

Press release

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

- Credit terms remained broadly unchanged for almost all counterparties between June and August 2019
- Most counterparty types intensified their efforts to negotiate more favourable terms
- Financing rates/spreads decreased for funding secured with most types of collateral
- Liquidity and trading deteriorated for main types of non-centrally cleared OTC derivatives

Overall credit terms offered to counterparties remained, on balance, broadly unchanged between June and August 2019 in both the securities financing market and the OTC derivatives market. However, price terms for sovereigns and insurance companies tightened. At the same time, non-price terms for banks and dealers and investment funds tightened. A deterioration in liquidity conditions and in the financial strength of counterparties were the main drivers underlying this tightening. Looking ahead, a small net percentage of respondents expect overall terms to ease for most counterparty types over the next three months. Respondents reported that all counterparty types except hedge funds had intensified their efforts to negotiate more favourable price and non-price terms over the past three months.

As regards the provision of finance collateralised by euro-denominated securities, the maximum amount and maturity of funding continued to decline, especially for funding secured with government bonds. At the same time, financing rates/spreads decreased for funding secured with most types of collateral, in particular for convertible securities and corporate bonds. Demand for funding continued its declining trend across all types of collateral, notably equities. For most types of collateral, overall demand for funding has now fallen in more than four consecutive reference periods.

For non-centrally cleared OTC derivatives, initial margin requirements increased somewhat, while liquidity and trading deteriorated slightly for interest rate, equity and foreign exchange derivatives.

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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 September 2019 survey collected qualitative information on changes between June and August 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.

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