



EUROPEAN CENTRAL BANK

EUROSYSTEM

# PRESS RELEASE

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

- Little overall change in credit terms for secured funding
- Less favourable non-price credit terms for non-cleared OTC derivatives
- Worsened liquidity in domestic government bond market

Survey respondents reported that, on balance, credit terms offered in both securities financing and over-the-counter (OTC) derivatives transactions over the three-month reference period ending in May 2017 remained basically unchanged. The dispersion of responses, however, increased compared with the March 2017 survey.

Regarding the provision of finance collateralised by euro-denominated securities, survey respondents reported a decrease in financing rates/spreads for many collateral types, particularly government bonds, a further increase in the use of central counterparties (CCPs) for securities financing transactions, and increased demand both for funding collateralised by equities and for longer term funding collateralised by domestic government bonds. They also reported a further deterioration in the liquidity and functioning of the market for domestic government bonds; for other asset classes covered by the survey only small changes in liquidity and functioning were reported for the March to May 2017 reference period, compared with the more significant deteriorations reported over the past two years.

The implementation of the new European Market Infrastructure Regulation (EMIR) requirements for market participants to post initial and variation margins for OTC derivative contracts not cleared by a CCP was cited by survey respondents as one reason for tightening credit terms. Survey respondents highlighted in particular that the requirement to post variation margins which took effect on 1 March 2017

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has been the main driver of less favourable margin call practices and changes in the collateral acceptable under new or renegotiated OTC derivatives master agreements.

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 2017 survey collected qualitative information on changes between March and May 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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