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D2281B-2011

22.12.2011

14th MEETING OF THE STEP MARKET COMMITTEE
- Brussels, 10 November 2011 -

Minutes

WELCOME

The Chairman, Mr G. RAVOET, welcomed the participants, in particular Mr P. DE PROFT, Director General of the European Fund and Asset Management Association (EFAMA) as guest speaker and Ms Yvonne LENOIR (EFAMA), as well as Ms S. CORVOISIER replacing Mr R. ECHEVERRIA (ECB) and Mr J. RULL, replacing Mr G. GALIANA (Banco Santander).

The list of participants is hereby attached (enclosure 1)

1. PRESENTATION OF EFAMA

Mr P. DE PROFT made a presentation of European Fund and Asset Management Association (EFAMA) and its main priorities, which was followed by an exchange of views with the Members, in particular on money market funds and ongoing regulatory issues.

Mr DE PROFT's presentation was very much welcomed by all participants. His presentation is hereby attached (enclosure 2).

2. MINUTES OF THE PREVIOUS MEETING

Mr M. STUBBE suggested adding that STEP programmes, issued by entities other than credit institutions, were ECB eligible under item 4 (page 2).

With the above-mentioned inclusion, the minutes of the previous meeting were unanimously approved. The revised minutes are hereby attached (enclosure 3).

3. SECRETARIAT REPORT ON STEP LABELLING

Ms G. MARQUES made a presentation on the STEP labels granted and withdrawn year-to-date.

Since the last meeting (May 2011), 6 new labels had been granted and 5 labels had been withdrawn. With an additional programme pending for approval, there were 167 active STEP labels.

Since January, 19 labels had been withdrawn at the request of the issuer. Ms G. MARQUES commented that a majority of those withdrawals were probably linked to the discontinuation of the ECB's collateral eligibility criteria for non-listed programmes issued by credit institutions as of January 2011.

13 new labels had been granted since January. Amongst those new labels, two from new Chinese institutions: Bank of China and Industrial and Commercial Bank of China. Ms G. MARQUES underlined that those results were positive, as they surpassed last year's forecast of one new label *per* month.

More generally, she commented that the narrowing of ECB's collateral eligibility criteria had a limited impact on the STEP market: there was only a difference of five programmes compared to the number of labels in November 2010 (172). She added that the Secretariat had been approached by several potential new issuers and that the new change in ECB's collateral eligibility criteria (non-listed STEP programmes issued by credit institutions being eligible again in January 2012) would most probably have a positive impact on the development of the STEP market. The Secretariat was expecting two to four new requests before the end of the year.

Finally, Ms G. MARQUES asked for Members' comments on the fact that some programmes were issuing both STEP-compliant and non STEP-compliant notes under the same programme (e.g. type A notes with a maturity less than one year, type B notes with a maturity over one year). The Members generally agreed that this was acceptable as long as the information memorandum made a clear distinction between STEP-compliant and non STEP-compliant notes. Changing this rule would probably have a negative impact on ECP programmes.

4. ECB REPORT ON STEP STATISTICS

Ms S. CORVOISIER made a presentation on recent developments and future developments of STEP statistics. Her presentation is hereby attached (enclosure 4).

The detailed STEP statistics published by the ECB on a weekly basis showed that the STEP market had proved its robustness following the discontinuation of the collateral eligibility measure for credit institutions at the end of 2010.

The total outstanding amounts of STEP-labelled programmes fell in the first semester of 2011, but have since risen sharply to reach €435.4 billion at the end of October 2011 stemming from 166 STEP-labelled programmes. This level almost corresponds to the highest level observed during the first three quarters of 2009. The relative positive development of STEP-labelled securities needs to be compared with an adequate benchmark for euro-denominated short-term debt securities in order to assess the developments in the STEP market in 2011. The ratio of STEP securities - denominated in euro and issued by non-government sectors - to euro-denominated issuance of debt securities by worldwide non-government, decreased in the second quarter of 2011. However, the strong increase in the outstanding amounts of STEP programmes for the third quarter can be seen as a further sign of the success of the initiative in supporting financial market integration.

The pattern regarding the residency of the STEP issuers had changed a lot over time. Indeed the French issuers counted for almost 80% at the start of the STEP market in 2006 and decreased to below 50% at the end of October 2011, whereas the share of the Dutch issuers increased strongly from 6% to 22% for the same period.

In order to investigate further whether the discontinuation of the temporary measure of the ECB had a negative impact on STEP-labelled programmes issued by credit institutions, the developments of those securities relative to the overall issuance of STEP securities were assessed until the end of October 2011 for outstanding amounts as well as for the number of programmes.

By the end of October 2011, 83% of the total outstanding amount of STEP securities was issued by MFIs and 12% by the general government sector. The MFIs' share has decreased since April 2011 back to the level it had in December 2010, while it was expected that the discontinuation of this exceptional measure at the end of 2010 might have a negative impact on securities issued by MFIs. The evolution of the share of the MFIs sector was mirrored by the evolution of the share of the general government sector. Indeed, the share of the issuance by the general government sector increased from 5.8% in April 2011 to 11.5% in October 2011. As a result, the distribution among the sectors is almost the same as that in December 2010, i.e. before the discontinuation of the ECB's temporary measure.

The distribution of the number of programmes reinforces the fact that the sectoral distribution did not differ significantly from the figures at the end of 2010. Indeed 19 STEP labels were withdrawn by 18 October 2011, of which 13 were MFIs, but this was almost offset by new STEP labels granted during this period. Out of twelve new STEP labels, eight programmes refer to MFIs. The withdrawal of STEP programmes issued by MFIs does not seem to have had a negative impact on the volume of the STEP market, especially for the MFIs.

Regarding the issuance currency since January 2010, the issuance of STEP securities denominated in USD declined continuously from €74.4 billion to €41.9 billion in October 2011. The euro-denominated STEP securities increased strongly from €299.1 billion in July 2011 to €370.3 billion in October 2011.

Owing to the market conditions the yields continuously increased from around 0.4% in January 2010 to 1.6% in October 2011. The yields of STEP total issuance with a maturity of10-40 days remain almost always below the Euribor 1-month. We can notice that the yields of STEP total issuance with a maturity of 41-100 days were close to the Euribor 2-month in 2010. At the beginning of 2011 the yields for that maturity bracket moved upwards and therefore were close to the Euribor 3-month.

The STEP statistics show that the development of the STEP market until the end of October 2011 supports the view that STEP securities have continued to develop robustly.

New developments in STEP statistics

One issue, currently restricting the dissemination of outstanding amounts *per* individual programme to a weekly frequency, concerns restrictions of two Security Settlement Systems (Euroclear France and Netherlands). A short-term solution has been put in place more than a year ago and the issue was already raised three years ago. This issue will hopefully be solved in spring 2012, daily transmission tests from relevant Security Settlement Systems (SSSs) to the ECB have already started. The Dutch State Treasury Agency programme, denominated in EUR, from Euroclear Netherlands, with an outstanding amount of around €25 billion at the end of October 2011, counts for around 50% of the General Government sector.

The other issue, which is a positive one, refers to the new decision of the ECB's Governing Council. Indeed, on 20 September 2011, the ECB's Governing Council approved a new version of "The implementation of monetary policy in the euro area – general documentation on Eurosystem monetary policy instruments and procedures"[1] and adopted Guideline ECB/2011/14 on monetary policy instruments and procedures of the Eurosystem. This means that STEP-labelled securities issued by credit institutions will be again eligible as collateral for the ECB's monetary policy operations as of 1 January 2012.

Mr C. QUÉMÉNER thanked the ECB STEP statistics' team for their mostly valuable collaboration since the start of the project.

5. PRESENTATION OF THE EUROPEAN SHORT-TERM DEBT MARKET

Mr F. HEBEISEN presented *Société Générale's* study on Short-Term Papers as of end of August 2011, with special focus on Supras, Corporates ABCPs and Credit Ratings. *Société Générale's* study is hereby attached (enclosure 5).

He underlined that the European Short Term Paper market had reached a significant size (€877bn outstanding issues), even bigger that the US CP market (€728bn equivalent), and that market standardization, mainly through the STEP imitative, had reached almost half of the European market (more than €405bn STEP outstanding issues).

6. TASK FORCE REPORT ON THE DEVELOPMENT OF STEP STATISTICS

Mr C. QUÉMÉNER informed the participants of the STEP statistics' developments suggested by the Task Force.

He underlined two main axes for development:

[1] For more details, please refer to the Sections 6.2.1.5 and 6.2.1.6 of the General Documentation http://www.ecb.int/ecb/legal/pdf/en_ecb_2011_14_f_sign.pdf.

- Content development: it is suggested inserting segmentation *per* maturity profile and have monthly issues/volumes broken down by currency and maturity.
- Format development: at the request of the buy-side, it is suggested adapting the current format to an xls or xml format, which would allow injecting the data into updated portfolios.

He added that the Secretariat was already working on those evolutions along with the ECB Statistics' Team.

7. DEVELOPMENT OF THE STEP MARKET

Mr C. QUÉMÉNER reported on the actions taken to develop the STEP market further.

Following the last Committee meeting, the Secretariat had been working with Bloomberg to post a statement promoting STEP on the European Pre-Issuance Messaging System (EPIM). It was agreed that the Secretariat should prepare a draft statement and send it to the Committee for approval.

He also informed the participants that the Secretariat intended to issue a common white paper with one STEP issuer. The aim of this project is to advertise testimonials from STEP issuers and dealers on the advantages to benefit from the STEP label.

Finally, he insisted on the fact that STEP should move from being a label into being a global standard for the short-term paper market in Europe.

8. ANY OTHER BUSINESS

a. Format of the STEP Contribution Letter

Following a request from the Members, the Secretariat amended the STEP contribution letter in order to adapt it to the issuers' accounting needs.

Mr G. RAVOET reminded the participants that, as a non-profit organization, Euribor-EBF was not subject to value added tax (VAT) and could not issue invoices as such.

The Secretariat was requested to send to Members the new format by e-mail (enclosure 6).

b. STEP Supplement Template

Following the last meeting, the STEP Secretariat prepared a template for supplement. It was clarified that this template should be used as guidance for issuers but not be compulsory, and that the certification of information would remain optional with the same example of wording as mentioned in the STEP Market Convention.

The Members approved the template and agreed that the number of supplements should not be limited.

Additionally, the Members asked the Secretariat to envisage further IT developments in the STEP directory, in order to have one box *per* programme, with the possibility of downloading different documents.

c. Date and place of 2012 meetings

It was agreed that the Secretariat would circulate a calendar of 2012 meetings.

d. ISIN codes in the list of ECB collateral eligible papers

Mr P. BALAZ raised the issue that not all ISIN codes of the programmes appeared in the list of ECB collateral eligible papers. The Members agreed that this was a problem both on domestic and ECP levels, except on the French market.

Mr M. STUBBE replied that the ECB was going to look into this issue. He explained that gathering all data was a long process requiring cooperation with stock-exchanges and national central banks.

Mr P. BALAZ highlighted the two main advantages of the STEP programme: harmonisation of the market, and ECB collateral eligibility.

Mr G. RAVOET thanked the participants for their participation and closed the meeting.

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List of participants

Chairman:

Mr	Guido RAVOET	European Banking Federation/Euribor-EBF

Members:

Mr	Peter BALAZ	European Investment Bank
Mr	Philippe BILLOT	Pictet Gestion
Mr	Marnix BRUNING	ING Bank
Mr	Franck HEBEISEN	Société Générale
Mr	Koen SCHÖNINGH	Volkswagen Group
Mr	Patrick SIMEON	Amundi

Non-voting Members:

Ms	Sandrine CORVOISIER	European Central Bank
Mr	Michel STUBBE	European Central Bank

Observers:

Ms	Marie-Sybille BRUNET-JAILLY	Banque de France
Mr	Alain PREDOUR	Banque de France
Mr	Jose RULL	Santander SA

Guests :

Mr	Peter DE PROFT	Director General, EFAMA
Ms	Yvonne LENOIR	Regulatory Policy adviser, EFAMA

STEP Secretariat:

Mr	Cédric QUEMENER	Euribor-EBF
Ms	Gaëlle MARQUES	Euribor-EBF

Apologies:

Ms	Claudia BENCI	Banca MPS
Mr	Jonathan CURRY	HSBC Global Asset Management
Mr	Francisco GALIANA	BSCH
Mr	Michael SCHNEIDER	DZ Bank
Mr	Colin WITHERS	ING Bank