The Distribution of Excess Liquidity
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.
Main cross-border accumulated liquidity flows observed in TARGET2 (%)

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?