EUROPEAN CENTRAL BANK

EUROSYSTEM

30 April 2013

PRESS RELEASE

NEW ECB SURVEY ON CREDIT TERMS AND CONDITIONS IN EURO-DENOMINATED SECURITIES FINANCING AND OTC DERIVATIVES MARKETS

The European Central Bank (ECB) is today publishing for the first time a report on the results of a new qualitative survey on credit terms and conditions in euro-denominated securities financing and over-the-counter (OTC) derivatives markets (SESFOD). This survey is part of an international initiative to enhance the monitoring of credit terms and conditions in these wholesale financial markets.

Survey participants are large banks active in targeted euro-denominated markets. The intention is to conduct the survey four times a year, covering changes in credit terms in conditions over the three-month reference periods ending in February, May, August and November.

The first December 2012 and March 2013 surveys collected qualitative information on changes over the three-month reference periods ending in November 2012 and February 2013 respectively. The March 2013 survey included special questions on the stringency of current credit terms relative to the end of 2006. The report presents the results of both surveys as well as a summary of the results of the latest March 2013 survey. The results are based on responses from a panel of 29 large banks, comprising 14 euro area banks and 15 banks with head offices outside the euro area.

Selected main findings of the March 2013 survey are presented below.

- Responses suggested that offered price terms (such as financing spreads) had remained basically unchanged, on balance, for the important types of counterparties covered in the survey over the three-month period ending in February 2013. Nevertheless, modest net shares of respondents reported easier price terms for large banks and dealers, insurance companies and investment funds, pension plans and other institutional investment pools. In the case of non-price terms (including, for example, the maximum amount of funding, haircuts, covenants and triggers and other documentation features), the net fractions of banks that reported tightening were small and also smaller than in the previous December 2012 survey.

- Slight increases in the use, and in the availability, of additional financial leverage under agreements currently in place with hedge fund clients were reported by one-quarter and one-tenth of respondents respectively.

- With a few exceptions, and amid some improvement in market liquidity and functioning, respondents indicated that the financing rates/spreads at which securities are funded had decreased, on balance, for the various collateral types covered in the survey, but especially so for euro-denominated government bonds, high-quality financial and non-financial corporate bonds, and covered bonds.
- About one-fifth of respondents indicated that demand for the funding of euro-denominated government bonds and asset-backed securities had increased, on balance, while less marked, but nevertheless across-the-board, increases were also reported for other collateral types. Furthermore, the net shares of banks reporting an increased demand for funding were larger than in the December 2012 survey for all types of collateral covered. In addition, for many types of collateral, the net percentages of banks that reported higher demand for funding were larger for maturities greater than 30 days.
- Except for convertible securities and equities, the respondents reported an improvement in liquidity and market functioning for the various types of collateral included in the survey over the three-month reference period. Between one-fifth and one-third of banks indicated an improvement, on balance, for euro-denominated government bonds and high-quality corporate bonds.
- For most types of non-centrally cleared derivatives contracts included in the survey, banks reported that their liquidity and trading had, on balance, slightly deteriorated over the three-month reference period. This deterioration was, however, less pronounced than in the December 2012 survey.
- Responses to the special questions on the current stringency of credit terms relative to the end of 2006 were broadly uniform, with the majority of respondents indicating that current credit terms applicable to the main types of counterparties, collateral and OTC derivatives covered in the survey were tighter, often considerably so, than at the end of 2006.

European Central Bank
Directorate General Communications and Language Services
Press and Information Division
Kaiserstrasse 29, D-60311 Frankfurt am Main
Tel.: +49 69 1344 7455, Fax: + 49 69 1344 7404
Internet: http://www.ecb.europa.eu