

ANNEX 1
Report on the STEP Information Memorandum

DRAFT MARKET CONVENTION
ON SHORT TERM EUROPEAN PAPER

DRAFT 12 September 2003

DRAFT MARKET CONVENTION
ON
SHORT TERM EUROPEAN PAPER

The undersigned market associations and participants active in the European short term paper markets (the Sponsors) have agreed to sponsor and support the improvement of the liquidity, safety and transparency of short term paper transactions to the benefit of all market participants and the market as a whole. To this end, the Sponsors have agreed upon and adopted this market convention (the Market Convention) in order to provide a harmonised framework for short term European paper (STEP) under which different types of existing programmes for short term paper may qualify.

There are today different classes of instruments traded on the European money markets. Different rules apply to these instruments in the different Member States of the European Union (EU) and there is no Community legislative framework applicable to the issuance and trading of money market instruments. The Sponsors have therefore decided to establish and promote a market standard, taking into account the different existing types of European short term paper programmes, and to create a label that can denote compliance with this standard (the STEP label). It is the intention of the Sponsors that the establishment of STEP and the use of the STEP label shall contribute to the integration of the short term paper markets in the EU.

During the development of the framework for STEP, the Sponsors have been in contact with the European Central Bank (ECB) and the European System of Central Banks (ESCB) and have proposed that the ECB and the ESCB play an active role in the implementation and promotion of this market initiative. In view of the potential benefits of the STEP initiative to the financial sector, the ECB and the ESCB have agreed to contribute to the arrangements for STEP as specified in this Market Convention and the statement of the ECB concerning STEP attached to this Market Convention as Annex [...].

In order to obtain and maintain the STEP label for a given short term paper programme (the Programme), the issuer of the Programme (the Issuer) will have to comply with the requirements

contained in this Market Convention. In particular, the Issuer will have to submit an information memorandum to the ECB/ESCB as specified herein and in Annex [...] (the Information Memorandum). Through the submission of such Information Memorandum to the ECB/ESCB, the Issuer agrees to be bound by and undertakes to follow the requirements for STEP. The Issuer is also required to ensure that the information contained in the Information Memorandum is regularly updated and that any substantial changes to the Programme lead to the submission of an updated Information Memorandum to the ECB/ESCB. The features of the Programme and the notes issued under the Programme (the Notes) will have to fully comply with the rules for STEP contained in this Market Convention and its Annexes.

[SIGNATORY MARKET ASSOCIATIONS AND MARKET PARTICIPANTS]

DRAFT MARKET CONVENTION ON SHORT TERM EUROPEAN PAPER2

1. CRITERIA AND REQUIREMENTS FOR THE STEP LABEL.....5

| | | |
|-------------|-----------------------------------------------------|----------|
| 1.1 | Types of Issuers..... | 5 |
| 1.2 | The Programme..... | 5 |
| 1.3 | The Notes..... | 5 |
| 1.4 | Bearer form..... | 5 |
| 1.5 | Book entry form and electronic trading..... | 5 |
| 1.6 | Currency of issue..... | 6 |
| 1.7 | Minimum issuance amount..... | 6 |
| 1.8 | Maturity..... | 6 |
| 1.9 | The Information Memorandum..... | 6 |
| 1.10 | Multi-Issuer Programmes..... | 7 |
| 1.11 | Issuance and settlement..... | 7 |
| 1.12 | Statistics - STEP trade and market data..... | 7 |

2. PROCEDURE FOR OBTAINING THE STEP LABEL8

| | | |
|------------|--------------------------------------------------------------------|----------|
| 2.1 | Application to obtain the STEP label..... | 8 |
| 2.2 | Duration of the STEP label for a Programme..... | 8 |
| 2.3 | Updates of Information Memorandum..... | 8 |
| 2.3.1 | <i>Yearly update.....</i> | 8 |
| 2.3.2 | <i>Other updates.....</i> | 8 |
| 2.4 | Availability of Information Memorandum at the ECB/ESCB..... | 9 |
| 2.5 | Withdrawal of the STEP label..... | 9 |

1. Criteria and requirements for the STEP label

1.1 Types of Issuers

The Issuer can be a corporate, a credit institution or a financial institution, a securitisation vehicle, a cooperative entity, a public authority, an international organisation or a supranational.

1.2 The Programme

The type of Programme eligible for the STEP label shall be a short term paper programme based on the legislation of an EU country. The documentation defining the Programme shall be publicly available and accessible to any interested party.

1.3 The Notes

The Programme shall include a clear description of the Notes under the Programme and the rights pertaining to the holder of the Notes.

1.4 Bearer form

The Notes issued under the Programme shall be in bearer form.

1.5 Book entry form and electronic trading

The Notes under the Programme must be issued in a settlement system in book entry form and traded electronically.

1.6 Currency of issue

The currency of issue of the Notes can be any freely convertible currency permitted by the relevant authorities. The Issuer shall ensure the compliance with all applicable national rules in this respect.

1.7 Minimum issuance amount

The minimum issuance amount shall be EUR 200,000 (or its equivalent in another currency).

1.8 Maturity

All the Notes issued under the Programme must have a maturity of at least one day and not longer than one year.

1.9 The Information Memorandum

To obtain the STEP label, an Information Memorandum must be provided to the ECB/ESCB in conformity with the template and containing the information set out in Annex [...]. The Information Memorandum shall be submitted in accordance with the procedures described under 2 below in both an original paper copy and in electronic form. The Information Memorandum submitted in order to obtain the STEP label shall be in the English language. A copy of the Information Memorandum in another language can accompany the English version of the Information Memorandum but, for the purposes of the STEP label, the English language version shall prevail in case of discrepancies. The Information Memorandum must be signed by at least one authorised person of the Issuer attesting the completeness and accuracy of the information in the Information Memorandum. Each update of the Information Memorandum will be considered as a new request for the STEP label, and also such updates need to be duly signed.

1.10 Multi-Issuer Programmes

When the Programme has more than one Issuer (Multi-Issuer Programmes), each Issuer under the Programme has to provide the information referred to in Annex [...] as part of the Information Memorandum.

1.11 Issuance and settlement

All the Notes under a Programme shall be issued in a settlement system complying with the users' requirements set out in Annex [...].

1.12 Statistics - STEP trade and market data

The STEP market developments will be monitored and statistics for the STEP market will be published by the ECB/ESCB. For these purposes, the Issuer shall allow the settlement systems and/or the issuing and paying agents (IPAs)¹ to communicate any information regarding the trades transacted under a Programme to the ECB/ESCB or any other party duly authorised to collect and process such information on their behalf.

¹ To be decided on the basis of the findings of the ACI working group on index and volume statistics.

2. Procedure for obtaining the STEP label

2.1 Application to obtain the STEP label

In order to apply for the STEP label for a Programme, the Issuer submits the Information Memorandum to the ECB/ESCB in accordance with the statement of the ECB set out in Annex [...]. The ECB/ESCB informs the Issuer of the Programme of whether, on the basis of the Information Memorandum, the Programme can benefit from the STEP label. The Issuer agrees that by applying for the STEP label, he accepts without any conditions the obligations and other terms of this STEP Market Convention, including its consequences for the Issuer and his Programme(s), and agrees to run the Programme accordingly.

2.2 Duration of the STEP label for a Programme

The STEP label is granted for an indefinite period of time as long as the Programme complies with the terms of the Market Convention. The STEP label granted to the Program can however be withdrawn as further explained under 2.5 below and in the statement of the ECB set out in Annex [...].

2.3 Updates of Information Memorandum

2.3.1 Yearly update

The Information Memorandum has to be updated and re-submitted to the ECB/ESCB every year within 60 days after the validation of the accounts of the current year of the Issuer by the Board of the Issuer (or its equivalent).

2.3.2 Other updates

The Information Memorandum has to be updated immediately every time a significant event occurs which changes the substance of the Programme or the nature or the quality of the credit risk carried by the Notes issued under the Programme. The following events requires that the Information Memorandum be updated:

1. Change of ceiling of the Programme;
2. Change of one of the rating (if any) of the Programme;
3. Change of guarantee (if any) of the Programme;
4. Change of guarantor (if any) of the Programme;
5. Addition or change of Issuing Agent;
6. In case of a Multiple-Issuer Programmes, addition or withdrawal of an Issuer within the Programme.

2.4 Availability of Information Memorandum at the ECB/ESCB

All the Information Memoranda having received the STEP label will be made publicly available by the ECB/ESCB at a single access point (a web site) as specified in the statement of the ECB set out in Annex [...]. The ECB/ESCB will also display on this web site an updated list of all the Programmes that have been granted the STEP label.

2.5 Withdrawal of the STEP label

The STEP label granted to the Program can be withdrawn by the ECB/ESCB on request from the Issuer or in case of non-compliance with the Market Convention and other STEP requirements as further explained in the statement of the ECB set out in Annex [...]. In case the STEP label would be withdrawn for a Programme of a certain Issuer, the consequence will be an immediate removal of that Programme from the list of Programmes granted the STEP label. In cases of withdrawal of the STEP label at the request of an Issuer, it will be specified that such a request has been made. A breach by an Issuer of its obligations under this Market Convention with regard to a specific Programme can lead to the withdrawal of the STEP label for that Programme and, in addition, such a breach can also lead to the withdrawal of other STEP Programmes of the same Issuer. The Issuers wishing to benefit from the STEP label are aware of and accept the possibility and consequences of the withdrawal of the STEP label in case of non-compliance with this Market Convention and its Annexes.

DISCLAIMERS

[ADD text: No liability of dealers for acts and omissions of issuers]

[ADD text: No liability of the ECB and the members of the ESCB. The involvement of central banks should not be construed so as to create any central bank liability with regard to STEP programmes. In particular, the ECB and the other central banks of the ESCB which receive the STEP information memoranda and ensure that they are available and regularly updated do not have any involvement in any credit assessment of the issuers.]

ANNEX 1: STEP STANDARD INFORMATION MEMORANDUM

ANNEX 2: STATISTICS REQUIREMENTS [TO BE PROVIDED BY THE ACI WORKING GROUP ON STATISTICS]

ANNEX 3: USERS' REQUIREMENTS FOR THE SETTLEMENT OF STEP [TO BE PROVIDED BY THE ACI WORKING GROUP ON SECURITIES SETTLEMENT]

ANNEX 4: STATEMENT CONCERNING THE INVOLVEMENT OF THE ECB AND THE ESCB [TO BE PROVIDED BY THE ECB]