

41st STEP MARKET COMMITTEE MEETING -25 June 2024, 14:00 – 17:30 CET -

OPENING AND WELCOME

Mr J.-L. SCHIRMANN 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, 3 new programmes were STEP labelled. Since the last STEP Market Committee meeting (14 March 2024), 1 STEP label was granted. Since the beginning of the year, 6 STEP labels were withdrawn. The STEP Secretariat kept on receiving annual/exceptional updates (several per week).

She highlighted that the total number of STEP labelled programmes was 220.

Ms A. MAES also commented that there were 9 programmes beyond the three years and three months limit established for updates. The STEP Secretariat sent reminders and was following up with the issuers. Among the list of outdated programmes, 3 programmes seemed to be inactive.

There was no 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, in March and April 2024, the level of outstanding amounts had reached their highest level since the creation of the STEP initiative. He added that the current level of outstanding amounts was back to the level of February 2024.

Mr M. BELLU continued his presentation by looking at 1-year developments. He highlighted that the STEP outstanding amounts had gained 11% since last year. He added that, since the beginning of the year, the daily gross issues averages were around €11.7 bn.

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. He noted that the presentation was not reflecting the rates cut decided by the ECB. Regarding the longest maturities, Mr M. BELLU explained that the average was around 3.7%, reflecting the expectations of lower rates in 2024.

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 lost 2% of the shares of the market. On the other hand, the General Government sector gained almost 2% in the shares of the market. The Other Financial Institution sector gained half a point.

Mr M. BELLU focused on the currency of denomination. He noted that the Euro denominated amounts gained half a point. The British pound gained 0.8%. on the other hand, the U.S dollar lost over 1% of the shares.

Mr M. BELLU finished his presentation by explaining that the ECB followed up on an article published by CMD that highlighted a potential underreporting of the statistics published by the ECB. He confirmed that the data received by the SSS matched other sources. He also explained that they contacted CMD. He also explained that what CMD claimed to be underreporting was linked to the fact that STEP does not cover the full securities market. in this sense, CMD was including in their figures instruments that were not in the scope of STEP.

Following a question by Mr H. ENDRES, Mr M. BELLU commented that the ECB will check for the next meeting whether it had been any change in the allocation of amounts in maturities.

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.

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 P. BILLOT noted that the trends were positive from the money markets funds perspective. He explained that the rates cut cycle had started. He added that short-term rates should stay a little be higher than it was expected 6 months ago. He commented that this situation was good for the short-term market. He also noted that outstanding amounts had grown significantly since the trend for the yields was positive again. This situation will support new issuances and a bigger interest from investors. However, Mr P. BILLOT commented that investors started to reallocate their cash to other asset classes. He highlighted that the market was dynamic in regards of issuances. However, he added that, in France, state related issuers could have more difficulties to access the market due to the current political context.

Mr H. ENDRES commented that the current level of liquidity in the market was good. He noted that there was not a lot of activity on the corporate side. He explained that some corporate issuers that joined the CP market during the COVID crisis were back to more usual money markets instruments like cash deposit. In this sense, it was possible that some corporate issuers could withdraw their STEP label in the near future. Mr H. ENDRES also confirmed that there was still a big interest in ESG.

Mr G. MARIN confirmed the comment made by Mr H. ENDRES in regards of the level of liquidity in the market. He noted that there was a decrease in the ECP denominated in U.S dollar. He also commented that the market would probably adopt a cautious approach given the geopolitical context and the coming elections.

Mr G. CAVARERO explained that there could be more volatility going forward due to the current geopolitical context. He highlighted that for small issuers there was a need to issue on a longer-term basis. On the other hand, he noted that investors were more interested in 3- or 6-months maturities as it could be easier to reprice in case something happened.

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 M. GRAZIUSO confirmed that the level of liquidity was good for issuances in U.S dollar for 4- or 5-months tenors. He also commented that the geopolitical context would influence the market.

Mr J.-L. SINNIGER confirmed the comments made.

Mr P. SIMEON explained that investors suffered from redemption. He added that the repricing of treasury bills had started.

Mr F. HEBEISEN observed that the downgrade of France's ratings by S&P had been anticipated. He added that the banking sector was considered to be partially protected by the European mechanism. He also noted that the question of whether French elections would be an occasion for the ECB to use the TPI facility was raised. Mr F. HEBEISEN also highlighted that instant payments were becoming a hot topic for treasurers. He added that the fact that Regulators were trying to enlarge the schedule of trading and to shorten the transaction time would have an effect on the banking sector and possibly on commercial papers.

Mr D. GEPP noted that there was no major short-term change in the market expected due to the UK elections.

Mr R. CALVIN GARCIA confirmed the comments made. He added that there was more demand in Euros in the 6-months area.

5. FOLLOW UP ON THE LETTER ON TRANSPARENCY IN THE CP MARKET

Ms P. DE DEYNE reminded that the STEP Secretariat sent a letter to the EU Commission and the FSB.

Ms P. DE DEYNE noted that the EU Commission had responded to the letter and that a call was organized with DG FISMA. She explained that the EU Commission was also interested in the functioning of the CP market in general.

Mr F. HEBEISEN highlighted that there was a need for regulators to understand how the CP market was working.

Ms P. DE DEYNE asked the STEP Market Committee members to share their view on the importance of issuance and trading platforms. Mr M. GRAZIUSO commented that some platforms offer good functionalities. Mr G. MARIN explained that platforms could be useful in case of secondary market activities. However, he noted that issuers relied more on direct relationships with investors. Mr G. CAVARERO confirmed the comments made by Mr G. MARIN. Platforms were not fit for the type of market and the type of financial instruments such as CP. Mr P. SIMEON highlighted that the added value of platforms for an OTC market would be to have embedded CSD based on blockchain. He however explained that it was currently very difficult to bypass official CSDs.

6. FSB REPORT

Ms P. DE DEYNE followed up on the FSB report, Enhancing the Functioning and Resilience of Commercial Paper and Negotiable Certificates of Deposit Markets, published in May 2024.

She gave a summary of the report. She explained that the report highlighted the vulnerabilities of the market: the absence of active secondary market, the possible illiquidity in times of stress, the concentration of market players and the lack of public data. Ms P. DE DEYNE also explained that the report focused on potential reforms: regulatory reporting, publicly available data bases, market microstructure adjustments (standardization of documents, digitalization), private repo markets. The report also encouraged that reforms should be led by industry and national authorities together.

Ms P. DE DEYNE invited the STEP Market Committee members to share their views on the FSB report. Mr M. GRAZIUSO noted that STEP could play a role when it comes to standardisation of documentation and market information. Mr G. CAVARERO stressed that transparency had a cost. He also noted that it was important to find a balance between considering times of stress as a standard and business as usual. Mr J.-L. SINNIGER commented that in a normal commercial paper market situation there was a fair decent amount of liquidity provided by dealers. Mr P. BILLOT added that in the commercial paper market with short-dated maturities, liquidity was less a pre-requisite. He also highlighted that current banking regulations were not helping banks to hold short-term assets. He stressed standards as STEP could be useful as the commercial paper market was not present in all countries.

7. ANY OTHER BUSINESS

Mr J.-L. SCHIRMANN informed that the next STEP Market Committee meetings will be organized on 26 November 2024 (call).

Ms A. MAES explained that the STEP Market Committee members' mandates ran until 31 December 2024. Therefore, the process to renew mandates would start in the coming weeks.

Ms A. MAES explained that there was a typo in the STEP Market Convention regarding the approval of STEP Market Committee members. To correct the typo, a formal email will be sent in the coming weeks so that the STEP market Committee members could approve the change.

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	<i>By call</i>	Banco Santander
Mr Giorgio CAVARERO		Mediobanca SPA
Mr Harald ENDRES		DKB
Mr Dennis GEPP	<i>By call</i>	Federated Hermes LLP
Mr Marcello GRAZIUSO		European Investment Bank
Mr Franck HEBEISEN	<i>By call</i>	ACI-FMA
Mr Gianfranco MARIN		Intesa Sanpaolo
Mr Patrick SIMÉON	<i>By call</i>	Amundi Investment
Mr Jean-Luc SINNIGER		Independent

Observers

Mr Mirko BELLU		ECB
Mr Johannes MICHELER		ECB
Mr Guillermo ROBLA VICARIO		ECB
Mr Benoit USCIATI		Banque de France

STEP Secretariat

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

Apologies

Mr Marnix BRUNING		ING
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