EUROPEAN CENTRAL BANK
EUROSYSTEM

Press release

11 February 2020

Results of the December 2019 survey on credit terms and conditions in euro-denominated securities financing and over-the-counter derivatives markets (SESFOD)

- Credit terms broadly unchanged for almost all counterparties
- Most types of counterparty intensified efforts to negotiate more favourable terms
- Stronger demand for funding across all types of collateral except high-yield corporate bonds
- Respondents very confident in their ability to act as market-makers in times of stress for all asset classes except high-yield corporate bonds

Credit terms offered to counterparties were broadly unchanged between September and November 2019 in both the securities financing market and the OTC derivatives market. Price terms eased, whereas non-price terms tightened. An improvement in liquidity conditions, competitive pressure and greater availability of balance sheet capacity were the main drivers underlying the easing of price terms. Looking ahead, survey respondents expected terms to remain broadly unchanged over the next three months. However, they reported that over the past three months all counterparty types had intensified their efforts to negotiate more favourable price and non-price terms.

As regards the provision of financing collateralised by euro-denominated securities, the maximum amount of funding offered continued to decline, especially for funding secured with government bonds, asset-backed securities or high-quality financial and non-financial corporate bonds. At the same time the maximum maturity of funding was broadly unchanged, and haircuts decreased slightly for some clients. Financing rates/spreads offered remained broadly unchanged for funding secured with all types of collateral except asset-backed securities. Demand for funding strengthened across all types of collateral other than high-yield corporate bonds. For most types of collateral, this follows four consecutive reference periods of falling demand.

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

For non-centrally cleared OTC derivatives, initial margin requirements increased somewhat. Liquidity and trading improved slightly for credit derivatives.

The December 2019 survey also included special questions about market-making activities. Overall, market-making activities increased for debt securities and decreased for derivatives over the past year. Respondents reported an increase in market-making for the majority of asset types covered by the survey, especially domestic government bonds, asset-backed securities, high-quality non-financial corporate bonds and convertible securities, but not derivatives or high-quality (non-domestic) government bonds. Institutions expected their market-making activities to increase further in 2020, in particular for high-quality financial corporate bonds, domestic government bonds and high-quality non-financial corporate bonds. Respondents expressed continued strong confidence in their ability to act as market-makers in times of stress for all asset classes except high-yield corporate bonds. Confidence was strongest in relation to derivatives, domestic government bonds and covered bonds.

The SESFOD survey is conducted four times a year and covers changes in credit terms and conditions over three-month reference periods ending in February, May, August and November. The December 2019 survey collected qualitative information on changes between September and November 2019. 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 queries, please contact William Lelieveldt, tel.: +49 69 1344 7316.

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