



EUROPEAN CENTRAL BANK
EUROSYSTEM

PRESS RELEASE

29 October 2018

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

- Credit terms tightened, in line with the expectations reported in June
- Banks and dealers increased the level of resources and attention devoted to the management of concentrated credit exposures
- Liquidity and general trading conditions for the underlying collateral improved slightly, following several quarters of deterioration

Survey respondents reported that, on balance, credit terms and conditions offered to counterparties tightened for both securities financing and over-the-counter (OTC) derivative transactions over the three-month reference period from June to August 2018. The tightening was in line with the expectations reported in the previous quarter and was explained mainly by the deterioration in the liquidity conditions and functioning of the general collateral market, as well as the lack of intermediaries' balance sheet capacity.

Banks and dealers have also increased their attention towards the management of concentrated credit exposures, in particular vis-à-vis central counterparties.

As regards the provision of finance collateralised by euro-denominated securities, survey respondents reported that, on balance, the maximum amount of funding, maturity and haircuts had all remained broadly unchanged for most types of collateral. The liquidity and functioning of the market for domestic government bonds slightly improved, following several quarters of deteriorating conditions.

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As regards non-centrally cleared OTC derivatives, a small number of respondents reported an increase in initial margin requirements and a deterioration in liquidity and trading conditions. 12% of respondents (in net terms) reported an increase in the posting of non-standard collateral over the three-month reference period.

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 September 2018 survey collected qualitative information on changes between June and August 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.

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