PRESS RELEASE

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Results of the December 2017 survey on credit terms and conditions in euro-denominated securities financing and over-the-counter derivatives markets (SESFOD)

- Little change in credit terms, but clients' efforts to negotiate more favourable terms intensify
- Little change in liquidity and functioning of markets
- Market-making activities increase for debt securities, but decline for derivatives

In line with the two previous survey rounds, respondents reported that, on balance, credit terms offered to counterparties in both securities financing and over-the-counter (OTC) derivatives transactions had remained basically unchanged over the three-month period from September to November 2017. Credit terms were expected to ease slightly for all types of counterparty over the coming three-month period (i.e. the period from December 2017 to February 2018). At the same time, respondents indicated that clients' efforts to negotiate more favourable credit terms had increased somewhat for all types of counterparty.

As regards the provision of finance collateralised by euro-denominated securities, survey respondents reported that, on balance, the maximum amount of funding, the maximum maturity of funding and haircuts had all remained basically unchanged for many types of collateral. The survey also indicated that client demand had increased for most collateralised funding, in some cases owing to the impending year-end. As in the previous survey round, the liquidity and functioning of markets had remained basically unchanged for most types of underlying collateral.

As regards non-centrally cleared OTC derivatives, a small net percentage of survey respondents reported a tightening of non-price terms and conditions for new or renegotiated OTC derivatives master agreements. That tightening was, however, less pronounced than in the two previous survey rounds.

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The December 2017 survey also included special questions about market-making activities. For most types of debt security, a small net percentage of banks reported that market-making activities had increased over the past year, with corporate bonds recording stronger increases than government bonds. At the same time, more than a fifth of respondents reported a decline in market-making activities for derivatives. That decline notwithstanding, respondents’ confidence in their ability to act as market-makers for derivatives in times of stress remained relatively strong, and the same was observed for government and covered bonds. However, banks were less confident in their ability to act as market-makers in times of stress for other asset classes covered by the survey.

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 December 2017 survey collected qualitative information on changes between September and November 2017. 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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