EUROPEAN CENTRAL BANK
EUROSYSTEM

Press release

18 October 2024

Results of the September 2024 Survey on credit terms and conditions in euro-denominated securities financing and over-the-counter derivatives markets (SESFOD)

- Overall credit terms and conditions eased somewhat between June 2024 and August 2024 on account of improved general market liquidity
- Increase in demand for funding secured against many collateral types
- Increase in initial margin requirements for most types of derivative

Overall credit terms and conditions eased somewhat between June 2024 and August 2024. While overall terms and price terms eased, non-price terms remained unchanged in line with expectations. In net terms and at the level of individual counterparty type, price terms eased slightly more for banks and dealers, insurance companies and non-financial corporations than for the other counterparty types. Non-price terms eased for banks and dealers, insurance companies and non-financial corporations, while remaining unchanged for all other counterparty types. Respondents predominantly attributed the easing of terms to an improvement in general market liquidity. On balance, the use of financial leverage declined for hedge funds, though a small share of respondents reported increases for insurance companies and investment funds over the review period. Respondents reported increases both in the intensity of efforts to negotiate more favourable terms for all counterparties and in the provision of differential terms for most-favoured clients.

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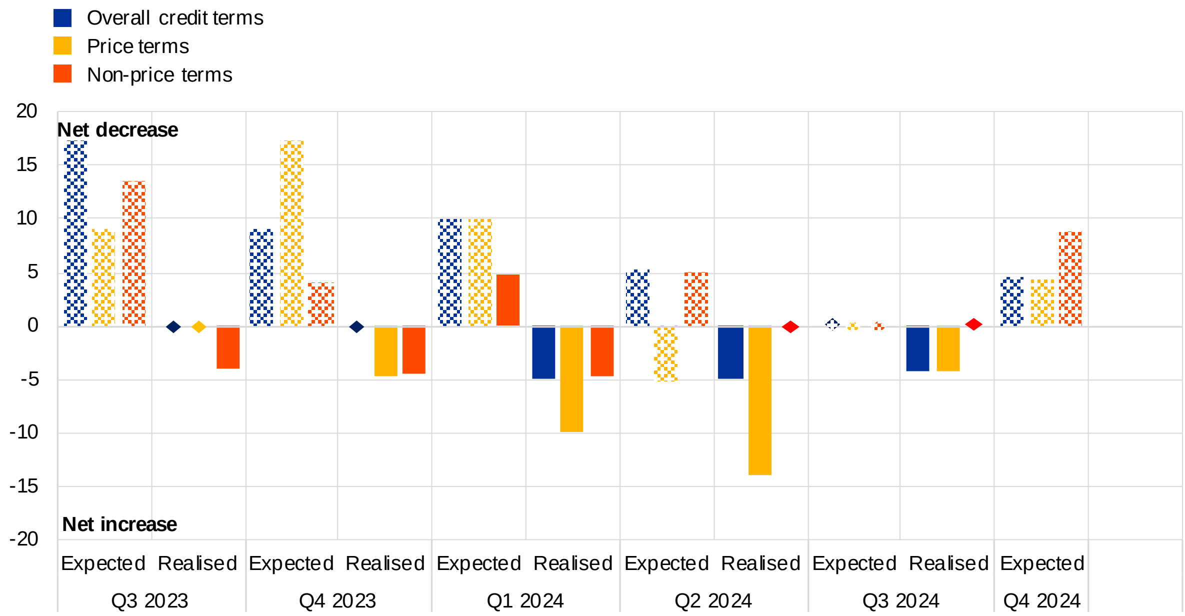
Chart 1

Expected and realised quarterly changes in overall credit terms and price/non-price terms offered to counterparties across all transaction types

(Q3 2023 to Q4 2024; net percentages of survey respondents)



Source: ECB.
Note: Net percentages are calculated as the difference between the percentage of respondents reporting “tightened somewhat” or “tightened considerably” and the percentage reporting “eased somewhat” or “eased considerably”.

Turning to financing conditions for funding secured against the various types of collateral, respondents reported increases in the maximum amount of funding secured against all collateral types except government bonds and high-quality non-financial corporate bonds. They reported that haircuts had slightly decreased for non-domestic government bonds, corporate bonds, convertible securities and covered bonds. They also reported that financing rates/spreads had increased for funding secured against all types of collateral. Covenants and triggers eased for covered bonds, asset-backed securities and government bonds. Significant net percentages of respondents reported increased demand for funding for many collateral types, and particularly for funding with a maturity greater than 30 days secured against corporate bonds, asset-backed securities and equities. Respondents reported a slight improvement in the liquidity and functioning of government bond markets and, on balance, a slight deterioration for most other collateral markets. They also reported a slight increase in the volume, duration and persistence of valuation disputes across all collateral types.

Looking at credit terms and conditions for the various types of non-centrally cleared OTC derivative, initial margin requirements increased for all types of derivative except total return swaps, for which

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they remained unchanged. A few respondents reported deteriorated liquidity and trading conditions for foreign exchange, interest rate and credit derivatives referencing both corporates and structured credit products as well as equity derivatives. Respondents reported that the volume and persistence of valuation disputes had increased across all types of derivative. Terms in new or renegotiated master agreements remained mostly unchanged. A small net percentage of respondents reported an increase in the posting of non-standard collateral over the review period.

The results of the September 2024 SESFOD survey, the underlying detailed data series and the SESFOD guidelines are available on the ECB's website, together with all other SESFOD publications.

The SESFOD survey 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 September 2024 survey collected qualitative information on changes between June 2024 and August 2024. The results are based on the responses received from a panel of 26 large banks, comprising 13 euro area banks and 13 banks with head offices outside the euro area.

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