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PRESS RELEASE

RESULTS OF THE SEPTEMBER 2014 SURVEY ON CREDIT TERMS AND CONDITIONS IN EURO-DENOMINATED SECURITIES FINANCING AND OTC DERIVATIVES MARKETS (SESFOD)

- Credit terms for funding collateralised by euro-denominated securities somewhat more favourable for many counterparty types, and somewhat less stringent for many collateral types.
- Responses continue to differ significantly depending on whether survey respondents are domiciled within or outside the euro area.

The main findings of the September 2014 SESFOD suggest that: (i) credit terms have become somewhat more favourable for many counterparty types, although responses continue to differ depending on whether respondents are domiciled within or outside the euro area; and (ii) credit terms for funding that is collateralised by euro-denominated securities have become less stringent for many collateral types. More specifically:

- The survey indicates that, across the entire range of securities financing and over-the-counter (OTC) derivatives transactions, offered price terms (such as financing rates/spreads) have, on balance, become somewhat more favourable over the three-month reference period ending in August 2014. Similarly, offered non-price credit terms (including, for example, the maximum amount of funding, haircuts and cure periods, as well as covenants and triggers) have, in net terms, eased somewhat for almost all counterparty types. Responses continued to differ significantly depending on where survey respondents are domiciled, with respondents domiciled within the euro area on balance reporting a continuation of the easing of price and non-price terms offered to banks and dealers, while survey respondents with headquarters outside the euro area reported less favourable offered price and non-price terms. Survey respondents highlighted changes in general market liquidity and competition from other institutions as reasons why credit terms have become somewhat more favourable over the June 2014 to August 2014 reference period.

- The credit terms offered in the provision of funding to clients that is collateralised by euro-denominated securities again eased somewhat for many types of collateral over the June 2014 to August 2014 reference period. While most respondents to the September survey indicated that the maximum amount of funding for many types of euro-denominated securities remained basically unchanged, on balance, a small percentage of respondents reported that the maximum maturity of funding of euro-denominated securities had increased somewhat over the three-month reference period ending in August 2014. Respondents also indicated, in net terms, a decrease in haircuts for many types of euro-denominated collateral covered in the survey. In addition, responses on balance indicated lower financing rates/spreads at which securities are funded for nearly all types of collateral.
- Survey respondents reported that credit terms for OTC derivatives that are not cleared through a central counterparty remained basically unchanged for most aspects covered by the survey. As in the previous survey, responses to the September survey showed very little change in initial margin requirements, the maximum amount of exposure and the maximum maturity of derivatives trades, and survey respondents also indicated almost no changes in liquidity conditions.

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 2014 survey collected qualitative information on changes between June 2014 and August 2014. The results are based on responses from a panel of 28 large banks, comprising 13 euro area banks and 15 banks with head offices outside the euro area.

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