



EUROPEAN CENTRAL BANK

EUROSYSTEM

PRESS RELEASE

27 April 2018

Results of the March 2018 survey on credit terms and conditions in euro-denominated securities financing and over-the-counter derivatives markets (SESFOD)

- Slight tightening in credit terms, for all types of counterparties except hedge funds, with expectations for more favourable credit terms over the next quarter
- Credit terms appear to be stabilising following the significant tightening observed in the past years
- Little change in liquidity and functioning of markets

Survey respondents reported that credit terms offered to almost all counterparties in both securities financing and over-the-counter (OTC) derivatives transactions had tightened slightly between December 2017 and February 2018. The most cited reason for this was the dealers' lack of balance sheet capacity. Hedge funds were the only counterparty for which credit terms and conditions eased.

Over the course of 2017 the degree of tightening of conditions became more moderate compared with the strong tightening phases seen in 2015 and 2016.

In relation to the provision of finance collateralised by euro-denominated securities, survey respondents reported that conditions had been stable on the whole. This also applies to the liquidity and functioning of collateral markets. Amid this stabilisation, conditions for most-favoured clients reportedly improved, while those for average clients appeared to deteriorate slightly in the three-month reference period. This distinction was especially pronounced for haircuts and financing rates/spreads. Lastly, the use of central counterparties was reported to have increased between December 2017 and February 2018, in line with a trend which started in Q4 2013.

European Central Bank Directorate General Communications
Global Media Relations Division, Sonnemannstrasse 20, 60314 Frankfurt am Main, Germany
Tel.: +49 69 1344 7455, e-mail: media@ecb.europa.eu, website: www.ecb.europa.eu

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In relation to non-centrally cleared OTC derivatives, a small net percentage of survey respondents reported a tightening of non-price terms and conditions in new or renegotiated OTC derivatives master agreements. The tightening was similar to that observed in the previous survey rounds.

The March 2018 survey also included special questions to determine the extent to which credit standards had changed compared with the previous year, in order to gain a longer-term perspective. Credit terms and conditions are only moderately tighter now compared with Q1 2017, but conditions had already tightened strongly throughout most of 2015 and 2016.

The SESFOD survey is conducted four times a year and covers changes in credit terms and conditions over the three-month reference periods ending in February, May, August and November. The March 2018 survey collected qualitative information on changes between December 2017 and February 2018. The results are based on responses from a panel of 28 large banks, comprising 14 euro area banks and 14 banks with head offices outside the euro area.

For media enquiries, please call William Lelieveldt on +49 69 1344 7316.

European Central Bank Directorate General Communications
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