

**27<sup>th</sup> STEP MARKET COMMITTEE MEETING**  
**- Brussels, 11 December 2018, 10.30-13.30 –**

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**Minutes**

**OPENING AND WELCOME**

Mr SCHIRMANN welcomed the participants and informed them that he could not attend the rest of the meeting due to an unexpected conflicting appointment. As a result, Mr HEBEISEN kindly accepted to chair the remaining of the meeting.

**1. APPROVAL OF THE MINUTES OF THE PREVIOUS MEETING**

The minutes of the previous meeting on 5 June 2018 are approved.

**2. RENEWAL OF MANDATES**

Ms TORRES reminded members that their mandate as STEP Market Committee Members will come to an end by the end of December 2018. She explained that almost all members agreed to renew their mandate from 1<sup>st</sup> January 2019 to 31<sup>st</sup> December 2020. Indeed, Mr Fabrizio Tallei from Intesa SanPaolo and Mr Michael Schneider from DZ Bank will not ask for a renewal, but they found a replacement. Mr F. Tallei suggested Mr Gianfranco Marin also from Intesa Sanpaolo. Mr M. Schneider will provide the name of his candidate by the end of the week.

She reminded that 6 members will be approved by EMMI General Assembly and 6 members by the Euribor-ACI Assembly.

**3. SECRETARIAT REPORT ON STEP LABELLING OPERATIONS**

Ms. TORRES explained that 162 programmes remained active in the STEP database. Since the last STEP Market Committee in June 2018, 3 programmes have been withdrawn from the STEP Directory and 12 new programmes have been added. Therefore, the total of STEP labelled programmes is now at 171.

She also underlined that 5 programmes were currently beyond the 3 years and 3 months limit established for renewals, with two programmes dated from 2014: Bank of China, NEU CP programme and Ireland, acting through NTMA, ECP programme.

Mr FAURE from Banque de France mentioned that the Bank of China NEU CP programme was renewed on Banque de France website and that the programme was quite active in the market. Banque de France suggested to provide to the STEP Secretariat the contact persons they have for Bank of China.

Mr BRUNNING explained that the National Bank of Abu Dhabi ECP programme will probably not be renewed as the National Bank of Abu Dhabi merged with First Gulf Bank to become “First Abu Dhabi Bank”. The STEP Secretariat will inquire with the issuer if this programme should be cancelled or not.

Following these explanations, STEP Market Committee members decided to send a formal letter to the above mentioned issuers informing them that the programme could be withdrawn if it is not updated within a reasonable timeframe.

Then, Ms RONVAUX listed the ranking of the 10 most consulted pages on the STEP website since the last STEP Market Committee and highlighted that half of the results were actually new STEP labelled programmes of 2018.

She then moved to the STEP payment issues and noted that the STEP invoicing started as of 10 January 2018. She further explained that 173 invoices were issued this year, compared to 155 in 2017 and 150 in 2016 and that the collection of payments was quite similar to previous years. Indeed, half of the invoices were paid within 30 days and only 6 outstanding payments remained on 4 December for an amount of 17.190 euros. She underlined that only 3 programmes were due since the beginning of the year..

#### **4. IMPACT OF GDPR ON THE STEP MARKET CONVENTION AND MEASURES TO BE TAKEN**

Mr WESTSTEIJN held a presentation on GDPR. The principles of, lawfulness, data minimization and storage limitation and the implications for STEP data minimization were discussed. Personal data retention limitations were proposed to the STEP Committee for all personal data processing by the STEP Secretariat, including any processing for the STEP Information Memorandum.

Also an update of the STEP Form of Application for the STEP Label and Declaration of Adherence to the STEP Market Convention, which now includes a reference to the STEP Privacy Policy was presented in order to comply with the GDPR fairness and transparency principles. Furthermore it was agreed that the STEP Secretariat would stop publishing signatures on STEP website.

The members of the Secretariat clarified that GDPR is a European regulation that is applicable to all EU member states. These principles apply both to the personal data contained on the documents provided by the STEP issuers, the personal details that we exchange for back office functions such as invoicing as well as the functioning of the STEP website.

#### **5. ECB REPORT ON STEP STATISTICS**

Mr. PETIT gave a presentation on the recent and future developments of STEP statistics.

The cut-off date for all figures and charts referred to in the presentation was the end of November 2018.

Over the second half of 2018, the ECB has observed an overall decrease in outstanding amounts despite relatively high levels in September issuances. This latter month was marked by daily issuance higher than EUR 10 billion on more than 3 days, which had been very rare in the past.

Owing to an overall more positive trend in the levels observed for the worldwide issuance of euro-denominated debt securities, the relative share of the STEP market at the end of 2018 is below 26% (despite starting at a high level of 29% at the beginning of the year).

As far as issuing sectors are concerned, the ECB has observed an increase in the issuance by monetary and financial institutions and other financial intermediaries since the last committee meeting.

Regarding the operations for the production of the STEP statistics, Mr. PETIT underlined that the cooperation with the STEP Secretariat remains very satisfactory. However, Mr. PETIT reported that some daily reporting by security settlement systems are still far from being up to acceptable standards as some files require daily manual interventions by the ECB team. Regular data quality requests are sent back to data providers, together with other structural issues (e.g. reporting of data

for withdrawn programmes, reporting of bridge transactions,...). On the specific issue of the wrong reporting of negative yields, Mr. PETIT suggested to wait for the implementation of a patch at a data provider's side to see if the issue would be solved, before triggering additional formal processes to remind providers about the importance of sending quality-checked data.

Finally, Mr. PETIT mentioned that one published table will have to be slightly adjusted to reflect the discontinuation of some Euribor tenors, some of which were being accepted as potential benchmarks for floating rates for new issuances. However, the impacted tenors were never used for STEP transactions and there will be no impact on the production and publication of STEP statistics.

## **6. BREXIT**

Some issuers are replacing UK-based dealers by continental ones. UK-based investors are also considering relocation to Dublin or Luxembourg. Large issuers are also considering moving their teams to Ireland. Most of the actors are trying to remain flexible to adapt to the changing landscape. In the meanwhile, money market funds focus on adapting to their new EU regulation which is expected to have a more relevant impact in the short term.

Some features of the CP/CD market are not expected to change regardless of the outcome of Brexit. The members of the committee do not see it as trigger to increase the use of electronic platforms which is very low. English law will most likely remain dominant in this kind of securities.

## **7. BLOCKCHAIN**

Mr BOSQUET joined the meeting as a guest in order to present a new blockchain-based SSS for the NEU CP market: ID2S. ID2S is a new central securities depository based on a proprietary blockchain and it is launched as a joint venture by Orange and SETL. Both companies are also working to launch a trading platform called NOWCP and specialized on NEU CP securities. Beyond being based on blockchain technology, ID2S was designed to be fully compliant with the new CSD Regulation from start and it has already been granted the CSDR licence by the authorities. ID2S is yet connected to T2S, and has also become a member of the European CSDs Association (ECSDA).

The operations will start in 2019 and the members of the STEP Market Committee welcomed the extended range of operating hours that new CSD will offer on T2S settlement days. Nevertheless, they noted that same day issuance and settlement is already possible on Euroclear France with its existing technology. The new CSD is considering several options regarding the attribution of an ISIN code for each issuance.

Mr BOSQUET also stressed that, whereas the blockchain technology will bring benefits of cost and agility, ID2S ensures that the connection with custodians is “fully-swiftable”: ID2S supports both standards: ISO20022 with the ECB (T2S) and ISO15022 with customers (the standard they seem to prefer currently). The possibility to open segregated accounts is being considered. New features are in the pipeline and the services should evolve rapidly over the coming 18 months. Other European CP/CD markets and other securities such as repos could also be considered if the demand is identified.

The members of the STEP Market Committee welcomed the fact that users of the new CSD won't need to adapt their systems in order to use it. The use of blockchain technology does not seem to imply any disadvantage for its users. They also took note of the fact that, although initially launched together with the NOWCP trading platform, ID2S is open as required by the CSD Regulation and it can settle trades from other trading platforms that would like to connect to it.

## **8. ANY OTHER BUSINESS**

Mr SCHNEIDER thanked the members of the STEP Market Committee and the members of the Secretariat for the fruitful years of cooperation.

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**List of participants**

**Chairman**

**In the absence of the Chairman**

|    |                 |                    |
|----|-----------------|--------------------|
| Mr | Franck HEBEISEN | Independent Expert |
|----|-----------------|--------------------|

**Members**

|    |                   |                   |
|----|-------------------|-------------------|
| Mr | Philippe BILLOT   | Pictet Gestion    |
| Mr | Marnix BRUNING    | ING Bank          |
| Mr | Richard CORDERO   | EACT              |
| Mr | Michael SCHNEIDER | DZ Bank (by call) |
| Mr | Patrick SIMEON    | Amundi            |

**Non-voting members**

|    |              |                                 |
|----|--------------|---------------------------------|
| Mr | Vivien PETIT | European Central Bank (by call) |
| Mr | Mirko BELLU  | European Central Bank (by call) |

**Guest**

|    |              |      |
|----|--------------|------|
| Mr | Mark BOSQUET | ID2S |
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**Observers**

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

**STEP Secretariat**

|    |                     |                  |
|----|---------------------|------------------|
| Mr | David COWEN         | STEP Secretariat |
| Mr | Antonio GIL BONET   | STEP Secretariat |
| Ms | Julie TORRES ORTEGA | STEP Secretariat |
| Ms | Pauline RONVAUX     | STEP Secretariat |
| Ms | Laura CERRATO       | STEP Secretariat |
| Mr | Cristian WESTSTEIJN | STEP Secretariat |

**Apologies**

Mr Jean-Louis SCHIRMANN  
Mr Jean-Luc SINNIGER  
Mr Dennis GEPP  
Mr Fabrizio TALLEI  
Mr Carlos MUNIZ MORELL  
Mr Tim O'CONNELL

Chairman, STEP Secretariat  
Citi  
Federated Investors  
Intesa Sanpaolo  
Santander  
EIB