

28th STEP MARKET COMMITTEE MEETING
- Brussels, 14 June 2019, 10.30-13.30 –

Minutes

OPENING AND WELCOME

The Chairman, Mr J.L. SCHIRMANN, welcomed two new members: Mr G. MARIN and Mr H. ENDRES. Both have introduced themselves and explained their long experience at Intesa Sanpaolo and Bayerische Landesbank respectively. Mr J.L. SCHIRMANN also informed the participants that Mr V. PETIT from the ECB could not attend the meeting due to unforeseen circumstances.

1. APPROVAL OF THE MINUTES OF THE PREVIOUS MEETING

The minutes of the previous meeting on 11 December 2018 were approved.

2. SECRETARIAT REPORT ON STEP LABELLING OPERATIONS

Ms J. TORRES explained that the total of STEP labelled programmes is now at 168. Since the last STEP Market Committee in December 2018, 10 programmes have been withdrawn from the STEP Directory and 7 new programmes have been added. Four of these withdrawn programmes have been in fact replaced by new programmes with new names.

Separately, the Secretariat keeps on receiving annual/exceptional update requests (several per week), and requests for pre-screening. Every summer, the workload increases and might lead to temporary bottlenecks. Furthermore, Ms J. TORRES is currently taking more responsibilities within EMMI. Therefore, the STEP Secretariat welcomes Ms A. MAES that will take care of the daily operations in liaison with existing and prospective issuers replacing Ms J. TORRES.

The STEP Secretariat is regularly contacted by potential issuers to discuss the features of the STEP label or considering to apply for their commercial paper programmes. In the last weeks before the STEP Market Committee, the STEP Secretariat has been in contact with Banco Santander SA London Branch, BNG Bank, Orange Bank and Ceetrus.

Ms J. TORRES also reminded that 5 programmes were beyond the 3 years and 3 months limit established for renewals at the previous committee. After several reminders, 3 out of those 5 late programmes updated their documentations. As of that committee, there are again 5 programmes beyond the 3 years and 3 months limit. The oldest documentation is the one related to the IRELAND ECP programme which is dated from 2014. The Secretariat is looking for the appropriate contacts at the National Treasury Management Agency of Ireland to request an urgent update of the programme. Some members explained that the Secretariat could also count on their network to identify the right contacts at some issuers if required.

Similarly, members asked an update on the payment issues discussed at the last meeting. Mr A. GIL BONET explained that all the pending invoices from the last Committee were paid early 2019.

3. ECB REPORT ON STEP STATISTICS

Mr SCHIRMANN explained that report on the STEP statistics had not been received and that the representative of the ECB had could not make it to the meeting due to unexpected circumstances. The participants requested to have an update on the statistics before the next meeting via email or by scheduling an ad hoc conference call.

4. IMPLICATIONS OF THE EONIA TO €STR TRANSITION FOR STEP

The working group on Euro risk-free rates has recommended, end of 2018, to adopt the future overnight rate to be published by the ECB, €STR, as the new Risk-Free Rate (RFR) in Euro.

Subsequently, the working group on Euro risk-free rates has recommended that the European Money Market Institute (EMMI), EONIA's administrator, modify the current EONIA methodology to become €STR plus a spread from the first publication date of €STR, i.e. 2 October 2019, until the end of 2021, to give market participants sufficient time to transition to the €STR. On 31st May 2019, EMMI published the feedback to its public consultation, which concluded that it will go ahead with the implementation of these recommendations.

The participants discussed the implications of the methodological transition of EONIA as well as the adoption of €STR as a reference for the markets linked to STEP from an issuer's perspective. They noted that the ECP market and most of the French market (about two thirds) are issued at a fixed rate, but EONIA remains relevant at least in the French market. Furthermore, variable rate notes are generally-adopted in the Medium Term Notes.

The members of the STEP Market Committee explained that EONIA has been adopted in short-term markets in 2008 as way to limit the volatility of the yields. However, this trend has been reversed later on when EONIA moved into negative territory as it complicated the back-office activities. No formal recommendations are available yet for issuers and investors that are using EONIA-referenced notes regarding the transition to €STR.

In the long term, the adoption of €STR does not exclude the general obligation (established in the EU Benchmarks Regulation) to consider fall-back rates when they issue notes referenced to variable rates.

From a reporting perspective, the STEP statistics currently refer to EONIA when it comes to the yields. The members of the committee recommended to check if the reference to EONIA in the statistics is established in the STEP Market Convention. Some questions were prepared to continue the discussion with the ECB statistics team:

- Are specific adaptations linked to EONIA transition in the pipeline for the STEP statistics?
- Is it possible to monitor the issuances linked to EONIA and €STR in the issuances data that the ECB receives from the Security Settlement Systems?
- If monitoring the different references used in the issuances is possible, the members of the committee would invite the ECB to consider some sort of reporting of the outstanding amounts linked to Eonia/€STR/fixed rate to add transparency for the users.

5. ID2S APPLICATION TO BECOME STEP-ACCREDITED SSS

Mr. A. GIL explained that ID2S is a Central Securities Depository to be launched in the NEU CP market. Its technology is based on blockchain in order to highly automate the settlement activities. The features of their solution were already discussed at the last STEP Market Committee when a representative of ID2S gave a presentation of the road plan for the start-up company.

The members explained that several initiatives with similar features have been launched in the EU and the US. Their success remains to be seen, but they attract the attention of issuers and investors as they create more competition in post-trading services. In the case of ID2S, a trading platform called ID2S will be launched in parallel. The use of electronic trading platforms is not perceived as threat by dealers in the CP markets.

Following the STEP Market Committee in December 2018, ID2S decided to submit its application to become a STEP-accredited SSS in order to be able to process the settlement of issuances under STEP-labelled programmes. The company has not yet started its operations; however, its activities are launched in the NEU CP market where Banque de France is the primary source of information used by the ECB to aggregate the STEP statistics. As a result, the ECB and the STEP Secretariat are confident that the integration of the ID2S activity in the STEP statistics will require no effort as Banque de France will gather the data as with any other NEU CP.

The application of a new SSS has been approved (ID2S) for the NEU CP market only.

6. WEBSITE DEVELOPMENTS

Ms P. RONVAUX presented the statistics extracted from Google Analytics about the STEP website. She made a summary of what was launched in 2017 regarding the promotion of the STEP initiative. She explained that the implementation of the new STEP website had an impact on the number of users that kept growing (+/- 600 users per month). She also noted that direct and organic searches were increasing and that more issuers referenced STEP on their websites. She also pointed out that visitors approximatively accessed 3 pages per session for an average duration of 3 minutes.

She then mentioned that despite the responsiveness of the new website which adapts to the size of the screen of device used to connect, desktop is still the most used device compared to tablets and phones. She added that the ranking of the 10 most consulted programmes on the STEP website was extended since the last STEP Market Committee meeting putting ABN Amro programme at the first place.

She finally concluded that marketing developments and the implementation of the new website had a clear positive impact on STEP: more users/visitors, more sessions, more referrals... and she raised that after the publication of the video and the start of the advertising campaign, STEP programmes had increased.

Following a question from Mr. F. HEBEISEN on the workload linked to those developments, Mr. A. GIL explained that the design and implementation of a new website and new marketing elements created a relevant workload for the STEP Secretariat 2 years ago but that the current daily maintenance was minimal for the staff.

7. ANY OTHER BUSINESS

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List of participants

Chairman

Mr Jean-Louis SCHIRMANN STEP Secretariat

Members

Mr	Philippe BILLOT (by call)	Pictet Gestion
Mr	Richard CORDERO	EACT
Mr	Harald ENDRES	Bayerische Landesbank
Mr	Franck HEBEISEN	Independent Expert
Mr	Gianfranco MARIN	Intesa Sanpaolo
Mr	Patrick SIMEON	Amundi
Mr	Jean-Luc SINNIGER	Citi

Observers

Mr	Philippe FAURE	Banque de France
Ms	Corinne LETRAY	Banque de France

STEP Secretariat

Mr	Antonio GIL BONET	STEP Secretariat
Ms	Julie TORRES ORTEGA	STEP Secretariat
Ms	Pauline RONVAUX	STEP Secretariat
Ms	Amandine MAES	STEP Secretariat

Apologies

Mr	Marnix BRUNING	ING Bank
Mr	Dennis GEPP	Federated Investors
Mr	Carlos MUNIZ MORELL	Santander
Mr	Tim O'CONNELL	EIB
Mr	Vivien PETIT	European Central Bank