposed directive gives rise to some important difficulties of interpretation. In its previous explanatory notes, the Commission indicated that dealers, auditors, public bodies or other market structures could be eligible to the extent that they are not subject to instructions from the issuer. According to the Commission, the purpose of this criterion is to ensure that information on instruments issued by corporate entities – particularly considering that these entities are not supervised or regulated – is reliable and subject to a qualified scrutiny. However, the Commission's proposal leaves some flexibility as to how this can be achieved and does not impose a specific structure. While it is not clear who should ultimately decide on the 'appropriateness' of the third party, efforts should be made to explain to relevant parties that the set-up of the STEP market should be sufficient to 'control of the information' by 'an appropriately qualified third party'.

Franck has volunteered to draft a high level document that would be circulated and be the basis for explaining these issues at national level.

Holger indicated that the ECB has sent an own initiative opinion to the European Commission that he would make available once it was public.

Franck shared with the participants the results of his meeting with the French Trésor

B. Marketing actions

During the second half of 2006, several marketing actions have been undertaken, mostly by the ACI national associations, in the UK, Ireland, Germany, Belgium, Italy and France. For 2007, a renewed marketing action will be undertaken. Funds managers will be more targeted in 2007. A specific education session will be done at the EACT (European Corporate

Treasurers Association) and the Swiss market will also be targeted early 2007.

6. Financial Plans

When the Eurosystem will stop its support for the labelling activities, a fee would most likely have to be raised to cover the administrative costs of the labelling activities and guarantee the continuation of the project.

On the basis of current projections, the annual fee per programme could range roughly from 1,000 to 5,000 Euro in order to guarantee cost recovery, as the STEP Market is set up as a not a for profit organisation.

Issuers will be advised during 2007 that as from mid 2008 / early 2009 a fee may be charged for the labelling of STEP.

7. Statistics – Update

Holger provided an update on the statistical elements, both on the monthly as well as the daily statistics.

The yield statistics are important as they are a prerequisite for STEP eligibility assets under the ECB collateral framework. The STEP Market Committee confirmed that as regards yields confidentiality should be ensured at the issuer level. The Committee confirmed that, for each breakdown, transactions from at least three issuers should be compiled so as to release the relevant (sector) breakdown. The number of transactions by each issuer was not seen as a decisive criterion.¹

¹ In other words: in the case of three issuers carrying out one transaction each, an average yield could be published. In case only two issuers were to carry out 10 transactions each, no average yield could be released.

The STEP Market Committee also indicated that global outstanding per issuer statistics are also important as it allows the benchmark the exposure vis-à-vis the issuer, especially in the context of the UCITS eligible assets debate.

The STEP Market Committee requested the ECB to provide as soon as possible statistics or global issuances per programme, with a frequency which could initially be monthly at Day+15.

The STEP Market Committee also agreed to help the ECB and provide to Holger an e-mail containing the Outstanding Amounts under the STEP programmes of each issuer who is a member of the STEP Market Committee as of end November (if it is easier also end December) 2006, preferably broken down by currency and settlement system.

8. A.O.B.

The next STEP Market Committee meeting will be held on, 1st of Feb in Frankfurt hosted by DZ Bank, starting in the afternoon. Another date is fixed for a STEP Market Committee meeting: Tue 24 April 2007 in Brussels, hosted by Volkswagen CCB.