

16:15-17:30 - Panel 4 - Marly

**“Short Term Market in 2006:
the year of STEPs”**

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Short Term Papers Markets in 2006

The Year of STEP

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Short Term Market in 2006 - The Year of STEP

Agenda

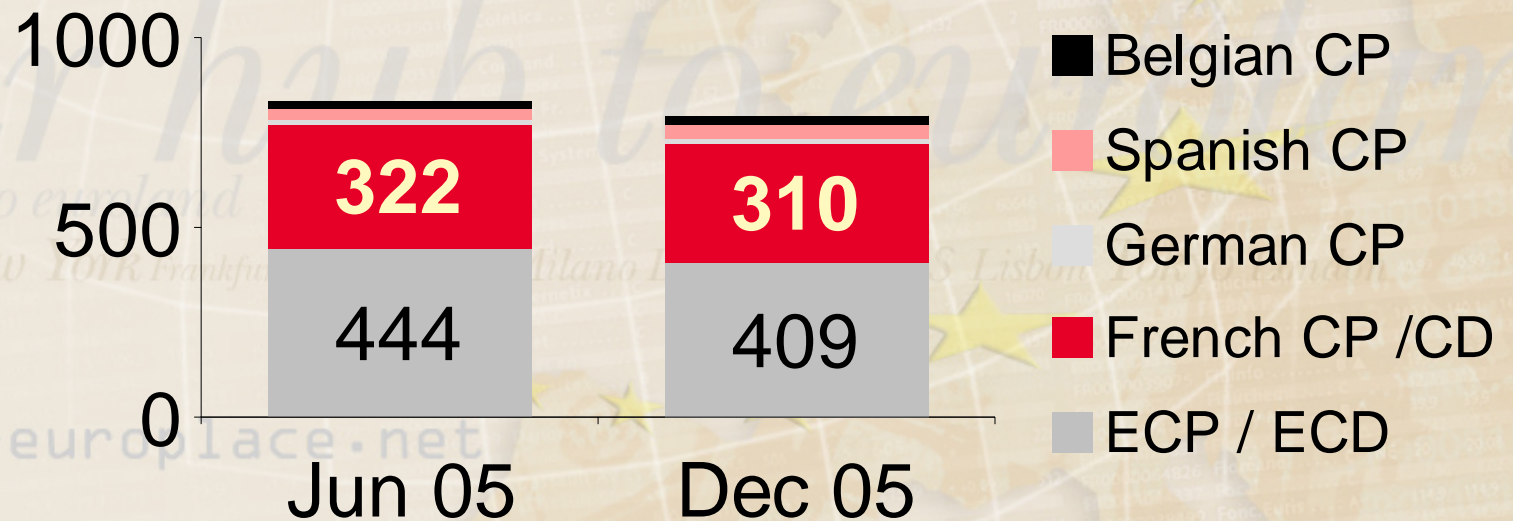
- Fragmented short term paper market in Europe
- Encouraging transparency and standardization
- STEP Initiative
- Criteria and requirements for the STEP label

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Fragmented short term paper markets in Europe

- Foster the integration of the European markets for short term paper



Different markets habits and standards

- Issuers: disclosures and commitment
- Investors: various interpretations of UCITs directive, benchmarks of performance.
- Dealers: distribution, methods and investor bases.
- Regulatory authorities: level of supervision
- Market info providers: type of info, markets covered
- Settlement: performance, prices and compliance to ECB standards.

Encouraging transparency and standardization

- **Issuers:**

framework for fair and equal opportunity to access the label for all qualified programmes

- **Investors:**

norm of disclosure and quality of information to streamline credit exposure assessment.

- **Dealers:**

ease distribution, enlarge investor bases, reduce side costs, clarify responsibilities.

Encouraging transparency and standardization

- Regulatory authorities:

Increase level of transparency without restraining market developments

- Market info providers:

standardize type of info and methods

- Settlement:

align performance, prices and compliance to ECB standards.

STEP: soft solution Encouraging transparency and standardization

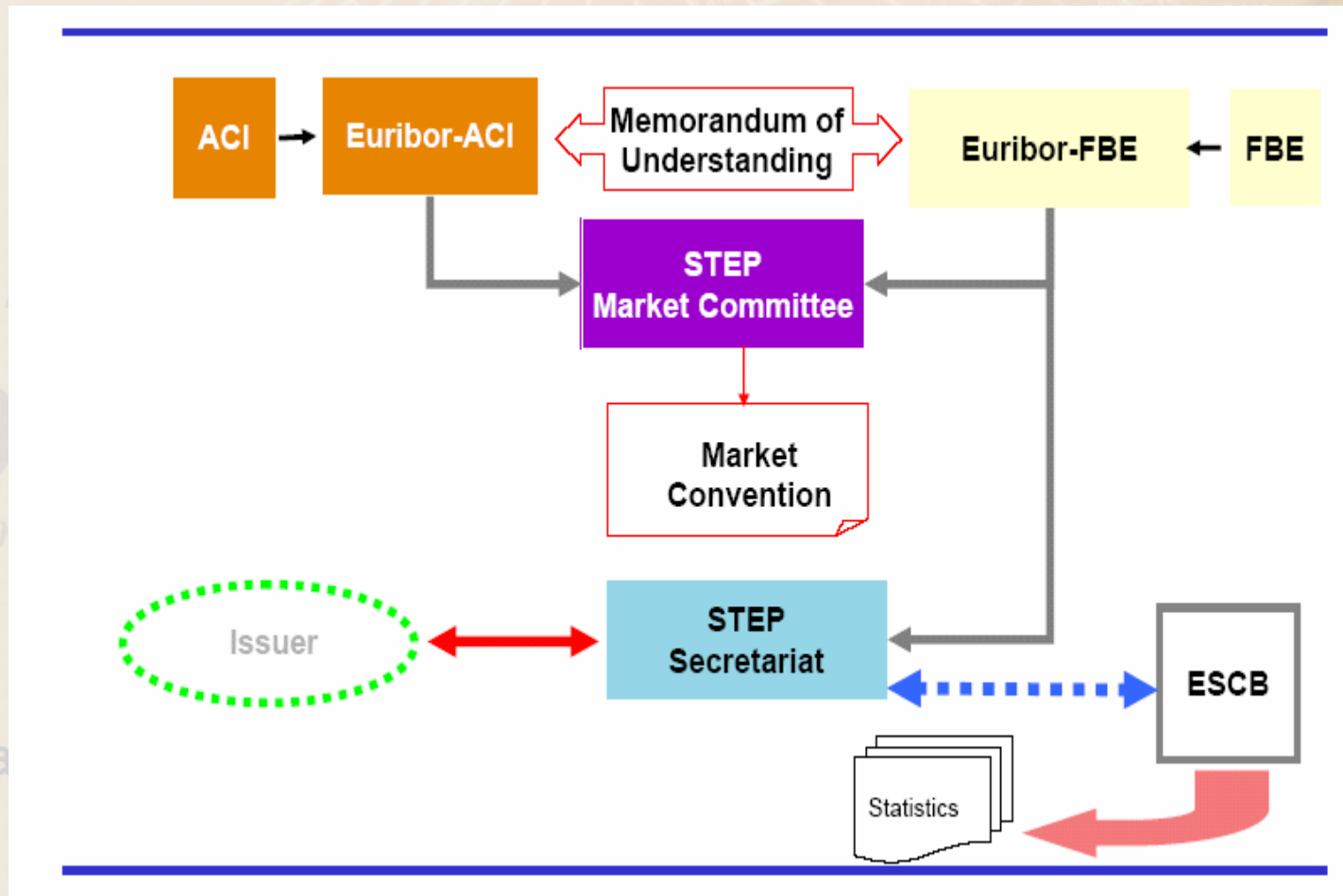
- **Promoting** development of the short term paper market in Europe
- European integration through **convergence** of existing markets
- Market defined **standard features** and **best practices**:
 - Euribor ACI, EACT, ICMA, investors,.....
- A **tool** to foster convergence towards the STEP label
- Institutional **sponsors** : ECB/ESCB and FBE

Reminder : how STEP works, the STEP Market Convention

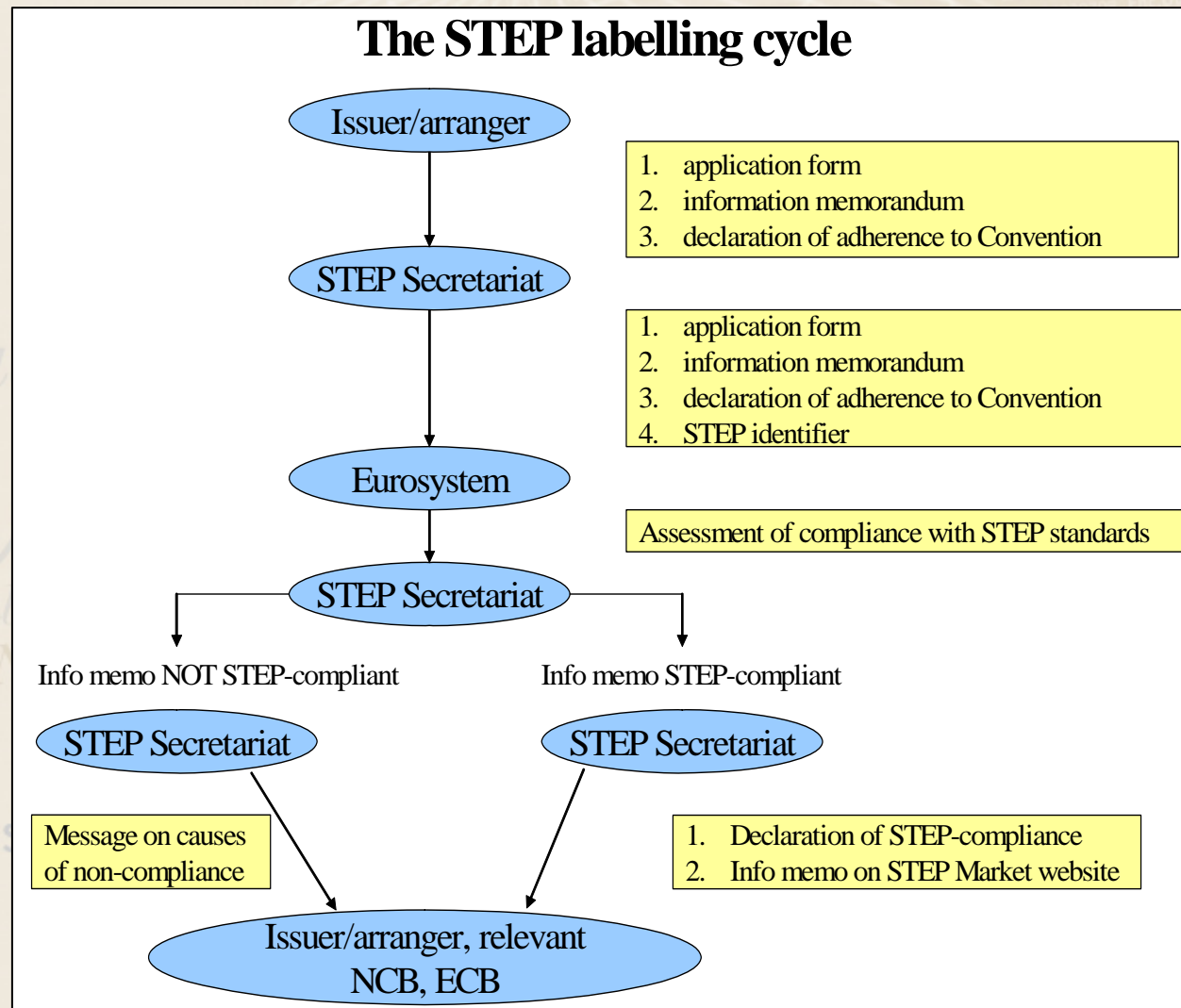
Introduction & 2 chapters

1. Code of conduct
2. Inv of ESCB
3. Application form
4. STEP standard Information Memorandum
5. Declaration of adherence of the Issuer to the market Convention
6. Statistical requirements for eligible data providers
7. Selection of STEP - compliant securities settlement systems

STEP Governance Scheme



Procedure for granting the STEP label



STEP Market Convention: signed June 9th 2006

The STEP criteria and requirements are reported in the STEP Market Convention published on June 9th, 2006 (see www.stepmarket.org) and includes:

- Eligible programmes
- Requisites concerning info memo, programmes, updates ...
- Format of documentation
- Settlement
- Provision of data for the production of STEP statistics
- Application process description, templates of Information Memorandum

Criteria and requirement for STEP label

Information Memorandum

- STEP standard described in Annex 4 of Market Convention
 1. Programme details
 2. Appendices
 - a) Annual report
 - b) Report of independent auditors
 - c) Copy of all rating agencies' letters of the programme
 - d) Copy of full text of the guarantee (if any)
- Update every 3 years (considered a new STEP label request)
- Each intermediary update is also considered a new STEP label request
- English language (exceptions foreseen for 2.a and 2.b)

Criteria and requirement for STEP label

Issuance and settlement

- STEP-compliant SSSs shall be established in an EU Member State
- Adequacy assessment of settlement services based on:
 1. operating days
 2. cut-off times
 3. procedures in place for the delivery of an ISIN code
 4. existence of links with other European CSD/ICSD for efficient cross-border settlement
 5. (preferably same-day) settlement in Delivery-Versus-Payment mode
 6. transparency on fees
 7. operation preferably in central bank money for EUR and commercial for other currencies

Criteria and requirement for STEP label

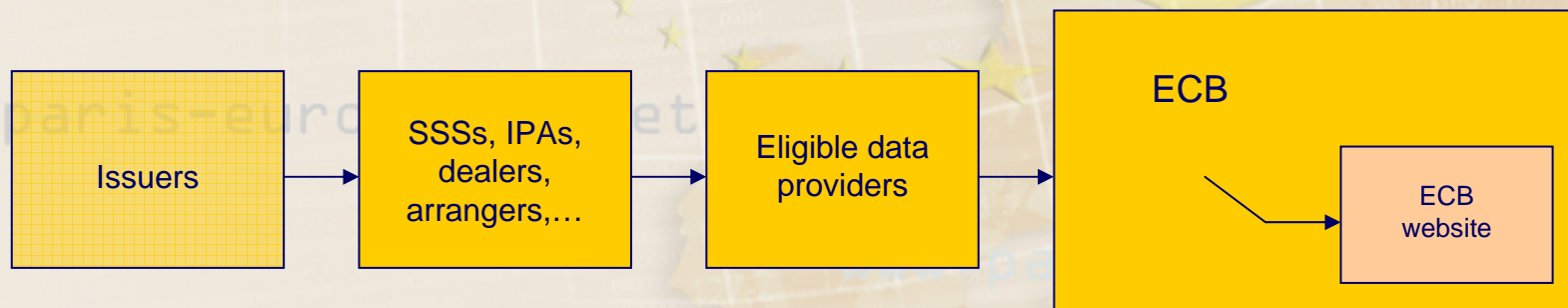
Issuance and settlement

- Current STEP-eligible SSS (see www.stepmarket.org)
 1. Oesterreichisches Kontrollbank AG – Austria
 2. NCSD APK – Finland
 3. BNB-NBB – Belgium
 4. Clearstream Banking Luxembourg – Luxembourg
 5. Euroclear France – France
 6. Euroclear Bank – Belgium
 7. Iberclear – Spain
 8. Clearstream Banking Frankfurt – Germany
 9. Monte Titoli - Italy

Criteria and requirement for STEP label

STEP Statistics - Flow

- Issuers ultimately responsible for provision of complete and accurate data to Eligible Data Providers
- Eligible Data Providers
 1. Securities settlement systems (SSS)
 2. National Central Banks
 3. Any other entity complying with
 - a) pre-set criteria (Annex 6)
 - b) reporting instructions
- Flow:



Criteria and requirement for STEP label

STEP Statistics – Data requirements

- Data requirements
 - Static data
 - issuer information
 - programme information
 - Dynamic data
 - primary market volumes
 - prices
 - outstanding amounts
- Non-compliance will be monitored

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Criteria and requirement for STEP label

STEP Statistics – Publication

- STEP statistics published on ECB website (www.ecb.int)

1. Aggregate volume statistics

- a) Agregate outstanding amounts
- b) New issues

broken down by original maturity, currency, credit rating, sector

2. Yield indicators (Euro-denominated issues only)

broken down by original maturity, credit rating, sector

3. Individual outstanding amounts

- a) per issuer
- b) per programme

Criteria and requirement for STEP label

STEP Statistics – Transitional period

- Transitional period foreseen to allow data providers to adapt their systems
 - End of period will be announced on STEP website 6 months in advance
 - During this period :
 - Limited group of eligible data providers
 - Some STEP-labelled programmes may not be included in the statistics

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