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Results of the September 2023 Survey on credit terms and conditions in euro-denominated securities financing and over-the-counter derivatives markets (SESFOD)

- Credit terms and conditions remained unchanged following nine consecutive survey rounds of reported tightening
- Maximum maturity of funding secured against government bonds for most-favoured clients increased
- Demand for funding against covered bonds and high-quality corporate bonds increased

Overall credit terms and conditions in the securities financing and over-the-counter (OTC) derivatives markets remained on balance unchanged between June and August 2023. This brought a pause in the overall tightening in credit terms and conditions that survey respondents had reported in the previous nine survey rounds. The unchanged overall terms and conditions reported in this survey round contrast with the expectations of further tightening expressed in the June 2023 survey. The overall unchanged conditions mask some heterogeneity. Price terms tightened on balance for all counterparty types except banks and dealers, for which they eased slightly. They tightened most for hedge funds, investment funds and non-financial corporations. Non-price terms tightened on balance for hedge funds, non-financial corporations and sovereigns, while they eased for banks and dealers and remained unchanged for all other counterparty types. Survey respondents attributed this tightening mainly to decreased competition from other institutions and a deterioration in general market liquidity and functioning and, to a lesser extent, to concerns about an expected deterioration in the financial strength of counterparties. Survey respondents expected overall credit terms to tighten over the period from September to November 2023. Notably, 20% of respondents reported that the amount of resources and attention devoted to managing concentrated credit exposures to banks and dealers had increased over the review period. The use of financial leverage declined somewhat over the review period.

Turning to financing conditions for various types of collateral in securities financing transactions, survey respondents reported various accounts as regards the maximum amount of funding offered against euro-denominated collateral. While respondents also reported a mixed picture as regards the maximum maturity of funding for average clients, a significant percentage of respondents reported an increase in the maximum maturity of funding secured against government bonds for most-favoured clients. Financing rates/spreads increased for funding secured against equities, domestic and other government bonds, corporate bonds, asset-backed securities and covered bonds. A significant percentage of respondents reported an increase in overall demand for funding, particularly funding offered against covered bonds and high-quality corporate bonds. On balance, the liquidity and functioning of collateral markets deteriorated.

Finally, turning to non-centrally cleared OTC derivatives, survey respondents reported that initial margin requirements had decreased for commodity derivatives, but few changes were reported for other derivative types. Survey respondents reported different accounts as regards the maximum amount of exposure and unchanged conditions regarding the maximum maturity of trades. Liquidity and trading improved somewhat for foreign exchange derivatives and interest rate derivatives. The results of the September 2023 SESFOD survey, the underlying detailed data series and the [SESFOD guidelines](#) are available on the European Central Bank'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 2023 survey collected qualitative information on changes between June and August 2023.

The results are based on the responses received from a panel of 27 large banks, comprising 14 euro area banks and 13 banks with head offices outside the euro area.

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