

STEP: A milestone in the short term European paper market – update-

Michael Schneider, 31 May 2007

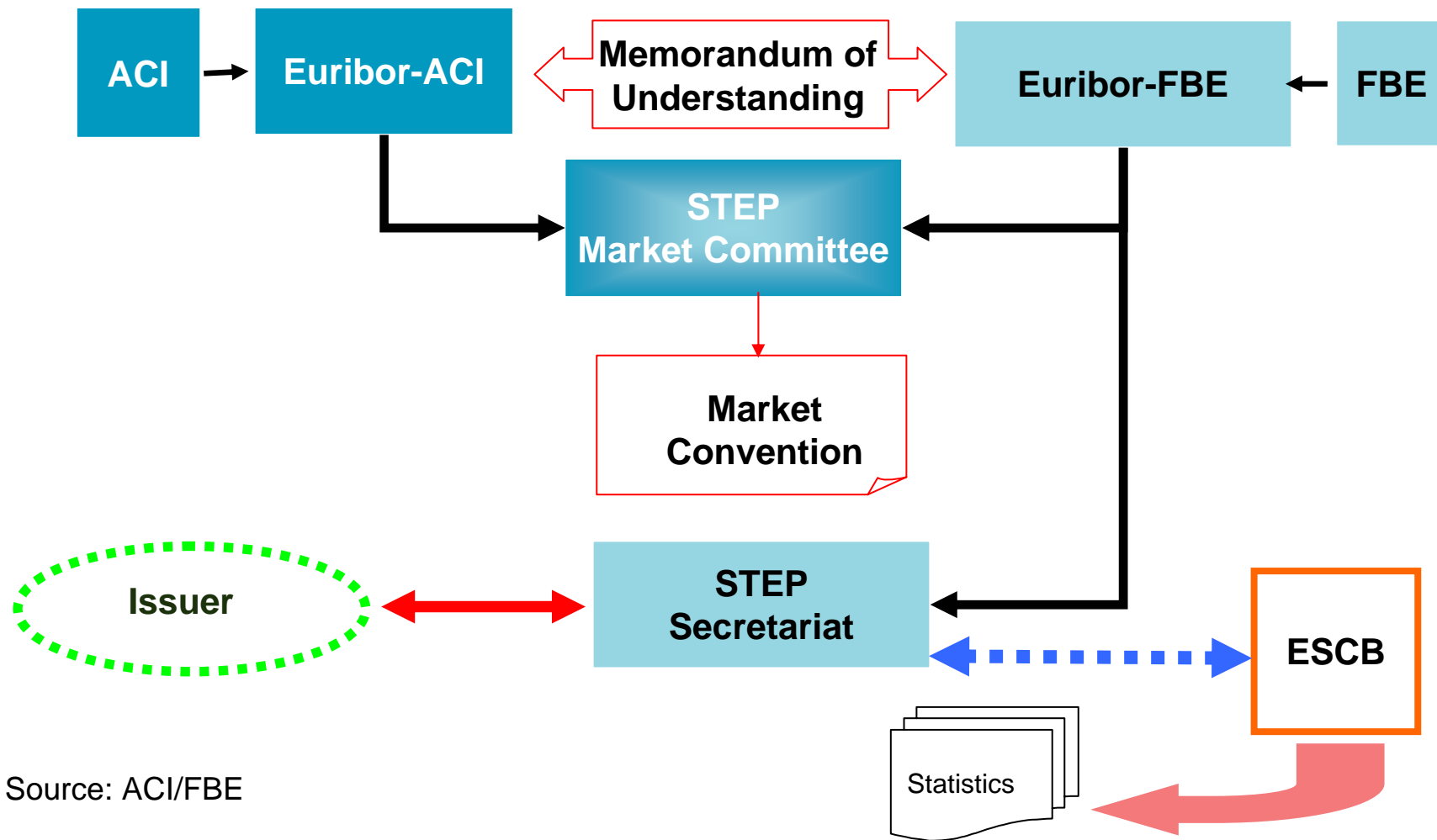
Member STEP Market Committee

DGM/FRO/2007/102

History & goal of the STEP initiative

- STEP aims to foster the integration and development of the short term paper market in Europe
- STEP criteria relate to the disclosure of information, the format for documentation, settlement, and the provision of data for the production of STEP statistics, and not to the creditworthiness of the issuer
- Institutional support by Euribor ACI, FBE and ECB/ESCB
- STEP convention lays down the criteria to be fulfilled in order to be STEP-compliant
- Further information on www.stepmarket.org

STEP Governance scheme



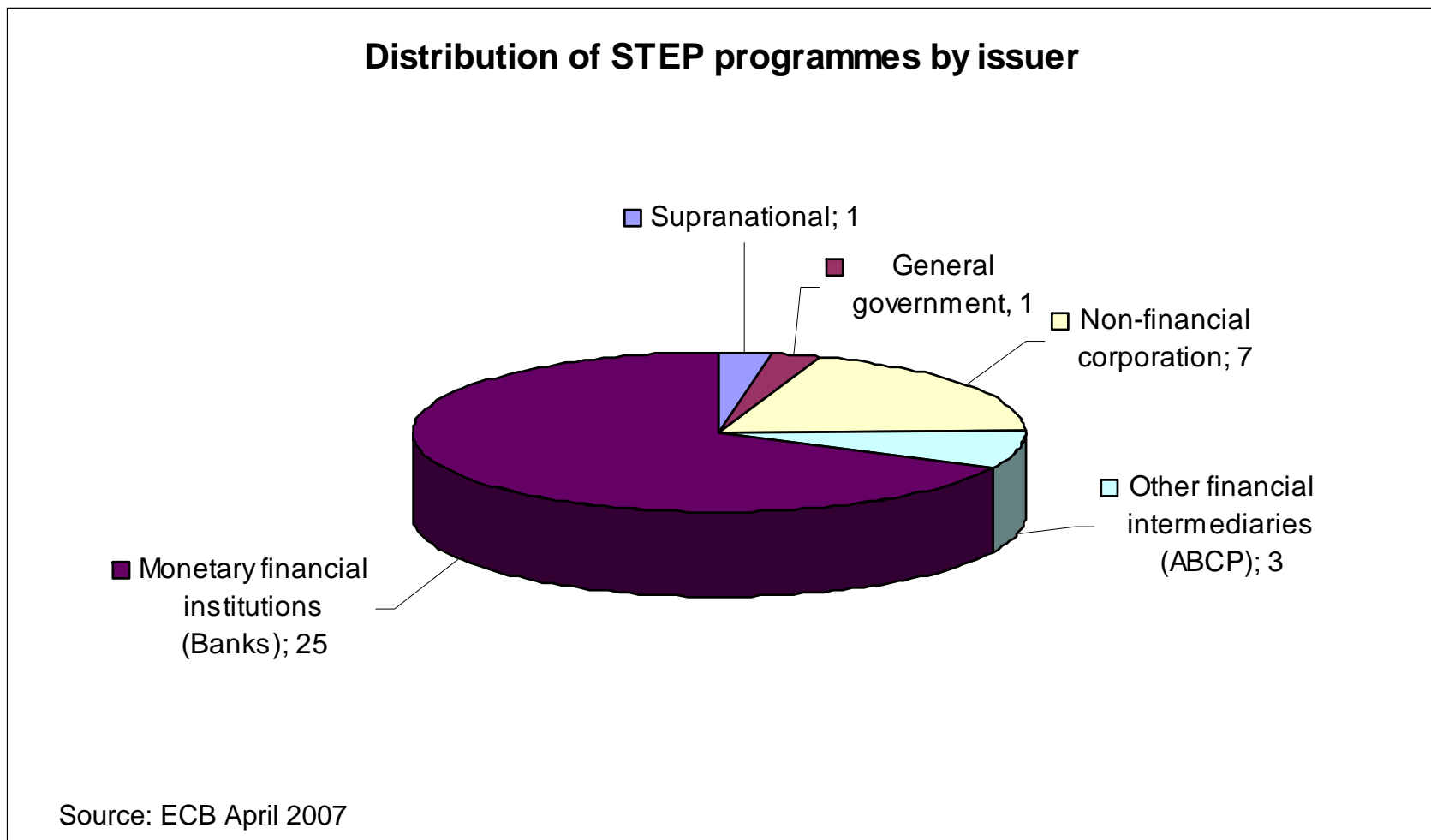
Latest developments on STEP

- Since April 2007: Corporate short term paper and ABCP are ECB eligible if all other requirements met. Bank paper remains not eligible even if STEP compliant.
- ECB publishes since September 2006 monthly outstanding volumes and since April 2007 once a week STEP statistics on yields and spreads. Statistics are based on information delivered by SSSs and NCBs
- STEP growth: Currently 37 programmes with STEP label and an outstanding volume of more than EUR 200 bln (this represents about 30%* of the total European CP/CD market and represents 18 %** of overall CP/CD Markets in Europe after less than a year of existence.

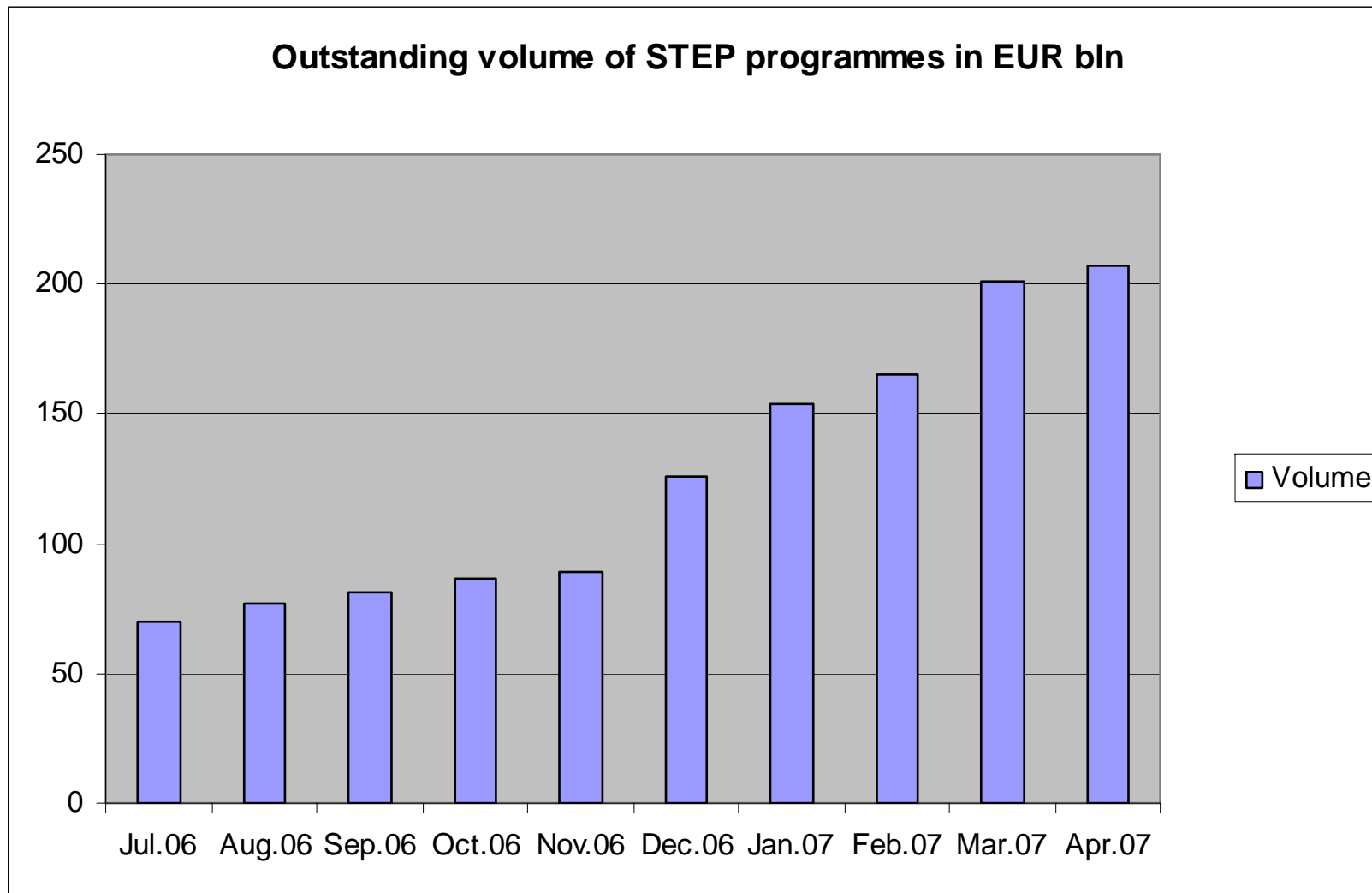
*Based on marked size estimation via computation of Dealogic CP Ware data calculations

** Based on marked size estimation via computation of Dealogic CP Ware data calculations and Banque de France calculations

Distribution of STEP programmes by issuer



Outstanding volume of STEP programmes in EUR bln



ECB statistics

ECB: Short-Term European Papers (STEP) - Mozilla Firefox

http://www.ecb.de/stats/money/step/html/index.en.html

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- Short-Term European Papers (STEP)
- MFII interest rate
- Long-term interest rate
- Market indices
- List of Monetary Financial Institutions
- Bank lending survey

Total outstanding amounts of STEP debt securities (EUR billions, outstanding amounts at end of period)

	Jul 06	Aug 06	Sep 06	Oct 06	Nov 06	Dec 06	Jan 07	Feb 07	Mar 07	Apr 07
Total issuance	70.2	76.6	81.7	86.8	89.4	126.3	154.1	165.6	200.9	207.4

Monthly time series for STEP securities

Outstanding amounts denominated in all currencies:
[csv data](#) (zipped) 2 kB, [en](#) last update 11 May 2007

Yields on new issues of euro-denominated STEP securities by sector of issuer, original time to maturity and rating category for zero-coupon instruments on 11 May 2007 (percentages per annum)

Original time to maturity (in calendar days)	Total issuance	Monetary financial institutions	Non-financial corporations
All ratings			
0-3	3.78	3.78	ND
4-9	3.86	3.86	ND
10-40	3.92	3.89	-
41-100	4.15	4.14	-
101-200	-	-	ND
201-366	-	-	ND
Total	3.84	3.83	-
Rating 1			
0-3	3.78	3.78	ND
4-9	3.86	3.86	ND
10-40	3.89	3.89	ND
41-100	4.14	4.14	ND
101-200	-	-	ND
201-366	-	-	ND
Total	3.83	3.83	ND

Source: ECB

How will STEP statistics in the future look like?

General market information

- Outstanding amounts:
 - Data provided will be added to allow release of daily data
 - A similar breakdown as for the yields will be presented
 - rating, original maturity, sector, in addition currency breakdown, residual maturity
- Yields and spreads:
 - Add data from more/all data providers
 - No release of yields on STEP notes bearing fixed coupons

Individual issuer information

- Publication of individual information when data from all providers (SSS's and NCB's) available.
- Individual information will be published initially on a monthly basis with a gap of at least 1 day (only historical data)

Benefits of STEP (1)

- For issuers:
 - Label of quality, visibility and transparency
 - Possible eligibility for ECB market operations
 - Publication of statistics by ECB
 - Limited cost for establishing the information memorandum
 - Promotion of short term European market in Europe through a convergence of existing markets
 - Strong support of the program by ECB/ESCB, FBE and ACI
 - Benchmark information for issuer
 - Potential for broadening investor base after acceptance of STEP for domestic market regulation (France, Luxemburg, Switzerland)
 - Potential disadvantage in case of not being involved given strong development in the last months

Benefits of STEP (2)

- For investors:

- Issuers adhere to STEP market convention

STEP Programmes are build with the same process as non labelled equivalent programmes with additional commitments from the issuer relating to transparency, frequency of update and user friendly documentation via a standard presentation designed by banking issuers

- Commitments are followed by the STEP Secretariat which monitors the granting of the label

- UCITS directive aims at transparency and investors protection: CP with STEP label is eligible as money market instrument

- All information of all issuers are available via the STEP web page

Access to the webpage is anonymous, free of access and all the process is monitored by the EBF with the logistical support of ESCB and ECB for data collection and computations

- Benchmark information for internal and external purposes (Auditors, controllers, neutral price information, etc)

Statistics on the STEP market provide a unique feature to gauge their credit exposure toward a programme, whatever the programme type.

- Promotion of short term European market in Europe through a convergence of existing markets

- Additional income through usage of the eligibility of STEP label papers (own purchase or via securities lending)

Next „STEPS“ for the future

- Potential for broader investor base in some markets after acceptance of STEP for domestic market regulations. Need to re-frame barriers in domestic markets (France's domestic short term papers volume above EUR 400 bln)
- Consequences of the UCITS directive (**U**ndertakings for **C**ollective Investments in **T**ransferable **S**ecurities)
- Statistics improvement: ECB / STEP Market Committee and STEP Secretariat, SSS's and NCB's
- Marketing activities for STEP market to increase degree of awareness in the market