

PRESS RELEASE

31 January 2019

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

- Credit terms tightened for all counterparts, but non-price terms offered to hedge funds remained stable
- Banks and dealers increased resources and attention dedicated to managing concentrated credit exposures
- Liquidity and general trading conditions for underlying collateral deteriorated slightly, following improvement recorded in previous survey
- Reduction in market-making activities was particularly visible for other government, sub-national and supra-national bonds, high-quality financial corporate bonds and derivatives

Credit terms offered to almost all counterparties, both in the provision of finance collateralised by euro-denominated securities and in over-the-counter (OTC) derivatives markets, became somewhat less favourable between September 2018 and November 2018. Non-price terms for hedge funds were the only component that remained stable. Looking ahead, a small net percentage of respondents now expect price terms to ease for most counterparty types. Non-price terms are expected to remain stable, although some tightening is expected for insurance companies, non-financial corporations and investment funds. Survey respondents further increased the resources and attention they dedicate to managing concentrated credit exposures both to central counterparties and to banks and dealers.

With regard to 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 broadly unchanged for most types of collateral. The

European Central Bank Directorate General Communications
Global Media Relations Division, Sonnemannstrasse 20, 60314 Frankfurt am Main, Germany
Tel.: +49 69 1344 7455, e-mail: media@ecb.europa.eu, website: www.ecb.europa.eu

Reproduction is permitted provided that the source is acknowledged.

demand for funding with longer maturities (more than 30 days) increased over the three-month reference period. A small number of respondents reported a deterioration of the liquidity and functioning of the market for all types of underlying collateral covered by the survey, and in particular for domestic government bonds.

With regard to non-centrally cleared OTC derivatives, respondents indicated that liquidity and trading had, on balance, deteriorated for equity derivatives but had remained broadly unchanged for most OTC derivative types covered by the survey. For non-price terms, as for the previous quarter, respondents reported an increase in the posting of non-standard collateral and a tightening in margin call practices.

The December 2018 survey also included special questions about market-making activities. Market-making activities decreased over the past year for the majority of asset types covered by the survey. This reduction was particularly visible for other government, sub-national and supra-national bonds, high-quality financial corporate bonds and derivatives. However, no change had been observed for domestic government bonds and convertible securities. Institutions expected their market-making activities to increase in 2019. Respondents' confidence in their ability to act as market-makers in times of stress had increased compared with one year before and was strongest in relation to debt securities, derivatives, domestic government bonds, and other government, sub-national and supra-national bonds.

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 2018 survey collected qualitative information on changes between September and November 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.

For media enquiries, please call [Silvia Margiocco](mailto:media@ecb.europa.eu) on +49 69 1344 6619.