EUROPEAN CENTRAL BANK
EUROSYSTEM

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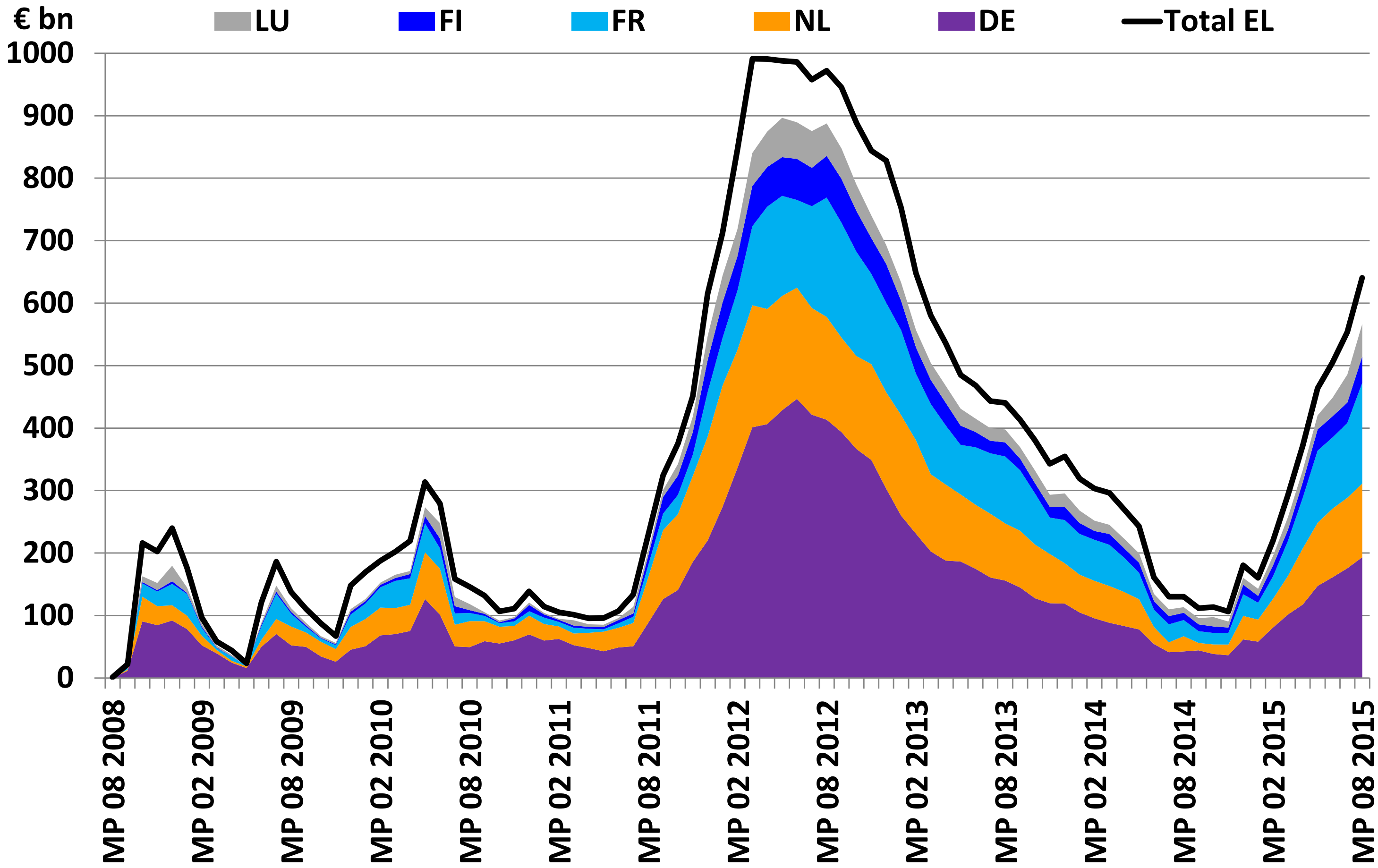
DG - Market Operations

The Distribution of Excess Liquidity

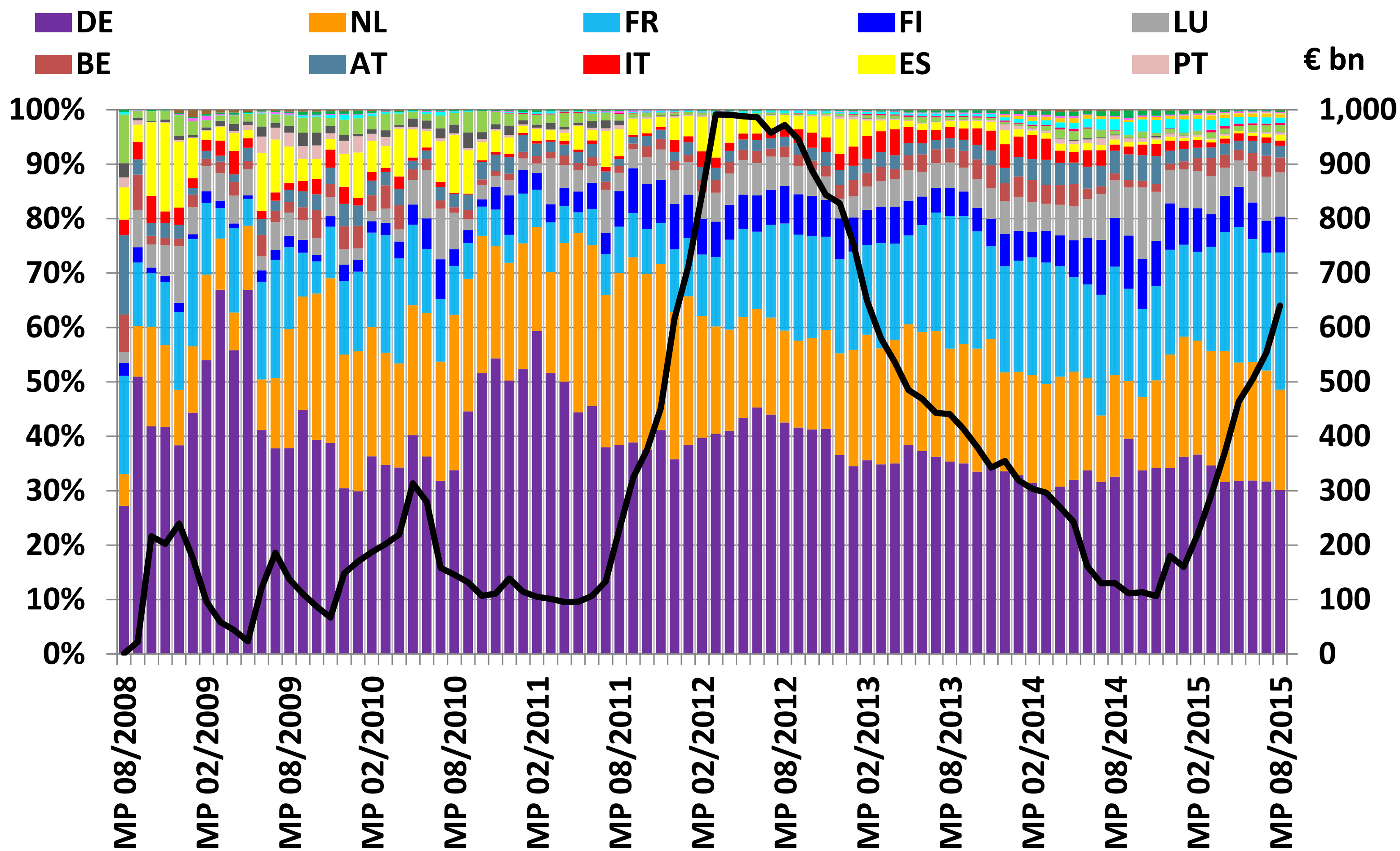
MMCG, 15 March 2016

Excess liquidity holdings are concentrated in specific jurisdictions



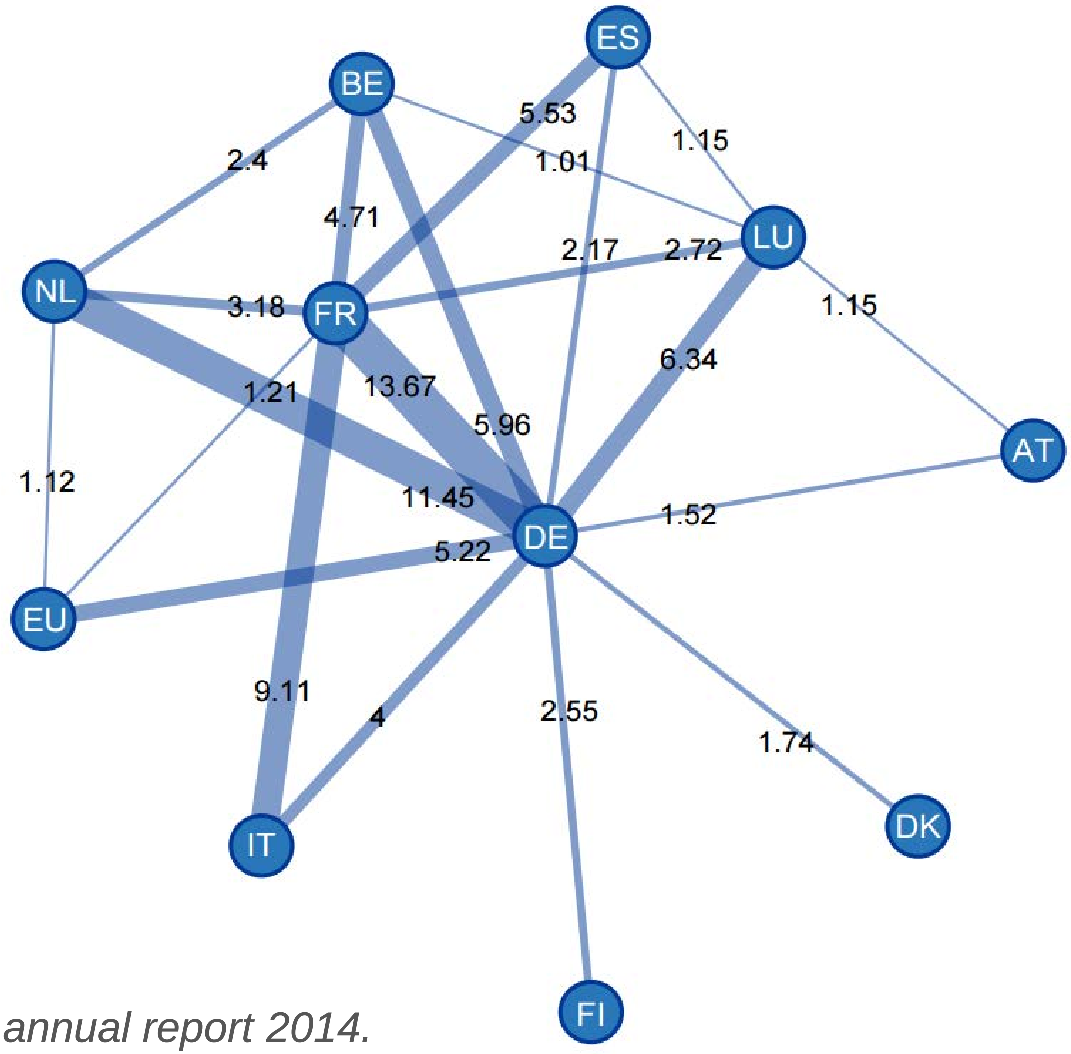
Note: excess liquidity held with national central banks; maintenance period averages.
Source: Eurosystem.

Neither the amount of excess liquidity, nor the way in which it was provided changed the distribution



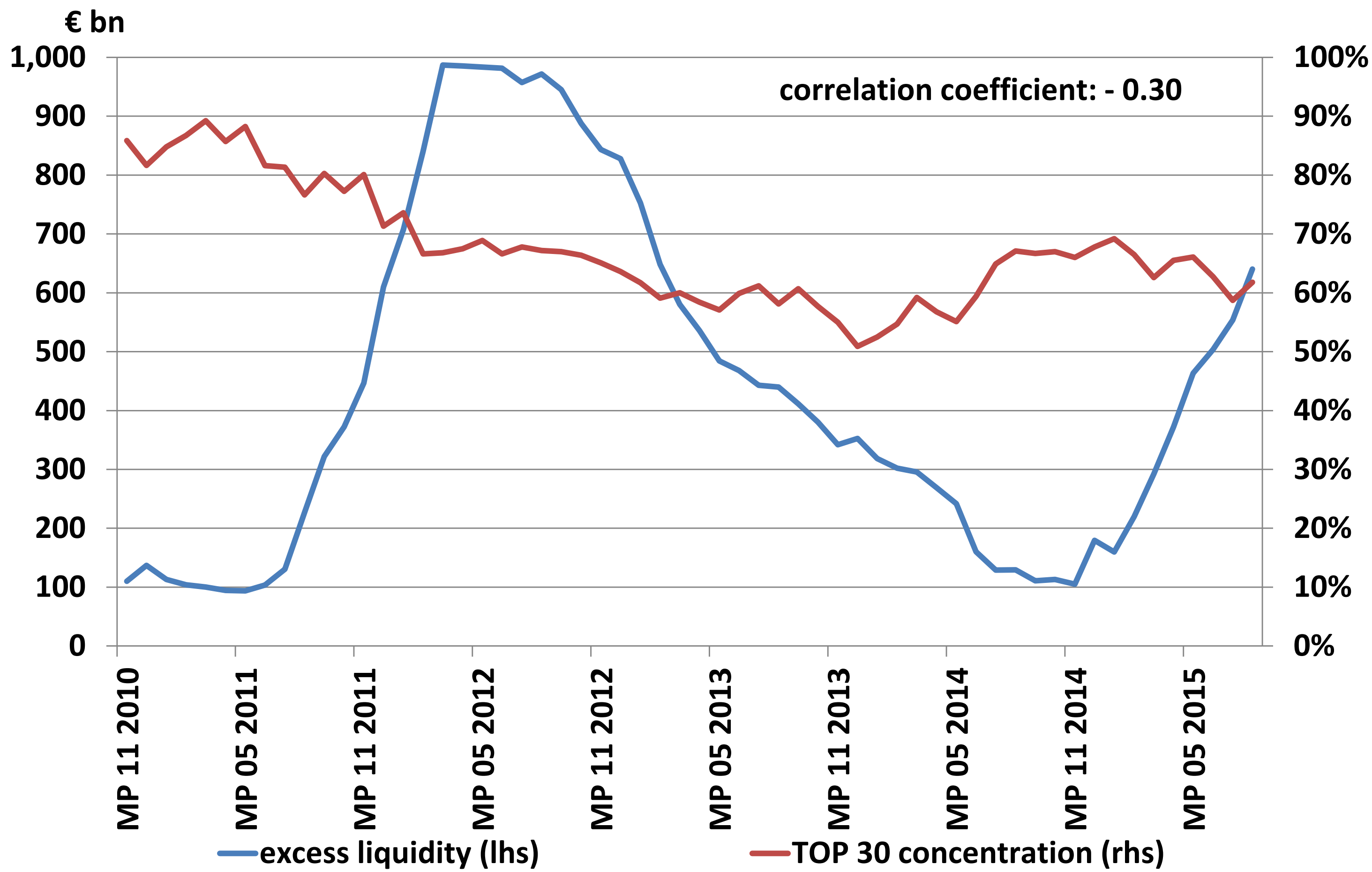
Note: excess liquidity held with national central banks; maintenance period averages.
Source: Eurosystem.

Persistent fragmentation observable in flows



Source: TARGET2 annual report 2014.

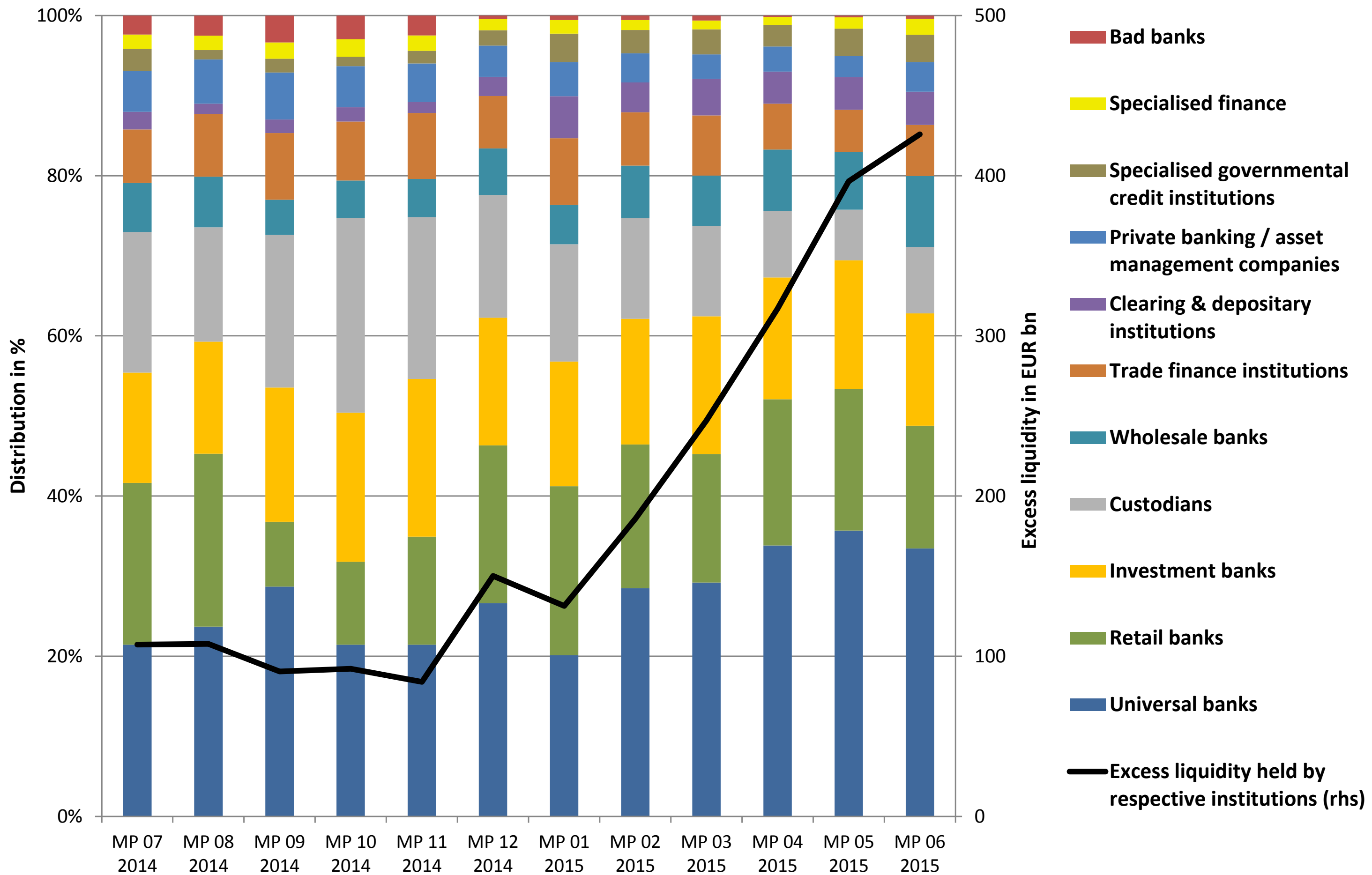
Excess liquidity holdings are also concentrated with certain financial institutions



Note: excess liquidity held with national central banks; maintenance period averages.
Source: Eurosystem.

Excess liquidity of top-90 banks per business model (%, EUR bn)

60% held by universal, retail and investment banks



Note: excess liquidity held with national central banks; maintenance period averages.
Source: Eurosystem.

What is driving the asymmetric distribution of excess liquidity?

- Flight to quality could have played a role in the past, but now? Does dispersion of risk across countries still play a role?

- To what extent do risk management and credit limits restrict flows? Can rising levels of excess liquidity alter the strategy?

- To what extent do banking supervision and regulatory requirements incentivise holdings and restrict flows?
  What is driving over-compliance of e.g. LCR?

- Which business models or institutional characteristics are prone to have higher holdings or attract inflows?

How do you manage the excess liquidity holdings or inflows?

- Do you consider your excess liquidity holdings or inflows excessive and apply specific strategy to limit these?

- Do you face any constraints to redeploy excess reserves?