

STEP NGN guidelines

Guidelines for the issuance through
the ICSDs of STEP-labelled securities
in New Global Note form

Information brochure

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International
Capital Market
Services Association



ICMA



euroclear

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GROUP

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Introduction

In September 2006, the European Central Bank (ECB) announced their intention to accept the Short-Term European Paper (STEP) market as an approved non-regulated market for collateral purposes in Eurosystem credit operations, as soon as the STEP statistics on yields are published on the ECB's website¹.

Consequently, as of such date bearer debt securities issued through the International Central Securities Depositories (ICSDs) under STEP-labelled programmes will need to be issued in New Global Note (NGN) form and deposited with one of the ICSDs acting as Common Safekeeper (CSK) in order to meet the Eurosystem's collateral eligibility criteria.

This document highlights the changes required to issue STEP-labelled securities in NGN form.

¹ Effective date still to be announced by the ECB

Updating the issuance documentation

The STEP NGN Working Group² recommends that the NGN Legal Pack be used as a reference to make the necessary updates to new issue and legal documentation associated with the issue of STEP-labelled securities in bearer form. The NGN Legal Pack is available on the ICSDs', ICMA's and ICMSA's respective websites.

² The STEP NGN Working Group was composed of representatives from Clearstream Banking, Luxembourg, Euroclear Bank, ICMA ECP sub-committee and ICMSA MMI sub-committee.

Operational process

The issuance and deposit process for STEP-labelled securities issued through the ICSDs in NGN form is similar to the process currently used for non-syndicated MTN in NGN form as described in the New issues Procedures for international debt securities issued in NGN form through the ICSDs (document available on the ICSDs, ICMA and ICMSA websites), except with respect to the following steps:

ISIN code allocation

The programme documentation foresees issuance in NGN form only

Dealers and Issuing and Paying Agents (IPA) should continue to use the European Pre-Issuance Messaging system (EPIM) for all drawdowns, provided

- ◆ the programme documentation is updated to specify that all international securities issued through the ICSDs under the programme will be issued in NGN form,
- ◆ the programme documentation indicates that euro-denominated securities are to be held in a manner that would allow Eurosystem eligibility³, and
- ◆ for such securities, an ICSD CSK election form is completed at the programme level.

³ This will result in the NGN certificate being held with an ICSD CSK or a commercial bank CSK respectively. For more information about this rule, please see question 4.6 of the NGN Frequently Asked Questions

The programme documentation foresees issuance in NGN and CGN form (mixed programme)

Dealers and/or IPAs

- ◆ should request the allocation of ISIN codes for CGN securities via EPIM,
- ◆ must request the allocation of all ISIN codes for NGN securities issued under the programme via telephone and specify whether the security is to be held in a manner that would allow Eurosystem eligibility.
In addition, the IPA must ensure a written confirmation is sent to the ICSDs with the specific terms of the security after the ISIN allocation and before or at the latest on issue date.

It is expected that, in the course of 2007, the EPIM system will be upgraded to support automated ISIN allocation and dissemination for both forms of securities (CGN and NGN) under a single programme.

Deposit of NGN certificates with the CSK

A valid NGN certificate bearing the securities characteristics (ISIN code, issue date, maturity date, etc), or submitted in conjunction with a term sheet, must be deposited with a CSK in accordance with the following settlement timings

Settlement timing	Deadline for NGN deposit with the CSK
Settlement in pre-release in the overnight process dated issue date -1	16:00 on issue date -1
Settlement in the overnight process dated issue date +1 with back-valuation	16:00 on issue date

Settlement may also occur during the real-time process dated issue date provided the confirmation of receipt sent by the CSP is received before the ICSDs' deadlines for same day settlement. For additional information on deadlines (including NGN deposit) or to find out if a new issue will settle in the same-day real-time process, please contact your customer service representatives at the ICSDs.

More information

For more information:

- on STEP, visit www.stepmarket.org;
- on Eurosystem collateral eligibility criteria, visit www.ecb.int; and
- on the NGN structure, contact one of the entities listed below.

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