

40th STEP MARKET COMMITTEE MEETING - 14 March 2024, 14:30 – 17:30 CET -

OPENING AND WELCOME

Ms P. DE DEYNE opened the meeting by thanking the participants for their availabilities.

1. SECRETARIAT REPORT ON STEP LABELLING OPERATION

Ms A. MAES gave a presentation on the evolution of the number of STEP labelled programmes.

Since the beginning of the year, 2 new programmes were STEP labelled and 6 STEP labels were withdrawn. Ms A. MAES noted that the number of withdrawals was a bit higher compared to previous years. However, she explained that the reasons for withdrawal were most of the time linked to a change in the funding strategy. The STEP Secretariat kept on receiving annual/exceptional updates (several per week).

She highlighted that the total number of STEP labelled programmes was 219. She noted that the revised Declaration of adherence and the fee increase did not have a negative effect on the number of STEP labelled programmes.

Ms A. MAES also commented that there were 12 programmes beyond the three years and three months limit established for updates. The STEP Secretariat sent reminders and was following up with the issuers.

There was 1 open request for which the STEP Secretariat was in discussion with the issuer.

2. REPORT ON STEP STATISTICS

Mr M. BELLU gave a presentation on STEP statistics.

He began by showcasing the total outstanding amounts for the “total economy” (all maturities, all sectors, all ratings, all currencies together). He noted that the level of outstanding amounts had been growing constantly from mid-2022. He added that the outstanding amounts had reached their highest level since the creation of the STEP initiative. He also explained that the average level of outstanding amounts this year was almost 70 bn higher than the average level of outstanding amount last year at the same period.

Mr M. BELLU continued his presentation by looking at the daily outstanding amounts. He noted that the level of daily outstanding amounts grew by 33%.

Mr M. BELLU then looked at the yield developments. The presentation focused on the difference between the shortest maturities (0-7 days) and the longest ones (275-366 days). Mr M. BELLU started by looking at the shortest maturities. He noted that since the last decision by the ECB to increase the key rates, the level of STEP yields had been stable. Regarding the longest maturities, Mr M. BELLU explained that the average had been going down since December as the market expected that the rates would go down.

Mr M. BELLU then provided a breakdown of the STEP outstanding amounts per sector of the issuer. He explained that the Monetary and Financial Institutions (MFI) sector remained the most important one even it had lost 1% of the shares.

Mr M. BELLU finished his presentation by focusing on currency of denomination. He noted that the level in outstanding amounts of EUR had gained 2% since the last STEP Market Committee meeting. On the other hand, the British pound had lost 1.7%.

3. UPDATE ON CSDB, POTENTIAL IMPROVEMENTS IN THE PUBLISHED STEP STATISTICS AND ISSUE WITH THE XML

Mr J. MICHERLER updated the STEP Market Committee members on where they stood with migrating and integrating the STEP statistics into the CSDB database.

Mr G. ROBLA VICARIO gave a presentation on some potential changes in the publication of STEP statistics.

Ms A. MAES informed the STEP Market Committee members that there was an issue with the XML that the STEP Secretariat sends to the ECB to report static data. She confirmed that the issue is now solved.

4. VIEWS ON THE MARKETS

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

Mr G. CAVARERO explained that they were looking if the New Operational Framework would have an impact on the market. He also commented that the issuance of short-term paper seemed less

important than longer term funding tools. He explained that issuers had to be cautious as liquidity was and would be drained and therefore were looking at other sources of funding. He added that rates were expected to go down. This could lead to investors to change their behaviour.

Mr D. GEPP noted that the market was sufficiently robust.

Mr M. GRAZIUSO confirmed that the focus was on the New Operational Framework. He also added that the issuance of short-term instruments was, by definition, linked to the geopolitical context, elections. In this sense, as elections would be organized worldwide this year, this added volatility in terms of rates and size. In terms of currency, he confirmed that the Euro was the biggest share.

Mr R. CALVIN GARCIA confirmed that there was an increasing interest in Euros. He also added that there was more activity for 6-12 months maturities.

Mr P. BILLOT explained that, despite the outlook of lower yields, investors remained confident in the asset class. He also noted that credit spreads were very tight.

Mr G. MARIN confirmed that the market was stable. He observed that issuers remained data dependent. He also noted that Central Banks would probably adopt a cautious approach given the geopolitical context. He also added that the levels of liquidity were good but should decrease gradually.

Mr J.-L. SINNIGER noted that, in the United States, Money Market Funds had broken a record in terms of outstandings. He commented that the FSB published a report on the state of money market reforms in many jurisdictions.

Mr F. HEBEISEN observed that it seemed that there was less pressure on the unsecured market.

5. TASK FORCE ON TRANSPARENCY

Ms P. RONVAUX followed-up on the Task Force that was set up to discuss transparency. She explained that the STEP Secretariat drafted a letter to be addressed to supervisors. The STEP Market Committee members provided their comments.

Mr B. USCIATI commented that the FSB would shortly release a report on short-term funding market.

6. FOLLOW UP ON CMD's ARTICLE

Ms P. DE DEYNE followed up on an article that was published by CMD: *Rentback pushed ECB's STEP Commercial Paper to 48% of the European Money Market*. She explained that the article highlighted the discrepancies between the actual outstanding amounts and the outstanding amounts reported by the ECB on STEP statistics.

She also noted that the article questioned the use of STEP for NEU CP. Mr J.-L. SINNIGER commented that during the pandemic, NEU CPs were directly refinanced where ECPs were only refinanced at the extend they had a STEP label.

Finally, Ms P. DE DEYNE noted that the article addressed the fragmentation in the European CP Market. She explained that it was important to make sure that the benefits of STEP in terms of transparency and standardization are highlighted.

7. STEP LOGO

Ms P. RONVAUX explained that the STEP logo was not registered at the moment. She explained that the branding identity of STEP will be reviewed this year. In this sense, if there were a change in the logo, the STEP Secretariat will take the necessary action to properly register it.

8. ANY OTHER BUSINESS

Ms P. DE DEYNE informed the members on future developments.

She started by reminding the STEP Committee members that Euribor ACI transferred all its rights and obligations under the STEP Market Convention to its parent association ACI FMA. Moreover, she added that the STEP market Convention was reviewed as well as the fee structure.

Ms P. DE DEYNE explained that this year the goal would be to increase the share of STEP in the CP market. In that sense, the objective was to engage more proactively with key stakeholders and to enhance the quality of the transparency offered. She added that the governance of STEP would also be reinforced. Finally, she explained that the website and the database would be reviewed this year. Moreover, Ms P. DE DEYNE said that the communication on STEP would be strengthened.

9. ANY OTHER BUSINESS

Mr J.-L. SCHIRMANN informed that the 2024 STEP Market Committee meetings will be organized on 25 June 2024 (physical meeting) and 26 November 2024 (call).

Mr J.-L. SCHIRMANN thanked the participants and closed the meeting.

List of participants

Chairman

Mr Jean-Louis Schirmann The European Money Markets Institute

Members

Mr	Philippe BILLOT	Pictet Gestion
Mr	Rodrigo CALVIN GARCIA	BANCO SANTANDER
Mr	Giorgio CAVARERO	Mediobanca SPA
Mr	Dennis GEPP	Federated Hermes LLP
Mr	Marcello GRAZIUSO	European Investment Bank
Mr	Franck HEBEISEN	ACI-FMA
Mr	Gianfranco MARIN	Intesa Sanpaolo
Mr	Jean-Luc SINNIGER	Independent Expert

Observers

Mr	Mirko BELLU	ECB
Mr	Johannes MICHELER	ECB
Mr	Guillermo ROBLA VICARIO	ECB
Ms	Alice Algot-Same	Banque de France
Mr	Benoit USCIATI	Banque de France

STEP Secretariat

Ms	Petra DE DEYNE	The European Money Markets Institute
Mr	Giuseppe DELLE FAVE	STEP Secretariat
Ms	Amandine MAES	STEP Secretariat
Ms	Pauline RONVAUX	STEP Secretariat

Apologies

Mr	Marnix BRUNING	ING Bank NV
Mr	Harald ENDRES	DKB
Mr	Patrick SIMÉON	Amundi Investment