

Mr Fabrice DEMARIGNY
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Brussels, 1 December 2005

Subject: CESR's Advice on Clarification of Definitions concerning Eligible Assets for Investments of UCITS – 2nd Consultation Paper CESR/05-490b

Dear Mr Demarigny,

EURIBOR FBE is pleased to submit its comments to CESR's Call for Evidence on the mandate for advice on clarification of definitions concerning eligible assets for investments of UCITS with a focus on money market instruments.

EURIBOR FBE is strongly supporting the whole drafting of the Box 6.

Maintaining the requirements inserted in Box 6 in their present format will allow delivering a message to market participants confirming the importance of transparency of the market and investors protection. Deleting or minimising even one of them will have the opposite effect, without compensation.

EURIBOR FBE, jointly with EURIBOR ACI and in close cooperation with the STEP Task Force and ESCB:

- 1/ has put a strong emphasis in order to make STEP compliant with Box6 criteria and took attention to fully take into account remarks concerning the Governance of STEP in referred document and especially point 73, and
- 2/ has made necessary commitment order to contribute to set up the STEP Label and have it operational by the end of the first trimester 2006.

The coming availability of the STEP label, its compliance to the criteria presently set up in Box6 position it as a perfectly fitted, cost efficient and equally accessible tool for all markets in Europe to perform necessary adjustments to reach the proposed requirements set up in Box6 in its present form.

Enclosed are our detailed technical remarks on CESR's second consultation.

I would be happy to discuss any aspect of this response with the CESR in detail and look forward to the Committee taking due account of the technical points we highlight in this paper as its draft advice and guidance develops further. Alternatively, please contact Mr Didier Hermans, Payment & Securities Services Adviser, (D.Hermans@Fbe.be +32 2 508 37 61).

Yours sincerely,



Guido RAVOET

Enclosure: 1 - Detailed answer, per indent, Box6 including STEP project update.

Detailed answer on Box6, per indent

Box 6, §2., 1st indent:

availability of information on both the issue or issuance program and the legal and financial situation of the issuer prior to the issue of the MMI

The STEP label, is fully compliant with Box6 §2, 1st indent and will allow existing CP CD programmes to comply to this criteria. The work to produce by an Issuer to get his programme labelled will allow in most cases to use the present documentation available with minor adjustments. Supplemental added value will be the commitment by the Issuer to maintain conformity and to acknowledge the existence of the rule.

The STEP Market Convention defines as criteria to obtain a STEP label, the obligation to provide to the STEP Secretariat an "Information Memorandum" (Infomemo). A precise template describing the information needed (and its format) is defined in the Annex 5 of the STEP Market Convention. The Information Memorandum is also to be complemented by four annexes concerning (1) guarantee, (2) ratings, (3) consolidated report and accounts, (4) auditors' report. Once the STEP Label granted, this information will be freely accessible to anyone via a web site (provisionally know as www.stepmarkets.org).

As a consequence we strongly recommend keeping Box6, 1st indent its present form.

Box 6, §2., 2nd indent:

regular up-dating of this information (i.e. on an annual basis or whenever a significant event occurs);

The STEP label process sets as mandatory the update of Infomemo to keep the label for the programme.

Rules of updating and procedure of updating are to be clearly described in the Market Convention which will be a public document allowing issuers to know precisely what they have to do and investors precisely what the criteria of quality of update they expect rely on.

Availability of the Infomemo and synthetic information on programmes, including date of update, will allow market participant to access on a equal basis (transparency) to standardized and higher quality of information. The mandatory requirement of update will not leave room to ambiguity.

The STEP Market Convention does have strict criteria in terms of updating the information. The Information Memorandum has to be updated and re-submitted to the STEP Secretariat every year within 60 days after the validation by the Board of the Issuer (or its equivalent) of the Issuer's account of the current year.

In addition, the Convention foresees other situations leading to an update of the Information Memorandum (including its four annexes), and therefore to the information publicly available via the website. These situations are:

- change of the Programme's ceiling;
- change of the Programme's guarantee (if any);
- change of the Programme's guarantor (if any);
- addition or change of the Issuing Agent;
- in case of a Multiple-Issuer Programme, addition or withdrawal of an Issuer within the Programme;
- change of the Programme's rating (if any).

Specific procedures and timeframe are defined for these updates.

Any issuer that would not comply with mandatory yearly update or fail to inform the STEP Secretariat of the above changes within the imposed deadline would have its STEP Label immediately withdrawn.

As a consequence we strongly recommend keeping Box6 §2, 2nd indent its present form.

Box 6, §2., 3rd indent:

control of this information by an independent body specializing in the verification of legal or financial documentation and composed by persons meeting various standards of integrity and not subject to instructions from the organization they belong and from the issuers;

STEP has been originally designed to enhance convergence toward a standard and to enforce it to go from a "best effort" market to a "committed market". At this stage, the launch of the project is due for the end of 1st quarter 2006.

The STEP initiative is based on three pillars: the STEP Market Convention, the STEP Market Committee and the STEP Secretariat. The governance scheme of STEP established the rules and relationships for the Market Committee and the STEP Secretariat.

A. The STEP Market Convention.

The STEP Market Convention establishes clear criteria and requirements for the STEP label. These criteria are the same for all issuers, publicly available and transparent.

B. The STEP Market Committee

The STEP Market Committee is a joint steering committee created by Euribor-ACI and Euribor-FBE. The governance scheme of STEP has been more precisely designed in order to exactly fulfil the Box6 §2, 3rd indent¹: the STEP Market

¹ in order to take into account remark 73: *The promoters of STEP have mentioned that the information regarding MMIs not dealt in on a regulated market should be controlled by an independent authority whereas other comments have preferred a control by any independent entity such as an auditor. From the point of view of STEP's promoters, this authority should be composed of persons with a high degree of expertise and market*

Committee will gather ten professionals of the CP CD markets, appointed by EURIBOR FBE and EURIBOR ACI. They will be appointed *intuitu personae in order* to contribute to the project (drafting and updating the market convention, validation of operational schemes, definitions of missions, setting up rules, ...), without reporting to any group of interests.

The STEP Market Committee individuals will be appointed and revoked by the General Assemblies of the Euribor-FBE and Euribor-ACI under the rules laid down in their respective Articles of Associations. These individuals must be independent and not subject to any instructions from their companies or organisation to which they belong or third parties such as issuers. In addition, the STEP Market Committee Code of conduct proposes some mechanism to ensure the representativeness and the diversity of the members.

The Market Committee will welcome observers, who will advice the Committee to perform its tasks. The observers will be association or groups of interests of market participants. They will have, by status, access to all the works of the Committee. The letters of proposal of participation to the STEP Market Committee will be sent to individuals and for observers as well before December the 4th.

This Committee is therefore a pure consultative committee. Its role is to monitor the market developments and in charge of the establishment/review of the market standards on which the STEP Label is based and amend the STEP Market Convention to adapt it to market changes if and when needed. These changes will be changes to the STEP Market Convention and therefore applicable to all issuers and not a specific issuer(s).

The STEP Market Committee will have its own Code of conduct. This code of Conduct will be public and incorporated in the Market Convention (Annex 2) to ensure full transparency of the STEP Market Committee role and functioning.

Specific procedures laid down in the Code of Conduct defined how to changes the STEP Market Convention if and when need should be. These procedures are therefore known by the all parties, fair and transparent.

C. The STEP Secretariat

The "labellisation" will be carried out by the STEP secretariat (the Secretariat).

The STEP Secretariat has been created under the joint responsibility of the Euribor-FBE and the Euribor-ACI. The STEP Secretariat is body in charge of granting and withdrawing the STEP Label purely based on the criteria and requirements laid out in the STEP Market Convention. In practical terms, the Euribor-FBE Secretariat will assume this function and will be interlocutor of the issuers when applying for STEP Label. The Euribor-FBE Secretariat has proven record-track of delivering operational elements (e.g. Euribor index) in a fair and transparent way. Moreover, during a period of two years, the ESCB will contribute to the STEP initiative, inter alia, by being an operational counterparty to the Secretariat to share its current expertise in the field of

experience. These persons should be required to meet the various standards of integrity and should not be subject to instructions from the organizations to which they belong. Nevertheless, the STEP promoters did not precisely mention how this "Chinese wall" organization will be concretely implemented and how conflicts of interests will be addressed. CESR's advice has preferred to use the expression "independent body" defined as "a body specializing in the verification of legal and financial documentation".

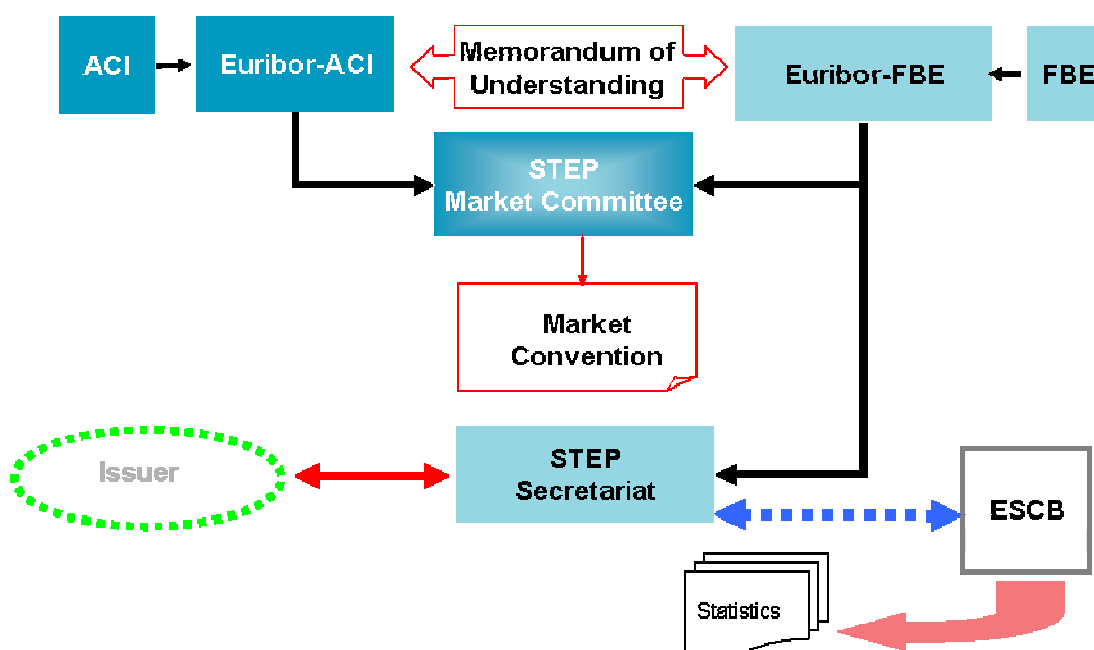
MMI and related documentations. Again, as a matter of transparency, the involvement of the ESCB is stated in the STEP Market Convention in its Annex 3.

For the first 2 years, ESCB – ECB and participating National Central Banks to the project – will provide support to the Secretariat for contributing to assessing STEP “labellisation” requests. The STEP task force, with the FBE, will also take necessary measures to make sure that two years after its launch, the continuity of the labelling cycle can still be handled without the assistance of the ESCB.

Regarding the publication of statistics, the design of the collection, computing and release of statistical information by the ESCB – which is ready to operate – fulfil completely the criteria of independency.

EURIBOR FBE dealers and issuers believe strongly that STEP is the most fitted and finalised project available to promote CPs CDs markets convergence in conformity with Box6 §2, 3rd indent.

Governance Scheme Summary:



As a consequence we strongly recommend keeping Box6 §2, 3rd indent its present form.

Box 6, §2., 4th indent:

a minimum amount of each issuance of EUR 150.000 or the equivalent in other currencies;

The STEP Market Convention established a criterion of a minimum issuance amount of EUR 150,000 or equivalent. Therefore, this CESR criterion is met by the STEP framework.

In addition, the Market Convention defines neutral reference rates for establishing Euro equivalent of other currencies.

As a consequence we strongly recommend keeping Box6 §2, 4th indent its present form.

Box 6, §2., 5th indent:

- free transferability and electronic settlement in book-entry form;

The STEP Market Convention sets out that all instruments shall be issued in a securities settlement system (SSS) complying with a given set of requirements. These user's requirements for the settlement of STEP are defined and published in Annex 7 of the STEP Market Convention. These requirements have originally been outlined by a working with ACI, Corporate, Funds and ECSDA members.

It ensures that settlement is electronic and in a book entry system. More criteria are defined beyond the free transferability and electronic settlement that go beyond the CESR criteria to ensure industry best practice. In addition, the STEP Secretariat will make public the list of SSSs compliant with the STEP criteria and the assessment methodology followed.

The User's requirements defined cover the following aspects:

- Operating on Target calendar
- Use of an ISIN code for the STEP issuances
- Fee disclosure on issuance, settlement and custody for STEP instruments
- Same Day issuance:
- By close of business same-day, the funds related to the issuance should be credited on the account of the bank of the Issuer (IPA's account), for instructions transmitted to the SSSs by 2.00 pm.
- Harmonized intraday deadline between internal and cross border/cross system distribution.
- Settlement in DVP mode

EURIBOR FBE has already expressed its support to this point and as a consequence we recommend keeping Box6 §2, 5th indent its present form.

Box 6, §2., 6th indent:

- availability of reliable statistics regarding the issue or issuance programs.

STEP market developments will be monitored and statistics on the STEP market will be published by the ECB/ESCB allowing the entire market to have an independent and neutral view on the market and the issues. Specific statistical requirements are part of the Market Convention and detailed in Annex 6.

The statistical part of STEP has been finalised in its design in its design and workflow organisation by ESCB and data contributors.

Recent developments announced by the STEP Task force committing to have the project operational in the end of the first quarter 2006, combined to:

- reiterated support of ESCB (ECB Governor JC TRICHET speech at ACI Conference held in Paris on 28th October 2005) and
- reiterated support confirmed by the FBE (*Fédération Bancaire Européenne*) in the speech of its President Michel PEBEREAU at the same occasion
- ACI strong commitment, materialized by significant resources allocated to the project during its Annual Council hold in Paris on October the 29th

are serious and tangible facts to ensure the investor community of the commitment of the issuer and dealer community to this project.

As a consequence we strongly recommend keeping Box6 §2, 6th indent its present form.