

The September 2025 Senior Credit Officer Opinion Survey on Dealer Financing Terms

Summary

The September 2025 Senior Credit Officer Opinion Survey on Dealer Financing Terms (SCOOS) collected qualitative information on changes in credit terms and conditions in securities financing and over-the-counter (OTC) derivatives markets between June 2025 and August 2025.¹ In addition to the core questions, the survey included a set of special questions about current practices and recent trends in the usage of securities as collateral in lieu of variation margin (VM) payments in OTC derivatives transactions.

Core Questions

(Questions 1–79)²

With respect to **the credit terms applicable to, and mark and collateral disputes with, different counterparty types across the entire range of securities financing and OTC derivatives transactions**, responses to the core questions revealed the following:

- Price and nonprice terms on securities financing transactions and OTC derivatives were largely unchanged across almost all types of counterparties. A small fraction of dealers reported that nonprice terms (such as haircuts, covenants, or other documentation features) tightened somewhat for insurance companies (see the exhibit “Management of Concentrated Credit Exposures and Indicators of Supply of Credit”). One-fifth of dealers reported that the intensity of efforts by hedge funds to negotiate more-favorable price and nonprice terms increased somewhat, as did small fractions for mutual funds, exchange-traded funds, insurance companies, and investment advisers to separately managed accounts.
- Attention devoted to managing concentrated credit exposure to dealers and other financial intermediaries (such as large banking institutions) remained basically unchanged. All dealers reported no or minimal influence from changes in central counterparty practices, including margin requirements and haircuts, on credit terms they offer to clients on bilateral transactions that are not cleared.
- Small fractions of respondents indicated that the volume of mark and collateral disputes with dealers, hedge funds, mutual funds, exchange-traded funds, insurance companies, and nonfinancial corporations decreased somewhat.

¹ The 20 institutions participating in the September survey account for almost all dealer financing of dollar-denominated securities to nondealers and are the most active intermediaries in OTC derivatives markets. The survey was conducted between August 12, 2025, and August 25, 2025.

² Question 80, not discussed here, was optional and allowed respondents to provide additional comments.

With respect to clients' **use of financial leverage**, for the majority of client types, all dealers reported that the use of leverage remained basically unchanged, on net, after reporting a net decrease in the previous survey. However, a small fraction of dealers reported that use of financial leverage increased somewhat for insurance companies (see the exhibit "Use of Financial Leverage").

In **OTC derivatives markets**, one-fifth of dealers reported a decrease in the volume of mark and collateral disputes relating to derivatives contracts in equities, with smaller fractions indicating decreases for derivatives contracts referencing foreign exchange and commodities markets, retracing the increases reported in the previous quarter. Dealers indicated that the posting of nonstandard collateral as well as nonprice terms in master agreements remained basically unchanged from the previous quarter. A small fraction of dealers reported an increase in initial margin requirements for equity derivatives. In addition, small fractions of respondents indicated a decrease in the duration and persistence of mark and collateral disputes for interest rate swaps and total return swaps.

With respect to **securities financing transactions**, respondents indicated the following:

- Small fractions of dealers reported an easing of funding spreads for average clients on high-grade corporate bonds, agency and non-agency residential mortgage-backed securities (RMBS), commercial mortgage-backed securities (CMBS), and asset-backed securities (ABS) collateral types. For most-favored clients, one-fifth of dealers reported an easing of haircuts and spreads on non-agency RMBS, and small fractions of dealers reported an easing of haircuts and spreads on CMBS and ABS.
- Other terms on securities financing for average and most-favored clients were reported as basically unchanged for most collateral types.
- About one-fifth of dealers reported an increase in demand for funding of equities, and a small fraction of dealers reported an increase in demand for agency RMBS. The demand for funding of other collateral types, including term funding, remained basically unchanged (see the exhibit "Measures of Demand for Funding and Market Functioning").
- Fractions around one-fifth of dealers reported that liquidity and market functioning improved somewhat for high-grade corporate bonds, non-agency RMBS, and ABS.
- The volume, duration, and persistence of mark and collateral disputes remained basically unchanged over the period across all collateral types.

Special Questions on Securities Usage for Variation Margin Obligations in Over-the-Counter Derivatives Transactions

OTC derivatives transactions involve periodic exchange of VM between counterparties. Such VM payments can be posted in cash or in the form of collateral securities. The share of noncash VM received by dealer firms has reportedly grown over the past few years. In this quarter's special questions, dealers were asked about current practices and recent trends in the usage of

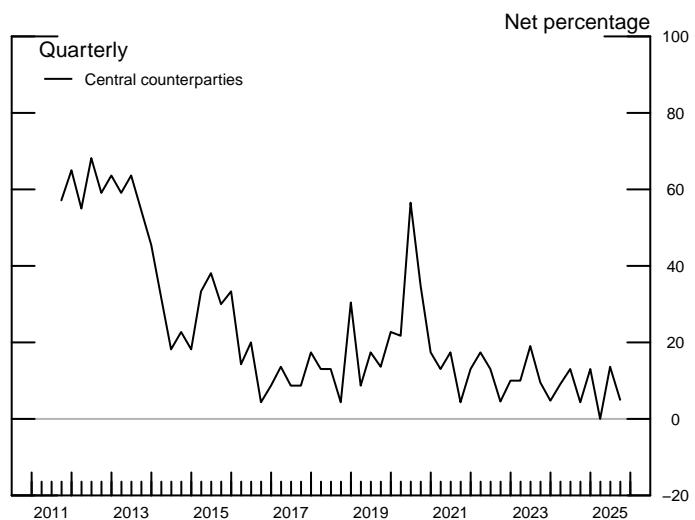
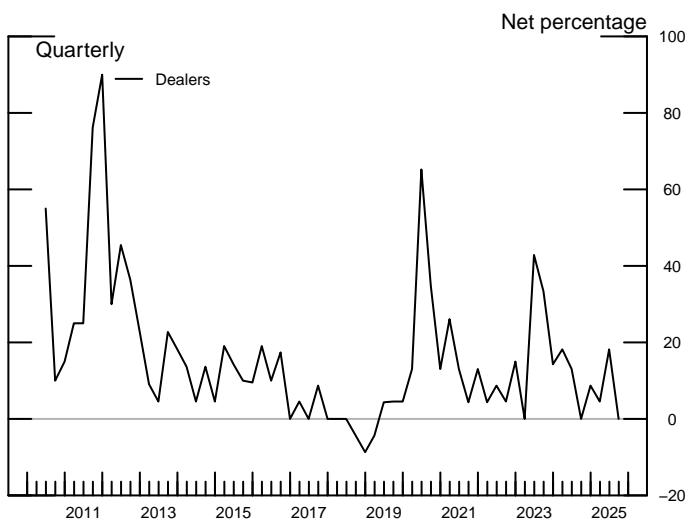
noncash collateral for VM obligations in OTC derivatives transactions with clients. About three-fourths of dealers indicated that their institution accepts securities for VM obligations (henceforth referred to as “accepting dealers”).

- One-third of accepting dealers reported an increase in the volume of securities collateral as a share of the total VM payments received in OTC derivatives transactions since January 2023. Of the dealers reporting an increase, all cited increased demand from clients as a very important reason, and nearly all cited more-aggressive competition from other institutions as a somewhat important reason.
- Acceptance of securities for VM obligations varies by collateral type, with fewer dealers accepting less-liquid securities. All accepting dealers indicated they accept U.S. Treasury securities and corporate bonds; among such dealers, net fractions of around one-fourth noted that the use of these securities increased since January 2023. Three-fourths of dealers who accept securities collateral allow equities to be used for VM obligations, of which a net fraction of one-fourth reported increased use of equities since January 2023. Finally, two-fifths of the accepting dealers indicated that they accept other securities for VM obligations, of which one-half indicated increased use of such securities since January 2023.
- Accepting dealers reported that all client types covered in the survey use securities for VM obligations at least to some extent. For insurance companies and for pension funds and endowments, approximately one-half of accepting dealers reported frequent use of securities to post VM. For mutual funds, exchange-traded funds, and separately managed accounts established with investment advisers, fractions between about one-half and two-thirds of accepting dealers reported occasional use of securities to post VM. For hedge funds and nonfinancial corporations, fractions between about three-fifths and three-fourths of accepting dealers reported rare use of securities to post VM.
- With regard to the factors that affect a dealer’s willingness to accept securities for VM obligations, all accepting dealers cited market liquidity of collateral securities and four-fifths cited counterparty risk profile as very important factors. Relationship with the client, ease of rehypothecation of collateral securities, composition of collateral already held by the firm from all clients, size of haircut, and type of OTC derivatives contract were additional factors cited as somewhat or very important by at least four-fifths of accepting dealers.
- The survey asked about management of noncash VM collateral through third-party or triparty custodial arrangements. For positions where U.S. Treasury securities are used as collateral for VM obligations, one-third of accepting dealers indicated that a moderate fraction is managed through custodial arrangement, while the remaining two-thirds indicated that a small fraction is managed in this manner. For positions where securities other than U.S. Treasury securities are accepted as collateral for VM obligations, almost all accepting dealers indicated that a small fraction is managed through custodial arrangements.
- One-third of accepting dealers expect the volume of securities posted for VM obligations as a share of total VM payments received from clients in OTC derivatives transactions to increase somewhat over the next 12 months.

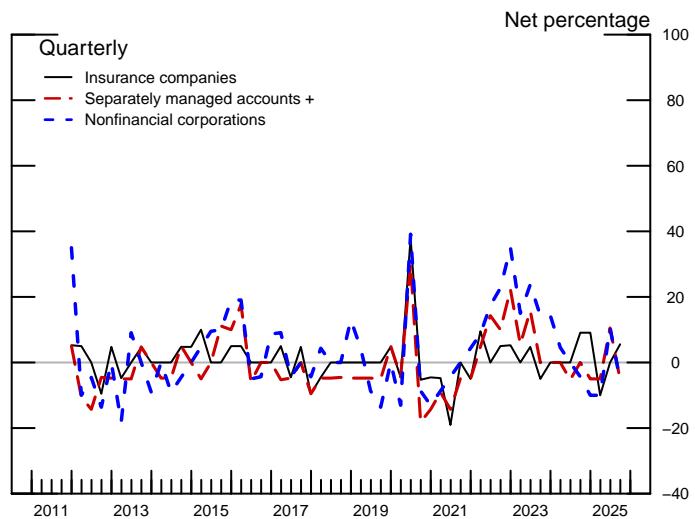
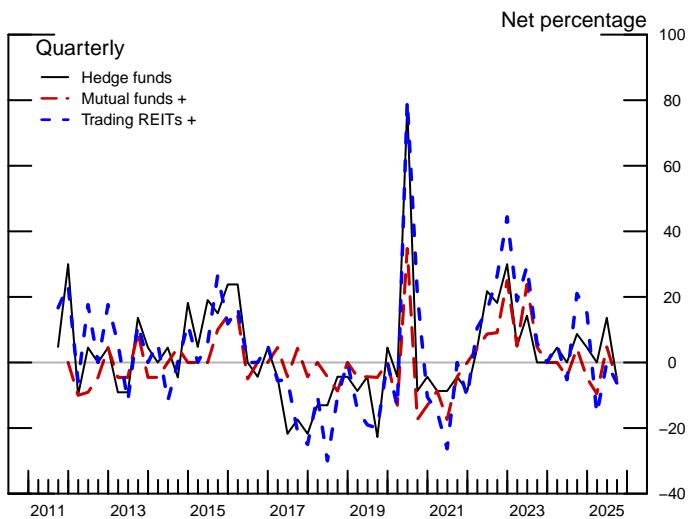
This document was prepared by Valery Polkovnichenko, Division of Research and Statistics, Board of Governors of the Federal Reserve System. Assistance in developing and administering the survey was provided by staff members in the Capital Markets Function, the Statistics Function, and the Markets Group at the Federal Reserve Bank of New York.

Management of Concentrated Credit Exposures and Indicators of Supply of Credit

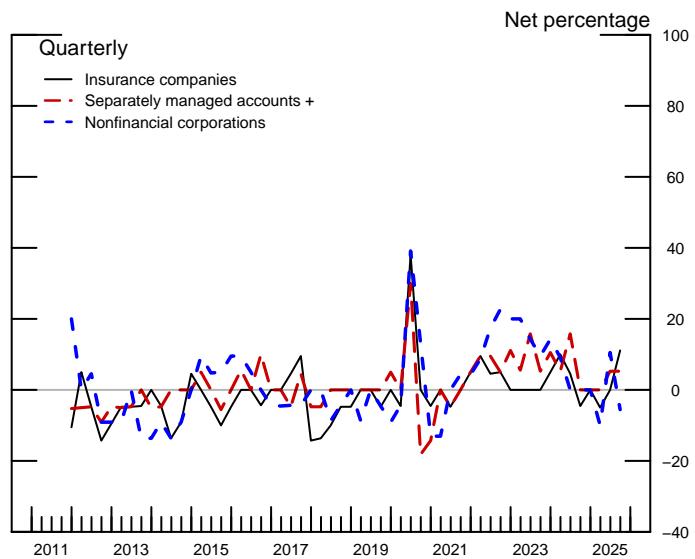
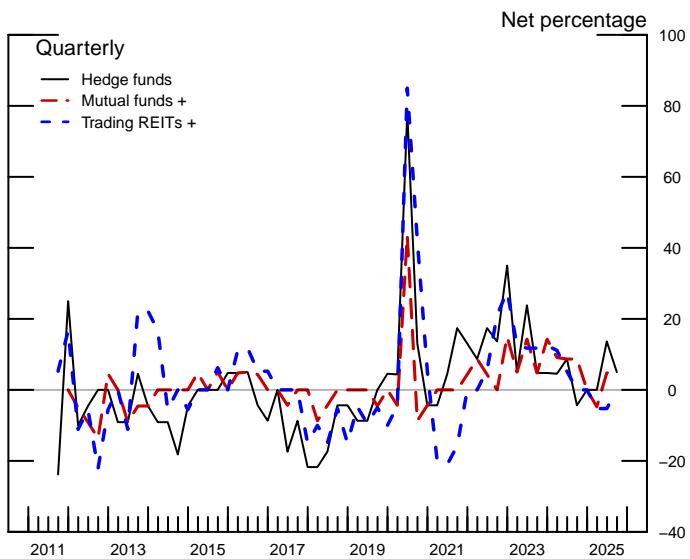
Respondents increasing resources and attention to management of concentrated exposures to the following:



Respondents tightening price terms to the following:



Respondents tightening nonprice terms to the following:



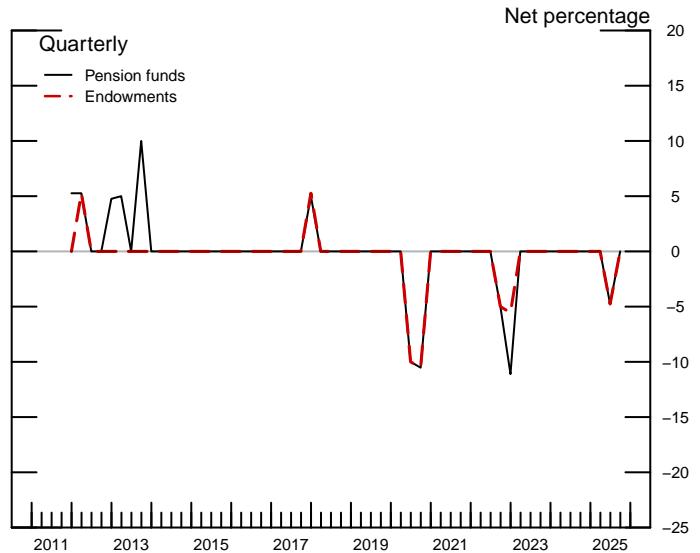
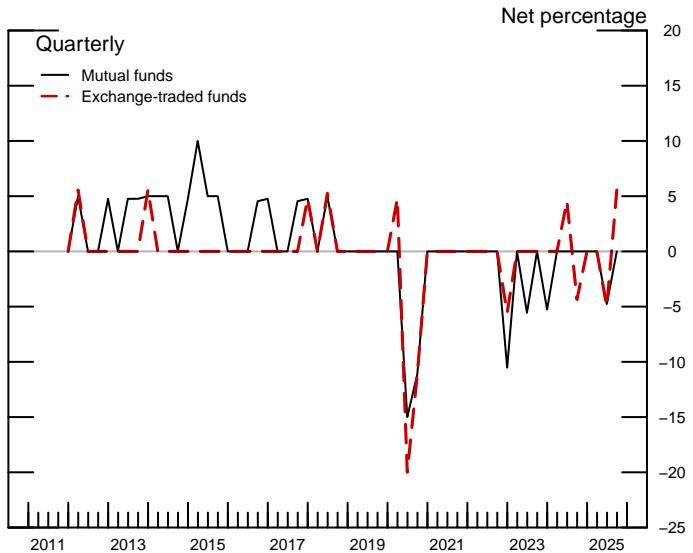
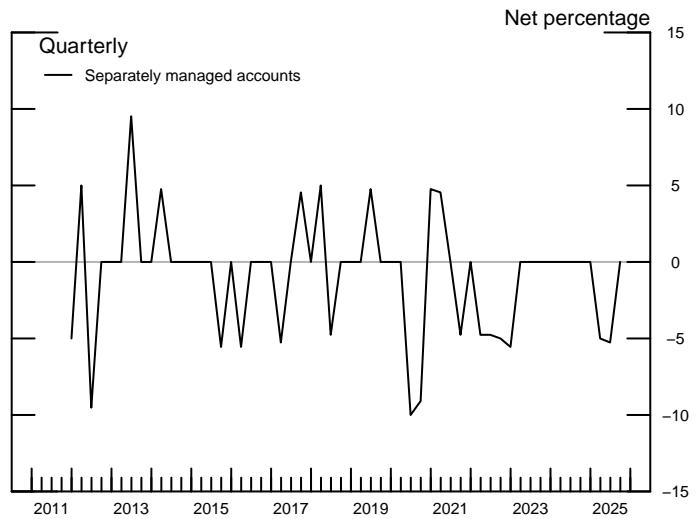
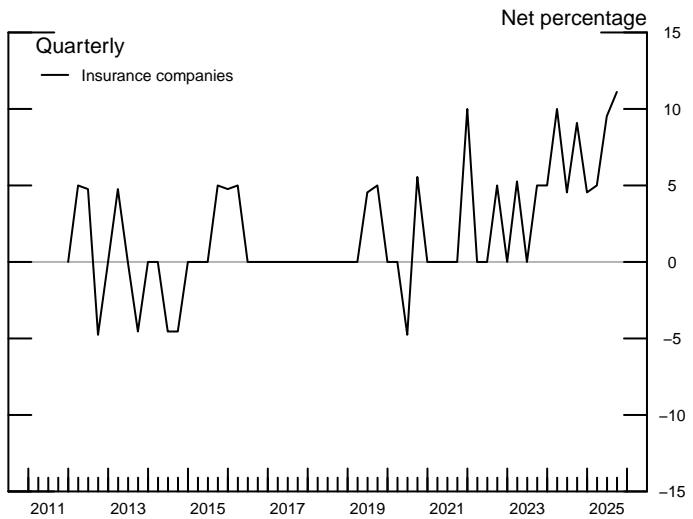
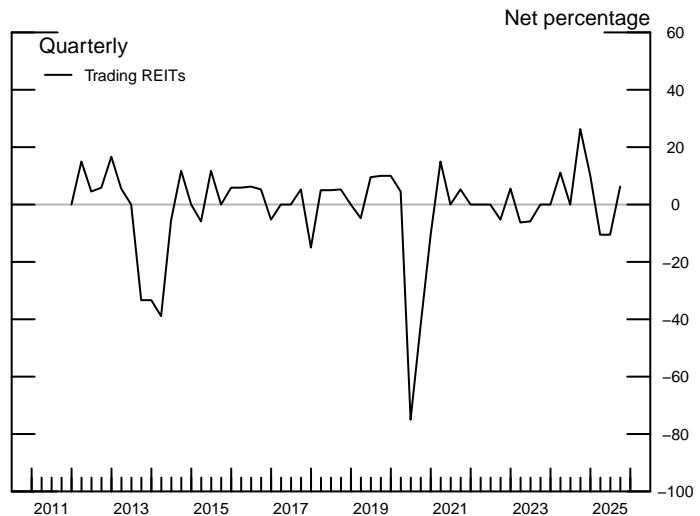
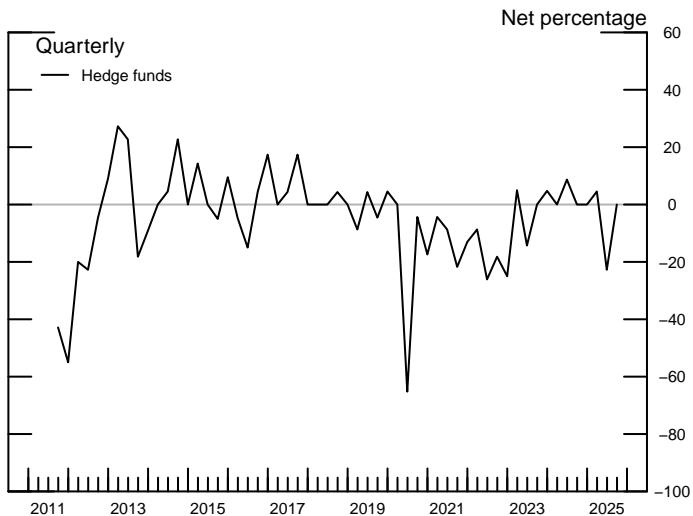
Note: REIT is real estate investment trust.

+ The question was added to the survey in September 2011.

Source: Federal Reserve Board, Senior Credit Officer Opinion Survey on Dealer Financing Terms.

Use of Financial Leverage

Respondents reporting increased use of leverage by the following:

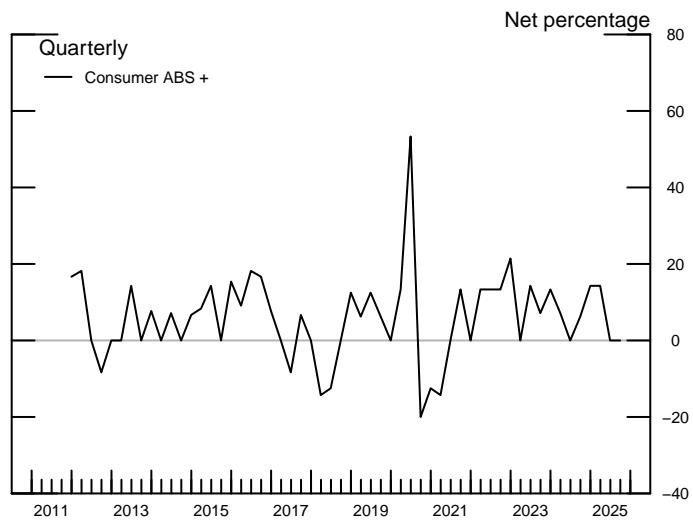
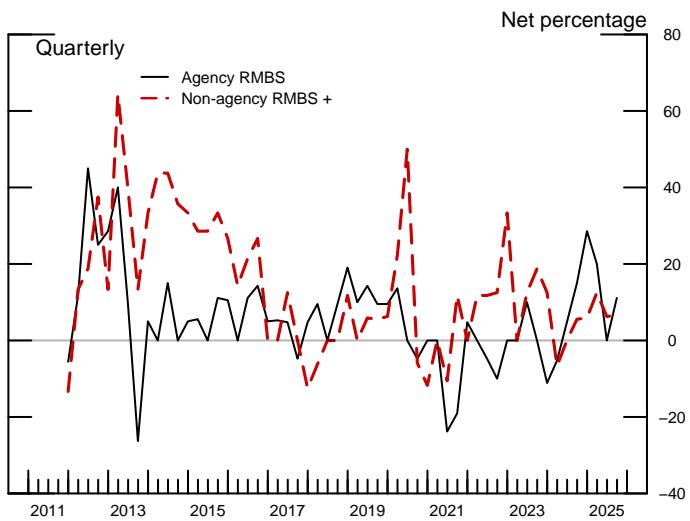
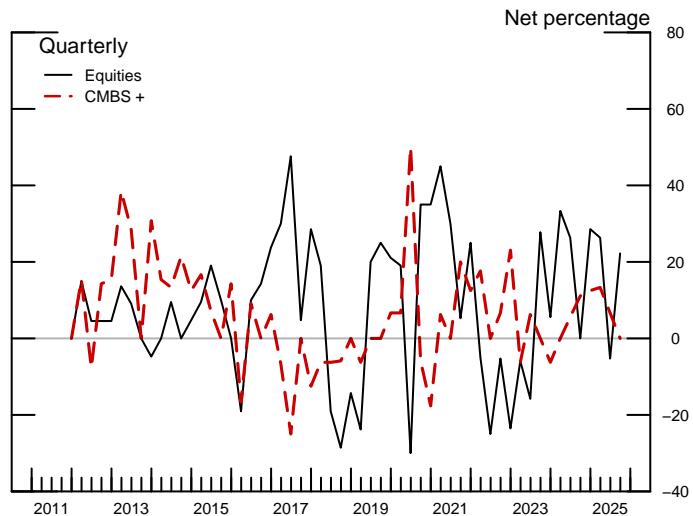
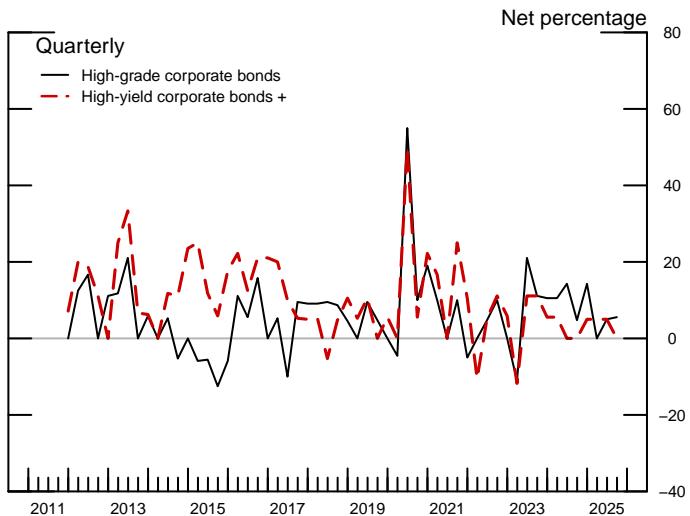


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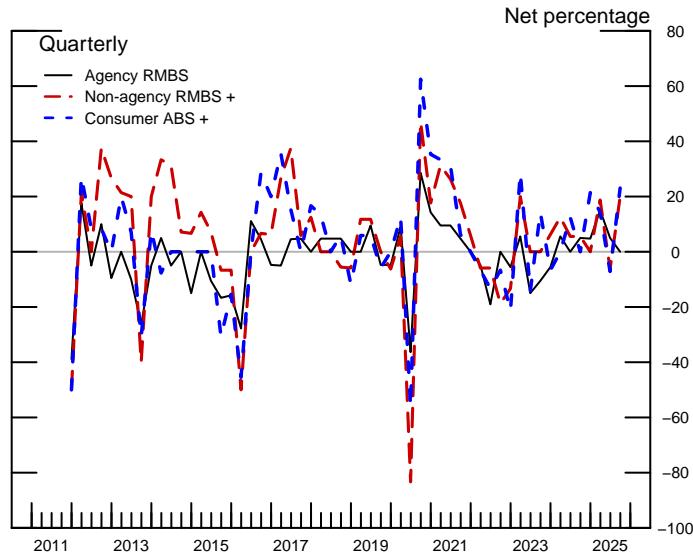
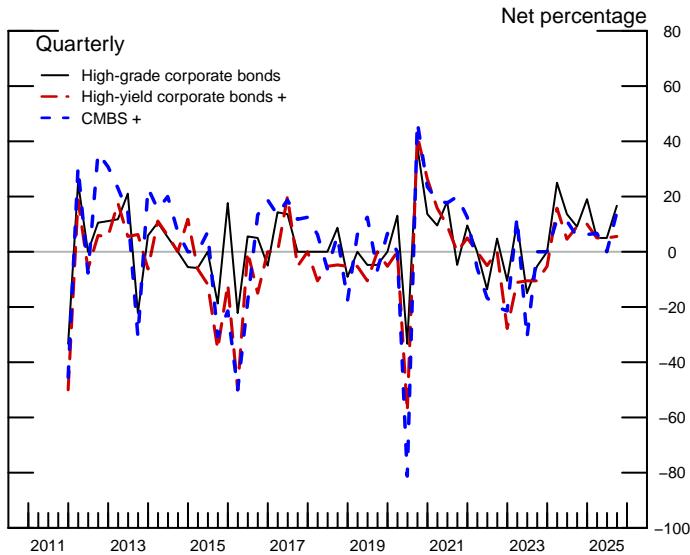
Source: Federal Reserve Board, Senior Credit Officer Opinion Survey on Dealer Financing Terms.

Measures of Demand for Funding and Market Functioning

Respondents reporting increased demand for funding of the following:



Respondents reporting an improvement in liquidity and functioning in the underlying markets for the following:



Note: CMBS is commercial mortgage-backed securities; RMBS is residential mortgage-backed securities; ABS is asset-backed securities.

+ The question was added to the survey in September 2011.

Source: Federal Reserve Board, Senior Credit Officer Opinion Survey on Dealer Financing Terms.