

Press release

13 July 2021

Results of the June 2021 survey on credit terms and conditions in euro-denominated securities financing and over-the-counter derivatives markets (SESFOD)

- Overall credit terms and conditions in euro-denominated securities financing and over-the-counter (OTC) derivatives markets tightened slightly for each counterparty type except banks/dealers, hedge funds and sovereigns
- Financing conditions for various collateral types eased significantly, while demand for funding across almost all collateral types continued to weaken further
- Initial margin requirements increased for all OTC derivatives, while liquidity and trading was broadly unchanged

Overall credit terms and conditions in euro-denominated securities financing and over-the-counter (OTC) derivatives markets tightened slightly over the March 2021 to May 2021 review period. Survey respondents reported a tightening of overall credit terms for each individual counterparty type except banks/dealers, hedge funds and sovereigns, for which overall credit terms remained unchanged.

Respondents mainly attributed the less favourable price terms to a general deterioration in market liquidity and functioning, a decreased willingness of institutions to take on risk and internal treasury charges for funding.

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Respondents expected overall terms to tighten somewhat further over the June 2021 to August 2021 review period.

At the same time respondents reported significant easing of financing conditions for various collateral types, with increased maximum amounts of funding, increased maximum maturity of funding, decreased haircuts to collateral and, most notably, a continued decrease in financing rates/spreads for funding of nearly all collateral types.

Against the background of deteriorating liquidity for most collateral types, demand for funding of almost all collateral types continued to weaken further.

With regard to credit terms and conditions for various types of non-centrally cleared derivatives, respondents reported increased initial margin requirements for all OTC derivatives, while liquidity and trading was broadly unchanged for the most part. Valuation disputes remained broadly unchanged in volume while increasing in duration and persistence overall.

The [June 2021 SESFOD](#), the underlying [detailed data series](#) and the [SESFOD guidelines](#) are available on the European Central Bank website together with all other [SESFOD publications](#).

The SESFOD is conducted four times a year and covers changes in credit terms and conditions over three-month reference periods ending in February, May, August and November. The June 2021 survey collected qualitative information on changes between March 2021 and May 2021. The results are based on responses from a panel of 26 large banks, comprising 14 euro area banks and 12 banks with head offices outside the euro area.

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