

PRESS RELEASE

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Results of the June 2018 survey on credit terms and conditions in euro-denominated securities financing and over-the-counter derivatives markets (SESFOD)

- Credit terms had the largest tightening in a year, in contrast to the easing expected in the previous survey round
- Survey participants expect price and non-price conditions to tighten further
- Liquidity and general trading conditions for OTC derivatives deteriorated slightly

Credit terms offered to almost all counterparties in both securities financing and OTC derivatives transactions tightened between March and May 2018. This was the largest tightening in a year and in contrast to the easing expected by respondents in the previous survey (March 2018). Survey participants now also expect conditions to tighten in the coming months. Tighter price conditions were related to the deterioration of liquidity conditions and the functioning of the general collateral market. Some qualitative answers also drew a link to the increased spreads of sovereign debt in some jurisdictions. Additional, albeit less important, contributing factors included the “adoption of new market conventions” and “competition from other institutions”.

For non-centrally cleared OTC derivatives, almost 10% of survey respondents reported some tightening of liquidity and general trading conditions. The qualitative answers suggest that further tightening due to the phasing-in of OTC margining might be expected in the future.

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 June 2018 survey collected qualitative information on changes between March and May 2018. 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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