

10TH MEETING OF THE STEP MARKET COMMITTEE
- Brussels, 15 December 2009, 10.30 a.m. CET -

MINUTES

1. OPENING AND WELCOME

Mr R. PRIESTER welcomed the participants and presented the apologies of Mr G. RAVOET and Mr T. O'CONNEL, who were unable to join the meeting. A list of participants is attached (enclosure 1).

It was agreed that, in the absence of Mr G. RAVOET, Mr R. PRIESTER would Chair the meeting.

2. APPROVAL OF THE MINUTES OF THE PREVIOUS MEETING

The minutes of the previous meeting were approved, subject to the amendments requested by Market Committee members to items 4 and 6. In the list of participants, Mr O. BRISSAUD was to be mentioned as an observer.

3. MATTERS ARISING FROM THE PREVIOUS MEETING

• *Scope of the Legal Review of the STEP Market Convention*

It was agreed that the legal review of the STEP Market Convention would cover the legal soundness of the Convention in the jurisdiction of the Secretariat (BE) and the major jurisdictions under which STEP labelled programmes were presently issued (FR, UK, ES, NL, DE, FI). Should programmes be issued under other jurisdictions in the future, an additional legal review for that jurisdiction would be conducted. It was added that the legal review would cover the law governing the programme (as opposed to the law of the country of establishment of the issuer).

Mr M. STUBBE remarked that the stepwise approach to the legal review was a good step forward.

4. FINAL APPROVAL OF THE STEP MARKET CONVENTION

The revised STEP Market Convention was approved, subject to the following amendments/additions:

1. The term *Global Programmes* should be replaced by “multi-jurisdiction programmes” and the following sentence should be added to article 1.9: “Per market practice, Global Programme terminology will be used for multi-jurisdictional programmes, including notes issued under US law”, thereby clarifying a misconception that “Global” meant access to the US market. The Information Memorandum and the templates should be amended accordingly.
2. On the front page of the Information Memorandum, in the section on the rating of the programme, the word “only” should be deleted. The mention of the rating and rating agencies should be optional.
3. In the second section of the Information Memorandum, the sentence “at the date of signing of the Information Memorandum” should be replaced by “at the effective date of the Information Memorandum”.

It was also clarified that a STEP label was granted to a programme for an indefinite period. (It was understood that incomplete or missing updates can impair a programme).

The revised templates were also approved by the STEP Market Committee, subject to the inclusion of the above-mentioned comments.

Additionally, it was agreed that the composition of the STEP information package should be clearly mentioned on the website. The Secretariat was requested to circulate a proposed wording to the Market Committee members for review.

5. BUSINESS PLAN

The STEP Market Committee members discussed the revised Business Plan.

Executive Summary:

In the Executive Summary, fifth paragraph, it was agreed that the wording “[...] should have an issue registered in the European Union” should be replaced by “should have Notes governed by the laws of an EU Member State”.

Additionally, the wording “commercial paper” should be replaced by “short-term paper”, which was considered more generic.

Administration and Management:

Mr M. STUBBE remarked that the advisory role of the STEP Market Committee should be more explicit.

Mr F. HEBEISEN commented that, in practice, there should be no difference in hierarchy between the two staff people screening the STEP labelling decisions in application of the “four-eyes” principle. Mr R. PRIESTER explained that this was not the intention of the Secretariat, which aimed to achieve an interchangeability and substitutability in the screening validations. It was also highlighted that the STEP Market Committee should not be involved in the “four-eyes” principle but would have an advisory role.

Mrs M-S. BRUNET-JAILLY underlined that, with the new Business Plan prepared in order to present plans of continuing the STEP labeling process independently from the European System of Central Banks (ESCB) as from 1 July 2010, and provided that the Banque de France will remain in charge of screening Information Memorandum according to the requirements of the French regulation, a new form of cooperation should be found in the future.

Sales Plan and Service Forecast:

On the section “Sales Plan and Service forecast”, Mr F. HEBEISEN remarked that it was premature to market the STEP label. Separately, he suggested that even though the higher investment came from the EBF, remuneration to Euribor ACI should be envisaged.

Regarding the market development, Mr R. PRIESTER reminded the STEP Market Committee members of their wish to broaden the support to the STEP project. He also acknowledged Mr F. HEBEISEN’s suggestion to envisage profit-sharing with Euribor ACI.

Market Committee members agreed that the term “Sales Plan” should be replaced by “Development Plan”.

Mr K. SCHÖNINGH reminded the participants that there was an intention to extend the collaboration on the STEP project to other associations. Mr P. BILLOT suggested including IMMFA¹.

2010 Budget:

The proposed fees were considered adequate by Market Committee members. It was however recommended to prepare an argumentation in case of reactions from issuers of small programmes. The price scheme, to be launched at a date to be determined (e.g. July 2010), should be communicated to the issuers in due course and well in advance.

Additionally, the budget for legal costs was considered too tight for the first year with the legal review of the STEP Market Convention, though acceptable on an ongoing basis. Mr R. PRIESTER explained that, as the income forecasted was in excess of the anticipated other expenditures, there would be a margin for extra legal costs. C. WITHERS suggested requesting two price estimates to the legal firm that will perform the review of the Convention: one for an opinion, and one for a review.

Mr C. WITHERS commented that, over the last year, the majority of the applications for a STEP label was due to the extension of the ECB collateral eligibility. Mr F. HEBEISEN remarked that those applications for a STEP label were not only due to the ECB collateral eligibility but also to a market trend. However, he agreed that the STEP

¹ Institutional Money Market Funds Association.

label would be less influential without the ECB temporary collateral measures and that a forecast of 20 new programmes per year was probably an optimistic figure. Mr M. STUBBE reminded participants that the STEP project started before the crisis, in secure money market conditions, and that the future would not be as negative as anticipated.

STEP Market Committee members added that the arrangers and dealers (in particular ECP dealers) should promote STEP as an added value.

STEP Market Committee members agreed that the 2010 budget was appropriate, but should be reviewed after a one-year period. Mr R. PRIESTER explained that any surplus would be transferred to a reserve for future expenses. Mr M. STUBBE requested that it be mentioned that the 2010 budget was on a “best estimate” basis.

Mr M. STUBBE informed the STEP Market Committee members and Secretariat of the positive reaction of the ECB regarding the amendments to the Business Plan.

Mr R. PRIESTER concluded that the STEP Market Committee was in agreement with the Business Plan, subject to the inclusion of the above-mentioned comments.

6. STEP SECRETARIAT REPORT ON THE LABELLING PROCESS

Mr R. PRIESTER presented the Secretariat’s report on the labelling process.

Since the last meeting of the Committee (15 July 2009), the STEP Secretariat had granted 23 new labels (including 11 ECP programmes, 7 French CD programmes and 5 CP programmes). A number of annual updates of existing Labelled programmes were being processed.

5 programmes had been withdrawn upon request of the issuer:

- Banque Fédérale des Banques Populaires Certificates of deposit (merger with CNCE);
- Britannia Building Society French Certificates of deposit (no market activity);
- Caisse Nationale des Caisses d’Epargne et de Prévoyance CNCE Certificates of deposit (merger with Banques Populaires) ;
- Intesa Bank Ireland plc Euro Commercial Paper Programme (replaced by a programme of Intesa London); and
- Whirlpool Corporation French Billets de Tresorerie (no market activity).

As of 9 December 2009, the total number of active STEP labels amounted to 148. Two new programmes were in the pipeline (drafts to be reviewed).

7. REPORT FROM ECB ON STATISTICS

Mr R. PRIESTER gave the floor to Mr B. FISCHER who presented a report on STEP statistics. Mr B. FISCHER’s presentation is hereby attached (enclosure 2).

He reported that, notwithstanding distressed market conditions, outstanding amounts of STEP debt securities increased by around 16% in 2009 Q3 on an annual basis. Throughout the year, the outstanding amounts were hovering at high levels, moderating somewhat towards the end. The increase was partly fuelled by the decision of the Governing Council of the ECB in October 2008 to expand the list of eligible assets as collateral in Eurosystem credit operations, including STEP labelled paper issued by banks.

Regarding the developments in STEP debt securities relative to a benchmark, the sizeable reduction in outstanding amounts of the broad aggregate between September 2008 and September 2009 was not mirrored in STEP debt securities. Whereupon, STEP debt securities increased further their share in the broad aggregate.

Concerning the issuing sector, most of the outstanding amounts of STEP securities had been issued by Monetary Financial Institutions (MFIs), but a sizeable amount could be observed for general government and non-financial corporations. Most STEP labelled securities were CDs, followed by ECPs and CPs.

Mr B. FISCHER also reported, that from July to early December 2009, STEP yields developed in line with the EURIBOR benchmark.

Based on collaborative efforts mainly from data providers, the STEP Market Secretariat, and the ECB, considerable improvements on the coverage of the STEP statistics were achieved after the 9th STEP Market Committee Meeting held in July. Initially, for the daily yield statistics, data from four additional data providers besides the *Banque de France*, had been integrated ('Clearstream Frankfurt', 'Clearstream Luxembourg', 'Euroclear Bank Belgium' and 'National Bank of Belgium'). Following the acceptance of 'Euroclear Netherlands' as eligible security settlement system at the 9th STEP Market Committee Meeting, concrete steps towards an integration into the daily reporting of 'Euroclear Netherlands' and 'Euroclear France' had started.

The biggest step ahead was achieved at the end of November 2009, as a result of which the level of detail and the visibility and user-friendliness of STEP statistics increased considerably. The STEP webpage had been re-designed to reflect the increased level of detail. In addition, the web-page contained a link to the Statistical Data Warehouse, which provided online access to a vast quantity of statistical data and metadata available at the ECB.

Mr B. FISCHER confirmed that yields should not be published by individual programmes.

To conclude, he reported that the next steps to improve STEP statistics were as follows:

- Integration of two additional data providers (Euroclear France and Euroclear Netherlands) in daily reporting.
- Stricter provision of information on prices and yields to security settlement systems.
- Stricter quality control for sectoral assignment and statistics.
- Working towards the publication of outstanding amounts by individual programmes.

- Following the final approval of the revised STEP Market Convention, preparation of new contracts with data providers, in order to allow STEP statistics to be used for monetary policy and financial stability purposes, for which an increased demand can be observed.

It was agreed that a direct link to the ECB webpage on STEP statistics should be available on the Step Market website.

8. ANY OTHER BUSINESS

Following a request from the STEP Secretariat, STEP Market Committee members agreed to extend the timeframe for acknowledging receipt of label applications to 3 business days, which would raise the labelling cycle to a minimum of 12 business days from the date of the acknowledgement.

9. DATE AND PLACE OF NEXT MEETING

It was agreed that the next meeting should take place sometime late February, early March 2010. The STEP Secretariat was requested to suggest a few dates to STEP Market Committee members.

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**10TH MEETING OF THE STEP MARKET COMMITTEE
- Brussels, 15 December 2009 -**

List of participants

Members:

Ms	Claudia BENCI	Banca Monte dei Paschi (<i>via conference call</i>)
Mr	Philippe BILLOT	Pictet Gestion
Mr	Marnix BRUNING	ING Bank
Mr	Franck HEBEISEN	Société Générale
Mr	Michael SCHNEIDER	DZ Bank (<i>via conference call</i>)
Mr	Koenraad SCHÖNINGH	Volkswagen Group
Mr	Colin WITHERS	Standard Bank (<i>via conference call</i>)

Non-voting Members:

Mr	Björn FISCHER	European Central Bank
Mr	Michel STUBBE	European Central Bank

STEP Secretariat:

Ms	Gaëlle MARQUES	European Banking Federation
Mr	Robert PRIESTER	European Banking Federation

Observers:

Ms	Marie-Sybille BRUNET-JAILLY	Banque de France
Mr	Alain PRÉDOUR	Banque de France
Mr	Jimmy STEENHOUT	National Bank of Belgium

Apologies:

Mr	Francesco GALIANA	Banco Santander Central Hispano
Mr	Guido RAVOET	European Banking Federation
Mr	Timothy O'CONNEL	European Investment Bank

STEP statistics

Recent developments and Next steps

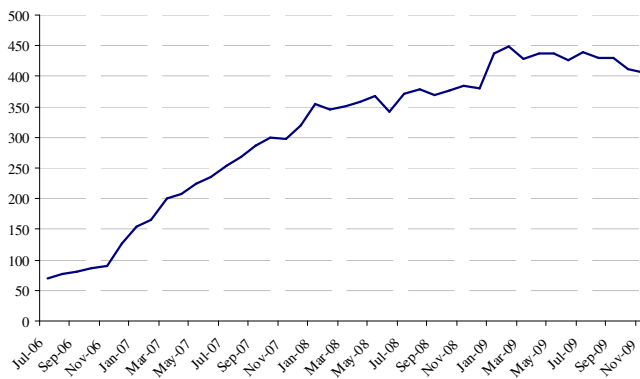
Björn Fischer

ECB, Division Monetary and Financial Statistics

10th Meeting of the STEP Market Committee
Brussels, 15 December 2009

Developments in STEP statistics – absolute size

Outstanding amount in € billion

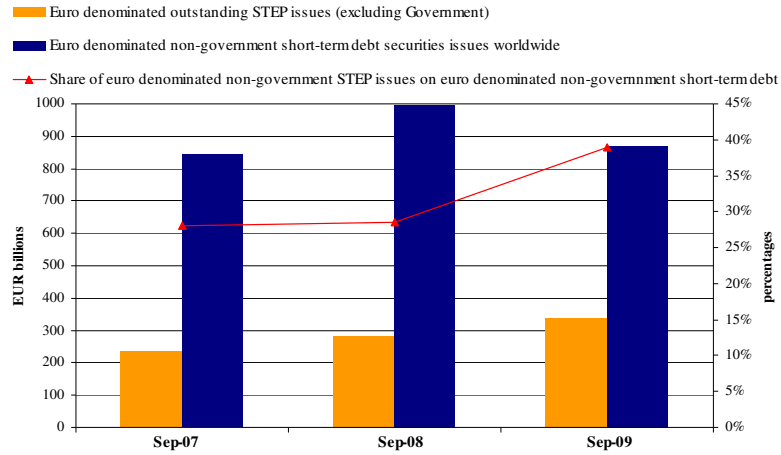


Source: ECB

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Developments in STEP statistics – relative size

Outstanding amount in € billion

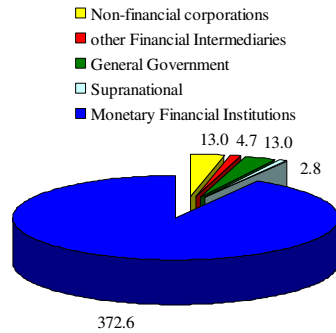


Source: ECB

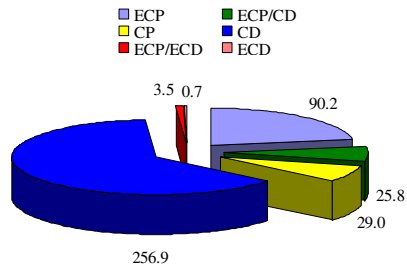
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Developments in STEP statistics – structure of the market

Outstanding amount by type of issuer (end-November 2009, € billion)



Outstanding amount by type of programme (end-November, € billion)

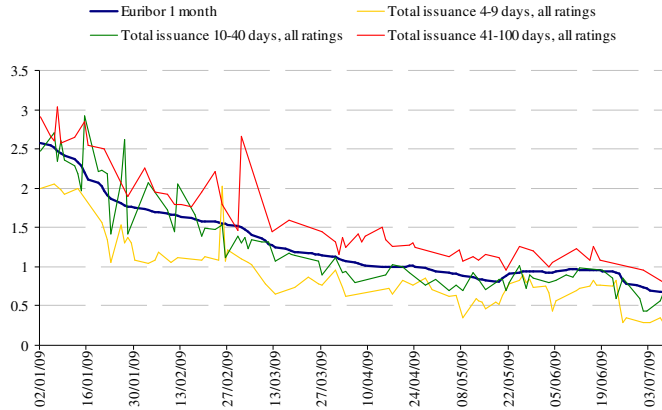


Source: ECB

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Developments in STEP statistics - yields

STEP yields and Euribor



Source: ECB

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Developments in STEP statistics – publication of data

- **Integration of four additional data providers in daily production process finalised. *THANK YOU!***
Banque de France, Clearstream Frankfurt, Clearstream Luxembourg, Euroclear Bank (Belgium), National Bank of Belgium
- **Integration of two additional data providers in daily production under preparation.**
Euroclear France, Euroclear Netherlands

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Developments in STEP statistics – publication of data

- **Dissemination of daily data on a weekly basis (Monday, 02.00 p.m.) via web page and Statistical Data Warehouse**
 - **Amounts outstanding broken down by sector of the issuer, maturity, rating category and currency. (NEW)**
 - **New issuances broken down by sector of the issuer, maturity and rating category. (NEW)**
 - **Spreads between the EONIA and the yields on new issues of euro-denominated STEP securities, broken down by sector of the issuer, maturity and rating category. (NEW)**
- ➔ **Higher level of detail and increased visibility and user-friendliness of STEP statistics**

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Developments in STEP statistics - webpage

The screenshot shows the European Central Bank's website for Short-Term European Paper (STEP) statistics. The main content area displays a table titled "Yields on new issues of euro-denominated STEP securities, broken down by sector of the issuer, original time to maturity and rating category for zero coupon instruments, on 4 Dec 2009 (percentages per annum)". The table is organized into three sections: "All ratings", "Rating 1", and "Rating 2". Each section contains a table with columns for "Original maturity (in calendar days)", "Total", "Government and international organisations", "Monetary financial institutions", "Non-financial corporations", "Other financial intermediaries", and "Insurance corporations and pension funds". The data points are mostly "ND" (Not Determined), with some numerical values for the "Total" column. The webpage also includes a navigation menu on the left and a "Published documents" section on the right.

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Developments in STEP statistics – Statistical Data Warehouse

The screenshot shows the 'Statistical Data Warehouse' interface. The main content area is titled 'Yields and spreads above benchmark rates'. It includes several filter options:

- Frequency:** Business
- Geographic Area:** All (World (all entities))
- Securities issuing sector (IS):** All (Total economy)
- Securities type (IS):** All (General government and International Institutions (Rest of the World), Insurance corporations and pension funds)
- Interest rate type (ISRA):** Zero coupon
- Maturity category (IS):** 4-9 days
- Securities data type (IS):** Issue Yield

 Below the filters, a 'Common Description' section provides details about the data series. A 'Selected Series (3)' table is also visible:

Title	Key	From	To
Highest credit ratings	STP.BA1.1000.C.XXXX.O.DB.R1.Y.EUR.A	02 Apr 2007	11 Dec 2009
High credit ratings	STP.BA1.1000.C.XXXX.O.DB.R2.Y.EUR.A	02 Apr 2007	11 Dec 2009
All ratings	STP.BA1.1000.C.XXXX.O.DB.RA.Y.EUR.A	02 Apr 2007	11 Dec 2009

Developments in STEP statistics – Statistical Data Warehouse

The screenshot shows the 'Data Table' and 'Data Chart' for the series 'World (all entities), Issuing sector: Total economy, Zero coupon rate - Unspecified floating rate'. The data table is as follows:

Period	Value	Obs. Status	Obs. Confidentiality
11 Dec 2009	0.3100	A	F
10 Dec 2009	0.3000	A	F
09 Dec 2009	0.3000	A	F
10 Dec 2009	-	Q	F
07 Dec 2009	-	Q	F
04 Dec 2009	0.3200	A	F
03 Dec 2009	0.3300	A	F
02 Dec 2009	0.2800	A	F
01 Dec 2009	-	Q	F
30 Nov 2009	-	Q	F
27 Nov 2009	0.2800	A	F
26 Nov 2009	0.2700	A	F
25 Nov 2009	-	Q	F
24 Nov 2009	0.3500	A	F
23 Nov 2009	-	Q	F
20 Nov 2009	0.3200	A	F
19 Nov 2009	0.3500	A	F

The 'Data Chart' shows a line graph of the percentage points per annum from May 2007 to Jan 2010. The series shows a peak around 4.5% in late 2007, followed by a sharp decline to approximately 0.5% by early 2009, with a slight recovery thereafter.

STEP statistics – next steps

- *Integration of two additional data providers (Euroclear France and Euroclear Netherlands) in daily reporting.*
- *Stricter provision of information on prices and yields to security settlement systems (in particular provision to Clearstream Luxembourg seems to be with some holes).*
- *Stricter quality control for sectoral assignment and statistics.*
- *Working towards the publication of outstanding amounts by individual programmes.*
- *Following the final approval of the revised STEP Market Convention, preparation of new contracts with data providers, in order to allow STEP statistics to be used for monetary policy and financial stability purposes, for which an increased demand can be observed.*