



Towards a Single Currency Professional Association

The Euro example

ICA Congress

Kuwait 19th November 2005

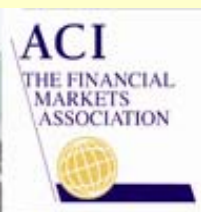
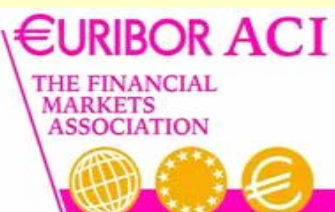
Thierry Cazaux

President Euribor ACI

Euribor ACI

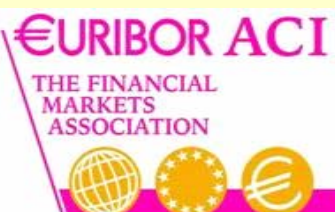
The euro-area financial markets' professionals association

- Established in 1999 with the launch of the Euro
- Members are ACI's national associations in the Euro area



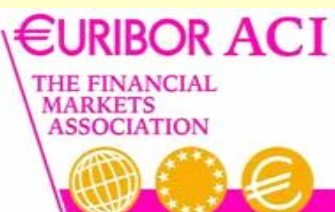
Euribor Steering Committee

- **European ACI's, via their participation in several Working Groups, were at the foundation of the Euribor and Eonia indices.**
- **The first task of Euribor ACI was to appoint 3 members to the Euribor Steering Committee**



Committee Composition

- **Chairman is the Secretary of the European Banking Federation (FBE).**
- **4 members appointed by the FBE**
- **3 members appointed by Euribor ACI**
- **1 member appointed by the European saving banks**
- **1 member appointed by the European cooperative banks**



ACI
The Financial Markets Association



The Working Groups

- **The Eurozone became our domestic market, therefore we need to exchange information and make or maintain contacts amongst the market participants.**
- **4 Working Groups have been set up by Euribor ACI to fulfil these needs.**
- **Their success shows the commitment of the financial community in Europe.**



Money market and Liquidity

- **The historical Working Group, established in July 1999, at the ACI Milan congress.**
- **21 members, representing all euro countries, and two associate members, UK and Switzerland.**
- **3 meeting per year with an agenda concentrated on treasury and liquidity issues.**



MMLWVG topics

- **Contribution to the ECB public consultations on the tender operational framework.**
- **Payment behaviours in Europe and Target 2 implementation.**
- **Liquidity management policies survey.**

Derivatives Working Group

- **Established in 2001, with 15 members, representing the most active banks in derivatives in the Euro area.**
- **Its agenda concentrates on interest rates and foreign exchange derivatives, with a special focus on the Eonia swap market, the largest swap market in the world.**

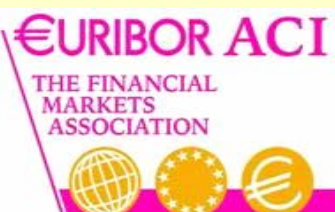
Derivatives WG Topics

- **Eonia swap index launched in June 2005**
- **Establishment of the Eonia Swap Index steering committee with 4 members appointed by Euribor ACI.**
- **MTM evaluation tool.**
- **Market practice and rules**
- **Development of new derivative products**



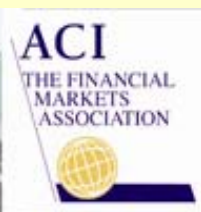
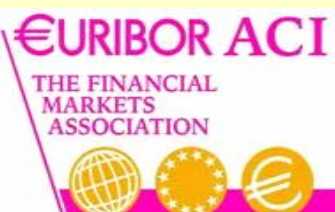
European Commission WG

- **Established in 2004 with 6 members.**
- **A lobby group to open a direct discussion channel with the European Commission, authorities and regulators.**
- **Close contacts with European Commissioners and CESR (Committee of European Securities Regulators).**



STEP

The first time ACI will
create a financial product



The STEP Initiative

- **One Euro cash market but 12 fragmented short-term paper markets**
- **Only one large domestic market - France**
- **A growing offshore market - ECP**
- **The need for harmonization**

The Participants

- Issuers
- Investors
- Intermediaries

- Infrastructure/settlements
- Regulation/Institutional constraints
- Ratings
- Primary/secondary market facilities and publication of statistics



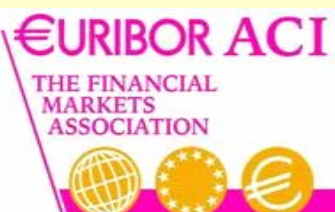
STEP Task Force History

- **2001 - ECB Money Markets Contact Group gives a mandate to Euribor ACI to work on a project with the aim to harmonize the short term paper markets in Europe**
- **2002 - preliminary report from the STEP Task Force and the EFLMH on the process.**
- **September 2002 - ECB public consultation on STEP**
- **March 2003 - enlarged STEP meeting with corporate issuers, investors, European Commission, CESR - hosted by ECB**
- **Creation of Sub Working Groups on info. memo and market convention, statistics and settlement**



STEP Task Force History

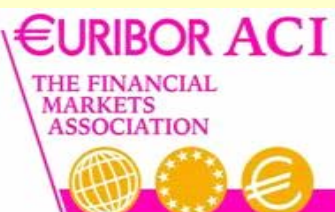
- **March 2004 - STEP Task Force final report**
- **July 2004 - official commitment from the ECB**
- **December 2004 - official commitment from the FBE**
- **Autumn 2005 - draft of the market convention and STEP market committee**
- **First quarter 2006 - first issues**



ECB Involvement

- **July 2004 - official commitment given by the ECB Board of Governors to support the STEP project and to produce and publish statistics**
- **19 April 2005 - speech by the ECB President on financial integration mentions STEP**

"I can also give you an example of the ECB's approach to fostering financial integration by acting as a catalyst for private sector initiatives. The Short-Term European Paper - the so-called STEP - initiative was set up by the ACI Financial Markets Association. It aims to promote the convergence of the practices through market players' voluntary compliance with the standards set out in the STEP Market Convention. The Governing Council of the ECB has decided to support in principle the activities pertaining to the introduction of a STEP label for the first two years after its launch and to produce and publish related statistics. "



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FBE Involvement

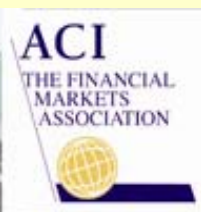
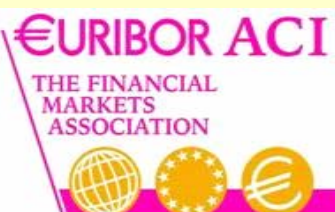
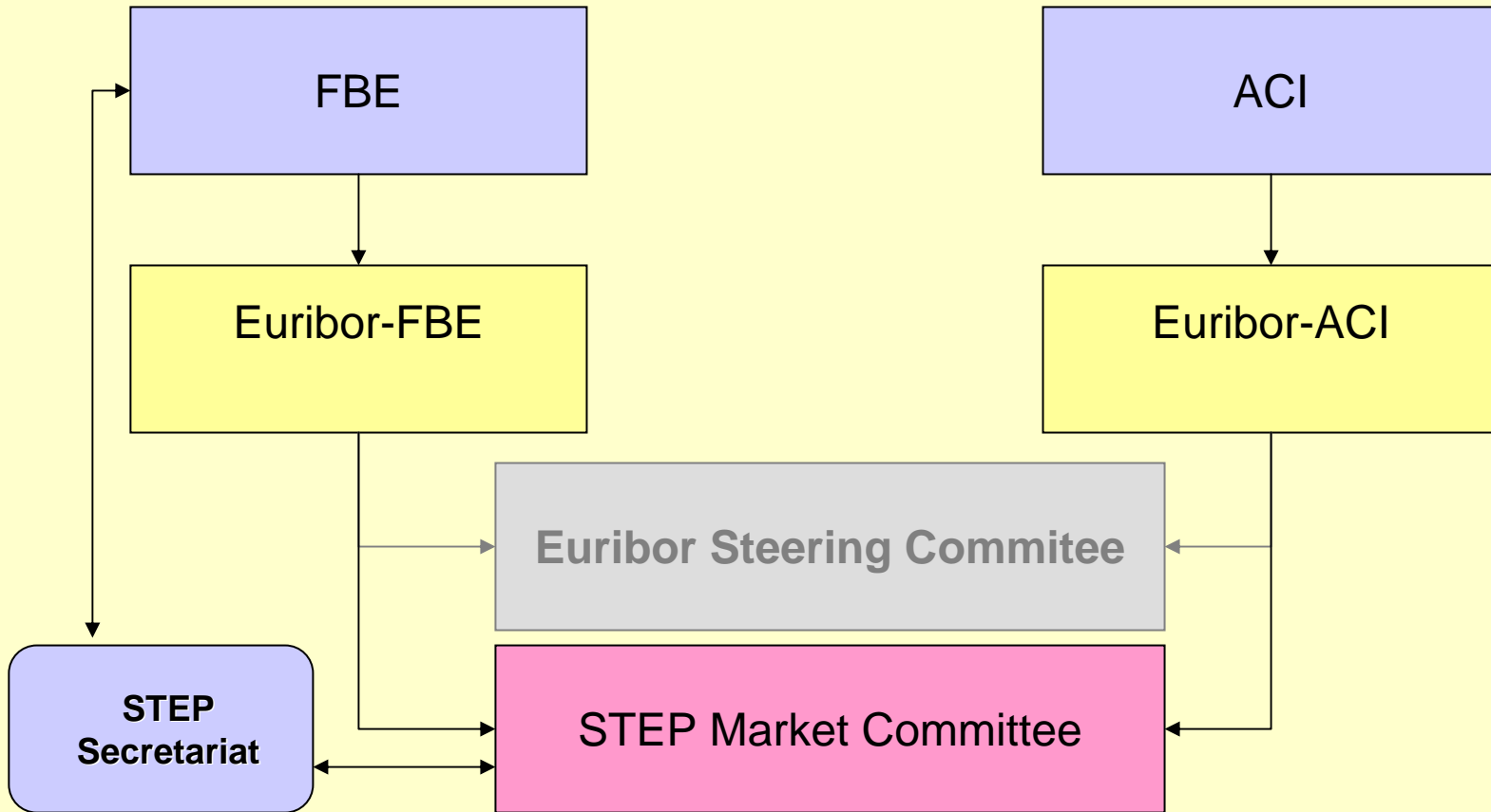
- **13 December 2004 - presentation to FBE Secretary General**
- **4 February 2005 - FBE agreement in principle**
- **13 May 2005 - FBE endorses the following proposal from Euribor ACI**

The Euribor ACI proposal to FBE:

- ☞ **creation of an entity responsible for the STEP Market Convention and representing the STEP market vis-à-vis its contractual counterparties,**
- ☞ **participating to the STEP Market Committee (similar to Euribor Steering Committee),**
- ☞ **providing staff and infrastructure to manage the STEP label (SMC secretariat)**



Favored legal structure



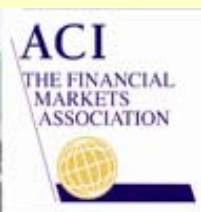
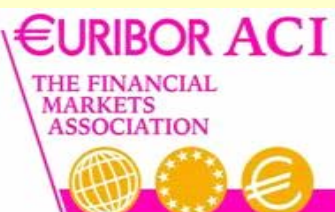
A Success Story

- In 5 years Euribor ACI became a recognized professional partner for the authorities, regulators and the ECB.



Your Next Step

- In the perspective of a single Gulf area currency we wish you and ICA the same success as that of Euribor ACI





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