



EUROPEAN CENTRAL BANK

EUROSYSTEM

PRESS RELEASE

14 October 2016

Results of the September 2016 survey on credit terms and conditions in euro-denominated securities financing and over-the-counter derivatives markets (SESFOD)

- Little change reported on the liquidity and functioning of markets
- Less favourable credit terms offered to hedge funds and banks
- Less favourable credit terms for non-centrally cleared interest rate derivatives

Credit terms offered to counterparties in both the provision of finance that is collateralised by euro-denominated securities and over-the-counter (OTC) derivatives markets became somewhat less favourable for hedge funds and banks over the three-month reference period ending in August 2016. Credit terms are expected to tighten further over the next three-month reference period between September and November 2016.

Regarding the provision of finance that is collateralised by euro-denominated securities, survey respondents indicated that credit terms such as the maximum amount, the maximum maturity of funding, haircuts, and financing rates/spreads had remained basically unchanged against most types of collateral, with only a few respondents reporting changes in credit terms.

Following the deterioration in liquidity and functioning of markets for the underlying collateral (as opposed to the securities financing market itself) reported in the previous five quarterly SESFOD surveys, only a small net percentage of respondents reported a further deterioration in liquidity and functioning of markets over the three-month reference period.

Respondents reported only a few changes in credit terms and conditions offered to counterparties for most non-centrally cleared OTC derivatives over the reference period. Still, the survey responses indicate

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that initial margin requirements and credit limits became less favourable and valuation disputes increased, partly due to new requirements to exchange initial margin as of 1 September 2016.

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 2016 survey collected qualitative information on changes between June 2016 and August 2016. 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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