

**17th MEETING OF THE STEP MARKET COMMITTEE
- Brussels, 18 September 2013 -**

Minutes

WELCOME

The Chairman, Mr G. RAVOET, welcomed all participants, in particular the new members Mr. F. TALLEI from Intesa Sanpaolo, Mr R. HOULT from UBS, Ms Emmanuelle TRICHET as observer from the Banque de France replacing Ms BRUNET-JAILLY and Mr P. SANDARS, non-voting Member from the ECB.

The list of participants is hereby attached ([enclosure 1](#)).

Mr G. RAVOET thanked Mr F. HEBEISEN and Mr P. BILLOT for presenting the STEP Initiative at the European Money Fund Forum on 10 September 2013 and invited them to share their feedback.

Mr F. HEBEISEN reported on the European Money Fund Forum and informed the Members on the debates that took place concerning the regulation and constraints in the money market funds. Mr R. HOULT mentioned that it had been a good forum at which diverse topics had been discussed.

Mr G. RAVOET informed the Members of the last developments regarding Euribor.

1. MINUTES OF THE PREVIOUS MEETING

The minutes of the previous meeting were unanimously approved.

2. SECRETARIAT REPORT ON STEP LABELLING

Ms A. FERNANDEZ gave a presentation on the STEP labels granted and withdrawn year-to-date, broken down by programme type and issuer type ([enclosure 2](#)).

Since January 2013, 15 labels were withdrawn at the request of the issuer and 9 new labels were granted. There is a total number of 171 active programmes. Most of the withdrawal requests occurred in the first half of the year and the trend started reversing after July.

Ms. A. FERNANDEZ informed participants that the Secretariat had recently received an exceptional update request for a multi-issuer programme with two different ceilings. She explained how the Secretariat had dealt with this case by reaching an intermediate solution whereby the programme's limit to be processed by the ECB and STEP respectively would be the total programme's limit, while indicating the distinction of the issuer's individual limits within the Information Memorandum document. She expressed that this intermediate solution solved the issue for technically handling the data and enhanced the transparency of the STEP market by dissociating the ceilings of each issuer.

3. ECB REPORT ON STEP STATISTICS

Ms S. CORVOISIER, from the ECB statistics' team, gave a presentation on the latest and future developments of the STEP statistics. Her presentation is attached herewith ([enclosure 3](#)).

The detailed STEP statistics published by the ECB on a weekly basis showed that the STEP market has continuously decreased since August 2012 (€472.7 bn) to reach its lowest level in August 2013 (€411.8 bn). The latest outstanding amount for 13 September 2013 is €399.0 bn stemming from 165 STEP-labelled programmes.

The total outstanding amount of STEP-labelled programmes in August 2013 remained still at a higher level than in 2011, on average the level of 2011 was around €395bn. With a closer look at August 2012 (chart below) the outstanding amount continued to decrease from €472.7 bn (highest level) to €411.8 bn, i.e. a year-on-year decrease of 12.9%. The last data available on 13 September 2013 showed an outstanding amount of around €399.0 bn. The relative 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 2012 and 2013. 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 continued to increase since the 2012 Q2 for five quarters in a row to reach around 45% in 2013 Q2. The decrease of the worldwide benchmark was quite strong since 2012Q1 but the STEP decrease was not so strong.

In order to investigate further the STEP market, the development of the STEP securities has been assessed by looking at the volume and yields, as well as some breakdowns, such as the sector and currency up until August 2013.

At the end of August 2013, 84.3% of the total outstanding amount of STEP securities was issued by MFIs and 10.0% by the general government sector. The MFIs' share has increased from December 2010 (82.9%) to August 2013 (84.3%); level which has remained almost the same since December 2011. The share of the issuance by the general government sector has also remained stable since December 2011. The distribution among the sectors was therefore almost the same as in December 2011. The decrease of the STEP volume was mainly explained by the decrease of issuance by MFIs. The share of the non-financial corporations (NFC) increased from 2.9% in December 2012 to 4.3% in August 2013, one of its highest levels. As of 13/09/2013, the outstanding amounts from MFIs, general government, non-financial corporations and other financial institutions sector are about €336.0 bn, €39 bn, €17 bn and €5 bn, respectively.

Regarding the issuance currency, since the beginning of 2012 the issuance of STEP securities denominated in EUR decreased strongly by around €100 billion from around €390.0 billion to around €290.0 billion in August 2013. The euro-denominated STEP issuance reached its highest level in March 2012 following the launch of the STEP market in 2006 with a volume of around €389.9 billion. Since mid-2011 we observed a continuous increase in the USD funding until December 2012 followed by a strong decrease for the first semester in 2013 and then back to the high level at the end of 2012 (around €75 bn). The EUR share in August 2013 was 71%, starting with a share greater than 80% at the beginning of the STEP market. The USD share continuously increased to reach 19% in August 2013.

Due to the market conditions, the yields have continuously decreased since the end of 2011, from around 1.4% in August 2011 to 0.1% in August 2013. The yields have remained quite stable for the last year with a peak on 23/01/2013 for the STEP total issuance with a maturity of 10-40 days that has been checked and confirmed by the issuer. The Euribor corridors between the maturity 1-month and 3-months narrowed; therefore the STEP yields were also more concentrated. The yields of STEP total issuance with a maturity of 10-40 days were closer to 0, mainly below the Euribor 1-month.

More detailed information on volumes and yields is available with the new monthly briefing and dashboard.

In addition, Ms S. CORVOISIER detailed the new developments and prospects. She explained that since the beginning of 2009, monthly detailed information on STEP statistics was always provided internally to the ECB. Since July 2013 a new monthly briefing (pdf format) accompanied by a dashboard (xls format) are available. This dashboard is separated in two sections: a section on the market segment statistics and a section on the yield statistics. This dashboard is interactive in the sense that the sector of the main contributors can be changed by the user and the tenors of the yields can also be selected for some charts. It is automatically updated on a monthly basis using a VBA procedure. She expressed that the ECB STEP team would be happy to provide these two new documents to the STEP Market Committee members on a monthly basis.

Separately, Ms CORVOISIER informed the participants of an issue that is currently restricting the automatic dissemination of outstanding amounts per individual programme to a weekly frequency, concerning the restriction of two Security Settlement Systems (Euroclear France and Nederland). Since the end of October 2012 on-going tests of encrypted e-mails including four data xml files have been taking place. The xml files from Euroclear France are almost finalised. There are still some issues regarding the identification and correctness of data provided by Euroclear Nederland. This automatic daily reporting should take place in March 2014 according to a recent e-mail sent by Euroclear France (responsible for the data transmission of Euroclear France and Nederland) to the ECB.

Finally, Ms CORVOISIER informed the members that the STEP task force on statistics decided to implement new requirements, in 2011, in order to fit the issuers and investors' needs more appropriately. Some additional formats of files such as xls and xml will be made available on the

ECB-STEP website. At the moment html tables and csv files are available to enable the uploading of the STEP time series as well as some series available on the ECB Statistical Data Warehouse (SDW). Another requirement refers to new maturity brackets. Indeed, the present tables display some maturity brackets that should be improved in order to compare STEP issue yields and issue prices to the usual benchmarks such as EONIA and EURIBOR, more effectively. These new requirements from the STEP task force will be implemented in the next STEP release 3.3 that should take place end-September/beginning October 2013.

4. DEVELOPMENT OF THE STEP MARKET

Mr. G. RAVOET invited the Members to discuss whether the reasons for the decrease in the volume and number of programmes are linked to a decline in the interest for the STEP label or whether it represents a general trend for the short-term debt market.

Mr P. BILLOT responded that the decrease in the STEP volumes reflected the general trend of the short-term debt market. He expressed that investors have withdrawn cash from money funds whose interest rates have been very low and shifted it into bonds and higher-yielding assets issued by governments.

Mr M. BRUNING remarked that the current regulatory incentives are encouraging deposit-based funding for banks, as opposed to market-based funding. He explained that regulatory incentives boosting a longer term funding had a negative impact on investors' appetite for short-term funding products.

Mr P. SIMEON added that the issuance of short-term CDs had decreased and therefore investors had switched to other instruments that generated higher revenues.

Mr F. TALLEI noted that this decrease was due to a combination of factors such as the fragmentation of the market, the regulation that encouraged banks to shift towards products with longer maturities, and the lack of interest for investors given the low interest rates.

Mr G. RAVOET asked the members which measures could be taken in order to develop the share of the STEP market further, in particular with regard to the ECP market.

All the members agreed that the Tradeweb's proposal to include a reference to the STEP label and a hyperlink to the STEP Directory website on their trading platform on each programme page could be a good opportunity to boost the visibility of the STEP label. In addition, it was suggested that opportunities in other platforms such as Bloomberg, should be sought. Mr G. RAVOET concluded that initially, the STEP Secretariat would attempt to reach a collaboration agreement with Tradeweb, and at a latter phase, reaching an agreement with Bloomberg would be envisaged.

Mr J. CURRY suggested working on the enhancement of the value of the STEP brand itself, prior to enlisting in new projects. With this in view, Mr M. BRUNING suggested organising a Questions & Answers' session in order to explain the STEP market and the value of the STEP label at the ICMA's Euro Commercial Paper (ECP) Committee comprising the heads and senior

members of the ECP teams of those ICMA member banks who are the main dealers in the ECP market.

Separately, Mr SAHEL added that the STEP market would be more attractive if it were formulated as a regulated market.

Mr G. RAVOET undertook to highlight the merits of the STEP label in order to increase the market's interest and get the arrangers to advise the issuers on the value of endorsing the STEP label.

To this end, Ms G. MARQUES suggested to create different Task Forces in order to share views on several subjects as it has been done in the past for the development of STEP statistics.

5. STEP+ INITIATIVE

Mr G. RAVOET updated the participants on the ECB's response to the Euribor-EBF and ACI's joint letter on the STEP+ initiative and gave the floor to Mr A. COVIN and Mr L. SOUTULLO representing the ACI Money Market Liquidity Working Group Task Force.

Mr A. COVIN introduced the ACI MMLWG as a wide group of persons, representing all Europe, concerned with the low levels of the money market and seeking, therefore, to revitalize it. He recognized that the STEP+ initiative was at an early stage and explained that there was a need to enlarge the Task Force to other members outside the banking sector.

Mr J. CURRY underlined the importance of achieving the involvement of associations that represent the investors, such as IMMFA.

Mr G. RAVOET highlighted the good and collaborative relationship with EFAMA, representative association for the European investment management industry, and suggested inviting EFAMA to join the initiative. He added that obtaining representation from the European Corporate Treasurers Association (EACT) should also be sought in order to have a broader based Task Force composed not only of banks.

Mr A. COVIN expressed that the ECB's enrolment in this activity was extremely important.

Following the ACI MMLWG's request to create a more diversified Task Force dedicated to the STEP+ initiative, Ms G. MARQUES pledged to send shortly a call for nominations amongst the STEP Committee members.

Separately, Mr R. HOULT noted that organising a presentation of STEP+ at the ICMA ECP Committee could be envisaged.

Finally, Mr A. COVIN mentioned the preparation of a roadmap and formal documentation to be submitted to the ECB with a view to developing the initiative further.

6. ANY OTHER BUSINESS – STEP ON TRADEWEB

Mr G. RAVOET underlined the members' positive feedback on Tradeweb's proposal to include a reference to the STEP label and hyperlink to the STEP Directory website on their trading platform. In addition, he recognized that it could be a good opportunity to enhance the visibility of the STEP label.

7. DATE AND PLACE OF NEXT MEETING

The Secretariat committed itself to **circulating the 2014 meetings' calendar** to the STEP Market Committee.

Enclosures: 1-D2824A-2013-List of Participants
2-D2807A-2013-Presentation on STEP labelling
3-D2893A-2013-ECB Presentation on STEP Statistics

**17th STEP MARKET COMMITTEE MEETING
- Brussels, 18 September 2013, 10.30 CET -**

List of participants

Chairman

Mr Guido RAVOET Euribor-EBF

Members

Mr Marnix BRUNING ING Bank
Mr Carlos MUÑIZ MORELL Banco Santander
Mr Jonathan CURRY HSBC Global Asset Management
Mr Fabrizio TALLEI Intesa Sanpaolo
Mr Franck HEBEISEN Independent Expert
Mr Philippe BILLOT Pictet Gestion
Mr Patrick SIMEON Amundi (*via teleconference*)
Mr Richard HOULT UBS (*via teleconference*)

Non-voting members

Ms Sandrine CORVOISIER European Central Bank
Mr Patrick SANDARS European Central Bank
Mr Benjamin SAHEL European Central Bank

Observers

Ms Emmanuelle TRICHET Banque de France
Mr Alain PREDOUR Banque de France

Speakers

Mr Luis SOUTULLO ESPERÓN ACI Money Market Liquidity Working Group
Mr Alberto COVIN ACI Money Market Liquidity Working Group

STEP Secretariat

Ms Gaëlle MARQUES Euribor-EBF
Ms Andrea FERNANDEZ Euribor-EBF
Ms Laura MICHEL Euribor-EBF

Apologies

Mr Michael SCHNEIDER DZ Bank

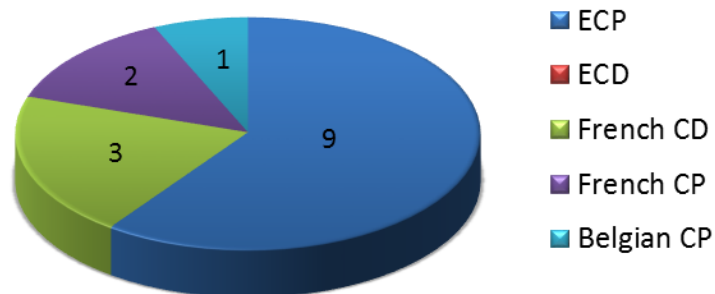
ITEM 2: REPORT ON STEP LABELLING

- STEP labels withdrawn year-to-date
- STEP labels granted year-to-date
- Total number of STEP active programmes
- List of withdrawn and new programmes

STEP labels withdrawn since January 2013

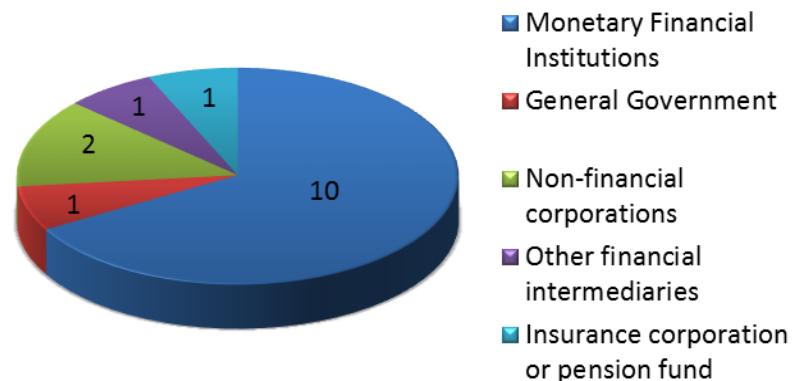


Withdrawals year-to-date by programme type



Total number of withdrawals: 15

Withdrawals year-to-date by issuer type

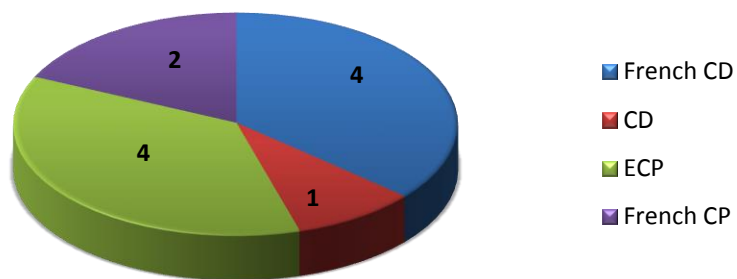


Total number of withdrawals: 15

STEP labels granted since January 2013

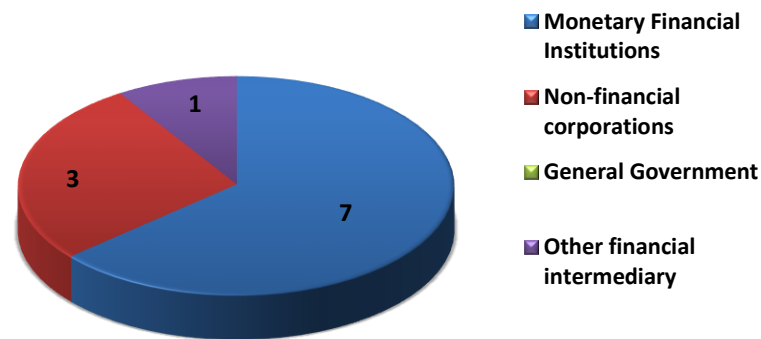


New programmes year-to-date by programme type



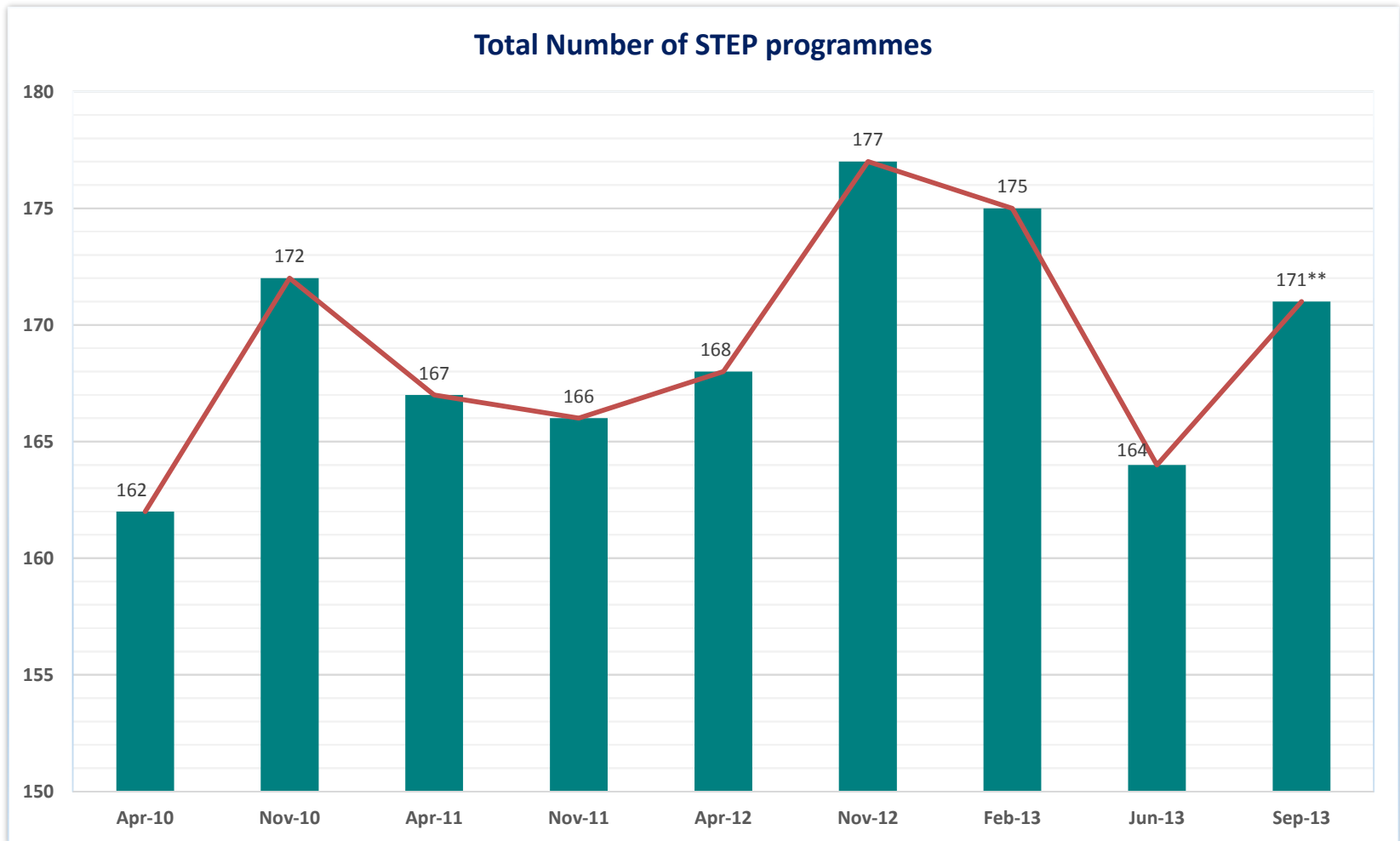
Total number of new programmes : 11

New programmes year-to-date by issuer type



Total number of new programmes : 11

STEP active labels



* ECB eligibility since January 2012

** Includes ongoing programmes

List of STEP labels withdrawn since January 2013



Issuer	Number of programmes	Type of issuer	Type of programme	Issuer Country	Withdrawal Date
Standard Bank PLC	1	MFI	ECP	UK	18/02/2013
Dexia Financial Products, Inc.	1	MFI	ECP	United States	28/02/2013
Renault SA	1	Non-financial corporation	French CP	France	11/03/2013
BAWAG PSK	1	MFI	FCD	Austria	2/04/2013
ING Verzekeringen NV	1	Insurance Corporation	ECP	The Netherlands	2/04/2013
Auchan Finances	1	Non-financial corporation	French CP	France	12/04/2013
Österreichische Volksbanken AG	1	MFI	FCD	Austria	30/04/2013
The Royal Bank of Scotland NV	2	MFI	FCD and ECP	The Netherlands	2/05/2013 and 8/05/2013
Ulster Bank Ireland Limited	1	MFI	ECP	Ireland	2/05/2013
The Flemish Community	1	General Government	CP	Belgium	3/05/2013
Irish Life & Permanent plc	2	MFI	ECP	Ireland	7/05/2013
EBS Building Society	1	MFI	ECP	The Netherlands	14/05/2013
Société de Prise de Participation de l'Etat (SPPE)	1	Other financial intermediary	ECP	France	27/05/2013
	TOTAL: 15				

List of STEP labels granted since January 2013



Issuer	Number of programmes	Type of issuer	Type of programme	Issuer Country	Label Date
Suez Environnement Company	1	Non-financial corporation	French CP	France	5/02/2013
Belfius Financing Company, société anonyme	1	Other financial intermediary	ECP	Luxembourg	19/02/2013
Coface SA	1	Non-financial corporation	French CP	France	26/03/2013
National Bank of Abu Dhabi	1	MFI	French CD	UK	30/04/2013
Achmea Hypotheekbank NV	1	MFI	French CD	The Netherlands	22/07/2013
Abbey National Treasury Service plc	1	MFI	ECP	UK	31/07/2013
Caisse Centrale du Crédit Immobilier de France 3CIF	1	MFI	French CD	France	07/08/2013
Abbey National Treasury Service plc	1	MFI	French CD	UK	16/09/2013
J.P. Morgan Securities plc	1	MFI	CD	UK	Ongoing
Dexia Crédit Local	1	MFI	ECP	France	Ongoing
COCA-COLA HBC FINANCE B.V.	1	Non-financial corporation	ECP	The Netherlands	Ongoing
TOTAL: 11					

Thank you



EUROPEAN CENTRAL BANK

EUROSYSTEM

Sandrine Corvoisier
ECB, Division Monetary and
Financial Statistics

STEP statistics

Developments and prospects

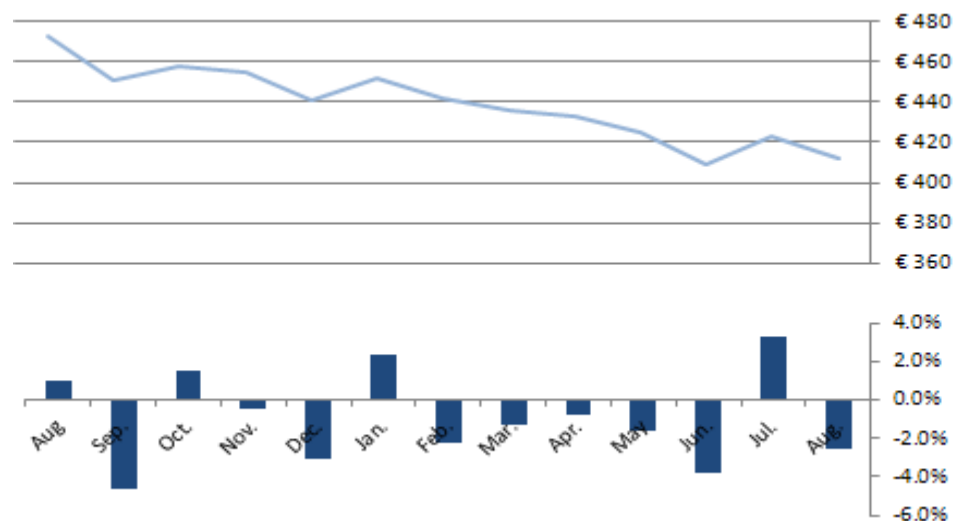
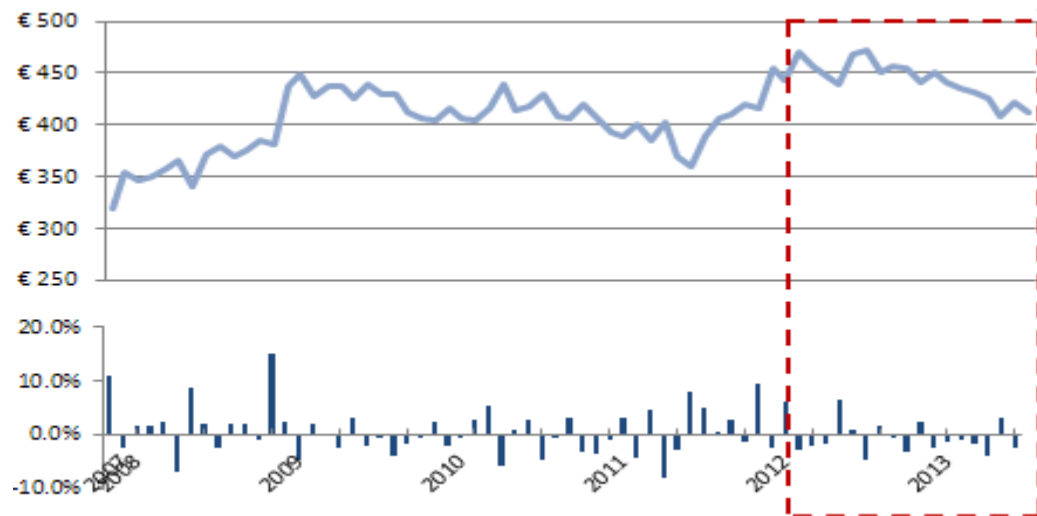
17th Meeting of the STEP Market Committee
Brussels, 18 September 2013

1 Recent trends in STEP data

2 New developments and prospects

1. STEP statistics: recent trends

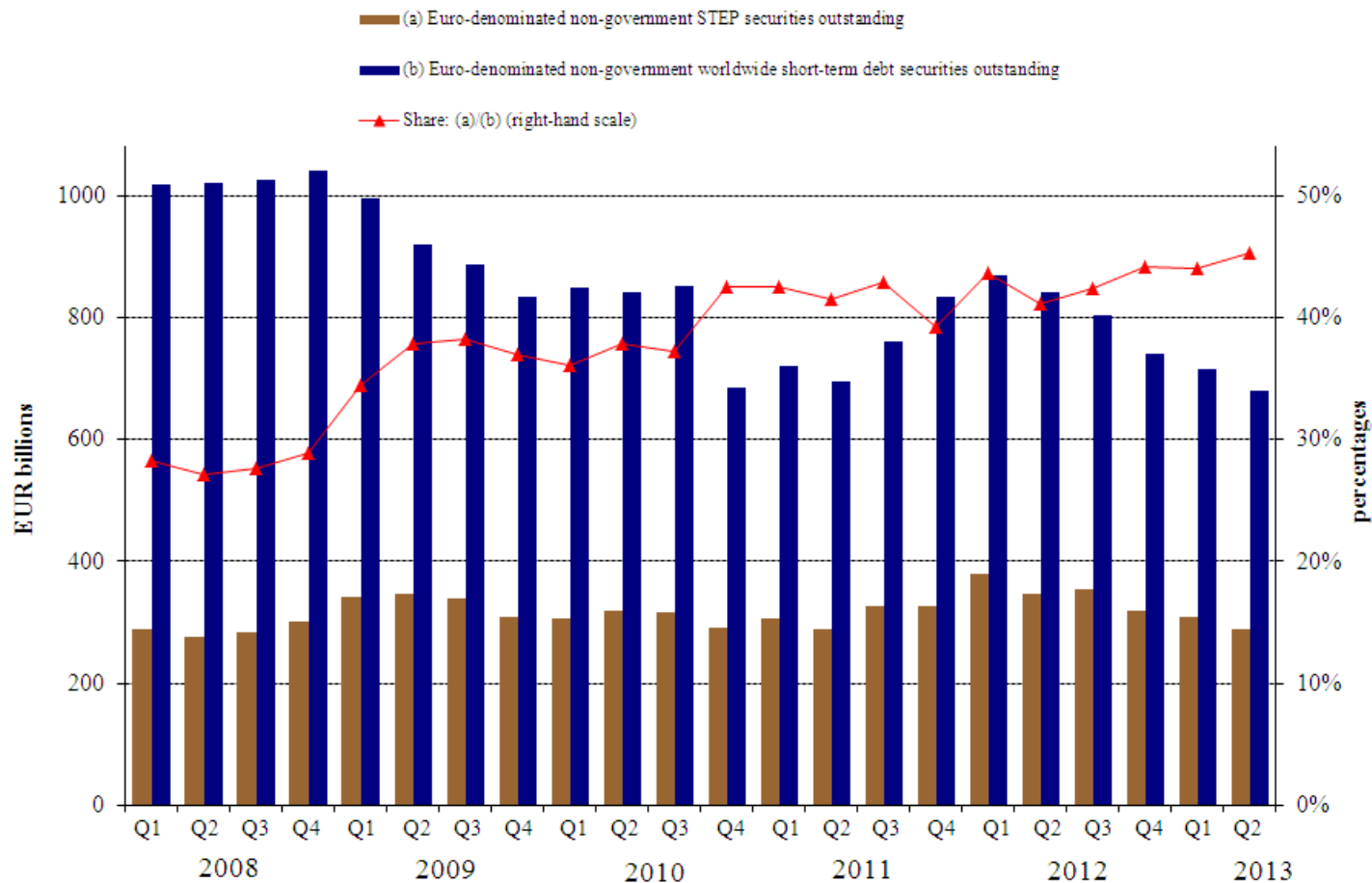
STEP Amounts outstanding (EUR bn) and m-o-m percentage change



Source: ECB.

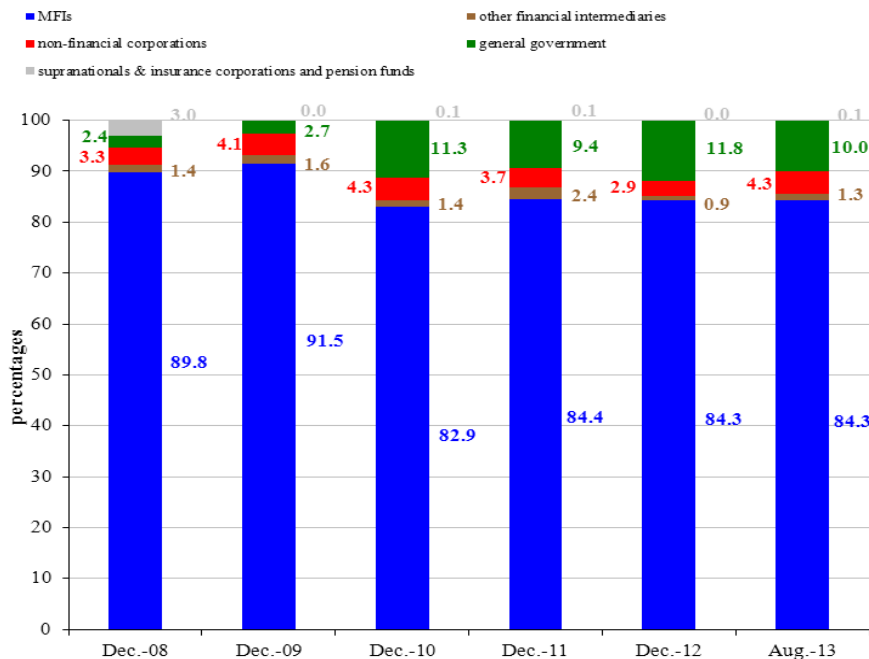
Size of the STEP market

Euro denominated short-term debt securities issued worldwide by sectors other than general government (EUR bn Amounts outstanding and percentages)



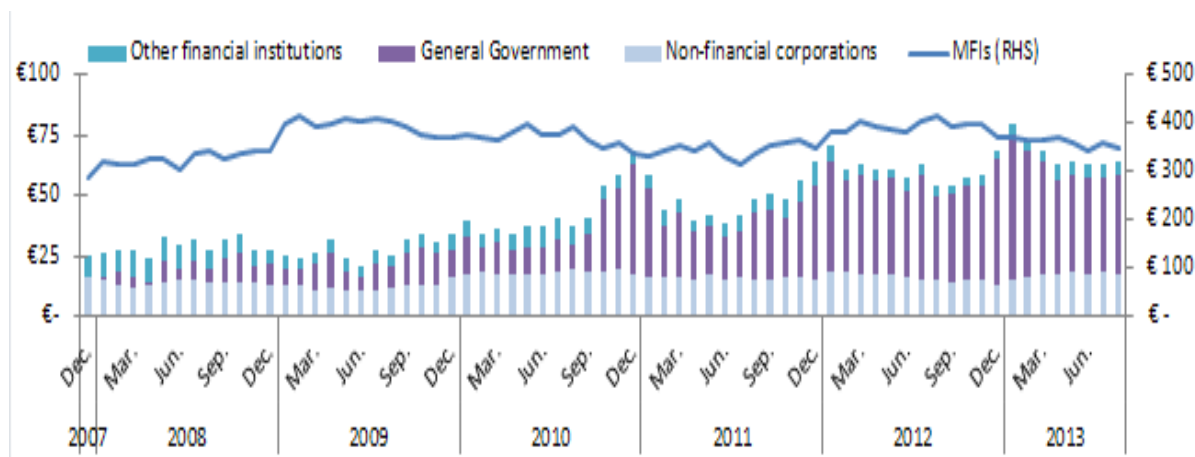
Source: ECB.

STEP statistics by sector



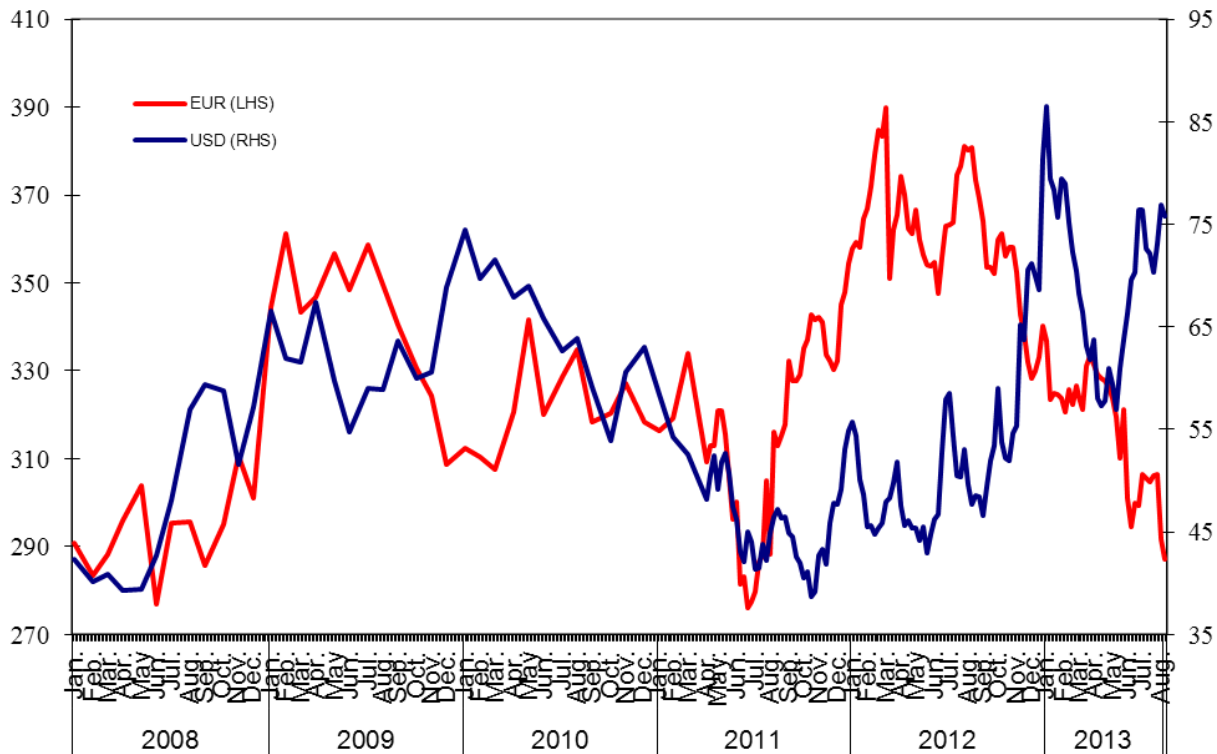
*Amounts outstanding
by sector (%)*

*Amounts outstanding
by sector (EUR bn)*



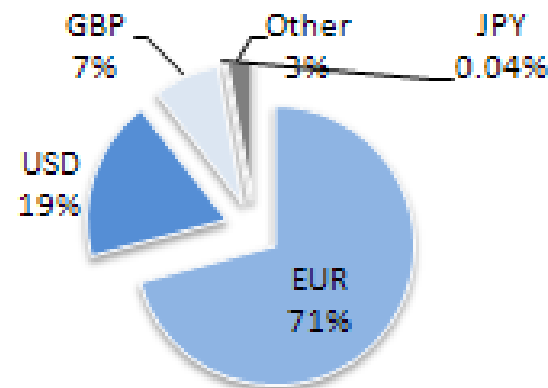
Source: ECB.

STEP statistics by currency



STEP market share (%)

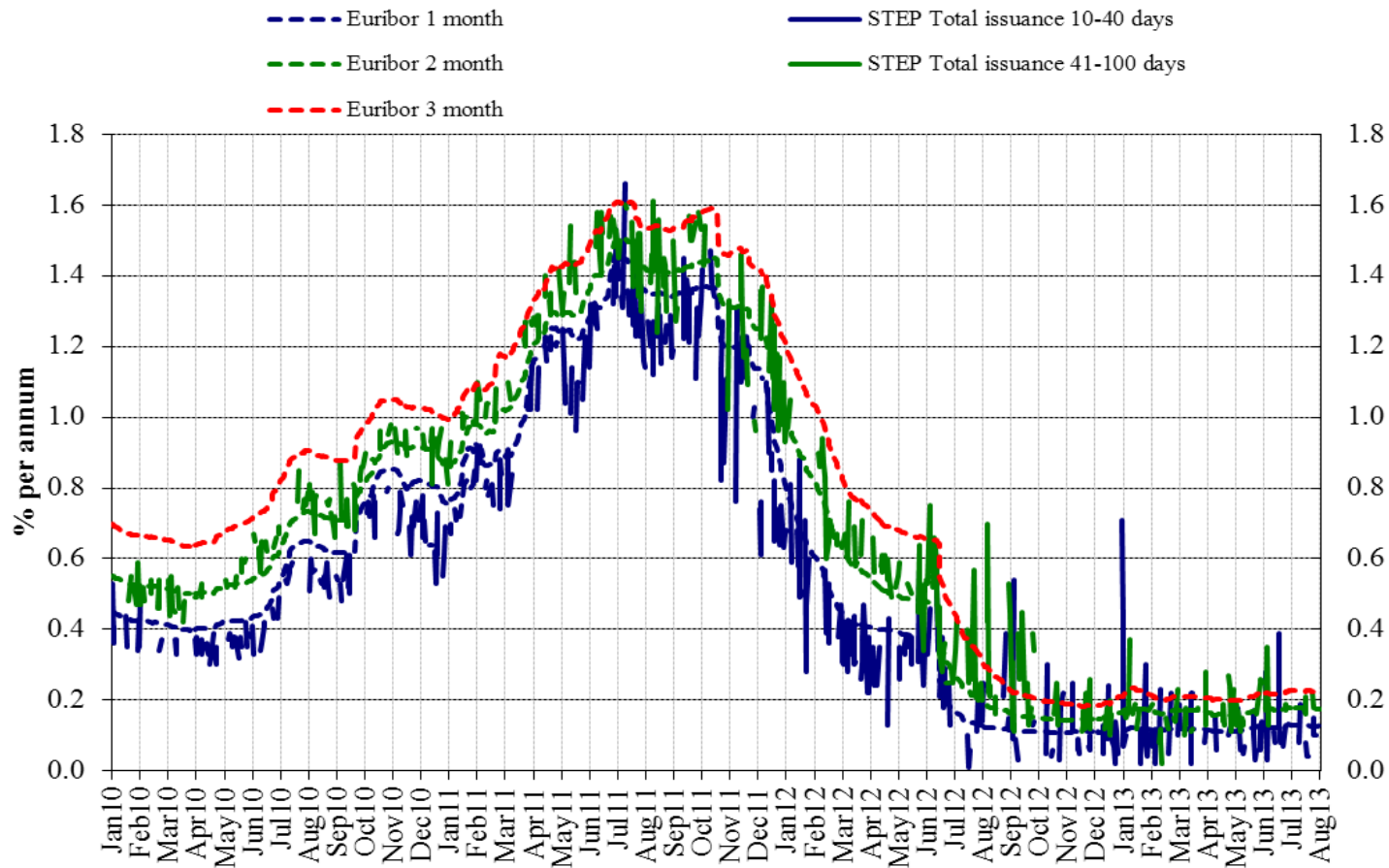
Amounts outstanding by currency (EUR bn)



Source: ECB.

STEP yield statistics

STEP vs EURIBOR



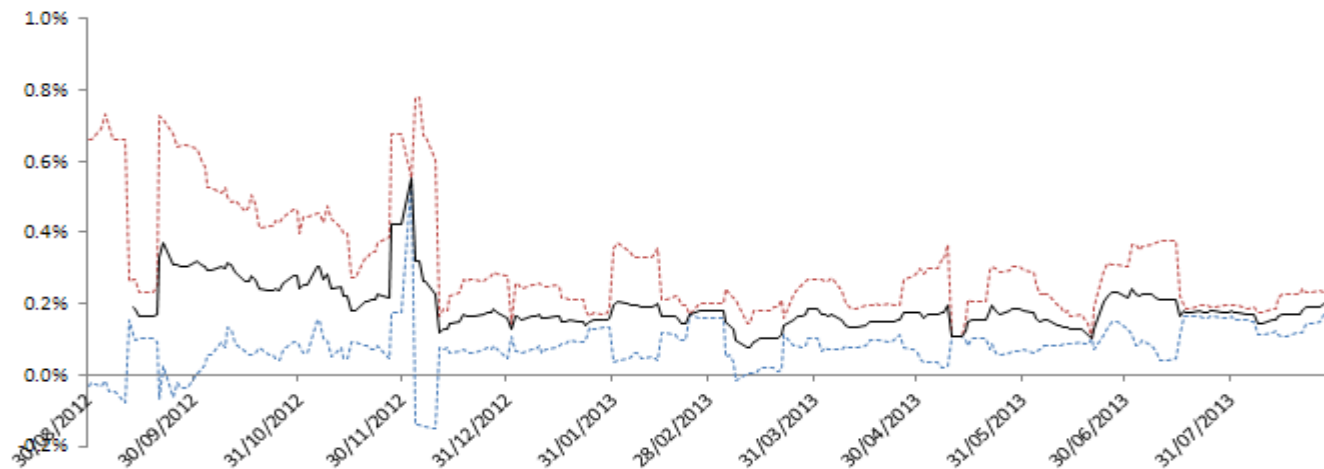
Source: ECB.

STEP yield statistics

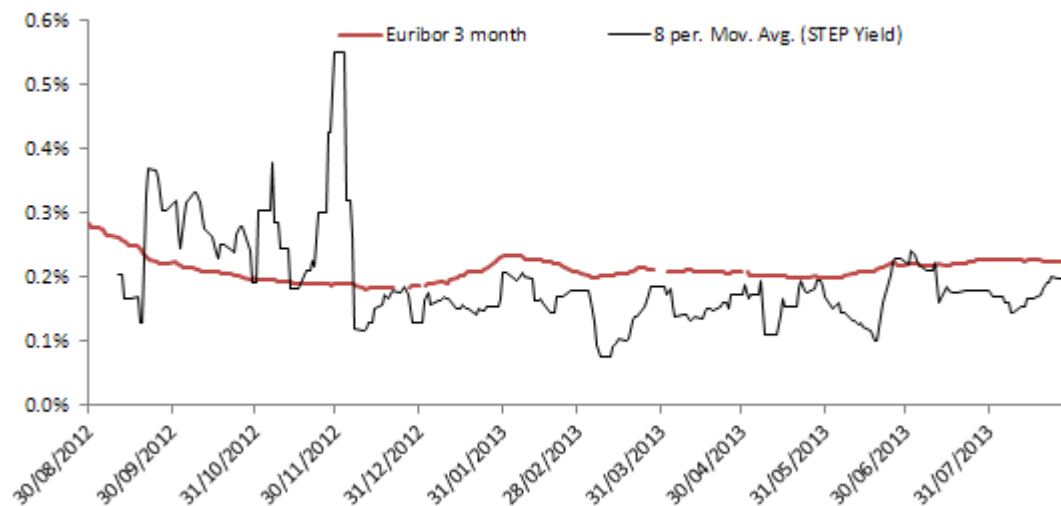
Historical Yields with Bollinger Bands

41 - 100 Days

All Ratings



Benchmark Comparisons



Source: ECB.

1 Recent trends in the STEP data

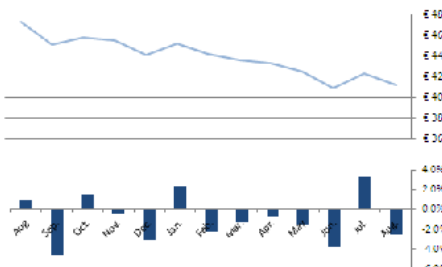
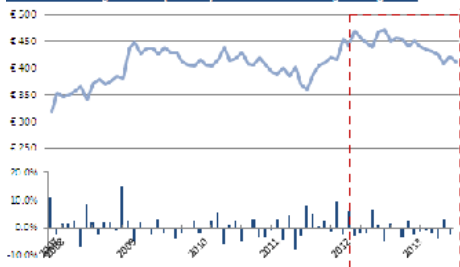
2 New developments and prospects

Monthly briefing and STEP dashboard

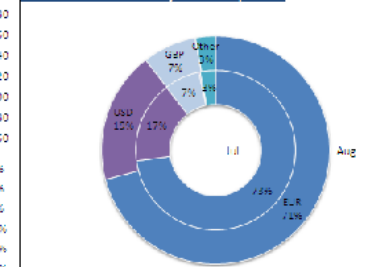
STEP Market Analysis

Market Segment Statistics

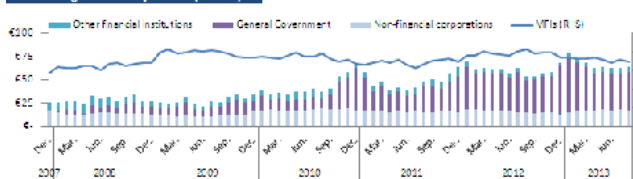
Total Outstanding Amounts (EUR bn) and Mo-M Percentage Change



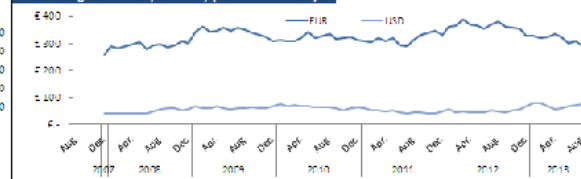
Month to Month Currency Share Comparison



Outstanding Amounts by Sector (EUR bn)

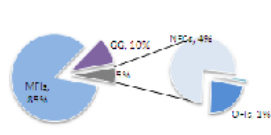


Outstanding Amounts by Currency (EUR bn vs USD bn)



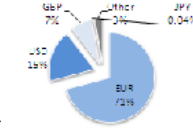
Outstanding Amounts by Market Sector (EUR bn)

Sector	Trend	Aug.	Percent	Jul.	M o M	Y o Y
MFI		317.3	81.5%	359.1	-13.3%	-17.0%
UFI		5.3	1.5%	5.5	-7.7%	-3.5%
NFI		17.7	4.5%	19.2	-7.7%	-3.0%
GU		1.8	0.0%	2.7	-3.7%	-1.0%
Other		0.265	0.06%	0.305	-13.1%	-3.1%
Total		411.8	100.0%	422.8	-2.6%	-1.6%



Market Share by Currency (EUR bn)

Currency	Trend	Aug.	Percent	Jul.	Percent	M o M	Y o Y
EUR		291.7	70.8%	307.9	72.8%	-5.3%	-2.3%
USD		76.9	18.7%	70.2	16.6%	9.5%	31.3%
GBP		31.1	7.5%	30.5	7.2%	2.0%	28.3%
JPY		0.15	0.0%	1.07	0.3%	-1.1%	-1.1%
Other		11.7	2.8%	13.2	3.1%	-1.1%	-3.1%
Total		411.8	100.0%	422.8	100.0%	-2.6%	-1.6%



- Interactive dashboard
- Monthly automatic refresh
- Briefing with commentary

- Displays salient features of STEP statistics
 - Market segment statistics
 - Yield statistics