

Statistics on Short-Term European Papers (STEP)

- General and Methodological Notes -

INTRODUCTION

The STEP initiative, set up and managed by the [ACI-The Financial Markets Association \(ACI\)](#)¹ and the [Fédération Bancaire de l'Union Européenne \(FBE\)](#), aims to foster the integration of the European markets for short-term securities through the voluntary adoption – by market players – of the standards set out in the STEP Market Convention. These standards relate to information disclosure, documentation format, settlement procedures and the provision of data for the production of STEP statistics.

An issuance programme would qualify as STEP-compliant, and would therefore be eligible to be “STEP-labelled”, if:

- the standards set out in the market convention for information disclosure and documentation format are met;
- settlement takes place in one of the settlement systems (SSSs) identified as eligible according to the criteria set out in the market convention;
- information is provided to the ECB/ESCB so that statistics on yields and volumes can be produced and published.

A STEP label granted to an issuance programme acknowledges the adoption of the standards, but guarantees neither the creditworthiness of the issuer nor the accuracy of the information provided.

The STEP market is not a new market, as issuance, intermediation and investments still take place under the existing European and national legislative, supervisory and regulatory frameworks.

¹ Euribor ACI – The Financial Market Association. (formerly “Association Cambiste Internationale”) and Euribor-Fédération Bancaire de l’Union Européenne.

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The STEP Secretariat contributes to the day-to-day functioning of the STEP market, while the STEP Market Committee² is in charge of interpreting the Convention and of any amendments needed.

The STEP market went live on 9 June 2006 following the signing of the STEP Market Convention by the STEP sponsoring organisations, Euribor FBE and Euribor ACI.

The ECB began to publish the outstanding amounts of all STEP securities on a monthly basis in September 2006. Daily statistics on yields are at present released on a weekly basis and will gradually incorporate an increasing number of data providers and degree of detail, e.g. as regards the maturity of the issues, the currency of the issues or the credit-rating level of the STEP programmes.

METHODOLOGICAL FRAMEWORK

The STEP statistics aim to provide a timely and transparent overview of the STEP market and are based on data made available to the eligible data providers.

The STEP statistics encompass aggregated volumes and prices collected on a security-by-security basis. The reporting requirements stipulate that STEP securities shall, in principle, be reported security by security by the eligible data providers, based on the country of issuance as indicated by the ISIN country code prefix. This approach has been chosen to minimise overlaps in the reporting requirements and double-counting.

In the case of international issues which have the prefix “XS”, securities are reported where they are settled and held by the international settlement systems.

VOLUMES

The volumes concern outstanding amounts and new issues. All STEP issues outstanding in all settlement systems are covered in the monthly outstanding amounts which the ECB has released on its website since September 2006.

New issues concern primary market issuances. Transactions on the secondary market or bridge transactions between settlement systems are not transmitted to the ECB nor published, in order to exclude double-counting.

Data providers report all volumes in the actual original currencies, which are converted into euro by the ECB, applying the end-of-day ECB exchange rates for the reference day. The volumes are published at their nominal value in EUR equivalents.

² Further information is available at www.stepmarket.org.

YIELDS AND SPREADS

The aggregated yield statistics published by the ECB are calculated from zero coupon issues denominated in euro which have been settled during the business day directly preceding the publication date, weighted by the primary market issuance amounts. The yields are reported as annualised percentages and a published yield of 5 represents an annualised yield of 5%.

The published zero coupon yields, where not directly reported, are calculated from the issue price based on the formula below.³

The zero coupon yield equals the **annualised yield**:

$$\text{IssueYieldAnnualPCT}(V13) = \frac{\left(1 - \frac{\text{Issue PricePCT}(V12)}{100}\right)}{\frac{\text{Issue PricePCT}(V12)}{100} \times (\text{MaturityDate}(V14) - \text{SettlementDate}(V11))} \times 360 \times 100$$

Fixed rate yields are generally calculated based on the following formula:

$$P = \sum_{i=1}^n \frac{K}{E_i} + \frac{C}{E_n}$$

Where:

P: price

K: coupon payment

C: redemption value

$$E_i = \left(1 + y \times \frac{t_i}{360}\right)$$

with:

$y = \text{IssueYieldAnnualPCT}(V13)/100$, (i.e. $y=0.03$ for a yield of 3%)

t_i : number of days from settlement date to payment date for coupon i

n : numbers of coupons

³ See e.g. ISMA (International Securities Markets Association), *Formulae for yield and other calculations*, second edition 1992, chapter 10, Money Market Instruments.

t_n : number of days from settlement date to final maturity.

The aggregate spreads published by the ECB are calculated from variable rate issues denominated in euro which have been settled during the business day directly preceding the publication date, weighted by the amounts of the primary market issuances. The published spreads relate to underlying benchmark rates published by the ACI Euribor for euro denominated issues and are expressed in percentages. A published spread of 0.0004 thus represents 0.0004%.⁴

MATURITY BREAKDOWNS

The STEP issues will be classified into a number of original and residual maturity bands.

- The original maturity relates to the number of calendar days between the settlement date and the final maturity date for a reported STEP security.
- The residual maturity relates to the number of calendar days between the latest published reference date in the STEP tables and the final maturity date for a reported STEP security.

SECTOR CLASSIFICATIONS

The issuers are classified according to the European System of Accounts 1995 (ESA95) and draw upon existing issuer sector classifications used by the dynamic data providers, which have been mapped to the ESA sectors utilised by the ECB in its publications.

The published sectors are;

- **Monetary Financial Institutions**

"Monetary Financial Institutions" (MFIs) are central banks, resident credit institutions as defined in Community law, and other resident financial institutions whose business is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credits and/or make investments in securities.

- **Other Financial Intermediaries:**

The ESA 95 defines OFIs (excluding insurance corporations and pensions funds) as "all financial corporations and quasi-corporations which are principally engaged in financial intermediation by

⁴ Please also refer to the item on "confidentiality" below.

incurring liabilities in forms other than currency, deposits and/or close substitutes for deposits from institutional units other than monetary financial institutions, or insurance technical reserves". This sector also includes financial corporations and quasi-corporations principally engaged in auxiliary financial activities (financial auxiliaries).

- **Insurance Corporations and Pension Funds**

This sector comprises all financial corporations and quasi-corporations that are primarily engaged in financial intermediation as the consequence of the pooling of risks.

- **Non-Financial Corporations**

This sector comprises all corporations or quasi-corporations that are not engaged in financial intermediation but are active primarily in the production of market goods and non-financial services.

- **General government**

This sector comprises all resident entities that are engaged primarily in the production of non-market goods and services intended for individual and collective consumption and/or in the redistribution of national income and wealth. Included are central, regional and local government authorities as well as social security funds. Excluded are government-owned entities that conduct commercial operations, such as public enterprises.

- **Supranational and International organisations**

This sector encompasses multinational institutions such as the European Investment Bank, the IMF and the World Bank.

- **Total issuance**

The total issuance by all market participants is not the same as for the total economy applicable to geographical regions or national statistics, as the STEP sectors refer to a cross boundary market including international organisations.

The STEP statistics initially cover the total issuance together with those sectors in which most issuers are active.

TIME OF RECORDING ISSUANCE

The eligible data providers report the security by security data in the morning to the ECB up to and including the latest issuance during the latest business day preceding the day of publication.

RATINGS

The STEP issues are classified into three rating classes. Rating 1 includes issues with an underlying rating equal to A1, P1 or F1. Rating 2 includes issues rated A2, P2 or F2. Rating 3 includes issues rated A3, P3 or F3. The ratings classes include notched ratings within each rating class, e.g issues rated A1+ are also included in the Rating 1 category.

If an issue is rated with multiple ratings from different agencies, which would place it in different rating classes as distinguished above, the issue is classified in the lowest rating class.

CONFIDENTIALITY

If only one or two issuers have undertaken issues within any given breakdown (cell) for the yields and spread tables, an “- “ is published within that cell to preserve issuer confidentiality. Yet, the suppressed yields/spreads are taken into account when calculating the average values at higher aggregation levels.

RELEASE FREQUENCY

The daily yield and spreads are released on a weekly basis on the first business day and relate to the business days during the preceding week. The aggregate outstanding amounts applicable to the total STEP market are released monthly on the ECB website 5 business days after the end of the reference month.

DATA PROVIDERS

The data providers are eligible securities settlement systems, national central banks and other institutional entities which have the capacity to fulfil the STEP reporting requirements. Each data provider covers all STEP issues which are settled in its system or are deposited in a domestic securities settlement system for which the data provider has a complete data coverage. Three institutions are, or will soon be, providing source data for the statistics, [Banque de France](#), [Euroclear \(Brussels\)](#) and [Clearstream \(Luxembourg\)](#). The list of eligible data providers is released on the [STEP Market website](#).

When multiple settlement systems are eligible to report issues for a given market, each settlement system transmits those issues which it has settled in its system. The depository location is reflected in the ISIN code of the security. In the case of securities issued under programmes which are settled in multiple

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systems (such as for STEP labelled Euro Commercial Paper), each SSS shall report the settlements of primary market transactions in its respective system. Each settlement system shall also report the outstanding amounts deposited with it (in the case of bridge transactions).

REPORTING FREQUENCY

STEP new issues, outstanding amounts, yield and spreads are reported with a daily frequency by the data providers and are transmitted to the ECB by 9.30 a.m. on the first business day after the reference date. In addition to the daily data transmission, all eligible settlement systems and/or data providers report the outstanding amounts of STEP securities on a monthly basis.

It is expected that STEP programmes are included in the daily statistics as of the day when the STEP label was granted. In exceptional cases, for example when the label is granted only late in the afternoon, the data will in principle be included as of the following business day.