



Consultation on the report “The Short-Term Paper Market in Europe” prepared by the Euribor-ACI Short Term Paper Task Force (ACI-STEP)

1. The background to the ACI consultation

Since the introduction of the euro, significant improvements have been made towards the integration of the European financial markets. Progress remains, however, incomplete to date. The market for short-term securities, in particular, remains fragmented.

Integration benefits market users in many ways. To issuers, it provides access to a broader pool of savings to finance their activities. To investors, it provides more diversified investment opportunities. To intermediaries, it provides business opportunities and scope for economies of scale.

During 2001, the ECB Money Market Contact Group analysed the functioning of the euro short-term securities market. In particular, the insufficient level of development and integration in this market segment was identified and discussed on several occasions. The contact group members put forward several avenues of exploration to improve the current situation.

In order to allow work on these issues to proceed in an appropriate forum, the preliminary conclusions of the contact group were forwarded to the ACI - The Financial Market Association, with the invitation to work towards the integration and development of the short-term securities market in Europe.

In July 2001 ACI decided to set-up, under the aegis of Euribor-ACI, a task force (Short-term European Paper Task Force, hereafter “ACI-STEP”) to elaborate and assess possible initiatives aiming at remedying the shortcomings of the current situation. In doing so, the association emphasised the potential need for collective action where market forces in isolation failed to deliver the appropriate level of integration.

In parallel to the work of ACI STEP, the European Financial Market Lawyers Group (EFMLG), a group of senior financial lawyers active in commercial banks in the EU, established under the auspices of the ECB, has carried out a review of the legal situation with regard to short-term securities. The EFMLG has conducted an investigation of the national laws in each EU Member State and also reviewed non-statutory rules found in market documentation and other types of legal rules and practices applied by market participants. The result of this work is set out in the EFMLG report “*The Money Market: Legal Aspects of Short-Term Securities*”, which has been an important complement of the work done by the ACI STEP and is attached to the ACI STEP report as a separate document. For more

information concerning the EFMLG and the EFMLG report on legal aspects of short-term securities, please revert to the EFMLG web-site at www.efmlg.org.

ACI STEP has now decided to make its analysis and recommendations publicly available in a document entitled "*The Short-Term Paper Market in Europe*".

The ACI STEP report reflects the views of its members, which are dealers active in various European short-term securities markets. ACI-STEP considers that there is a need for a broader consultation of all the parties interested in the creation of a truly pan-European market for short-term securities, with a view to devise potential collective actions as well as possibly recommendations to the relevant authorities.

ACI STEP now invites all interested parties to join its initiative and to provide contributions on the means to achieve the desirable level of integration of the European market for short-term securities.

ACI STEP, anxious to underline the open and co-operative spirit in which it launches this consultation, has asked the European Central Bank to host the consultation on its behalf. ACI STEP is grateful to the ECB for accepting to do so.

2. Parties invited to take part in the consultation

ACI STEP invites all interested parties, acting in an individual or institutional capacity, to participate in the consultation. In particular, the views of the following parties are keenly sought:

- Issuers of short-term securities: current issuers of short-term securities and issuers potentially interested in raising finance through this instrument; Industry associations representing them.
- Investors in short-term securities: current investors in short-term securities (e.g. mutual funds, pension funds insurance companies, etc.) and/or investors potentially interested in investing in these instruments; Industry associations representing them. Trustees, investment management consultants and/or any other parties interested in such investments.
- Intermediaries: financial institutions involved in the origination and trading of short-term securities and/or potentially interested in the development of this market segment.
- Infrastructure providers: Securities settlement systems, custodians, issuing and paying agents currently or potentially active in the market for short-term securities.
- Public authorities: securities regulators, fiscal authorities, the European Central Bank and the National Central Banks of the European System of Central Banks as well as the European Commission and the European Parliament and/or any other interested public authority.
- Legal experts, who are, in particular, invited to comment on the EFMLG report on legal aspects (comments received on legal aspects will be forwarded to the EFMLG).

3. Subject of the consultation

ACI STEP is inviting all interested parties to provide comments on the conclusions and recommendations included in its report entitled “*The Short-Term Paper Market in Europe*”.

ACI STEP also invites all interested parties to put forward any additional information or initiative susceptible to facilitate collective action by the participants in the European short-term securities markets, with a view to achieve the development and integration of these markets.

ACI STEP finally invites all interested parties to identify the obstacles to the integration of the market that they cannot be eliminated by free competition or by collective action, but would require an active involvement of legal and/or regulatory authorities. ACI STEP intends to formally convey these concerns to the relevant authorities at the end of the consultation process.

Because of its intention that the consultation be as open as possible, ACI STEP has decided not to submit a specific questionnaire to interested parties. Contributions to the consultation may be sent in a free format. ACI STEP will synthesise all the contributions received and will make the results available to the public.

4. Procedures of the consultation

ACI Step invites all interested parties to send their contributions by 30 November 2002.

Contributions will be collected by the European Central Bank, as host to the consultation. They may be sent:

- by e-mail to short-term@ecb.int or
- via surface mail to European Central Bank - ACI STEP Consultation – Kaiserstrasse, 29, D-60311 Frankfurt am Main (Deutschland).

Following the reception of written contributions, the ACI STEP will co-ordinate the processing with the EFMLG and intends to convene one or several meetings with interested parties. The aim of the procedure is to elaborate practical recommendations, reflecting the point of view of market participants as a whole, susceptible to deliver an effective development and integration of the short-term securities market. Participants will be invited to follow-up meeting(s) on the basis of the contributions received.

For more information on this consultation and for any question on the issue of the development of the euro private short-term securities market in Europe, please contact:

Thierry Roland
Chairman ACI STEP Task Force
c/o HSBC CCF Paris
+33 1 4070 3766
thierry.roland@ccf.com

Ralf Häuser
Secretary ACI STEP Task Force
c/o Dresdner Bank AG Frankfurt
+49 69 7131 5031
ralf.haeuser@dresdner-bank.com