



EUROPEAN CENTRAL BANK

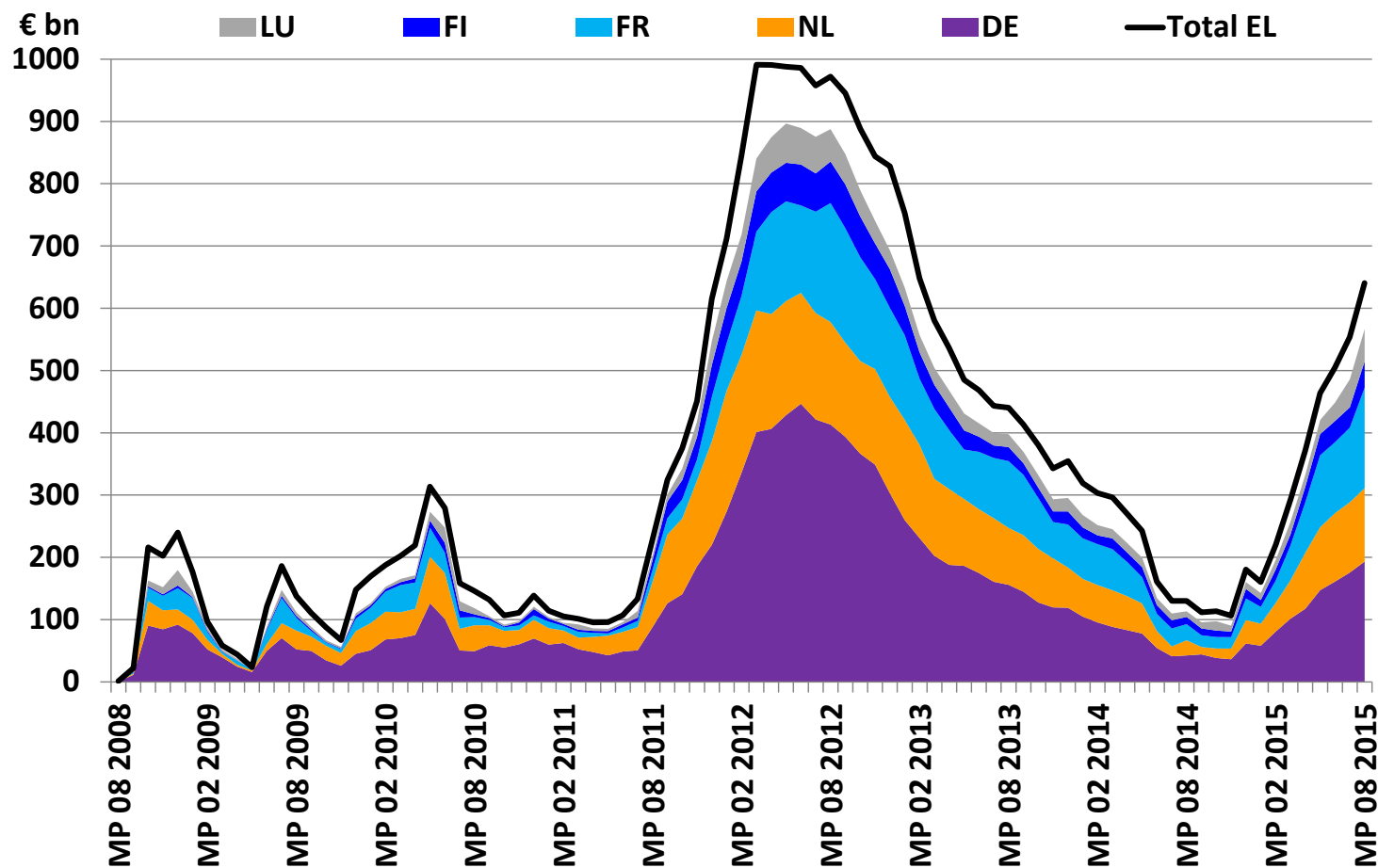
EUROSYSTEM

**O. Vergote**  
DG - Market Operations

# The Distribution of Excess Liquidity

MMCG, 15 March 2016

## Excess liquidity holdings are concentrated in specific jurisdictions

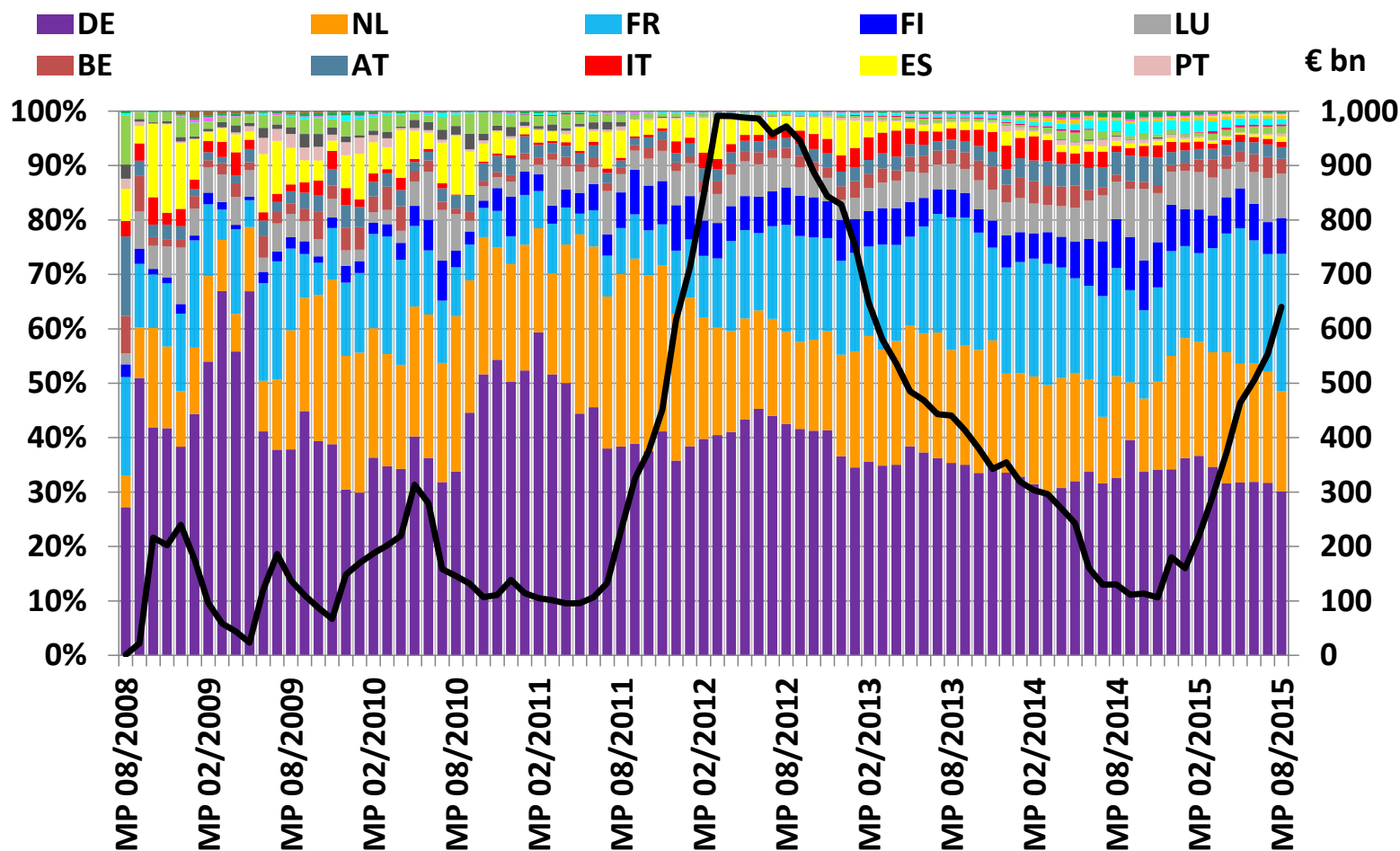


Note: excess liquidity held with national central banks; maintenance period averages.

Source: Eurosystem.

## Excess liquidity held per country (%)

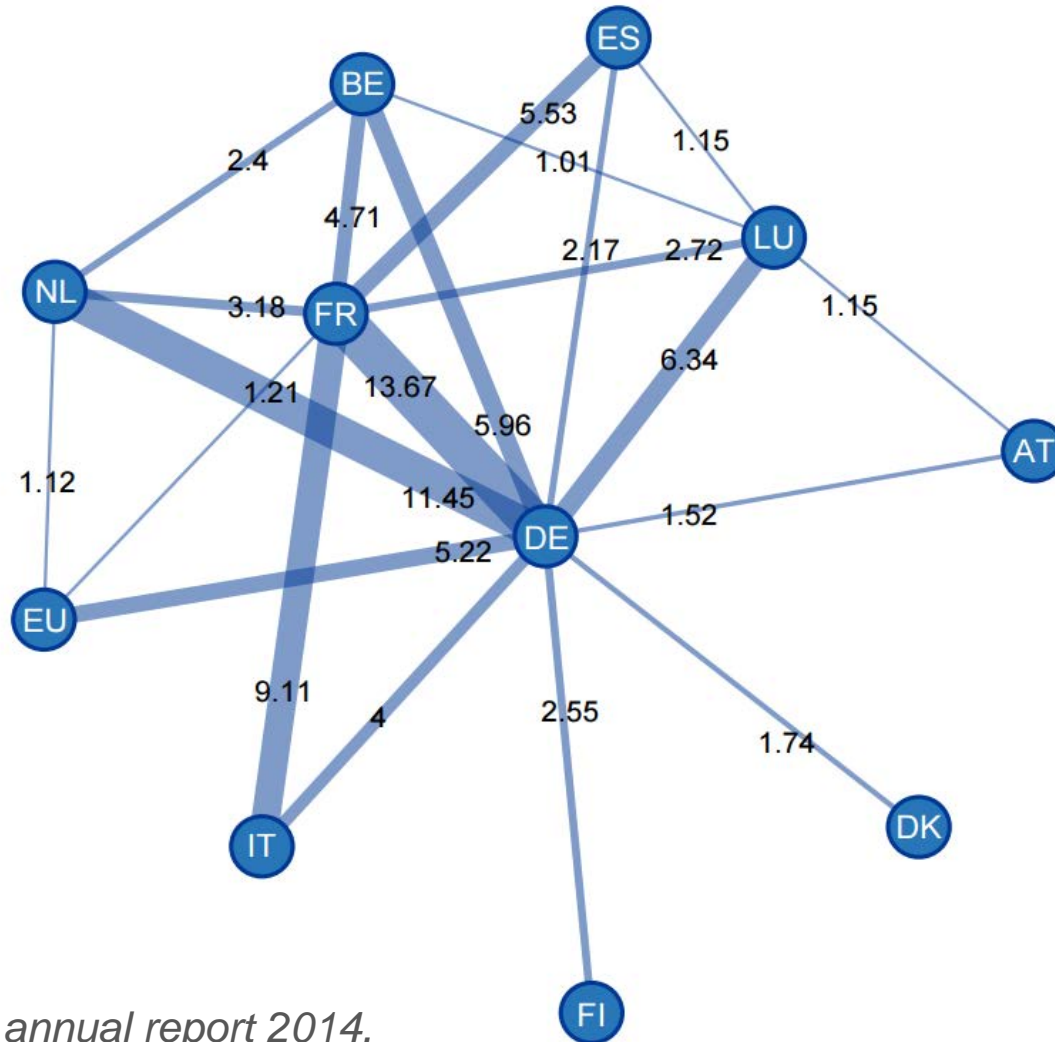
Neither the amount of excess liquidity, nor the way in which it was provided changed the distribution



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

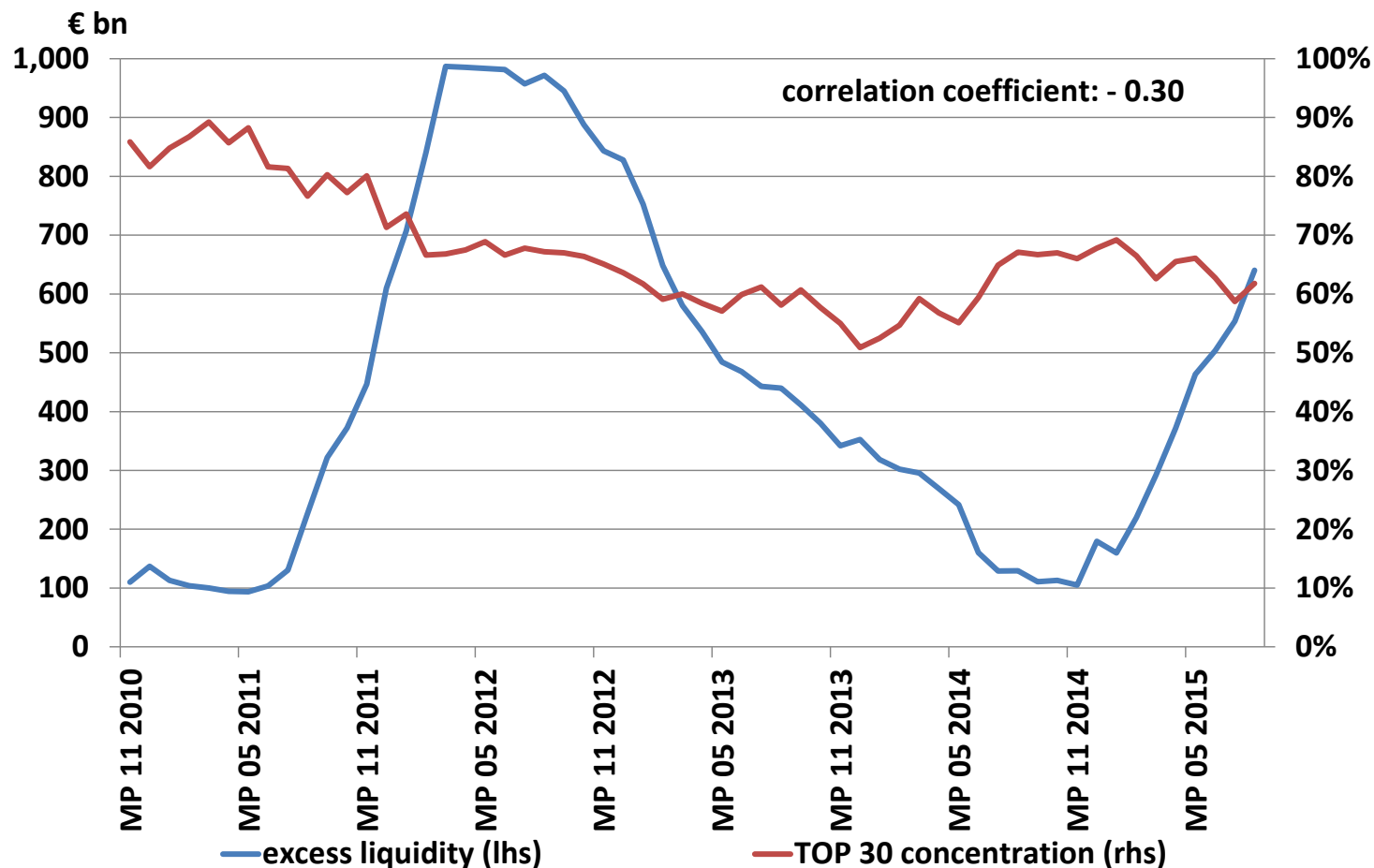
Source: Eurosystem.

## Persistent fragmentation observable in flows



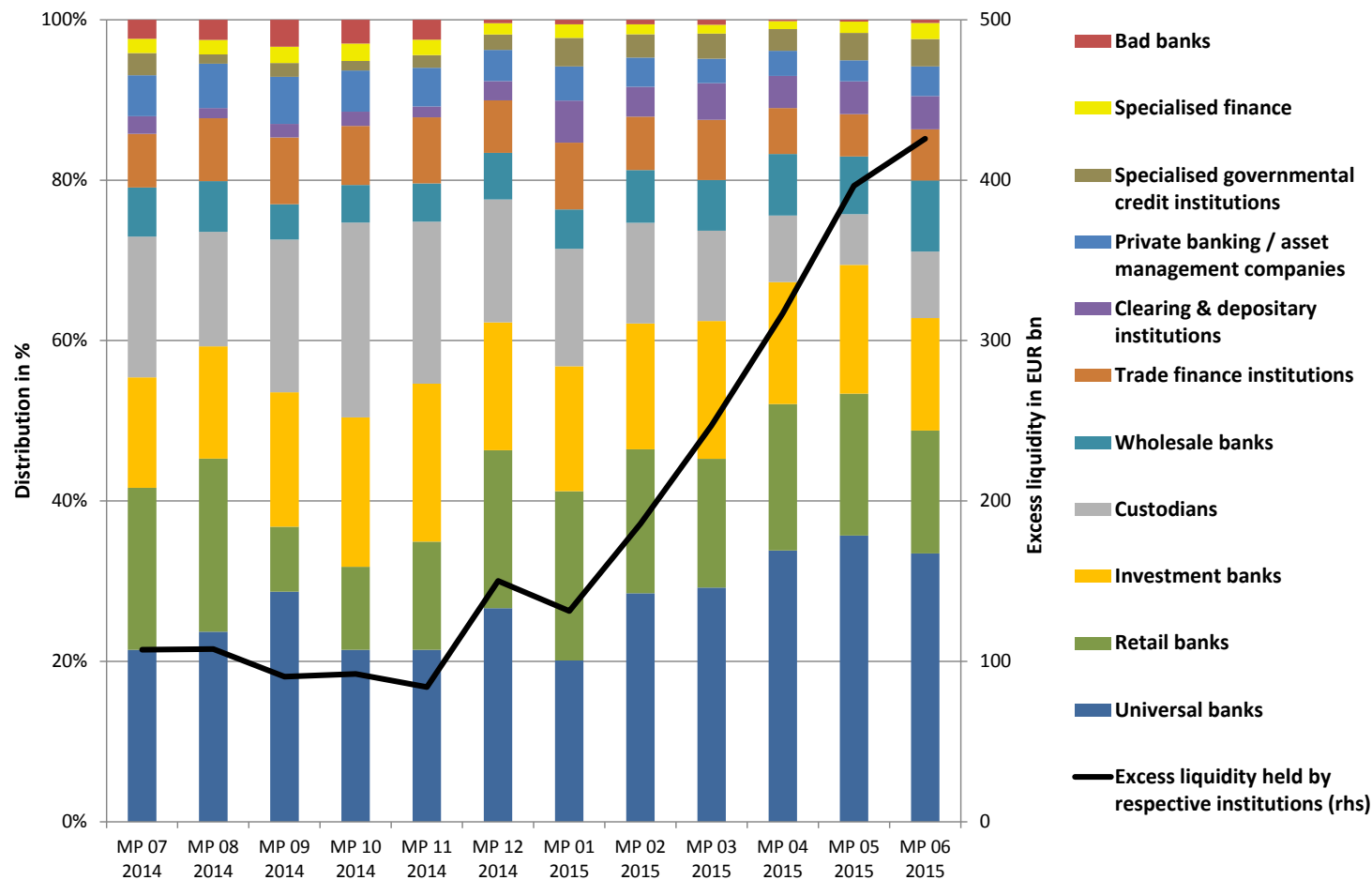
Source: TARGET2 annual report 2014.

## Excess liquidity holdings are also concentrated with certain financial institutions



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

## 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?