SENIOR CREDIT OFFICER OPINION SURVEY
On Market Practices Relating to Securities Financing Transactions and Over-the-Counter Derivative Contracts

Counterparty Types

Questions 1 through 12 ask about the stringency of credit terms applicable to different counterparty types across the entire range of securities financing and over-the-counter derivatives transactions, why these may have changed, and expectations for the future. In some questions, the survey differentiates between the compensation demanded for bearing credit risk ("price terms") and the contractual provisions used to mitigate exposures ("non-price terms"). Questions 1 through 4 focus on other dealers as counterparties, questions 5 through 8 on hedge funds and other private pools of capital, and questions 9 through 12 on transactions involving corporate treasurers at non-financial firms. If your institution's terms have tightened or eased over the past three months please so report them regardless of how they stand relative to longer-term norms. Also, please report changes in enforcement of existing policies regarding terms as changes in policies.

Dealers

1. Over the past three months, how have the price terms (for example, financing rates) offered to other dealers as reflected across the entire spectrum of securities financing and over-the-counter derivatives transaction types changed, regardless of non-price terms?

    1) Tightened considerably
    2) Tightened somewhat
    3) Remained basically unchanged
    4) Loosened somewhat
    5) Loosened considerably

2. Over the past three months, how has your use of non-price terms (for example, haircuts, maximum maturity, or covenants) with respect to other dealers changed, regardless of price terms?

    1) Tightened considerably
    2) Tightened somewhat
    3) Remained basically unchanged
    4) Loosened somewhat
    5) Loosened considerably

3. To the extent that the price or non-price terms applied to dealers have tightened or eased over the past three months (as reflected in your responses to questions 1 and 2), how important have been each of the following possible reasons for the change? (Please respond to either A, B, or both as appropriate and rate each possible reason using the following scale: 1 = very important, 2 = somewhat important, 3 = not important.)

   A. Possible reasons for tightening:

      1) Deterioration in current or expected financial strength of counterparties
      2) Reduced willingness of your institution to take on risk
      3) Adoption of more stringent market conventions (that is, collateral terms and agreements, ISDA protocols)
      4) Reduced funding availability to your institution
      5) Diminished availability of balance sheet or capital at your institution
      6) Worsening in general market liquidity and functioning
      7) Less aggressive competition from other institutions
      8) Other (please specify below)

   B. Possible reasons for easing:

      1) Improvement in current or expected financial strength of counterparties
      2) Increased willingness of your institution to take on risk
      3) Adoption of less stringent market conventions (that is, collateral terms and agreements, ISDA protocols)
      4) Increased funding availability to your institution
      5) Increased availability of balance sheet or capital at your institution
      6) Improvement in general market liquidity and functioning
      7) More aggressive competition from other institutions
      8) Other (please specify below)

4. Looking forward over the next three months, and assuming that economic activity progresses in line with consensus forecasts, how do you expect price and non-price terms under which you extend credit to other dealers related to securities financing and over-the-counter derivatives transactions to change?

      1) Price and non-price terms are likely to tighten considerably
      2) Price and non-price terms are likely to tighten somewhat
      3) Price and non-price terms are likely to remain basically unchanged
      4) Price and non-price terms are likely to loosen somewhat
      5) Price and non-price terms are likely to loosen considerably

<u>Hedge Funds, Private Equity Firms and Other Private Pools of Capital</u>

5. Over the past three months, how have the price terms (for example, financing rates) offered to hedge funds, private equity firms and other private pools of capital as reflected across the entire spectrum of securities financing and over-the-counter derivatives transaction types changed, regardless of non-price terms?

    1) Tightened considerably
    2) Tightened somewhat
    3) Remained basically unchanged
    4) Loosened somewhat
    5) Loosened considerably

6. Over the past three months, how has your use of non-price terms (for example, haircuts, maximum maturity, or covenants) with respect to hedge funds, private equity firms and other private pools of capital changed, regardless of price terms?

    1) Tightened considerably
    2) Tightened somewhat
    3) Remained basically unchanged
    4) Loosened somewhat
    5) Loosened considerably

7. To the extent that the price or non-price terms applied to hedge funds, private equity firms and other private pools of capital have tightened or eased over the past three months (as reflected in your responses to questions 5 and 6), how important have been each of the following possible reasons for the change? (Please respond to either A, B, or both as appropriate and rate each possible reason using the following scale: 1 = very important, 2 = somewhat important, 3 = not important.)

    A. Possible reasons for tightening:

        1) Deterioration in current or expected financial strength of counterparties
        2) Reduced willingness of your institution to take on risk
        3) Adoption of more stringent market conventions (that is, collateral terms and agreements, ISDA protocols)
        4) Reduced funding availability to your institution
        5) Diminished availability of balance sheet or capital by your institution
        6) Worsening in general market liquidity and functioning
        7) Less aggressive competition from other institutions
        8) Other (please specify below)

B. Possible reasons for easing:

1) Improvement in current or expected financial strength of counterparties
2) Increased willingness of your institution to take on risk
3) Adoption of less stringent market conventions (that is, collateral terms and agreements, ISDA protocols)
4) Increased funding availability to your institution
5) Increased availability of balance sheet or capital at your institution
6) Improvement in general market liquidity and functioning
7) More aggressive competition from other institutions
8) Other (please specify below)

8. Looking forward over the next three months, and assuming that economic activity progresses in line with consensus forecasts, how do you expect price and non-price terms under which you extend credit to hedge funds, private equity firms and other private pools of capital related to securities financing and over-the-counter derivatives transactions to change?

   1) Price and non-price terms are likely to tighten considerably
   2) Price and non-price terms are likely to tighten somewhat
   3) Price and non-price terms are likely to remain basically unchanged
   4) Price and non-price terms are likely to loosen somewhat
   5) Price and non-price terms are likely to loosen considerably

<u>Non-financial Corporations</u>

9. Over the past three months, how have the price terms (for example, financing rates) offered to non-financial corporations as reflected across the entire spectrum of over-the-counter derivatives transaction types changed, regardless of non-price terms?

   1) Tightened considerably
   2) Tightened somewhat
   3) Remained basically unchanged
   4) Loosened somewhat
   5) Loosened considerably

10. Over the past three months, how has your use of non-price terms (for example, haircuts, maximum maturity, or covenants) with respect to non-financial corporations changed, regardless of price terms?

    1) Tightened considerably
    2) Tightened somewhat
    3) Remained basically unchanged
    4) Loosened somewhat
    5) Loosened considerably

11. To the extent that the price or non-price terms applied to non-financial corporations have tightened or eased over the past three months (as reflected in your responses to questions 9 and 10), how important have been each of the following possible reasons in driving the change? (Please respond to either A, B, or both as appropriate and rate each possible reason using the following scale: 1 = very important, 2 = somewhat important, 3 = not important.)

    A. Possible reasons for tightening:

    1) Deterioration in current or expected financial strength of counterparties
    2) Reduced willingness of your institution to take on risk
    3) Adoption of more stringent market conventions (that is, collateral terms and agreements, ISDA protocols)
    4) Reduced funding availability to your institution
    5) Diminished availability of balance sheet or capital at your institution
    6) Worsening in general market liquidity and functioning
    7) Less aggressive competition from other institutions
    8) Other (please specify below)

    B. Possible reasons for easing:

    1) Improvement in current or expected financial strength of counterparties
    2) Increased willingness of your institution to take on risk
    3) Adoption of less stringent market conventions (that is, collateral terms and agreements, ISDA protocols)
    4) Increased funding availability to your institution
    5) Increased availability of balance sheet or capital at your institution
    6) Improvement in general market liquidity and functioning
    7) More aggressive competition from other institutions
    8) Other (please specify below)

12. Looking forward over the next three months, and assuming that economic activity progresses in line with consensus forecasts, how you expect price and non-price terms under which you extend credit to non-financial corporations related to over-the-counter derivatives transactions to change?

    1) Price and non-price terms are likely to tighten considerably
    2) Price and non-price terms are likely to tighten somewhat
    3) Price and non-price terms are likely to remain basically unchanged
    4) Price and non-price terms are likely to loosen somewhat
    5) Price and non-price terms are likely to loosen considerably

Securities Financing

Questions 13 through 27 ask about securities funding at your institution – that is, lending to clients collateralized by securities. Such activities may be conducted on a “repo” desk, on a trading desk engaged in facilitation for institutional clients and/or proprietary transactions, on a funding desk, or from a prime brokerage platform. Questions 13 through 15 focus on lending against Treasury securities, questions 16 through 19 on lending against high-grade corporate bonds, questions 20 through 23 on lending against agency Mortgage-backed Securities (“ agency MBS”), and questions 24 and 27 on lending against other asset-backed securities (“ABS”). If your institution’s terms have tightened or eased over the past three months, please so report them regardless of how they stand relative to longer-term norms. Also, please report changes in enforcement of existing policies regarding terms as changes in terms.

<u>On-the-run Treasury securities</u>

13. Over the past three months, how have the terms under which on-the-run Treasury securities are funded changed? (Please assign each term a number between 1 and 5 using the following scale: 1 = tightened considerably, 2 = tightened somewhat, 3 = remained basically unchanged, 4 = eased somewhat, 5 = eased considerably.)

    A. Terms for average clients:
        a. Maximum amount of funding
        b. Maximum maturity
        c. Haircuts
        d. Financing rate
        e. Requirements, timelines and thresholds for posting additional collateral or margin
        f. Recognition of portfolio or diversification benefits (including with OTC derivatives positions where appropriate agreements are in place)
        g. Covenants and triggers
        h. Other (please specify)

    B. Terms for most favored clients, as a consequence of breadth, duration and/or extent of relationship:
        a. Maximum amount of funding
        b. Maximum maturity
        c. Haircuts
        d. Financing rate
        e. Requirements, timelines and thresholds for posting additional collateral or margin
        f. Recognition of portfolio or diversification benefits (including with OTC derivatives where appropriate agreements are in place)
        g. Covenants and triggers
        h. Other (please specify)

C. Terms for other dealers:
   a. Maximum amount of funding
   b. Maximum maturity
   c. Haircuts
   d. Financing rate
   e. Requirements, timelines and thresholds for posting additional collateral or margin
   f. Recognition of portfolio or diversification benefits (including with OTC derivatives where appropriate agreements are in place)
   g. Covenants and triggers
   h. Other (please specify)

14. Over the past three months, how has demand for funding of on-the-run Treasury securities by your institution's clients changed?
    1) Increased considerably
    2) Increased somewhat
    3) Remained basically unchanged
    4) Decreased somewhat
    5) Decreased considerably

15. Over the past three months, how have liquidity and functioning in the on-the-run Treasury market changed?[1]
    1) Improved considerably
    2) Improved somewhat
    3) Remained basically unchanged
    4) Deteriorated somewhat
    5) Deteriorated considerably

[1] Please report changes in liquidity and functioning in the market for underlying collateral, not in the funding market.

<u>High-Grade Corporate Bonds</u>

16. Over the past three months, how have the terms under which high-grade corporate bonds are funded changed? (Please assign each term a number between 1 and 5 using the following scale: 1 = tightened considerably, 2 = tightened somewhat, 3 = remained basically unchanged, 4 = eased somewhat, 5 = eased considerably.)

    A. Terms for average clients:
        a. Maximum amount of funding
        b. Maximum maturity
        c. Haircuts
        d. Financing rate
        e. Requirements, timelines and thresholds for posting additional collateral or margin
        f. Recognition of portfolio or diversification benefits (including with OTC derivatives where appropriate agreements are in place)
        g. Covenants and triggers
        h. Other (please specify)

    B. Terms for most favored clients, as a consequence of breadth, duration and/or extent of relationship:
        a. Maximum amount of funding
        b. Maximum maturity
        c. Haircuts
        d. Financing rate
        e. Requirements, timelines and thresholds for posting additional collateral or margin
        f. Recognition of portfolio or diversification benefits (including with OTC derivatives where appropriate agreements are in place)
        g. Covenants and triggers
        h. Other (please specify)

17. In some cases, an institution provides financing on more favorable terms when it has played a role in bringing the issue being financed to market, for example as an underwriter. Over the past three months, how have the terms on which your institution funds such issues changed relative to the terms applicable to other high-grade corporate bonds?
    1) Tightened considerably
    2) Tightened somewhat
    3) Remained basically unchanged
    4) Loosened somewhat
    5) Loosened considerably

18. Over the past three months, how has demand for funding of high-grade corporate bonds by your institution's clients changed?
    1) Increased considerably
    2) Increased somewhat
    3) Remained basically unchanged
    4) Decreased somewhat
    5) Decreased considerably

19. Over the past three months, how have liquidity and functioning in the high-grade corporate bond market changed?[2]
    1) Improved considerably
    2) Improved somewhat
    3) Remained basically unchanged
    4) Deteriorated somewhat
    5) Deteriorated considerably

<u>Agency Residential Mortgage-backed Securities</u>

20. Over the past three months, how have the terms under which agency MBS are funded changed? (Please assign each term a number between 1 and 5 using the following scale: 1 = tightened considerably, 2 = tightened somewhat, 3 = remained basically unchanged, 4 = eased somewhat, 5 = eased considerably.)

    A. Terms for average clients:
        a. Maximum amount of funding
        b. Maximum maturity
        c. Haircuts
        d. Financing rate
        e. Requirements, timelines and thresholds for posting additional collateral or margin
        f. Recognition of portfolio or diversification benefits (including with OTC derivatives where appropriate agreements are in place)
        g. Covenants and triggers
        h. Other (please specify)

[2] Please report changes in liquidity and functioning in the market for underlying collateral, not in the funding market.

B. Terms for most favored clients, as a consequence of breadth, duration and/or extent of relationship:
   a. Maximum amount of funding
   b. Maximum maturity
   c. Haircuts
   d. Financing rate
   e. Requirements, timelines and thresholds for posting additional collateral or margin
   f. Recognition of portfolio or diversification benefits (including with OTC derivatives where appropriate agreements are in place)
   g. Covenants and triggers
   h. Other (please specify)

21. In some cases, an institution provides financing on more favorable terms when it has played a role in bringing the issue being financed to market, for example as an underwriter. Over the past three months, how have the terms on which your institution funds such issues changed relative to the terms applicable to other securities backed by agency collateral?
    1) Tightened considerably
    2) Tightened somewhat
    3) Remained basically unchanged
    4) Loosened somewhat
    5) Loosened considerably

22. Over the past three months, how has demand for funding of agency MBS by your institution's clients changed?
    1) Increased considerably
    2) Increased somewhat
    3) Remained basically unchanged
    4) Decreased somewhat
    5) Decreased considerably

23. Over the past three months, how have liquidity and functioning in the agency MBS market changed?[3]
    1) Improved considerably
    2) Improved somewhat
    3) Remained basically unchanged
    4) Deteriorated somewhat
    5) Deteriorated considerably

[3] Please report changes in liquidity and functioning in the market for underlying collateral, not in the funding market.

Other Asset-backed Securities

24. Over the past three months, how have the terms under which non-agency ABS will be funded changed? (Please assign each term a number between 1 and 5 using the following scale: 1 = tightened considerably, 2 = tightened somewhat, 3 = remained basically unchanged, 4 = eased somewhat, 5 = eased considerably.)

    A. Terms for average clients:
        a. Maximum amount of funding
        b. Maximum maturity
        c. Haircuts
        d. Financing rate
        e. Requirements, timelines and thresholds for posting additional collateral or margin
        f. Recognition of portfolio or diversification benefits (including with OTC derivatives where appropriate agreements are in place)
        g. Covenants and triggers
        h. Other (please specify)

    B. Terms for most favored clients, as a consequence of breadth, duration and/or extent of relationship:
        a. Maximum amount of funding
        b. Maximum maturity
        c. Haircuts
        d. Financing rate
        e. Requirements, timelines and thresholds for posting additional collateral or margin
        f. Recognition of portfolio or diversification benefits (including with OTC derivatives where appropriate agreements are in place)
        g. Covenants and triggers
        h. Other (please specify)

25. In some cases, an institution provides financing on more favorable terms when it has played a role in bringing the issue being financed to market, for example as an underwriter. Over the past three months, how have the terms on which your institution funds such issues changed relative to the terms applicable to other non-agency ABS?
    1) Tightened considerably
    2) Tightened somewhat
    3) Remained basically unchanged
    4) Loosened somewhat
    5) Loosened considerably

26. Over the past three months, how has demand for funding of non-agency ABS positions by your institution's clients changed?
    1) Increased considerably
    2) Increased somewhat
    3) Remained basically unchanged
    4) Decreased somewhat
    5) Decreased considerably

27. Over the past three months, how have liquidity and functioning in the non-agency ABS market changed?[4]
    1) Improved considerably
    2) Improved somewhat
    3) Remained basically unchanged
    4) Deteriorated somewhat
    5) Deteriorated considerably

Over-the-Counter Derivatives

Questions 28 through 37 ask about over-the-counter derivatives trades. Questions 28 and 29 focus on trades with Foreign Exchange ("FX") as the underlying, questions 30 and 31 on trades with interest rates ("IR") as the underlying, questions 32 and 33 on trades with equities as the underlying, questions 34 and 35 on trades with credit instruments as the underlying (including contracts referencing MBS and ABS), and questions 36 and 37 on trades with commodities as the underlying. If your institution's terms have tightened or eased over the past three months, please so report them regardless of how they stand relative to longer-term norms. Also, please report changes in enforcement of existing policies regarding terms as changes in terms.

[4] Please report changes in liquidity and functioning in the market for underlying collateral, not in the funding market.

<u>Foreign Exchange</u>

28. Over the past three months, how have non-price terms associated with over-the-counter FX derivatives changed? (Please assign each term a number between 1 and 5 using the following scale: 1 = tightened considerably, 2 = tightened somewhat, 3 = remained basically unchanged, 4 = eased somewhat, 5 = eased considerably.)

    A. For "vanilla" FX derivatives (that is derivatives using ISDA short-form confirmations and definitions):
        a. Initial margin
        b. Requirements, timelines and thresholds for posting additional margin
        c. Recognition of portfolio or diversification benefits (including from securities financing trades where appropriate agreements are in place)
        d. Triggers and covenants
        e. Other (please specify)

    B. For highly customized FX derivatives (that is derivatives negotiated bilaterally and using long-form confirmations):
        a. Initial margin
        b. Requirements, timelines and thresholds for posting additional margin
        c. Recognition of portfolio or diversification benefits (including from securities financing trades where appropriate agreements are in place)
        d. Triggers and covenants
        e. Other (please specify)

29. Over the past three months, how has the volume of mark and collateral disputes with clients related to FX derivatives changed?
    1) Increased considerably
    2) Increased somewhat
    3) Remained basically unchanged
    4) Decreased somewhat
    5) Decreased considerably

Interest Rates

30. Over the past three months, how have non-price terms associated with over-the-counter interest rate derivatives changed? (Please assign each term a number between 1 and 5 using the following scale: 1 = tightened considerably, 2 = tightened somewhat, 3 = remained basically unchanged, 4 = eased somewhat, 5 = eased considerably.)

    A. For "vanilla" IR derivatives (that is derivatives using ISDA short-form confirmations and definitions):
        a. Initial margin
        b. Requirements, timelines and thresholds for posting additional margin
        c. Recognition of portfolio or diversification benefits (including from securities financing trades where appropriate documentation is in place)
        d. Triggers and covenants
        e. Other (please specify)

    B. For highly customized IR derivatives (that is derivatives negotiated bilaterally and using long-form confirmations):
        a. Initial margin
        b. Requirements, timelines and thresholds for posting additional margin
        c. Recognition of portfolio or diversification benefits (including from securities financing trades where appropriate documentation is in place)
        d. Triggers and covenants
        e. Other (please specify)

31. Over the past three months, how has the volume of mark and collateral disputes with clients related to interest rate derivatives changed?
    1) Increased considerably
    2) Increased somewhat
    3) Remained basically unchanged
    4) Decreased somewhat
    5) Decreased considerably

<u>Equities</u>

32. Over the past three months, how have non-price terms associated with over-the-counter equity derivatives changed? (Please assign each term a number between 1 and 5 using the following scale: 1 = tightened considerably, 2 = tightened somewhat, 3 = remained basically unchanged, 4 = eased somewhat, 5 = eased considerably.)

    A. For "vanilla" equity derivatives (that is derivatives using ISDA short-form confirmations and definitions):
        a. Initial margin
        b. Requirements, timelines and thresholds for posting additional margin
        c. Recognition of portfolio or diversification benefits (including from securities financing trades where appropriate documentation is in place)
        d. Triggers and covenants
        e. Other (please specify)

    B. For highly customized equity derivatives (that is derivatives negotiated bilaterally and using long-form confirmations):
        a. Initial margin
        b. Requirements, timelines and thresholds for posting additional margin
        c. Recognition of portfolio or diversification benefits (including from securities financing trades where appropriate documentation is in place)
        d. Triggers and covenants
        e. Other (please specify)

33. Over the past three months, how has the volume of mark and collateral disputes with clients related to equity derivatives changed?
    1) Increased considerably
    2) Increased somewhat
    3) Remained basically unchanged
    4) Decreased somewhat
    5) Decreased considerably

Credit

34. Over the past three months, how have non-price terms associated with over-the-counter credit derivatives (including contracts referencing MBS or ABS) changed? (Please assign each term a number between 1 and 5 using the following scale: 1 = tightened considerably, 2 = tightened somewhat, 3 = remained basically unchanged, 4 = eased somewhat, 5 = eased considerably.)

    A. For "vanilla" credit derivatives (that is derivatives using ISDA short-form confirmations and definitions):
        a. Initial margin
        b. Requirements, timelines and thresholds for posting additional margin
        c. Recognition of portfolio or diversification benefits (including from securities financing trades where appropriate documentation is in place)
        d. Triggers and covenants
        e. Other (please specify)

    B. For highly customized credit derivatives (that is derivatives negotiated bilaterally and using long-form confirmations):
        a. Initial margin
        b. Requirements, timelines and thresholds for posting additional margin
        c. Recognition of portfolio or diversification benefits (including from securities financing trades where appropriate documentation is in place)
        d. Triggers and covenants
        e. Other (please specify)

35. Over the past three months, how has the volume of mark and collateral disputes with clients related to credit derivatives changed?
    1) Increased considerably
    2) Increased somewhat
    3) Remained basically unchanged
    4) Decreased somewhat
    5) Decreased considerably

<u>Commodities</u>

36. Over the past three months, how have non-price terms associated with over-the-counter commodity derivatives changed? (Please assign each term a number between 1 and 5 using the following scale: 1 = tightened considerably, 2 = tightened somewhat, 3 = remained basically unchanged, 4 = eased somewhat, 5 = eased considerably.)

    A. For “vanilla” commodity derivatives (that is derivatives using ISDA short-form confirmations and definitions):
        a. Initial margin
        b. Requirements, timelines and thresholds for posting additional margin
        c. Recognition of portfolio or diversification benefits (including from securities financing trades where appropriate documentation is in place)
        d. Triggers and covenants
        e. Other (please specify)

    B. For highly customized commodity derivatives (that is derivatives negotiated bilaterally and using long-form confirmations):
        a. Initial margin
        b. Requirements, timelines and thresholds for posting additional margin
        c. Recognition of portfolio or diversification benefits (including from securities financing trades where appropriate documentation is in place)
        d. Triggers and covenants
        e. Other (please specify)

37. Over the past three months, how has the volume of mark and collateral disputes with clients related to commodity derivatives changed?
    6) Increased considerably
    7) Increased somewhat
    8) Remained basically unchanged
    9) Decreased somewhat
    10) Decreased considerably

Optional Question

Question 38 requests feedback on any other issues you judge to be important relating to credit terms applicable to securities financing transactions and over-the-counter derivatives contracts.

38. Are there any other recent developments involving conditions and practices in any of the markets addressed in this survey that you regard as particularly significant and which were not fully addressed in the prior questions? Your response will help us stay abreast of emerging issues and in choosing questions for future surveys. There is no need to reply to this question if there is nothing you wish to add.

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