

MMLG MMIR Next Steps Group

2 June 2003

Minutes of the meeting held at the Bank of England

David Rule	Chairman, Bank of England
Antony Littleton	APACS
Simon Hills	BBA
Richard Pattinson	Barclays
Dagmar Banton	London Stock Exchange
Mac Mackenzie	Freshfields
Michael Raffan	Freshfields
Robert King	HSBC
Mark Lloyd	HSBC
David Cuthbertson	HSBC
Petra Nuutinen	Bank One
Robert Fair	CRESTCo
Bijal Thakrar	CRESTCo
Mark Evans	Travers Smith Braithwaite
Paolo Comboni	BCI Intessa
Cliff Dammers	IPMA
Mark Frankel	UK DMO
Ian Firth	Lloyds TSB
Ian Mair	LMMA
Peter Lightfoot	RBS
Peter Fingland	AFB
Louise Mason	CSFB
Ed Short	Deutsche Bank
Julia Machin	Clifford Chance
Duncan Magrath	Allen and Overy
Simon Roberts	Allen and Overy
Howard Jones	Secretary, Bank of England
John Rippon	Bank of England
Ed Kelsey	Bank of England
Susan Konowich	Bank of England

Finalising the *pro forma* terms of issuance for eligible debt securities (EDS)

1. The Chairman said that following two rounds of consultation with the market the Bank acting on behalf of the MMLG were preparing to issue final *pro forma* terms. He asked whether attendees had any comments to make on the revised drafts that had been circulated.
2. It was noted that in the terms issuers could opt for the issuance of physical instruments if holders were unable to continue to hold units in CREST and one

person commented that this was not necessarily desirable from a practical perspective.

3. Mr Rippon reminded attendees that the *pro forma* terms were only guidelines and issuers could choose to make amendments as they saw fit. It was up to individual organisations to decide how to approach such questions. The *pro forma* terms gave flexibility to enable the issuer to deal with a range of situations. That said, he added that any arrangements for paper money securities issued in replacement for EDS equivalents might be covered by the BBA guidelines on money market securities that are currently being drafted.
4. CRESTCo were keen to have such a mechanism in order to ensure compliance with the CREST rules. CRESTCo were weary of an event occurring which meant the holder was neither able to hold units in CREST or in a position to transfer securities to other CREST members.
5. It was noted that point 3.4 of the CD/CP notice regarding maturity on non-business days did not appear to reflect market norms as captured in the current BBA guidance for CDs. It was agreed that this would be investigated and the clause amended if appropriate. [The clause in the terms has since been suitably amended.]
6. Attendees agreed that on behalf of the MMLG the terms could now be issued in their final form.

CREST legal opinions

7. Mr Fair said that in advance of issuance in CREST all non-UK incorporated issuers would need to submit a capacity and enforceability legal opinion. To make the process simpler CRESTCo had split this into two opinions: one opinion dealing with the capacity of the issuer to issue an EDS; and one with enforceability in the issuer's jurisdiction. CRESTCo have decided that an in-house lawyer may complete the capacity opinion and that, while external lawyers are needed for the jurisdictional opinion, only one jurisdictional opinion per jurisdiction was necessary.
8. Mr Rippon said that the Bank and CRESTCo had been in contact with the Association of Foreign Banks about how the jurisdictional opinion gathering exercise might be co-ordinated. [Queries should be addressed to James Tree james.tree@foreignbanks.org.uk]

Migration of instruments from CMO to CREST

9. Mr Fair reminded attendees that the issuance of new securities in CREST would begin from 15 September and that there would be no new issuance in the CMO from this date. Non-maturing instruments remaining in the CMO would be migrated over the four "migration weekends". Migration will take place over successive weeks by instrument type, beginning with euro

denominated securities and ending with the migration of CDs on 13 October. Any securities left in the CMO that are not migrated may have to be physically withdrawn from the CMO by holders.

10. The migration strategy for CDs has recently been the subject of much discussion. It is estimated that on 13 October there will be £70 bn CDs left in the CMO of which £16 bn will be pledged. There have been concerns that there may be a shortage of suitable alternative collateral for CDs held in stock loans; and that settlement banks may not have adequate liquidity. However, attendees were confident that solutions could be found in good time.
11. Issues relating to the migration process were to be discussed by the Bank's Stock Lending and Repo Committee on 10 June and by the CRESTCo Migration Working Party, also on 10 June.

BBA Guidelines

12. Mr Hills reported that work on the new BBA guidelines for money market securities was well advanced and he hoped to be able to circulate some draft documentation by the end of the month.