

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

DIVISION OF MONETARY AFFAIRS

DIVISION OF RESEARCH AND STATISTICS



For release at 2:00 p.m. EDT
April 3, 2014

**Senior Credit Officer Opinion Survey
on Dealer Financing Terms**

March 2014

The March 2014 Senior Credit Officer Opinion Survey on Dealer Financing Terms

Summary

The March 2014 Senior Credit Officer Opinion Survey on Dealer Financing Terms collected qualitative information on changes over the previous three months in credit terms and conditions in securities financing and over-the-counter (OTC) derivatives markets. In addition to the core set of questions, this survey included a set of special questions about the use of synthetic prime brokerage (synthetic PB) by hedge fund clients as an alternative to traditional secured financing to provide levered exposure to securities. The 22 institutions participating in the survey account for almost all of the dealer financing of dollar-denominated securities provided to nondealers and are the most active intermediaries in OTC derivatives markets. The survey was conducted during the period between February 18, 2014, and March 3, 2014. The core questions asked about changes between December 2013 and February 2014.¹

Responses to the core questions in the March survey suggested little change over the past three months in the credit terms applicable to most classes of counterparties covered by the survey. However, results offered a few insights regarding recent developments and current areas of focus in dealer-intermediated markets:

- A net fraction of about one-third of respondents—the lowest value since this question was added to the survey in September 2011—reported an increase in the amount of resources and attention devoted to the management of concentrated exposures to central counterparties and other financial market utilities.
- The use of financial leverage by the counterparties covered in the survey was generally reported to be unchanged over the past three months; however, about

¹ For questions that ask about credit terms, reported net percentages equal the percentage of institutions that reported tightening terms (“tightened considerably” or “tightened somewhat”) minus the percentage of institutions that reported easing terms (“eased considerably” or “eased somewhat”). For questions that ask about demand, reported net fractions equal the percentage of institutions that reported increased demand (“increased considerably” or “increased somewhat”) minus the percentage of institutions that reported decreased demand (“decreased considerably” or “decreased somewhat”).

two-fifths of dealers pointed to a decline with respect to trading real estate investment trusts (REITs).²

- With regard to securities financing, nearly one-half of dealers reported an increase in demand for funding of non-agency residential mortgage-backed securities (RMBS), and two-fifths of respondents also noted increased demand for term funding against such collateral. Dealers assessed liquidity and functioning as having improved in the non-agency RMBS market, while conditions in the cash markets for other collateral types were reported to be basically unchanged.
- In their responses to the special questions about synthetic PB, dealers indicated that use of this alternative to margin loans and repo refinancing varied considerably across the hedge fund types specified in the survey. Equity long-short hedge funds that are fundamentally oriented were listed as the biggest users. Access to foreign markets was given as the most important motivation, with nearly three-fourths of dealers indicating it was very important. Notably, availability of leverage was listed as being unimportant by almost one-half of respondents.

Counterparty Types

(Questions 1–40)

Dealers and Other Financial Intermediaries. Nineteen of the 22 respondents to the March survey reported that the amount of resources and attention devoted to the management of concentrated credit exposure to dealers and other financial intermediaries remained basically unchanged over the past three months, while the remainder pointed to an increase. (See the exhibit “Management of Concentrated Credit Exposures and Indicators of Supply of Credit.”) The share of dealers reporting an increase was broadly similar to that in recent surveys, and remained well below the 90 percent peak reached in the December 2011 survey.

Central Counterparties and Other Financial Utilities. About one-third of respondents, on net, noted that they had increased the amount of resources and attention devoted to the management of concentrated credit exposures to central counterparties and other financial utilities over the past three months. This percentage was the lowest observed since the question was introduced in September 2011. As in the December survey, about one-fourth of respondents indicated that changes in the practices of central counterparties, including changes in margin requirements and haircuts, had some influence on the credit terms applied to clients on bilateral transactions that are not cleared.

² Trading REITs, including agency REITs, invest in assets backed by real estate rather than directly in real estate.

Hedge Funds. As in the past several surveys, respondents in March generally noted that both price terms (such as financing rates) and nonprice terms (including haircuts, maximum maturity, covenants, cure periods, cross-default provisions, or other documentation features) offered to hedge funds for securities financing and OTC derivatives transactions were basically unchanged over the past three months. Dealers also reported that the use of financial leverage by hedge funds and the availability of additional (and currently not utilized) financial leverage under agreements currently in place with hedge funds over the past three months had remained basically unchanged. (See the exhibit “Use of Financial Leverage.”) Most dealers indicated that the provision of differential terms to most-favored clients and the intensity of efforts to negotiate more-favorable price and nonprice terms had remained basically unchanged over the past three months, though about one-fifth of firms reported an increased intensity of efforts to negotiate better terms.

Trading Real Estate Investment Trusts. Similar to the December survey, nearly one-fifth of respondents reported having tightened nonprice terms offered to trading REITs. However, all but one respondent to the March survey indicated that price terms offered to trading REITs had remained basically unchanged over the past three months. Two-fifths of dealers noted that the use of financial leverage by trading REITs had decreased somewhat over the past three months, continuing a trend that began last summer. Provision of differential terms to most-favored clients and the intensity of efforts by clients to negotiate more-favorable terms were reported to be generally little changed on balance.

Mutual Funds, Exchange-Traded Funds, Pension Plans, and Endowments. As in the past few surveys, respondents to the March survey indicated that both price and nonprice terms offered to mutual funds, exchange-traded funds (ETFs), pension plans, and endowments had remained basically unchanged over the past three months. Provision of differential terms to most-favored clients and the intensity of efforts by clients to negotiate more-favorable terms also were reported to be little changed, as was the use of financial leverage.

Insurance Companies. As in recent surveys, respondents to the March survey noted that both price and nonprice terms offered to insurance companies had changed little over the past three months. Provision of differential terms to most-favored clients and the intensity of efforts by clients to negotiate more-favorable terms also were reported to be little changed, as was the use of financial leverage.

Separately Managed Accounts Established with Investment Advisers. Nearly all of the dealers indicated that, as in recent surveys, price and nonprice terms negotiated by investment advisers on behalf of separately managed accounts were basically unchanged over the past three months. Provision of differential terms to most-favored clients, intensity of efforts to negotiate more-favorable terms, and the use of financial leverage by investment advisers were also reported to be basically unchanged.

Nonfinancial Corporations. Respondents to the March survey noted that, on balance, price and nonprice terms offered to nonfinancial corporations had remained basically unchanged over the past three months. As in the December survey, about one-fourth of respondents reported an increase in the intensity of efforts by nonfinancial corporations to negotiate more-favorable price and nonprice terms.

Mark and Collateral Disputes. The vast majority of respondents in March indicated that, as in recent surveys, the volume, persistence, and duration of mark and collateral disputes with each counterparty type included in the survey were little changed, on balance, over the past three months. However, a few respondents noted a decrease in the duration and persistence of disputes with dealers and other financial intermediaries.

Over-the-Counter Derivatives

(Questions 41–51)

The nonprice terms incorporated in new or renegotiated OTC derivatives master agreements were reported to be basically unchanged, on balance, over the past three months.³ In addition, similar to the December survey, nearly all of the respondents indicated in March that initial margins (which fall outside the scope of master agreements) had remained basically unchanged over the past three months for both average and most-favored clients and for all contract types included in the survey. Posting of nonstandard collateral—that is, collateral other than cash and U.S. Treasury securities—also remained basically unchanged. For most contract types, the volume, duration, and persistence of mark and collateral disputes were reported to be basically unchanged over the past three months.

Securities Financing

(Questions 52–79)⁴

Dealers reported that the credit terms under which most types of securities included in the survey are financed were little changed, on balance, over the past three months. However, a few dealers noted that the maximum amount of funding provided for high-grade corporate bonds had decreased somewhat.

Nearly one-half of dealers reported an increase in demand for funding of non-agency RMBS. (See the exhibit “Measures of Demand for Funding and Market Functioning.”) Two-fifths of respondents also noted increased demand for term

³ The survey asks specifically about requirements, timelines, and thresholds for posting additional margin, acceptable collateral, recognition of portfolio or diversification benefits, triggers and covenants, and other documentation features, including cure periods and cross-default provisions.

⁴ Question 80, not discussed here, was optional and allowed respondents to provide additional comments.

funding—that is, funding with a maturity greater than 30 days, against such collateral. For other collateral types covered in the survey, demand for funding had remained basically unchanged.

For most collateral types, respondents generally noted that the liquidity and functioning of the underlying markets remained basically unchanged over the past three months.⁵ However, one-third of respondents noted improved liquidity and functioning in the non-agency RMBS market. Finally, as in previous surveys, nearly all of the respondents indicated that the volume, duration, and persistence of mark and collateral disputes were basically unchanged for all of the collateral types.

Special Questions on Synthetic Prime Brokerage

(Questions 81–83)

A set of special questions in the March survey queried dealers about the use of synthetic PB by their hedge fund clients.⁶ Respondents reported that the use of synthetic PB varied widely across different types of hedge funds. Equity long-short hedge funds that are fundamentally oriented were listed as the biggest users, with one-half of dealers indicating that synthetic PB was widely employed by a large number of clients and an additional one-third of respondents pointing to use by some clients or in some situations. Fractions of dealers ranging between about one-half and about two-thirds noted that synthetic PB was either widely used by a large number of clients or was employed by some clients or in some situations for the other three categories of equity funds covered in the survey as well as for macro-oriented hedge funds. Emerging market- and credit-oriented hedge funds were reported as making relatively little use of synthetic PB.

About one-third of dealers indicated that the use of synthetic PB had increased over the past year for the types of hedge fund clients that were currently seen as using these kinds of arrangements more intensively—that is, the various categories of equity hedge funds and macro-oriented hedge funds. By contrast, little change in the use of synthetic PB was reported for credit- and emerging market-oriented hedge funds.

⁵ Note that survey respondents are instructed to report changes in liquidity and functioning in the market for the underlying collateral to be funded through repurchase agreements and similar secured financing transactions, not changes in the funding market itself. This question is not asked with respect to equity markets in the core questions.

⁶ The survey asked about different types of hedge fund clients and divided hedge funds into seven categories: Equity long-short hedge funds (fundamentally oriented), equity long-short hedge funds (quantitatively oriented), event-driven equity funds, other equity funds, macro-oriented hedge funds, credit-oriented hedge funds, and emerging market-oriented hedge funds.

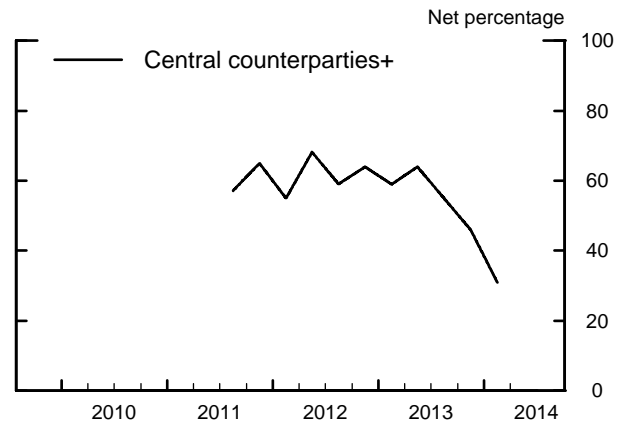
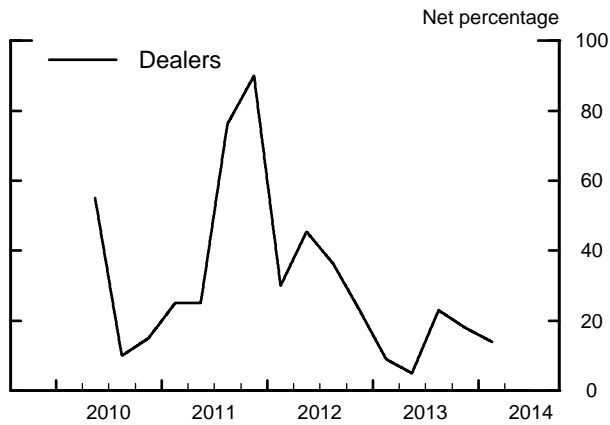
Respondents were also asked about several possible motivations for hedge funds' use of synthetic PB.⁷ Nearly three-fourths of respondents indicated that access to foreign markets was very important, making it the most significant motivation of the options listed. About one-third of dealers pointed to tax considerations and ease in establishing and maintaining short positions as very important reasons. Of note, availability of leverage was listed as being unimportant by almost one-half of the respondents.

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

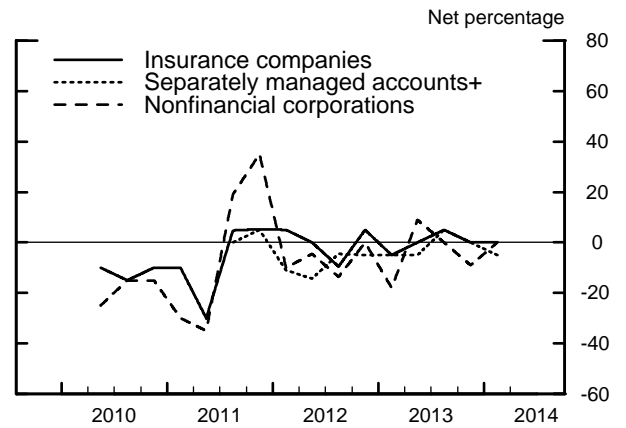
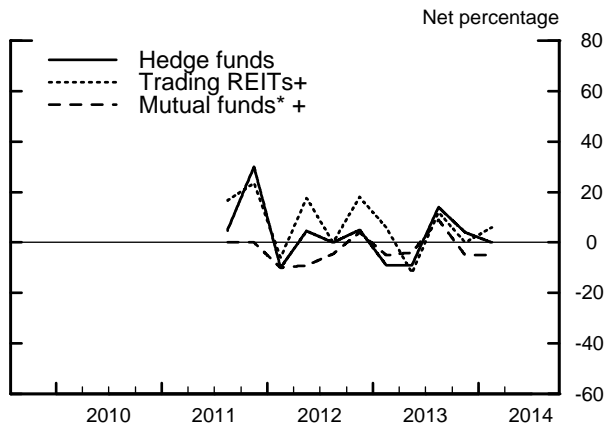
⁷ Respondents were asked to list the importance of each of these possible motivations: Tax considerations, access to foreign markets, ease in establishing and maintaining short positions, avoidance of limitations on rehypothecation of collateral, availability of greater leverage, ease in adjusting exposures, and ease in establishing exposure to non-dollar-denominated assets in dollars.

Management of Concentrated Credit Exposures and Indicators of Supply of Credit

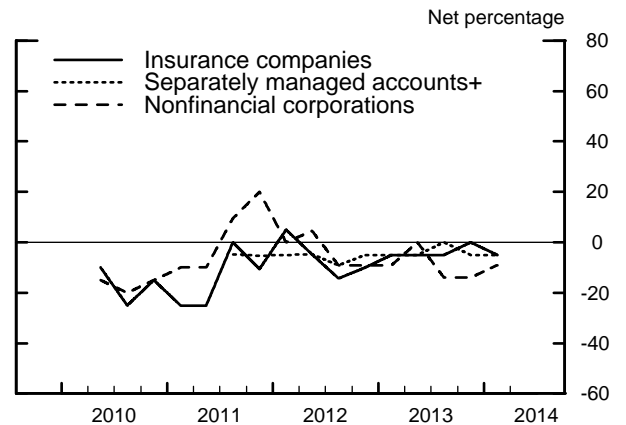
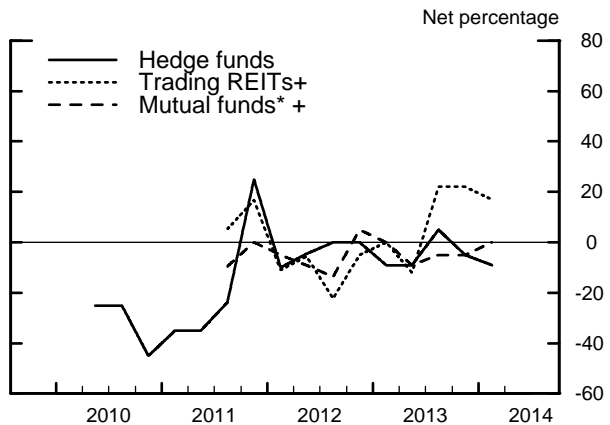
Respondents increasing resources and attention to management of concentrated exposures to:



Respondents tightening price terms to:



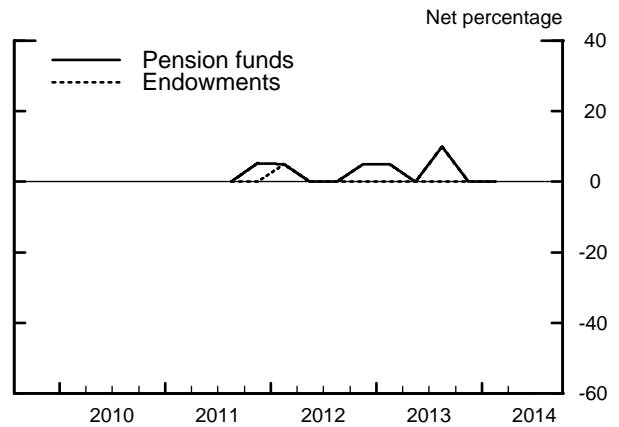
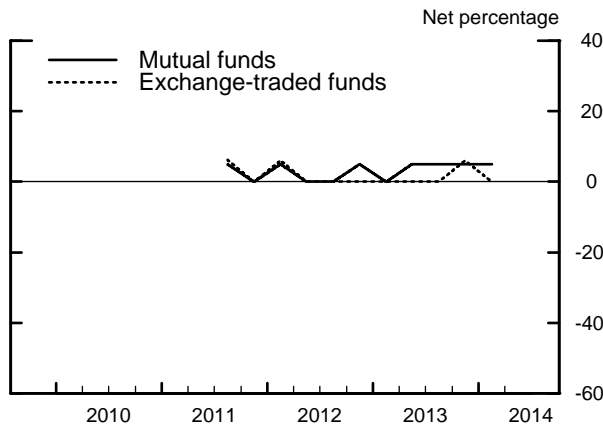
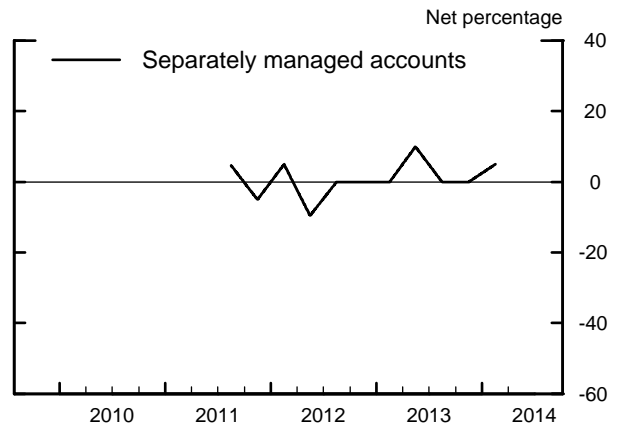
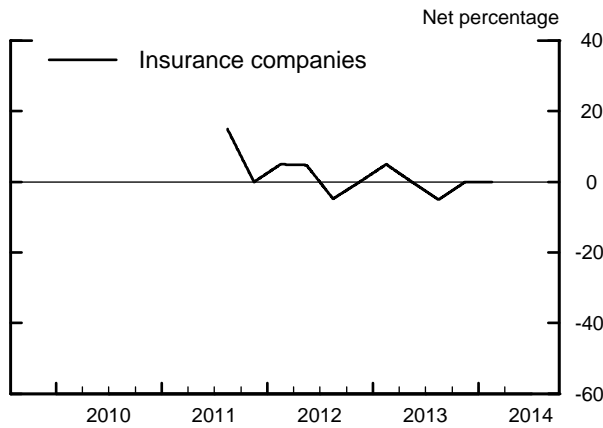
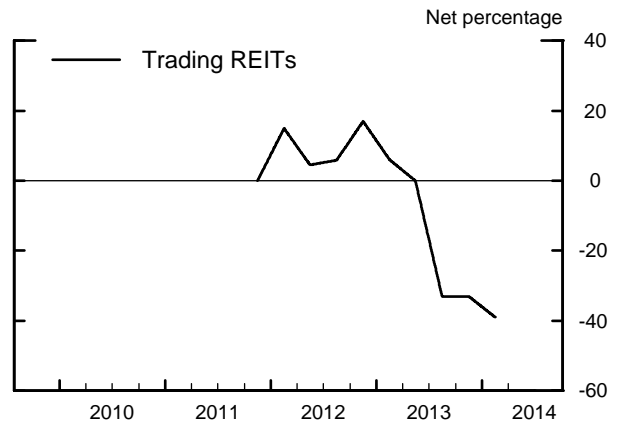
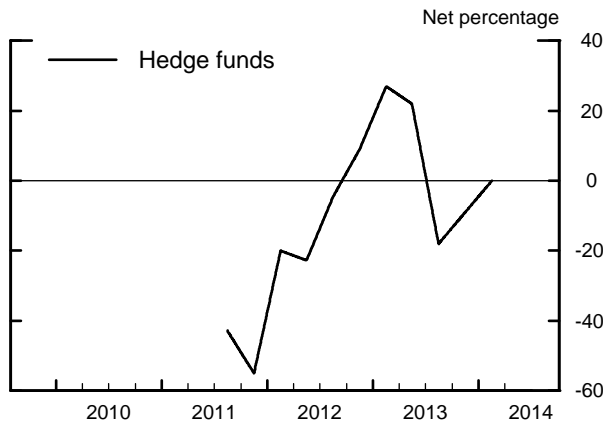
Respondents tightening nonprice terms to:



+ This question was added in the September 2011 survey.
 * Includes mutual funds, exchange-traded funds, pension plans, and endowments.

Use of Financial Leverage

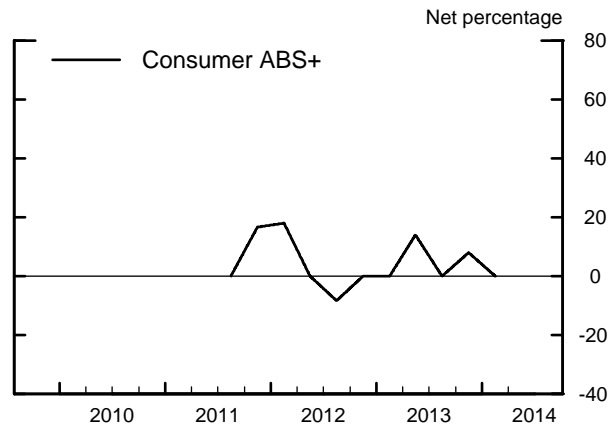
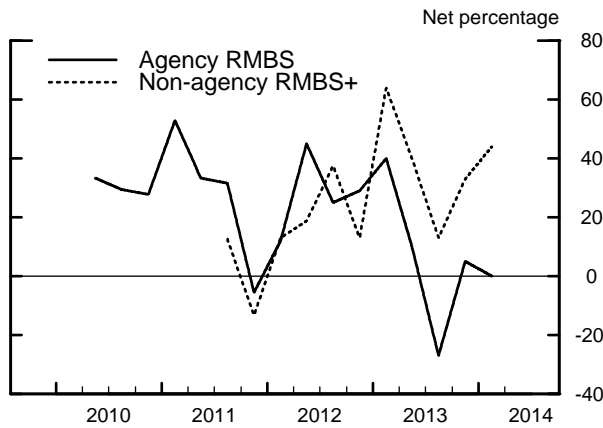
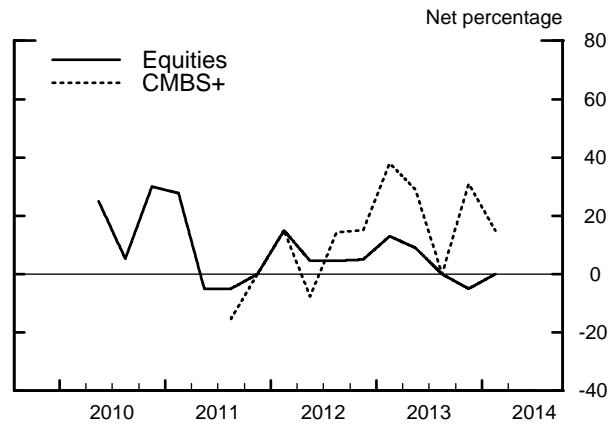
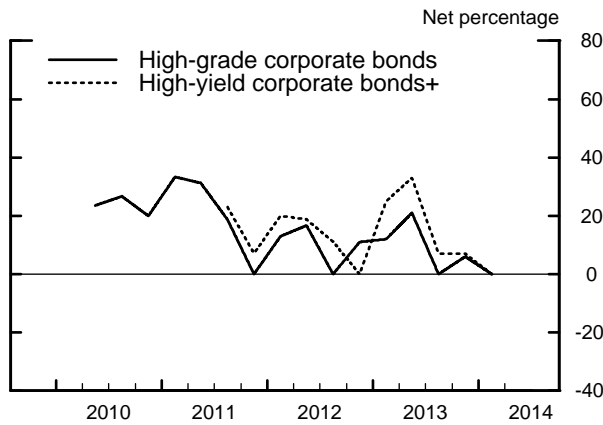
Respondents reporting increased use of leverage by:



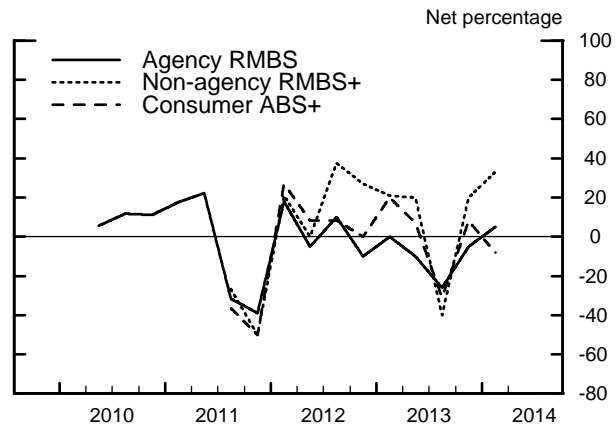
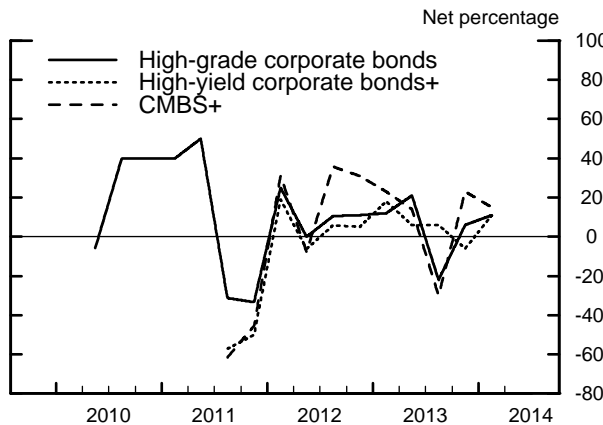
Note: This question was added in the September 2011 survey.

Measures of Demand for Funding and Market Functioning

Respondents reporting increased demand for funding of:



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



+ This question was added in the September 2011 survey.

Results of the March 2014 Senior Credit Officer Opinion Survey on Dealer Financing Terms

The following results include the original instructions provided to the survey respondents. Please note that percentages are based on the number of financial institutions that gave responses other than “Not applicable.” Components may not add to totals due to rounding.

Counterparty Types

Questions 1 through 40 ask about credit terms applicable to, and mark and collateral disputes with, different counterparty types, considering the entire range of securities financing and over-the-counter (OTC) derivatives transactions. Question 1 focuses on dealers and other financial intermediaries as counterparties; questions 2 and 3 on central counterparties and other financial utilities; questions 4 through 10 focus on hedge funds; questions 11 through 16 on trading real estate investment trusts (REITs); questions 17 through 22 on mutual funds, exchange-traded funds (ETFs), pension plans, and endowments; questions 23 through 28 on insurance companies; questions 29 through 34 on separately managed accounts established with investment advisers; and questions 35 through 38 on nonfinancial corporations. Questions 39 and 40 ask about mark and collateral disputes for each of the aforementioned counterparty types.

In some questions, the survey differentiates between the compensation demanded for bearing credit risk (price terms) and the contractual provisions used to mitigate exposures (nonprice terms). 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. Please focus your response on dollar-denominated instruments; if material differences exist with respect to instruments denominated in other currencies, please explain in the appropriate comment space. Where material differences exist across different business areas—for example, between traditional prime brokerage and OTC derivatives—please answer with regard to the business area generating the most exposure and explain in the appropriate comment space.

Dealers and Other Financial Intermediaries

1. Over the past three months, how has the amount of resources and attention your firm devotes to management of concentrated credit exposure to dealers and other financial intermediaries (such as large banking institutions) changed?

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	3	13.6
Remained basically unchanged	19	86.4
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	22	100.0

Central Counterparties and Other Financial Utilities

2. Over the past three months, how has the amount of resources and attention your firm devotes to management of concentrated credit exposure to central counterparties and other financial utilities changed?

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	8	36.4
Remained basically unchanged	13	59.1
Decreased somewhat	1	4.5
Decreased considerably	0	0.0
Total	22	100.0

3. To what extent have changes in the practices of central counterparties, including margin requirements and haircuts, influenced the credit terms your institution applies to clients on bilateral transactions which are not cleared?

	Number of Respondents	Percent
To a considerable extent	0	0.0
To some extent	6	27.3
To a minimal extent	11	50.0
Not at all	5	22.7
Total	22	100.0

Hedge Funds

4. Over the past three months, how have the price terms (for example, financing rates) offered to hedge funds as reflected across the entire spectrum of securities financing and OTC derivatives transaction types changed, regardless of nonprice terms? (Please indicate tightening if terms have become more stringent—for example, if financing rates have risen.)

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	2	9.1
Remained basically unchanged	18	81.8
Eased somewhat	2	9.1
Eased considerably	0	0.0
Total	22	100.0

5. Over the past three months, how has your use of nonprice terms (for example, haircuts, maximum maturity, covenants, cure periods, cross-default provisions, or other documentation features) with respect to hedge funds across the entire spectrum of securities financing and OTC derivatives transaction types changed, regardless of price terms? (Please indicate tightening if terms have become more stringent—for example, if haircuts have been increased.)

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	20	90.9
Eased somewhat	2	9.1
Eased considerably	0	0.0
Total	22	100.0

6. To the extent that the price or nonprice terms applied to hedge funds have tightened or eased over the past three months (as reflected in your responses to questions 4 and 5), what are the most important reasons for the change?

A. Possible reasons for tightening

- 1) Deterioration in current or expected financial strength of counterparties

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

- 2) Reduced willingness of your institution to take on risk

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

- 3) Adoption of more-stringent market conventions (that is, collateral terms and agreements, ISDA protocols)

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

- 4) Higher internal treasury charges for funding

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

- 5) Diminished availability of balance sheet or capital at your institution

	Number of Respondents	Percent
First in importance	1	100.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	1	100.0

- 6) Worsening in general market liquidity and functioning

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

7) Less-aggressive competition from other institutions

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

B. Possible reasons for easing

1) Improvement in current or expected financial strength of counterparties

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

2) Increased willingness of your institution to take on risk

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

3) Adoption of less-stringent market conventions (that is, collateral terms and agreements, ISDA protocols)

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	1	100.0
Third in importance	0	0.0
Total	1	100.0

4) Lower internal treasury charges for funding

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

5) Increased availability of balance sheet or capital at your institution

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	1	100.0
Total	1	100.0

6) Improvement in general market liquidity and functioning

	Number of Respondents	Percent
First in importance	1	50.0
Second in importance	1	50.0
Third in importance	0	0.0
Total	2	100.0

7) More-aggressive competition from other institutions

	Number of Respondents	Percent
First in importance	3	75.0
Second in importance	1	25.0
Third in importance	0	0.0
Total	4	100.0

7. How has the intensity of efforts by hedge funds to negotiate more-favorable price and nonprice terms changed over the past three months?

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	5	22.7
Remained basically unchanged	16	72.7
Decreased somewhat	1	4.5
Decreased considerably	0	0.0
Total	22	100.0

8. Considering the entire range of transactions facilitated by your institution for such clients, how has the use of financial leverage by hedge funds changed over the past three months?

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	1	4.5
Remained basically unchanged	20	90.9
Decreased somewhat	1	4.5
Decreased considerably	0	0.0
Total	22	100.0

9. Considering the entire range of transactions facilitated by your institution for such clients, how has the availability of additional (and currently unutilized) financial leverage under agreements currently in place with hedge funds (for example, under prime broker, warehouse agreements, and other committed but undrawn or partly drawn facilities) changed over the past three months?

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	22	100.0
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	22	100.0

10. How has the provision of differential terms by your institution to most-favored (as a function of breadth, duration, and extent of relationship) hedge funds changed over the past three months?

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	2	9.1
Remained basically unchanged	20	90.9
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	22	100.0

Trading Real Estate Investment Trusts

11. Over the past three months, how have the price terms (for example, financing rates) offered to trading REITs as reflected across the entire spectrum of securities financing and OTC derivatives transaction types changed, regardless of nonprice terms? (Please indicate tightening if terms have become more stringent—for example, if financing rates have risen.)

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	1	5.9
Remained basically unchanged	16	94.1
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	17	100.0

12. Over the past three months, how has your use of nonprice terms (for example, haircuts, maximum maturity, covenants, cure periods, cross-default provisions, or other documentation features) with respect to trading REITs across the entire spectrum of securities financing and OTC derivatives transaction types changed, regardless of price terms? (Please indicate tightening if terms have become more stringent—for example, if haircuts have been increased.)

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	3	16.7
Remained basically unchanged	15	83.3
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	18	100.0

13. To the extent that the price or nonprice terms applied to trading REITs have tightened or eased over the past three months (as reflected in your responses to questions 11 and 12), what are the most important reasons for the change?

A. Possible reasons for tightening

- 1) Deterioration in current or expected financial strength of counterparties

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	1	100.0
Total	1	100.0

- 2) Reduced willingness of your institution to take on risk

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

- 3) Adoption of more-stringent market conventions (that is, collateral terms and agreements, ISDA protocols)

	Number of Respondents	Percent
First in importance	1	100.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	1	100.0

- 4) Higher internal treasury charges for funding

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

- 5) Diminished availability of balance sheet or capital at your institution

	Number of Respondents	Percent
First in importance	1	100.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	1	100.0

- 6) Worsening in general market liquidity and functioning

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

7) Less-aggressive competition from other institutions

	Number of Respondents	Percent
First in importance	1	50.0
Second in importance	1	50.0
Third in importance	0	0.0
Total	2	100.0

B. Possible reasons for easing

1) Improvement in current or expected financial strength of counterparties

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

2) Increased willingness of your institution to take on risk

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

3) Adoption of less-stringent market conventions (that is, collateral terms and agreements, ISDA protocols)

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

4) Lower internal treasury charges for funding

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

5) Increased availability of balance sheet or capital at your institution

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

6) Improvement in general market liquidity and functioning

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

7) More-aggressive competition from other institutions

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

14. How has the intensity of efforts by trading REITs to negotiate more-favorable price and nonprice terms changed over the past three months?

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	16	88.9
Decreased somewhat	2	11.1
Decreased considerably	0	0.0
Total	18	100.0

15. Considering the entire range of transactions facilitated by your institution for such clients, how has the use of financial leverage by trading REITs changed over the past three months?

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	11	61.1
Decreased somewhat	7	38.9
Decreased considerably	0	0.0
Total	18	100.0

16. How has the provision of differential terms by your institution to most-favored (as a function of breadth, duration, and extent of relationship) trading REITs changed over the past three months?

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	17	100.0
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	17	100.0

Mutual Funds, Exchange-Traded Funds, Pension Plans, and Endowments

17. Over the past three months, how have the price terms (for example, financing rates) offered to mutual funds, ETFs, pension plans, and endowments as reflected across the entire spectrum of securities financing and OTC derivatives transaction types changed, regardless of nonprice terms? (Please indicate tightening if terms have become more stringent—for example, if financing rates have risen.)

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	21	95.5
Eased somewhat	1	4.5
Eased considerably	0	0.0
Total	22	100.0

18. Over the past three months, how has your use of nonprice terms (for example, haircuts, maximum maturity, covenants, cure periods, cross-default provisions, or other documentation features) with respect to mutual funds, ETFs, pension plans, and endowments across the entire spectrum of securities financing and OTC derivatives transaction types changed, regardless of price terms? (Please indicate tightening if terms have become more stringent—for example, if haircuts have been increased.)

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	22	100.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	22	100.0

19. To the extent that the price or nonprice terms applied to mutual funds, ETFs, pension plans, and endowments have tightened or eased over the past three months (as reflected in your responses to questions 17 and 18), what are the most important reasons for the change?

A. Possible reasons for tightening

1) Deterioration in current or expected financial strength of counterparties

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

2) Reduced willingness of your institution to take on risk

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

3) Adoption of more-stringent market conventions (that is, collateral terms and agreements, ISDA protocols)

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

4) Higher internal treasury charges for funding

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

5) Diminished availability of balance sheet or capital at your institution

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

6) Worsening in general market liquidity and functioning

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

7) Less-aggressive competition from other institutions

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

B. Possible reasons for easing

1) Improvement in current or expected financial strength of counterparties

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

2) Increased willingness of your institution to take on risk

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

3) Adoption of less-stringent market conventions (that is, collateral terms and agreements, ISDA protocols)

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

4) Lower internal treasury charges for funding

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

5) Increased availability of balance sheet or capital at your institution

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

6) Improvement in general market liquidity and functioning

	Number of Respondents	Percent
First in importance	1	100.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	1	100.0

7) More-aggressive competition from other institutions

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	1	100.0
Third in importance	0	0.0
Total	1	100.0

20. How has the intensity of efforts by mutual funds, ETFs, pension plans, and endowments to negotiate more-favorable price and nonprice terms changed over the past three months?

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	2	9.1
Remained basically unchanged	20	90.9
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	22	100.0

21. Considering the entire range of transactions facilitated by your institution, how has the use of financial leverage by each of the following types of clients changed over the past three months?

A. Mutual funds

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	1	5.0
Remained basically unchanged	19	95.0
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	20	100.0

B. ETFs

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	18	100.0
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	18	100.0

C. Pension plans

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	20	100.0
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	20	100.0

D. Endowments

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	20	100.0
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	20	100.0

22. How has the provision of differential terms by your institution to most-favored (as a function of breadth, duration, and extent of relationship) mutual funds, ETFs, pension plans, and endowments changed over the past three months?

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	20	95.2
Decreased somewhat	1	4.8
Decreased considerably	0	0.0
Total	21	100.0

Insurance Companies

23. Over the past three months, how have the price terms (for example, financing rates) offered to insurance companies as reflected across the entire spectrum of securities financing and OTC derivatives transaction types changed, regardless of nonprice terms? (Please indicate tightening if terms have become more stringent—for example, if financing rates have risen.)

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	21	100.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	21	100.0

24. Over the past three months, how has your use of nonprice terms (for example, haircuts, maximum maturity, covenants, cure periods, cross-default provisions, or other documentation features) with respect to insurance companies across the entire spectrum of securities financing and OTC derivatives transaction types changed, regardless of price terms? (Please indicate tightening if terms have become more stringent—for example, if haircuts have been increased.)

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	21	95.5
Eased somewhat	1	4.5
Eased considerably	0	0.0
Total	22	100.0

25. To the extent that the price or nonprice terms applied to insurance companies have tightened or eased over the past three months (as reflected in your responses to questions 23 and 24), what are the most important reasons for the change?

A. Possible reasons for tightening

1) Deterioration in current or expected financial strength of counterparties

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

2) Reduced willingness of your institution to take on risk

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

- 3) Adoption of more-stringent market conventions (that is, collateral terms and agreements, ISDA protocols)

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

- 4) Higher internal treasury charges for funding

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

- 5) Diminished availability of balance sheet or capital at your institution

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

- 6) Worsening in general market liquidity and functioning

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

7) Less-aggressive competition from other institutions

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

B. Possible reasons for easing

1) Improvement in current or expected financial strength of counterparties

	Number of Respondents	Percent
First in importance	1	100.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	1	100.0

2) Increased willingness of your institution to take on risk

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

3) Adoption of less-stringent market conventions (that is, collateral terms and agreements, ISDA protocols)

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

4) Lower internal treasury charges for funding

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

5) Increased availability of balance sheet or capital at your institution

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

6) Improvement in general market liquidity and functioning

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

7) More-aggressive competition from other institutions

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

26. How has the intensity of efforts by insurance companies to negotiate more-favorable price and nonprice terms changed over the past three months?

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	1	4.5
Remained basically unchanged	21	95.5
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	22	100.0

27. Considering the entire range of transactions facilitated by your institution for such clients, how has the use of financial leverage by insurance companies changed over the past three months?

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	22	100.0
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	22	100.0

28. How has the provision of differential terms by your institution to most-favored (as a function of breadth, duration, and extent of relationship) insurance companies changed over the past three months?

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	22	100.0
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	22	100.0

Separately Managed Accounts Established with Investment Advisers

29. Over the past three months, how have the price terms (for example, financing rates) offered to separately managed accounts established with investment advisers as reflected across the entire spectrum of securities financing and OTC derivatives transaction types changed, regardless of nonprice terms? (Please indicate tightening if terms have become more stringent—for example, if financing rates have risen.)

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	20	95.2
Eased somewhat	1	4.8
Eased considerably	0	0.0
Total	21	100.0

30. Over the past three months, how has your use of nonprice terms (for example, haircuts, maximum maturity, covenants, cure periods, cross-default provisions, or other documentation features) with respect to separately managed accounts established with investment advisers across the entire spectrum of securities financing and OTC derivatives transaction types changed, regardless of price terms? (Please indicate tightening if terms have become more stringent—for example, if haircuts have been increased.)

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	20	95.2
Eased somewhat	1	4.8
Eased considerably	0	0.0
Total	21	100.0

31. To the extent that the price or nonprice terms applied to separately managed accounts established with investment advisers have tightened or eased over the past three months (as reflected in your responses to questions 29 and 30), what are the most important reasons for the change?

A. Possible reasons for tightening

1) Deterioration in current or expected financial strength of counterparties

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

2) Reduced willingness of your institution to take on risk

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

3) Adoption of more-stringent market conventions (that is, collateral terms and agreements, ISDA protocols)

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

4) Higher internal treasury charges for funding

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

5) Diminished availability of balance sheet or capital at your institution

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

6) Worsening in general market liquidity and functioning

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

7) Less-aggressive competition from other institutions

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

B. Possible reasons for easing

1) Improvement in current or expected financial strength of counterparties

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

2) Increased willingness of your institution to take on risk

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

3) Adoption of less-stringent market conventions (that is, collateral terms and agreements, ISDA protocols)

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	1	100.0
Third in importance	0	0.0
Total	1	100.0

4) Lower internal treasury charges for funding

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

5) Increased availability of balance sheet or capital at your institution

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

6) Improvement in general market liquidity and functioning

	Number of Respondents	Percent
First in importance	1	100.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	1	100.0

7) More-aggressive competition from other institutions

	Number of Respondents	Percent
First in importance	1	50.0
Second in importance	1	50.0
Third in importance	0	0.0
Total	2	100.0

32. How has the intensity of efforts by investment advisers to negotiate more-favorable price and nonprice terms on behalf of separately managed accounts changed over the past three months?

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	2	9.5
Remained basically unchanged	19	90.5
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	21	100.0

33. Considering the entire range of transactions facilitated by your institution for such clients, how has the use of financial leverage by separately managed accounts established with investment advisers changed over the past three months?

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	1	4.8
Remained basically unchanged	20	95.2
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	21	100.0

34. How has the provision of differential terms by your institution to separately managed accounts established with most-favored (as a function of breadth, duration, and extent of relationship) investment advisers changed over the past three months?

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	1	4.8
Remained basically unchanged	20	95.2
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	21	100.0

Nonfinancial Corporations

35. Over the past three months, how have the price terms (for example, financing rates) offered to nonfinancial corporations as reflected across the entire spectrum of securities financing and OTC derivatives transaction types changed, regardless of nonprice terms? (Please indicate tightening if terms have become more stringent—for example, if financing rates have risen.)

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	2	9.1
Remained basically unchanged	18	81.8
Eased somewhat	2	9.1
Eased considerably	0	0.0
Total	22	100.0

36. Over the past three months, how has your use of nonprice terms (for example, haircuts, maximum maturity, covenants, cure periods, cross-default provisions, or other documentation features) with respect to nonfinancial corporations across the entire spectrum of securities financing and OTC derivatives transaction types changed, regardless of price terms? (Please indicate tightening if terms have become more stringent—for example, if haircuts have been increased.)

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	20	90.9
Eased somewhat	2	9.1
Eased considerably	0	0.0
Total	22	100.0

37. To the extent that the price or nonprice terms applied to nonfinancial corporations have tightened or eased over the past three months (as reflected in your responses to questions 35 and 36), what are the most important reasons for the change?

A. Possible reasons for tightening

1) Deterioration in current or expected financial strength of counterparties

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

2) Reduced willingness of your institution to take on risk

	Number of Respondents	Percent
First in importance	1	100.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	1	100.0

3) Adoption of more-stringent market conventions (that is, collateral terms and agreements, ISDA protocols)

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

4) Higher internal treasury charges for funding

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

5) Diminished availability of balance sheet or capital at your institution

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

6) Worsening in general market liquidity and functioning

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

7) Less-aggressive competition from other institutions

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

B. Possible reasons for easing

1) Improvement in current or expected financial strength of counterparties

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	1	100.0
Total	1	100.0

2) Increased willingness of your institution to take on risk

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

3) Adoption of less-stringent market conventions (that is, collateral terms and agreements, ISDA protocols)

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

4) Lower internal treasury charges for funding

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	1	100.0
Third in importance	0	0.0
Total	1	100.0

5) Increased availability of balance sheet or capital at your institution

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

6) Improvement in general market liquidity and functioning

	Number of Respondents	Percent
First in importance	0	0.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	0	0.0

7) More-aggressive competition from other institutions

	Number of Respondents	Percent
First in importance	2	100.0
Second in importance	0	0.0
Third in importance	0	0.0
Total	2	100.0

38. How has the intensity of efforts by nonfinancial corporations to negotiate more-favorable price and nonprice terms changed over the past three months?

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	6	27.3
Remained basically unchanged	16	72.7
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	22	100.0

Mark and Collateral Disputes

39. Over the past three months, how has the volume of mark and collateral disputes with clients of each of the following types changed?

A. Dealers and other financial intermediaries

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	1	4.5
Remained basically unchanged	18	81.8
Decreased somewhat	3	13.6
Decreased considerably	0	0.0
Total	22	100.0

B. Hedge funds

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	3	13.6
Remained basically unchanged	18	81.8
Decreased somewhat	1	4.5
Decreased considerably	0	0.0
Total	22	100.0

C. Trading REITs

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	17	100.0
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	17	100.0

D. Mutual funds, ETFs, pension plans, and endowments

	Number of Respondents	Percent
Increased considerably	1	5.0
Increased somewhat	1	5.0
Remained basically unchanged	17	85.0
Decreased somewhat	1	5.0
Decreased considerably	0	0.0
Total	20	100.0

E. Insurance companies

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	1	4.5
Remained basically unchanged	20	90.9
Decreased somewhat	1	4.5
Decreased considerably	0	0.0
Total	22	100.0

F. Separately managed accounts established with investment advisers

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	1	4.8
Remained basically unchanged	20	95.2
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	21	100.0

G. Nonfinancial corporations

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	2	10.0
Remained basically unchanged	18	90.0
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	20	100.0

40. Over the past three months, how has the duration and persistence of mark and collateral disputes with clients of each of the following types changed?

A. Dealers and other financial intermediaries

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	19	86.4
Decreased somewhat	3	13.6
Decreased considerably	0	0.0
Total	22	100.0

B. Hedge funds

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	2	9.1
Remained basically unchanged	19	86.4
Decreased somewhat	1	4.5
Decreased considerably	0	0.0
Total	22	100.0

C. Trading REITs

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	17	100.0
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	17	100.0

D. Mutual funds, ETFs, pension plans, and endowments

	Number of Respondents	Percent
Increased considerably	1	5.0
Increased somewhat	0	0.0
Remained basically unchanged	18	90.0
Decreased somewhat	1	5.0
Decreased considerably	0	0.0
Total	20	100.0

E. Insurance companies

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	20	90.9
Decreased somewhat	1	4.5
Decreased considerably	1	4.5
Total	22	100.0

F. Separately managed accounts established with investment advisers

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	1	4.8
Remained basically unchanged	18	85.7
Decreased somewhat	1	4.8
Decreased considerably	1	4.8
Total	21	100.0

G. Nonfinancial corporations

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	1	5.3
Remained basically unchanged	18	94.7
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	19	100.0

Over-the-Counter Derivatives

Questions 41 through 51 ask about OTC derivatives trades. Question 41 focuses on nonprice terms applicable to new and renegotiated master agreements. Questions 42 through 48 ask about the initial margin requirements for most-favored and average clients applicable to different types of contracts: Question 42 focuses on foreign exchange (FX); question 43 on interest rates; question 44 on equity; question 45 on contracts referencing corporate credits (single-name and indexes); question 46 on credit derivatives referencing structured products such as mortgage-backed securities (MBS) and asset-backed securities (ABS) (specific tranches and indexes); question 47 on commodities; and question 48 on total return swaps (TRS) referencing nonsecurities (such as bank loans, including, for example, commercial and industrial loans and mortgage whole loans). Question 49 asks about posting of nonstandard collateral pursuant to OTC derivatives contracts. Questions 50 and 51 focus on mark and collateral disputes involving contracts of each of the aforementioned types.

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. Please focus your response on dollar-denominated instruments; if material differences exist with

respect to instruments denominated in other currencies, please explain in the appropriate comment space.

New and Renegotiated Master Agreements

41. Over the past three months, how have nonprice terms incorporated in new or renegotiated OTC derivatives master agreements put in place with your institution's clients changed?

A. Requirements, timelines, and thresholds for posting additional margin

	Number of Respondents	Percent
Tightened considerably	1	4.8
Tightened somewhat	0	0.0
Remained basically unchanged	20	95.2
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	21	100.0

B. Acceptable collateral

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	2	9.5
Remained basically unchanged	18	85.7
Eased somewhat	1	4.8
Eased considerably	0	0.0
Total	21	100.0

C. Recognition of portfolio or diversification benefits (including from securities financing trades where appropriate agreements are in place)

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	20	95.2
Eased somewhat	1	4.8
Eased considerably	0	0.0
Total	21	100.0

D. Triggers and covenants

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	1	4.8
Remained basically unchanged	19	90.5
Eased somewhat	1	4.8
Eased considerably	0	0.0
Total	21	100.0

E. Other documentation features (including cure periods and cross-default provisions)

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	1	4.8
Remained basically unchanged	19	90.5
Eased somewhat	1	4.8
Eased considerably	0	0.0
Total	21	100.0

Initial Margin

42. Over the past three months, how have initial margin requirements set by your institution with respect to OTC FX derivatives changed?

A. Initial margin requirements for average clients

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	19	100.0
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	19	100.0

B. Initial margin requirements for most-favored clients, as a consequence of breadth, duration, and/or extent of relationship

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	19	100.0
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	19	100.0

43. Over the past three months, how have initial margin requirements set by your institution with respect to OTC interest rate derivatives changed?

A. Initial margin requirements for average clients

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	20	100.0
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	20	100.0

B. Initial margin requirements for most-favored clients, as a consequence of breadth, duration, and/or extent of relationship

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	20	100.0
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	20	100.0

44. Over the past three months, how have initial margin requirements set by your institution with respect to OTC equity derivatives changed?

A. Initial margin requirements for average clients

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	18	100.0
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	18	100.0

B. Initial margin requirements for most-favored clients, as a consequence of breadth, duration, and/or extent of relationship

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	16	94.1
Decreased somewhat	1	5.9
Decreased considerably	0	0.0
Total	17	100.0

45. Over the past three months, how have initial margin requirements set by your institution with respect to OTC credit derivatives referencing corporates (single-name corporates or corporate indexes) changed?

A. Initial margin requirements for average clients

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	14	93.3
Decreased somewhat	1	6.7
Decreased considerably	0	0.0
Total	15	100.0

B. Initial margin requirements for most-favored clients, as a consequence of breadth, duration, and/or extent of relationship

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	15	93.8
Decreased somewhat	1	6.3
Decreased considerably	0	0.0
Total	16	100.0

46. Over the past three months, how have initial margin requirements set by your institution with respect to OTC credit derivatives referencing securitized products (such as specific ABS or MBS tranches and associated indexes) changed?

A. Initial margin requirements for average clients

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	12	100.0
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	12	100.0

B. Initial margin requirements for most-favored clients, as a consequence of breadth, duration, and/or extent of relationship

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	12	100.0
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	12	100.0

47. Over the past three months, how have initial margin requirements set by your institution with respect to OTC commodity derivatives changed?

A. Initial margin requirements for average clients

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	15	100.0
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	15	100.0

B. Initial margin requirements for most-favored clients, as a consequence of breadth, duration, and/or extent of relationship

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	15	100.0
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	15	100.0

48. Over the past three months, how have initial margin requirements set by your institution with respect to TRS referencing nonsecurities (such as bank loans, including, for example, commercial and industrial loans and mortgage whole loans) changed?

A. Initial margin requirements for average clients

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	11	100.0
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	11	100.0

B. Initial margin requirements for most-favored clients, as a consequence of breadth, duration, and/or extent of relationship

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	10	90.9
Decreased somewhat	1	9.1
Decreased considerably	0	0.0
Total	11	100.0

Nonstandard Collateral

49. Over the past three months, how has the posting of nonstandard collateral (that is, other than cash and U.S. Treasury securities) as permitted under relevant agreements changed?

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	22	100.0
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	22	100.0

Mark and Collateral Disputes

50. Over the past three months, how has the volume of mark and collateral disputes relating to contracts of each of the following types changed?

A. FX

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	2	11.1
Remained basically unchanged	15	83.3
Decreased somewhat	1	5.6
Decreased considerably	0	0.0
Total	18	100.0

B. Interest rate

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	1	5.3
Remained basically unchanged	16	84.2
Decreased somewhat	2	10.5
Decreased considerably	0	0.0
Total	19	100.0

C. Equity

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	3	17.6
Remained basically unchanged	13	76.5
Decreased somewhat	1	5.9
Decreased considerably	0	0.0
Total	17	100.0

D. Credit referencing corporates

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	15	93.8
Decreased somewhat	1	6.3
Decreased considerably	0	0.0
Total	16	100.0

E. Credit referencing securitized products including MBS and ABS

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	1	7.7
Remained basically unchanged	11	84.6
Decreased somewhat	1	7.7
Decreased considerably	0	0.0
Total	13	100.0

F. Commodity

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	1	5.9
Remained basically unchanged	14	82.4
Decreased somewhat	2	11.8
Decreased considerably	0	0.0
Total	17	100.0

G. TRS referencing nonsecurities (such as bank loans, including, for example, commercial and industrial loans and mortgage whole loans)

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	10	100.0
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	10	100.0

51. Over the past three months, how has the duration and persistence of mark and collateral disputes relating to contracts of each of the following types changed?

A. FX

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	1	5.9
Remained basically unchanged	16	94.1
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	17	100.0

B. Interest rate

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	17	94.4
Decreased somewhat	1	5.6
Decreased considerably	0	0.0
Total	18	100.0

C. Equity

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	15	93.8
Decreased somewhat	1	6.3
Decreased considerably	0	0.0
Total	16	100.0

D. Credit referencing corporates

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	15	100.0
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	15	100.0

E. Credit referencing securitized products including MBS and ABS

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	12	100.0
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	12	100.0

F. Commodity

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	1	6.3
Remained basically unchanged	14	87.5
Decreased somewhat	1	6.3
Decreased considerably	0	0.0
Total	16	100.0

G. TRS referencing nonsecurities (such as bank loans, including, for example, commercial and industrial loans and mortgage whole loans)

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	9	100.0
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	9	100.0

Securities Financing

Questions 52 through 79 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 on a prime brokerage platform. Questions 52 through 55 focus on lending against high-grade corporate bonds; questions 56 through 59 on lending against high-yield corporate bonds; questions 60 and 61 on lending against equities (including through stock loan); questions 62 through 65 on lending against agency residential mortgage-backed securities (agency RMBS); questions 66 through 69 on lending against non-agency residential mortgage-backed securities (non-agency RMBS); questions 70 through 73 on lending against commercial mortgage-backed securities (CMBS); and questions 74 through 77 on consumer ABS (for example, backed by credit card receivables or auto loans). Questions 78 and 79 ask about mark and collateral disputes for lending backed by each of the aforementioned contract types.

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. Please focus your response on dollar-denominated instruments; if material differences exist with respect to instruments denominated in other currencies, please explain in the appropriate comment space.

High-Grade Corporate Bonds

52. Over the past three months, how have the terms under which high-grade corporate bonds are funded changed?

A. Terms for average clients

1) Maximum amount of funding

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	3	16.7
Remained basically unchanged	15	83.3
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	18	100.0

2) Maximum maturity

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	1	5.6
Remained basically unchanged	16	88.9
Eased somewhat	1	5.6
Eased considerably	0	0.0
Total	18	100.0

3) Haircuts

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	17	94.4
Eased somewhat	1	5.6
Eased considerably	0	0.0
Total	18	100.0

4) Collateral spreads over relevant benchmark (effective financing rates)

	Number of Respondents	Percent
Tightened considerably	1	5.9
Tightened somewhat	1	5.9
Remained basically unchanged	15	88.2
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	17	100.0

B. Terms for most-favored clients, as a consequence of breadth, duration, and/or extent of relationship

1) Maximum amount of funding

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	2	11.1
Remained basically unchanged	16	88.9
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	18	100.0

2) Maximum maturity

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	1	5.6
Remained basically unchanged	16	88.9
Eased somewhat	1	5.6
Eased considerably	0	0.0
Total	18	100.0

3) Haircuts

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	18	100.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	18	100.0

4) Collateral spreads over relevant benchmark (effective financing rates)

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	1	5.9
Remained basically unchanged	15	88.2
Eased somewhat	0	0.0
Eased considerably	1	5.9
Total	17	100.0

53. Over the past three months, how has demand for funding of high-grade corporate bonds by your institution's clients changed?

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	1	5.3
Remained basically unchanged	17	89.5
Decreased somewhat	1	5.3
Decreased considerably	0	0.0
Total	19	100.0

54. Over the past three months, how has demand for term funding with a maturity greater than 30 days of high-grade corporate bonds by your institution's clients changed?

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	1	5.3
Remained basically unchanged	18	94.7
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	19	100.0

55. Over the past three months, how have liquidity and functioning in the high-grade corporate bond market changed?

	Number of Respondents	Percent
Improved considerably	0	0.0
Improved somewhat	2	10.5
Remained basically unchanged	17	89.5
Deteriorated somewhat	0	0.0
Deteriorated considerably	0	0.0
Total	19	100.0

High-Yield Corporate Bonds

56. Over the past three months, how have the terms under which high-yield corporate bonds are funded changed?

A. Terms for average clients

1) Maximum amount of funding

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	1	5.9
Remained basically unchanged	16	94.1
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	17	100.0

2) Maximum maturity

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	1	5.9
Remained basically unchanged	16	94.1
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	17	100.0

3) Haircuts

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	17	100.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	17	100.0

4) Collateral spreads over relevant benchmark (effective financing rates)

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	15	93.8
Eased somewhat	1	6.3
Eased considerably	0	0.0
Total	16	100.0

B. Terms for most-favored clients, as a consequence of breadth, duration, and/or extent of relationship

1) Maximum amount of funding

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	1	5.9
Remained basically unchanged	16	94.1
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	17	100.0

2) Maximum maturity

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	1	5.9
Remained basically unchanged	16	94.1
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	17	100.0

3) Haircuts

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	17	100.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	17	100.0

4) Collateral spreads over relevant benchmark (effective financing rates)

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	16	100.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	16	100.0

57. Over the past three months, how has demand for funding of high-yield corporate bonds by your institution's clients changed?

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	2	11.1
Remained basically unchanged	14	77.8
Decreased somewhat	2	11.1
Decreased considerably	0	0.0
Total	18	100.0

58. Over the past three months, how has demand for term funding with a maturity greater than 30 days of high-yield corporate bonds by your institution's clients changed?

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	1	5.6
Remained basically unchanged	17	94.4
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	18	100.0

59. Over the past three months, how have liquidity and functioning in the high-yield corporate bond market changed?

	Number of Respondents	Percent
Improved considerably	0	0.0
Improved somewhat	2	11.1
Remained basically unchanged	16	88.9
Deteriorated somewhat	0	0.0
Deteriorated considerably	0	0.0
Total	18	100.0

Equities (Including through Stock Loan)

60. Over the past three months, how have the terms under which equities are funded (including through stock loan) changed?

A. Terms for average clients

1) Maximum amount of funding

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	1	4.8
Remained basically unchanged	20	95.2
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	21	100.0

2) Maximum maturity

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	1	4.8
Remained basically unchanged	20	95.2
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	21	100.0

3) Haircuts

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	21	100.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	21	100.0

4) Collateral spreads over relevant benchmark (effective financing rates)

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	1	5.0
Remained basically unchanged	19	95.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	20	100.0

B. Terms for most-favored clients, as a consequence of breadth, duration, and/or extent of relationship

1) Maximum amount of funding

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	1	4.8
Remained basically unchanged	20	95.2
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	21	100.0

2) Maximum maturity

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	1	4.8
Remained basically unchanged	20	95.2
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	21	100.0

3) Haircuts

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	21	100.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	21	100.0

4) Collateral spreads over relevant benchmark (effective financing rates)

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	1	5.0
Remained basically unchanged	19	95.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	20	100.0

61. Over the past three months, how has demand for funding of equities (including through stock loan) by your institution's clients changed?

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	21	100.0
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	21	100.0

Agency Residential Mortgage-Backed Securities

62. Over the past three months, how have the terms under which agency RMBS are funded changed?

A. Terms for average clients

1) Maximum amount of funding

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	1	5.3
Remained basically unchanged	17	89.5
Eased somewhat	1	5.3
Eased considerably	0	0.0
Total	19	100.0

2) Maximum maturity

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	1	5.3
Remained basically unchanged	18	94.7
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	19	100.0

3) Haircuts

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	19	100.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	19	100.0

4) Collateral spreads over relevant benchmark (effective financing rates)

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	1	5.6
Remained basically unchanged	16	88.9
Eased somewhat	1	5.6
Eased considerably	0	0.0
Total	18	100.0

B. Terms for most-favored clients, as a consequence of breadth, duration, and/or extent of relationship

1) Maximum amount of funding

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	1	5.0
Remained basically unchanged	18	90.0
Eased somewhat	1	5.0
Eased considerably	0	0.0
Total	20	100.0

2) Maximum maturity

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	1	5.0
Remained basically unchanged	19	95.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	20	100.0

3) Haircuts

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	20	100.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	20	100.0

4) Collateral spreads over relevant benchmark (effective financing rates)

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	1	5.3
Remained basically unchanged	17	89.5
Eased somewhat	1	5.3
Eased considerably	0	0.0
Total	19	100.0

63. Over the past three months, how has demand for funding of agency RMBS by your institution's clients changed?

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	2	10.0
Remained basically unchanged	16	80.0
Decreased somewhat	2	10.0
Decreased considerably	0	0.0
Total	20	100.0

64. Over the past three months, how has demand for term funding with a maturity greater than 30 days of agency RMBS by your institution's clients changed?

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	1	5.0
Remained basically unchanged	19	95.0
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	20	100.0

65. Over the past three months, how have liquidity and functioning in the agency RMBS market changed?

	Number of Respondents	Percent
Improved considerably	0	0.0
Improved somewhat	3	15.0
Remained basically unchanged	15	75.0
Deteriorated somewhat	2	10.0
Deteriorated considerably	0	0.0
Total	20	100.0

Non-agency Residential Mortgage-Backed Securities

66. Over the past three months, how have the terms under which non-agency RMBS are funded changed?

A. Terms for average clients

1) Maximum amount of funding

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	2	13.3
Remained basically unchanged	10	66.7
Eased somewhat	3	20.0
Eased considerably	0	0.0
Total	15	100.0

2) Maximum maturity

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	2	13.3
Remained basically unchanged	10	66.7
Eased somewhat	3	20.0
Eased considerably	0	0.0
Total	15	100.0

3) Haircuts

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	14	93.3
Eased somewhat	1	6.7
Eased considerably	0	0.0
Total	15	100.0

4) Collateral spreads over relevant benchmark (effective financing rates)

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	1	7.1
Remained basically unchanged	13	92.9
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	14	100.0

B. Terms for most-favored clients, as a consequence of breadth, duration, and/or extent of relationship

1) Maximum amount of funding

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	2	12.5
Remained basically unchanged	10	62.5
Eased somewhat	4	25.0
Eased considerably	0	0.0
Total	16	100.0

2) Maximum maturity

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	2	12.5
Remained basically unchanged	11	68.8
Eased somewhat	3	18.8
Eased considerably	0	0.0
Total	16	100.0

3) Haircuts

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	14	87.5
Eased somewhat	2	12.5
Eased considerably	0	0.0
Total	16	100.0

4) Collateral spreads over relevant benchmark (effective financing rates)

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	1	6.7
Remained basically unchanged	13	86.7
Eased somewhat	1	6.7
Eased considerably	0	0.0
Total	15	100.0

67. Over the past three months, how has demand for funding of non-agency RMBS by your institution's clients changed?

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	7	43.8
Remained basically unchanged	9	56.3
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	16	100.0

68. Over the past three months, how has demand for term funding with a maturity greater than 30 days of non-agency RMBS by your institution's clients changed?

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	6	40.0
Remained basically unchanged	9	60.0
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	15	100.0

69. Over the past three months, how have liquidity and functioning in the non-agency RMBS market changed?

	Number of Respondents	Percent
Improved considerably	0	0.0
Improved somewhat	5	33.3
Remained basically unchanged	10	66.7
Deteriorated somewhat	0	0.0
Deteriorated considerably	0	0.0
Total	15	100.0

Commercial Mortgage-Backed Securities

70. Over the past three months, how have the terms under which CMBS are funded changed?

A. Terms for average clients

1) Maximum amount of funding

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	12	100.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	12	100.0

2) Maximum maturity

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	10	83.3
Eased somewhat	2	16.7
Eased considerably	0	0.0
Total	12	100.0

3) Haircuts

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	11	91.7
Eased somewhat	1	8.3
Eased considerably	0	0.0
Total	12	100.0

4) Collateral spreads over relevant benchmark (effective financing rates)

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	12	100.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	12	100.0

B. Terms for most-favored clients, as a consequence of breadth, duration, and/or extent of relationship

1) Maximum amount of funding

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	12	92.3
Eased somewhat	1	7.7
Eased considerably	0	0.0
Total	13	100.0

2) Maximum maturity

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	10	76.9
Eased somewhat	3	23.1
Eased considerably	0	0.0
Total	13	100.0

3) Haircuts

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	11	84.6
Eased somewhat	2	15.4
Eased considerably	0	0.0
Total	13	100.0

4) Collateral spreads over relevant benchmark (effective financing rates)

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	12	92.3
Eased somewhat	1	7.7
Eased considerably	0	0.0
Total	13	100.0

71. Over the past three months, how has demand for funding of CMBS by your institution's clients changed?

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	2	15.4
Remained basically unchanged	11	84.6
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	13	100.0

72. Over the past three months, how has demand for term funding with a maturity greater than 30 days of CMBS by your institution's clients changed?

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	2	15.4
Remained basically unchanged	10	76.9
Decreased somewhat	1	7.7
Decreased considerably	0	0.0
Total	13	100.0

73. Over the past three months, how have liquidity and functioning in the CMBS market changed?

	Number of Respondents	Percent
Improved considerably	0	0.0
Improved somewhat	2	15.4
Remained basically unchanged	11	84.6
Deteriorated somewhat	0	0.0
Deteriorated considerably	0	0.0
Total	13	100.0

Consumer Asset-Backed Securities

74. Over the past three months, how have the terms under which consumer ABS (for example, backed by credit card receivables or auto loans) are funded changed?

A. Terms for average clients

1) Maximum amount of funding

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	13	100.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	13	100.0

2) Maximum maturity

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	13	100.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	13	100.0

3) Haircuts

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	13	100.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	13	100.0

4) Collateral spreads over relevant benchmark (effective financing rates)

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	13	100.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	13	100.0

B. Terms for most-favored clients, as a consequence of breadth, duration, and/or extent of relationship

1) Maximum amount of funding

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	13	100.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	13	100.0

2) Maximum maturity

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	13	100.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	13	100.0

3) Haircuts

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	13	100.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	13	100.0

4) Collateral spreads over relevant benchmark (effective financing rates)

	Number of Respondents	Percent
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	13	100.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	13	100.0

75. Over the past three months, how has demand for funding of consumer ABS by your institution's clients changed?

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	13	100.0
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	13	100.0

76. Over the past three months, how has demand for term funding with a maturity greater than 30 days of consumer ABS by your institution's clients changed?

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	13	100.0
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	13	100.0

77. Over the past three months, how have liquidity and functioning in the consumer ABS market changed?

	Number of Respondents	Percent
Improved considerably	0	0.0
Improved somewhat	0	0.0
Remained basically unchanged	12	92.3
Deteriorated somewhat	1	7.7
Deteriorated considerably	0	0.0
Total	13	100.0

Mark and Collateral Disputes

78. Over the past three months, how has the volume of mark and collateral disputes relating to lending against each of the following collateral types changed?

A. High-grade corporate bonds

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	17	100.0
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	17	100.0

B. High-yield corporate bonds

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	17	100.0
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	17	100.0

C. Equities

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	19	100.0
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	19	100.0

D. Agency RMBS

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	18	100.0
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	18	100.0

E. Non-agency RMBS

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	15	100.0
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	15	100.0

F. CMBS

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	14	100.0
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	14	100.0

G. Consumer ABS

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	14	100.0
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	14	100.0

79. Over the past three months, how has the duration and persistence of mark and collateral disputes relating to lending against each of the following collateral types changed?

A. High-grade corporate bonds

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	17	100.0
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	17	100.0

B. High-yield corporate bonds

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	17	100.0
Decreased somewhat	0	0.0
Decreased considerably	0	0.0
Total	17	100.0

C. Equities

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	18	94.7
Decreased somewhat	0	0.0
Decreased considerably	1	5.3
Total	19	100.0

D. Agency RMBS

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	18	94.7
Decreased somewhat	0	0.0
Decreased considerably	1	5.3
Total	19	100.0

E. Non-agency RMBS

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	15	93.8
Decreased somewhat	0	0.0
Decreased considerably	1	6.3
Total	16	100.0

F. CMBS

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	14	93.3
Decreased somewhat	0	0.0
Decreased considerably	1	6.7
Total	15	100.0

G. Consumer ABS

	Number of Respondents	Percent
Increased considerably	0	0.0
Increased somewhat	0	0.0
Remained basically unchanged	14	93.3
Decreased somewhat	0	0.0
Decreased considerably	1	6.7
Total	15	100.0

Optional Question

Question 80 requests feedback on any other issues you judge to be important relating to credit terms applicable to securities financing transactions and OTC derivatives contracts.⁸

⁸ See note 4 in the Summary.

Special Questions

The following special questions are intended to provide better context for interpreting the core set of questions in the previous section, which focus on changes in credit terms over the preceding three months. Unlike the core questions, these special questions will not be included in the survey on an ongoing basis.

Synthetic Prime Brokerage

Over the past year, so-called synthetic prime brokerage arrangements have reportedly emerged as an increasingly important source of leverage for hedge funds. Under such arrangements, levered exposure is created through TRS and other OTC derivatives rather than through more traditional secured financings—for example, through margin lending or repurchase agreements. Question 81 seeks information on the current use of synthetic financing by hedge fund clients of different types. Question 82 asks about changes in the use of synthetic funding by hedge fund clients of different types over the past year. Question 83 solicits information about the likely motivations of clients in opting to utilize synthetic financing as an alternative to traditional secured financing.

81. How would you characterize the current use of synthetic financing making use of TRS and other OTC derivatives (as an alternative to traditional secured financings) by hedge fund clients of each of the following types?

A. Equity long-short hedge funds (fundamentally oriented)

	Number of Respondents	Percent
Widely employed by a large number of clients	7	50.0
Employed by some clients or in some situations	4	28.6
Employed by only a few clients or in a few situations	1	7.1
Employed to a minimal extent by such clients	2	14.3
Not employed by such clients	0	0.0
Total	14	100.0

B. Equity long-short hedge funds (quantitatively oriented)

	Number of Respondents	Percent
Widely employed by a large number of clients	5	35.7
Employed by some clients or in some situations	4	28.6
Employed by only a few clients or in a few situations	2	14.3
Employed to a minimal extent by such clients	2	14.3
Not employed by such clients	1	7.1
Total	14	100.0

C. Event-driven equity funds

	Number of Respondents	Percent
Widely employed by a large number of clients	4	28.6
Employed by some clients or in some situations	5	35.7
Employed by only a few clients or in a few situations	3	21.4
Employed to a minimal extent by such clients	1	7.1
Not employed by such clients	1	7.1
Total	14	100.0

D. Other equity funds

	Number of Respondents	Percent
Widely employed by a large number of clients	3	21.4
Employed by some clients or in some situations	6	42.9
Employed by only a few clients or in a few situations	2	14.3
Employed to a minimal extent by such clients	2	14.3
Not employed by such clients	1	7.1
Total	14	100.0

E. Macro-oriented hedge funds

	Number of Respondents	Percent
Widely employed by a large number of clients	3	20.0
Employed by some clients or in some situations	5	33.3
Employed by only a few clients or in a few situations	5	33.3
Employed to a minimal extent by such clients	2	13.3
Not employed by such clients	0	0.0
Total	15	100.0

F. Credit-oriented hedge funds

	Number of Respondents	Percent
Widely employed by a large number of clients	1	7.1
Employed by some clients or in some situations	2	14.3
Employed by only a few clients or in a few situations	4	28.6
Employed to a minimal extent by such clients	5	35.7
Not employed by such clients	2	14.3
Total	14	100.0

G. Emerging market-oriented hedge funds

	Number of Respondents	Percent
Widely employed by a large number of clients	3	21.4
Employed by some clients or in some situations	1	7.1
Employed by only a few clients or in a few situations	4	28.6
Employed to a minimal extent by such clients	4	28.6
Not employed by such clients	2	14.3
Total	14	100.0

82. How would you characterize the change in the use of synthetic financing making use of TRS and other OTC derivatives (as an alternative to traditional secured financings) by hedge fund clients of each of the following types over the past year?

A. Equity long-short hedge funds (fundamentally oriented)

	Number of Respondents	Percent
Increased significantly	1	7.1
Increased somewhat	4	28.6
Remained basically unchanged	9	64.3
Decreased	0	0.0
Essentially no use by such clients	0	0.0
Total	14	100.0

B. Equity long-short hedge funds (quantitatively oriented)

	Number of Respondents	Percent
Increased significantly	0	0.0
Increased somewhat	4	28.6
Remained basically unchanged	8	57.1
Decreased	0	0.0
Essentially no use by such clients	2	14.3
Total	14	100.0

C. Event-driven equity funds

	Number of Respondents	Percent
Increased significantly	1	7.1
Increased somewhat	4	28.6
Remained basically unchanged	9	64.3
Decreased	0	0.0
Essentially no use by such clients	0	0.0
Total	14	100.0

D. Other equity funds

	Number of Respondents	Percent
Increased significantly	0	0.0
Increased somewhat	4	28.6
Remained basically unchanged	10	71.4
Decreased	0	0.0
Essentially no use by such clients	0	0.0
Total	14	100.0

E. Macro-oriented hedge funds

	Number of Respondents	Percent
Increased significantly	0	0.0
Increased somewhat	4	26.7
Remained basically unchanged	10	66.7
Decreased	1	6.7
Essentially no use by such clients	0	0.0
Total	15	100.0

F. Credit-oriented hedge funds

	Number of Respondents	Percent
Increased significantly	0	0.0
Increased somewhat	2	14.3
Remained basically unchanged	11	78.6
Decreased	0	0.0
Essentially no use by such clients	1	7.1
Total	14	100.0

G. Emerging market-oriented hedge funds

	Number of Respondents	Percent
Increased significantly	0	0.0
Increased somewhat	1	7.1
Remained basically unchanged	11	78.6
Decreased	1	7.1
Essentially no use by such clients	1	7.1
Total	14	100.0

83. Considering all of your institution's hedge fund clients who employ synthetic financing making use of TRS and other OTC derivatives (as an alternative to traditional secured financings), how important is each of the following reasons in motivating them to do so?

A. Tax considerations

	Number of Respondents	Percent
Very important	5	38.5
Somewhat important	5	38.5
Unimportant	3	23.1
Total	13	100.0

B. Access to foreign markets

	Number of Respondents	Percent
Very important	10	71.4
Somewhat important	2	14.3
Unimportant	2	14.3
Total	14	100.0

C. Ease in establishing and maintaining short positions

	Number of Respondents	Percent
Very important	4	28.6
Somewhat important	8	57.1
Unimportant	2	14.3
Total	14	100.0

D. Avoidance of limitations on rehypothecation of collateral

	Number of Respondents	Percent
Very important	0	0.0
Somewhat important	3	23.1
Unimportant	10	76.9
Total	13	100.0

E. Availability of greater leverage

	Number of Respondents	Percent
Very important	2	13.3
Somewhat important	6	40.0
Unimportant	7	46.7
Total	15	100.0

F. Ease in adjusting exposures

	Number of Respondents	Percent
Very important	1	7.7
Somewhat important	4	30.8
Unimportant	8	61.5
Total	13	100.0

G. Ease in establishing exposures to non-dollar-denominated assets in dollars

	Number of Respondents	Percent
Very important	2	14.3
Somewhat important	5	35.7
Unimportant	7	50.0
Total	14	100.0