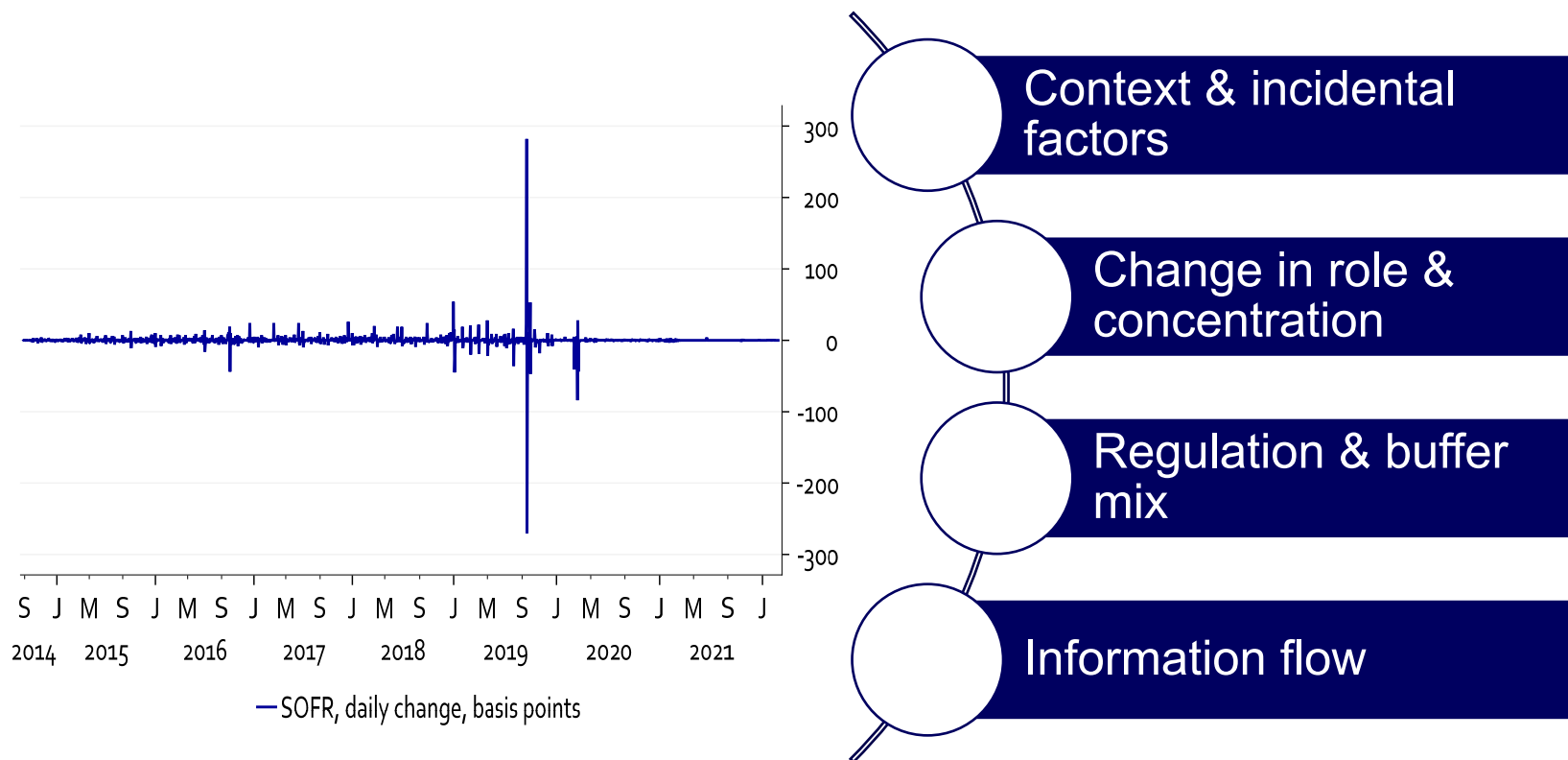


A critical level of aggregate excess liquidity: some considerations

Presentation to the ECB MONEY MARKET CONTACT GROUP

Wednesday, June 15th 2022

During the 2019 SOFR spike the limits of the repo market microstructure were tested

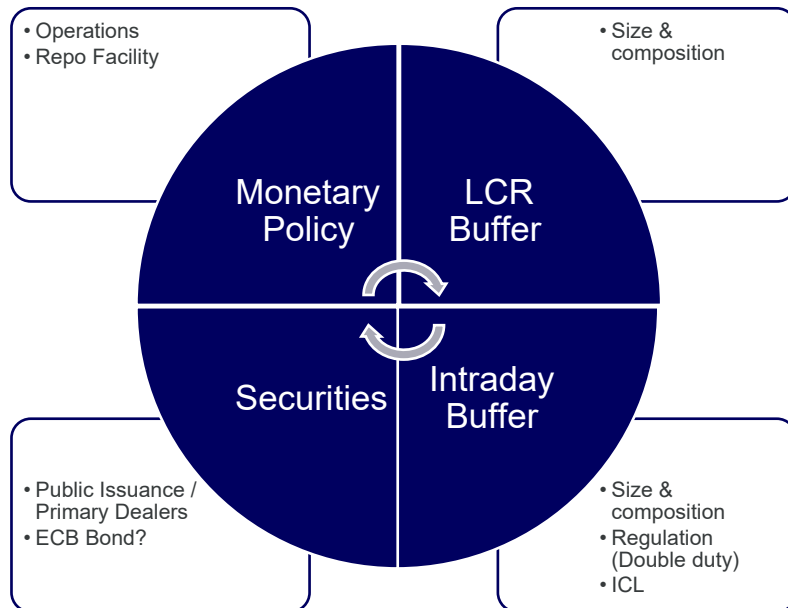


**The Standing Repo Facility (SRF) introduces structural support
Should the ECB emulate this as it removes accommodation?**

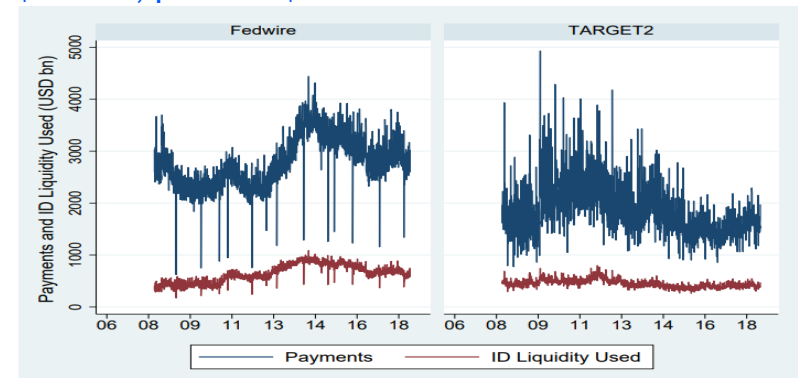
Rabobank

Excess liquidity is required to achieve financial stability

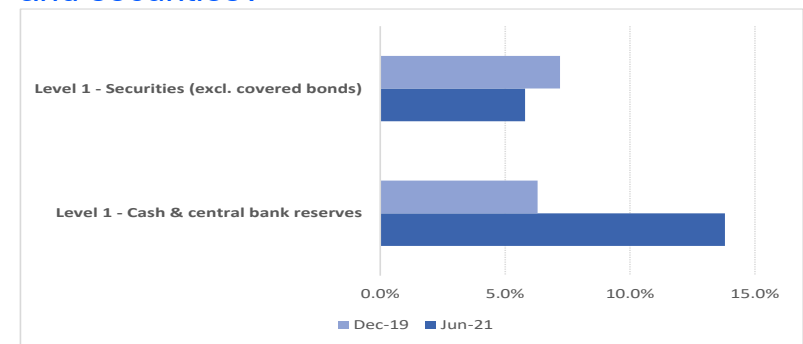
Regulations, Risk Management choices and IR levels create uncertainty



T2 intraday liquidity used is volatile: Daily avg c. \$440bn, peak c. \$800bn

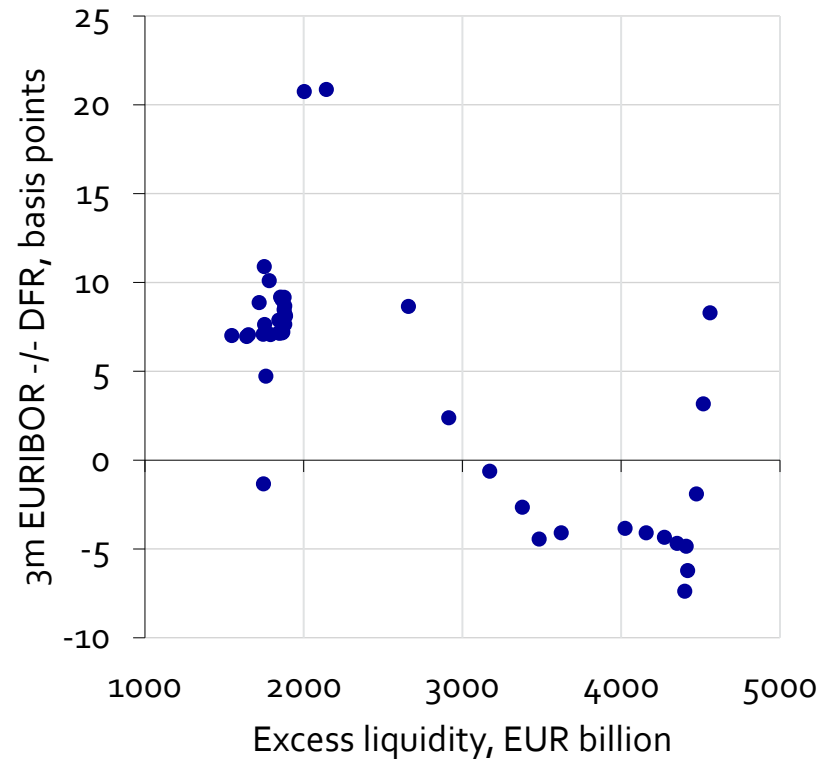
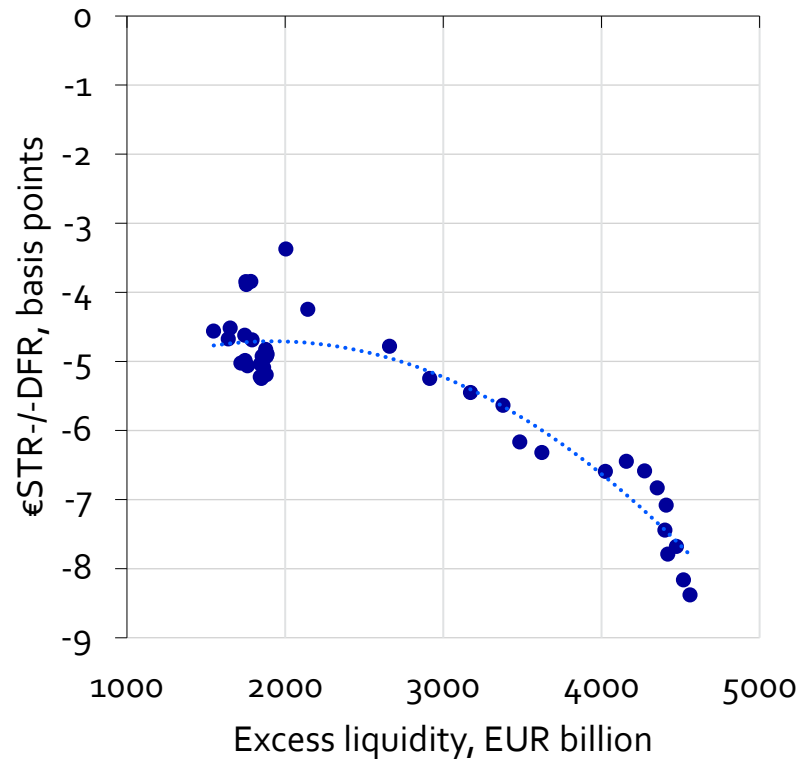


A return to a more balanced mix between cash and securities?



Sources: 'Intraday Liquidity Around the World', Alexandrova Kabadjova, B.; Badev, A.; Saulo Benchimol, B.; Benos, E., et al. September 13, 2021; EBA and Rabobank

Spread sensitivity seems limited even when excess liquidity is halved



Sample from Mar 2017 to present, chosen to include (pre-) ESTR data, and minimise distortions from regulatory change

Sensitivity less clear below c. EUR 1.8tn