

**34<sup>th</sup> STEP MARKET COMMITTEE MEETING**  
**- Remote, 8 February, 14:30 – 17:30 CET -**

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## OPENING AND WELCOME

In the absence of Mr J.-L. SCHIRMANN, the meeting was chaired by Mr J. FELDKAMP. Mr J. FELDKAMP opened the meeting by thanking the participants for their availabilities. He also welcomed Mr Rodrigo Calvín García, Head of Global Funding Platform (GFP) at Santander, as an observer of the meeting.

## 1. SECRETARIAT REPORT ON STEP LABELLING OPERATION

Ms A. MAES gave a presentation on the evolution of the number of STEP labelled programmes and on new prospects. She explained that the total number of STEP labelled programmes was 210. Since the beginning of the year, 5 programmes were STEP labelled and 3 programmes were withdrawn. The STEP Secretariat kept on receiving annual/exceptional updates (several per week), as well as requests for pre-screening of new programmes. There were no open requests for which the STEP Secretariat was waiting for the signed documentation or was in negotiations with. Ms A. MAES also explained that there were 9 programmes beyond the three years and three months limit established for renewals. The STEP Secretariat sent reminders and was following up with the issuers.

Ms A. MAES explained that the STEP Secretariat decided that the STEP Label will be withdrawn if the issuer fails to update their information memorandum 150 days after the three years and three months limit. Following a question by Mr ENDRES, Mrs A. MAES confirmed that the programmes would also be removed from the ECB statistics.

The participants inquired about the reasons behind the label withdrawals. Mrs A. MAES explained that the withdrawals were due to mergers, a change in the legal name of the issuer and a change in the funding strategy.

## 2. REPORT ON STEP STATISTICS

Mr J. FELDKAMP explained that the ECB Statistics Team could not attend the meeting. In their absence, Mr J. FELDKAMP went through the presentation on STEP statistics.

Mr J. FELDKAMP began by showcasing the overall STEP outstanding amounts. He noted that there was a decline in the outstanding amounts at the end of 2021. He explained that a similar trend could be observed the previous years. He continued by showing the daily outstanding amounts. The STEP outstanding amounts peaked up again in the beginning of 2022 and were slowly back to the levels of November and December 2021. In December 2021, the total outstanding amounts was €375.9 bil.

Mr J. FELDKAMP then looked at the yield developments. He noted that the STEP yields had been relatively steady except in April 2020.

Mr J. FELDKAMP continued his presentation by providing a breakdown of the STEP outstanding amounts per sector of the issuer. He pointed that the STEP outstanding amounts of the Monetary and Financial Institutions (MFI) and General Government (GG) sector were going down toward the end of 2021. He explained that, based on the previous slides, the trend would probably peak up again in the beginning of 2022.

Mr J. FELDKAMP also focused on the sector market shares. The presentation provided a comparison between September 2021 and December 2021. He explained that, notwithstanding the overall decline in that sector during that period, a slight increase could be observed in the share of MFI sector. On the other hand, the market shares of the General Government sector slightly decreased.

Finally, Mr J. FELDKAMP addressed the currencies, more specifically EUR and USD. He observed that the trend of EUR denominated outstanding amounts was negative during the past years. On the other side, the trend of USD denominated outstanding amounts had been positive for the last past years even though a slight decrease could be observed toward the last year end.

Mr H. ENDRES asked whether some movements could already be visible after the ECB press conference. Mr J. FELDKAMP explained that the last developments were not included in the presentation. However, he pointed that some movements were already visible in €STR and in Euribor®.

Following a question by Mr G. MARIN, Mr J. FELDKAMP explained that the daily value of STEP yields on January 19, 2022, was -0,57.

### 3. VIEWS ON THE MARKETS

Mr J. FELDKAMP invited the members of the STEP Market Committee to share their impressions on the latest developments of the market.

Mr M. BRUNING explained January is usually a busy month as both issuers and investors return to the market. However, he noted that the start of this year was slow. According to him, investors are a bit reluctant because of the change in the policies from the ECB and Bank of England. Mr M. BRUNING also added that a decrease in activity could be observed for both financials and SSA. The COVID situation created less issue and could explain the situation for SSA. On the financial side, there had been a greater interest in longer issuances and a lack of short-term funding. Mr M. BRUNING noted that the trend was quite stable on the corporate side. However, he noted that it was important to distinguish corporates that participated in the TLTRO, which could benefit from cheap funding, and the others.

Mr J.-L. SINNIGER confirmed the comment made by Mr M. BRUNING regarding the slow start of the year. He added there was less liquidity in the market than one year ago.

Mr D. GEPP highlighted that the build up to the end of the year was precarious for Money Markets, especially in sterling. He explained that the market was anticipating and trading at something around 5%. The sterling interest rate improved between -60 and -70 bps over the end of the year. However, Mr D. GEPP explained that the expectation of higher interest rates caused a lot of money markets funds to keep their maturities a lot shorter than they were normally. He added that the wording suggesting that movements would be quicker from the Central Bank authorities including the ECB, the Fed and the Bank of England caused a lot of anticipation in the market. As a result, it prevented Money Markets funds from investing at this time of the year.

Mr G. MARIN also highlighted that the start of the year was in continuation with 2021 as there was a low appetite for new funds. However, in his opinion, the market activity will accelerate during the year. He also explained that the change of mindset of the ECB about the policy rates put a lot of questions on the table. However, he expected that the situation will stabilize during the year. Following a question by Mr J. FELDKAMP, Mr G. MARIN explained that it was difficult to have a clear timeline on when the situation would be expected to stabilize. He added that it will be due to several factors such as the inflation and the geopolitical context.

Mr P. SIMEON explained that the end of year was critical in terms of activity. In fact, counterparties were reluctant to issue. In addition, the in and outflows from customers were difficult to predict or low. The situation was exacerbated by the strong rise in electricity and gas prices during the last weeks of December. Mr P. SIMEON added that the positioning of the funds was cautious at the moment. He remarked that there were a lot of uncertainties preventing investors to engage further

in the market. He concluded by noticing that the market was waiting for the ECB March meeting to see what the magnitude of the change in terms of monetary policy by the ECB will be.

Mr J.-L. SINNIGER highlighted that ESG will continue to be a big theme in the short-term market this year. He explained that ICMA has just started a task force on sustainability commercial papers. He also confirmed that issuers are exploring the topic.

Mr R. CALVIN GARCIA confirmed that he observed flows lower and shorter than expected. He added that investors were waiting for the rates to climb at some point during the year. As a consequence, several issuer projects were on hold.

Mr H. ENDRES asked whether it would be possible to have a view on the percentage of CPs in the ESG market. Ms P. DE DEYNE answered that it was difficult to give a good estimation at this moment. She explained that there were approximately 16, 17 ESG CP issues, some of which are STEP labelled. Compared to bonds, it means that the ESG CP market was still in its infancy. Ms P. DE DEYNE highlighted that even if there was an interest in ESG, the current situation was not conducive for new ESG issues. In fact, there was not a huge need for short-term funding, especially on the banking side. In addition, there was an uncertainty about rates. A large majority of ESG issuers also opted for long-term funding. Ms P. DE DEYNE highlighted that the ESG taxonomy was still quite unclear. She added that issuers were still unsure if they would issue ESG and non-ESG notes under the same programme or whether they would set up two different programmes. Finally, the short-term issuance was not always fit for green purposes. Mr J.L. SINNIGER added that the lack of transparency was continued to be problematic. Indeed, there was no platform that kept track of the ESG issuance. He also mentioned that the best approach seemed to set up two different programmes with two information memoranda. This was the only way for clearing systems to distinguish between the various notes.

Mr F. HEBEISEN mentioned that there had been no impact so far on the money markets business regarding the end of exceptional measures. They believed that the bond market will be more impacted than money markets.

#### 4. REPORTS ON THE INTERNAL AUDIT AND THE RISK ASSESSMENT ON STEP ADMINISTRATION

Mr T. DUFRENNE gave a presentation on the reports on the internal audit and the risk assessment that was conducted in 2021 on STEP administration.

Mr T. DUFRENNE started by the risk assessment. He explained that the report showed the situation at the end of August 2021. The scope of the risk assessment was the governance of the STEP labelling processes.

## 5. STEP CONFERENCE

Mr G. MARIN updated the STEP Market Committee members on the conference that was held on November 25<sup>th</sup>, 2021. He also mentioned that Mr G. DELLE FAVE will give a presentation on the STEP initiative during the Assiom Forex annual congress that will be held on 11<sup>th</sup> and 12<sup>th</sup> February 2022.

Mr G. MARIN explained that the November event was successful. He also noted that the current context was creating opportunities, especially for the banking side. The interest in short term markets peaked in the last weeks. *Programma di Cambiali Finanziarie* are a local instrument, but they could be a bridge to overseas investment and European integration.

Ms P. DE DEYNE continued by showcasing the numbers of the STEP conference: there were 80 attendees and 90% stayed until the end of the event. She also thanked Mr G. MARIN for his support regarding this event.

## 6. ANY OTHER BUSINESS

Mr J. FELDKAMP thanked the participants in the call and closed the meeting.

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List of participants

Members

Mr	Philippe BILLOT	Pictet Gestion
Mr	Marnix BRUNING	ING Bank
Mr	Richard CORDERO	EACT
Mr	Dennis GEPP	Federated Hermes
Mr	Franck HEBEISEN	Independent Expert
Mr	Harald ENDRES	DKB
Mr	Gianfranco MARIN	Intesa Sanpaolo
Mr	Patrick SIMEON	Amundi
Mr	Jean-Luc SINNIGER	Citi

Observers

Mr	Alain PREDOUR	Banque de France
Mrs	Corrine LETRAY	Banque de France
Ms	Anne VAN DER GRAAF	ECB
Mr	Rodrigo CALVIN GARCIA	Santander

STEP Secretariat

Ms	Petra DE DEYNE	STEP Secretariat
Mr	Giuseppe DELLE FAVE	STEP Secretariat
Mr	Jakobus FELDKAMP	STEP Secretariat
Mr	Antonio GUZZARDI	STEP Secretariat
Ms	Amandine MAES	STEP Secretariat
Ms	Pauline RONVAUX	STEP Secretariat

Apologies

Mr	Carlos MUNIZ MORELL	Santander
Mr	Jean-Louis SCHIRMANN	The European Money Markets Institute
Mr	Tim O'CONNELL	EIB