# Press release

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# Results of the September 2020 survey on credit terms and conditions in euro-denominated securities financing and over-the-counter derivatives markets (SESFOD)

- Easing of overall credit terms and conditions represented a partial reversal of the tightening recorded in the previous two survey rounds
- Increase in pressure, in particular from non-financial corporate counterparties, to obtain more favourable conditions
- Valuation disputes decreased for both securities financing and derivatives transactions

Survey respondents reported an easing of credit terms and conditions over the June 2020 to August 2020 review period representing a partial reversal of the widespread tightening of credit terms and conditions observed in the previous two survey rounds.

Respondents reported a significant easing of overall credit terms for all counterparty types. This overall easing masks some divergence between price and non-price terms. Whereas price terms eased significantly, non-price terms on balance tightened for all counterparty types except banks. Respondents mainly attributed the easing of price terms to an improvement in general liquidity and market functioning, but they also suggested that the willingness to take on risk, as well as competition from other institutions were additional motivations for offering more favourable conditions to counterparties.

Survey respondents also reported increased pressure from all counterparty types, except investment firms, to obtain more favourable conditions, with this being most pronounced from non-financial corporates. This resulted in increased provision of differential terms to most-favoured, in particular non-financial corporate, clients.

The maximum amount and maturity of funding offered against euro-denominated collateral increased for most types of collateral. Haircuts applied to euro-denominated collateral and financing rates/spreads decreased for funding secured by nearly all types of collateral. Moreover, the demand for funding of all

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collateral types except equities weakened. In a reversal of the situation reported in the June 2020 survey, participants saw the liquidity of collateral improving for all collateral types and collateral valuation disputes decreasing.

Initial margin requirements decreased for almost all types of OTC derivatives. Respondents also reported that the maximum amount of exposures had decreased for OTC equity and commodity derivatives. Liquidity and trading deteriorated for credit derivatives referencing structured credit products as well as for equity and interest rate derivatives. The volume, duration and persistence of valuation disputes decreased across all types of derivatives.

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 September 2020 survey collected qualitative information on changes between June 2020 and August 2020. 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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