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EUROSYSTEM

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Results of the March 2026 survey on credit terms and conditions in euro-denominated securities financing and OTC derivatives markets (SESFOD)

- Credit terms and conditions eased slightly for most counterparty types, driven by improved market liquidity, competition among institutions and strong counterparty financial positions
- Securities financing markets saw higher demand for funding and funding availability, with largely unchanged haircuts and higher financing rates/spreads
- Compared with a year earlier, credit terms for securities financing and OTC derivatives were broadly stable in non-price terms, with minimal changes in stringency of terms and haircuts for secured funding

Overall credit terms and conditions eased slightly between December 2025 and February 2026 across most counterparty types, despite the expected tightening of conditions recorded in the previous survey. The easing reported in net terms stemmed primarily from terms and conditions for banks and dealers. Price terms eased across all counterparties except hedge funds. Non-price terms eased slightly for banks and dealers but were unchanged for all other counterparty types. General market liquidity conditions were reported as the main driver of easing, followed by competition from other institutions and the financial strength of counterparties. Survey respondents expected funding conditions to ease again slightly in the three months ahead, i.e. from March to May 2026 (Chart 1). Few changes were reported in net terms in relation to concentrated credit exposures, leverage, client pressure, differential terms or valuation disputes.

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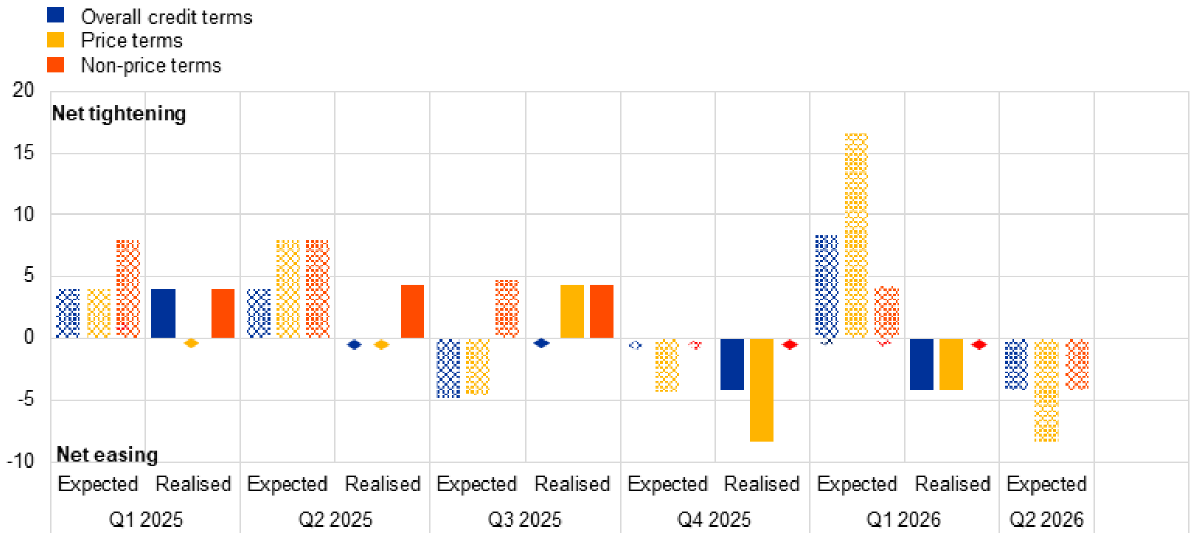
Chart 1

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”.

Looking at securities financing, demand for funding showed an increase across all collateral types in net terms, whereas financing conditions showed mixed developments. The maximum amount of funding made available to counterparties increased, although changes varied across collateral types. The maximum maturity of funding offered also increased slightly on balance. Haircuts decreased marginally across a few types of collateral but were unchanged in most instances. Reflecting higher demand, financing rates/spreads increased for funding secured against all collateral types except non-domestic high-quality government bonds. Liquidity conditions and market functioning were unchanged for most collateral types, but the survey recorded signs of improvement for domestic government bonds and high-quality government bonds. There were almost no changes in the use of covenants and triggers or central counterparties, or in the volume, duration and persistence of collateral valuation disputes.

Turning to non-centrally cleared over-the-counter (OTC) derivatives, survey responses indicate a minor decline in initial margin requirements over the reporting period. The maximum amount of exposure and maximum maturity of trades were largely stable, as were the liquidity and trading of derivatives. Some respondents reported a decrease in the volume of valuation disputes, while the duration and persistence of valuation disputes decreased slightly for most types of derivative. Terms for new or renegotiated master agreements and the posting of non-standard collateral eased slightly over the review period.

The March 2026 survey also contained the set of special questions to look at longer term trends. The survey asked respondents to compare credit terms and conditions on the cut-off date for the March 2026 survey round, i.e. at the end of February 2026, with those reported in the March 2025 survey. Compared with the previous year, overall terms and conditions for securities financing and OTC derivatives transactions across all counterparties were largely unchanged in non-price terms but tightened in price terms. The stringency of credit terms applicable to secured funding and OTC derivatives as well as haircuts for secured funding also remained largely unchanged relative to a year earlier.

Please note that the data from all previous rounds of the survey have been made available on the ECB Data Portal. The data can now be accessed, retrieved and visualised more easily.

The results of the March 2026 SESFOD, the underlying detailed data series and the SESFOD guidelines are available on the ECB's website, together with all other SESFOD publications.

The SESFOD 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 March 2026 survey collected qualitative information on changes between December 2025 and February 2026. The results are based on the responses received from a panel of 26 large banks, comprising 14 euro area banks and 12 banks with head offices outside the euro area.

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