

Beat: Business

## ECB, Results of the March 2016 survey on credit terms

### Conditions in euro-denominated secur

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**USPA NEWS** - Results of the March 2016 survey on credit terms and conditions in euro-denominated securities financing and over-the-counter derivatives markets (SESFOD)

Less favourable credit terms for counterparties across the entire spectrum of securities financing and OTC derivatives transaction types...

...Less favourable non-price credit terms being offered in securities financing transactions but at the same time more favourable financing rates for many types of collateral. In a Press Release it is also said that:

Overall credit terms offered to counterparties across the entire spectrum of securities financing and OTC derivatives transaction types became less favourable during the three-month reference period ending in February 2016. The tightening of credit terms was most pronounced for counterparties which are hedge funds and non-financial corporations. Credit terms are expected to tighten somewhat further over the next review period (i.e. between March and May 2016).

For what concerns credit terms by collateral type, non-price terms, such as the maximum amount and the maximum maturity of funding in securities financing transactions, have tightened for most types of collateral “ particularly when corporate bonds are used as collateral. At the same time, financing rates/spreads have declined for many types of collateral, with the decline being most pronounced for government bonds. Corporate bonds are an exception, as financing rates/spreads either remained unchanged (high-quality corporate bonds) or became less favourable (high-yield corporate bonds) in transactions involving such collateral.

Demand by counterparties for funding using government bonds, high-quality financial and non-financial corporate bonds as well as asset-backed securities as collateral increased over the period under review, suggesting a return to the general trend of increasing demand for securities financing observed since the start of the SESFOD survey in the fourth quarter of 2012.

Looking at patterns in credit terms by counterparty type over a longer horizon, compared with one year ago, on balance, credit terms have become less favourable to all counterparty types, but in particular to counterparties which are hedge funds, investment funds, and non-financial corporates.

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 March 2016 survey collected qualitative information on changes between December 2015 and February 2016. 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.

#### Article online:

<https://www.uspa24.com/bericht-7713/ecb-results-of-the-march-2016-survey-on-credit-terms.html>

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