Press release

2 May 2025

Results of the March 2025 Survey on credit terms and conditions in euro-denominated securities financing and OTC derivatives markets (SESFOD)

- Price and non-price credit terms and conditions remained largely unchanged between December 2024 and February 2025
- Financing rates/spreads and haircuts in securities financing transactions decreased across most asset classes
- Demand for funding secured against domestic government bonds decreased for the first time since 2021

Price and non-price credit terms and conditions remained largely unchanged between December 2024 and February 2025[1], which broadly corresponds to expectations expressed in the previous quarter. For price terms, survey responses indicated no net change, while for non-price terms a very minor net tightening was reported. For the second quarter of 2025, some survey respondents expected a slight tightening in credit terms and conditions. However, the vast majority (88%) stated that, overall, no changes were foreseen (Chart 1).

[1] Please note that survey responses were collected in the first quarter of 2025, and therefore, do not reflect the market turmoil observed in April.

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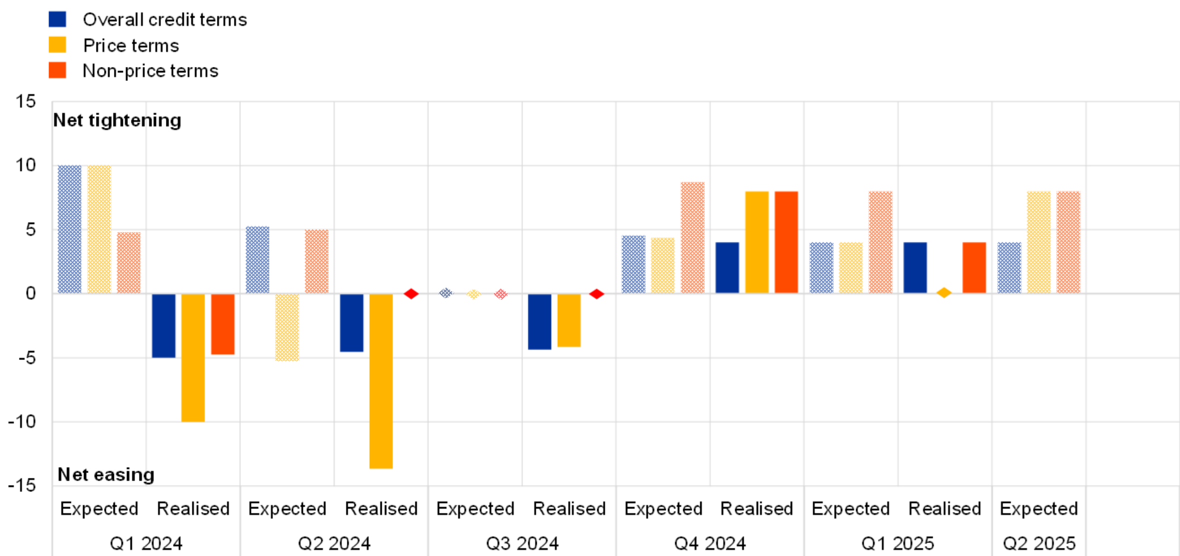
Chart 1

Expected and realised quarterly changes in overall credit terms and price/non-price terms offered to counterparties across all transaction types

(net percentages of survey respondents)



Source: ECB.
Note: Net percentages are calculated as the difference between the percentage of respondents reporting “tightened somewhat” or “tightened considerably” and the percentage reporting “eased somewhat” or “eased considerably”.

Turning to financing conditions for funding secured against the various types of collateral, respondents pointed to a decrease in haircuts across nearly all asset classes. Only for high-quality government, sub-national and supra-national bonds were no net changes reported. In particular, credit secured against high-quality corporate bonds, both financial and non-financial, experienced considerable net decreases in haircuts, with a net 20% of respondents marking a decline (Chart 2, panel a). Moreover, financing rates/spreads have now reversed a three-year trend of net increases across all collateral types except equities. For corporate bonds, asset-backed securities and covered bonds, a net decrease of financing rates/spreads has materialised for the first time since 2021 (Chart 2, panel b). At the same time, demand for funding secured against government bonds experienced a net decrease for the first time in more than three years (Chart 2, panel c).

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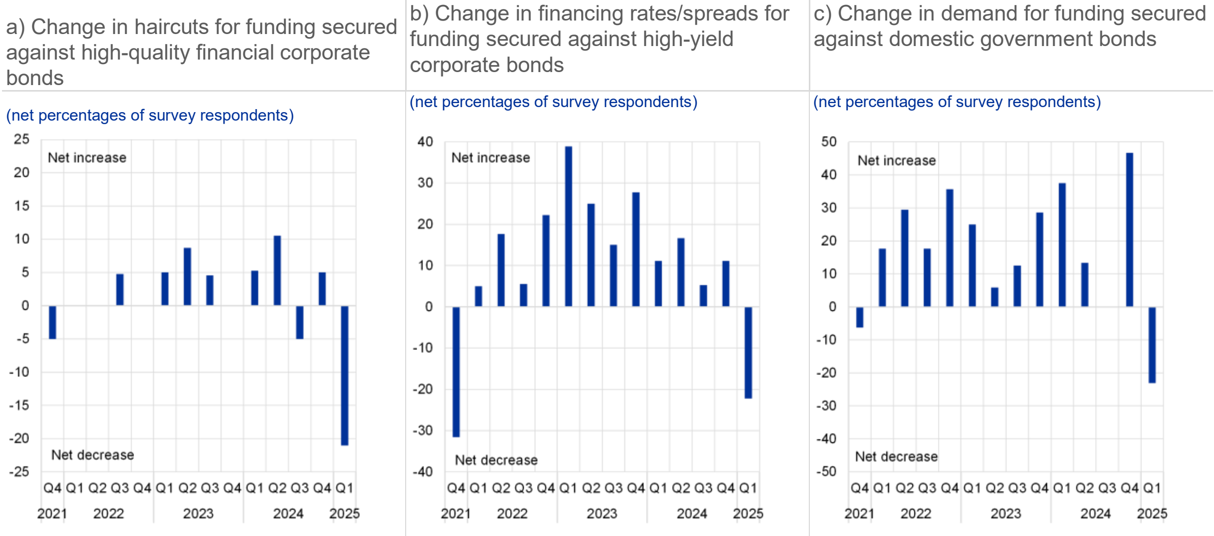
Chart 2

Securities financing transactions experienced reversals of multiple long-term trends



Source: ECB.
Note: Net percentages are calculated as the difference between the percentage of respondents reporting "tightened somewhat" or "tightened considerably" and the percentage reporting "eased somewhat" or "eased considerably".

Looking at credit terms and conditions for the various types of non-centrally cleared OTC derivatives, initial margin requirements, credit limits and liquidity remained largely unchanged. However, survey respondents pointed out a noticeable change for the duration and persistence of valuation disputes, which decreased somewhat across all types of derivatives.

The ECB included a number of special questions in the March 2025 survey to look at longer-term trends. The survey asked respondents to compare credit terms and conditions at the end of February 2025[2] with those reported in the March 2024 survey. Compared to the previous year, overall terms and conditions for securities financing and OTC derivatives transactions had remained largely unchanged, skewed very slightly towards tightening across all counterparties. Respondents reported a minor tightening of credit terms for secured funding of equities and convertible securities, and a very slight easing with regard to non-domestic government bonds.

The results of the March 2025 SESFOD survey, the underlying detailed data series and the SESFOD guidelines are available on the ECB's website, together with all other SESFOD publications.

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

[2] Which equals the cut-off date for the March 2025 survey round.

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March 2025 survey collected qualitative information on changes between December 2024 and February 2025. The results are based on the responses received from a panel of 27 large banks, comprising 14 euro area banks and 13 banks with head offices outside the euro area.

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