



Central Bank Liquidity and Balance Sheet: Navigating the Shallows after the High Tide of Liquidity

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Monetary Policy Implementation since launch of the Euro

1999-2007/2008 -> Old Official Framework

Liquidity provision to match exactly banking system needs.

Main refinancing operation (MRO) provided the bulk of liquidity. MRO the main steering instrument.

Balance sheet growth from banknotes and other liabilities.

2008 – 2022 Crisis Measures

Fixed-Rate Full-Allotment (FRFA) in refinancing operations. Liquidity conditions very abundant.

Deposit Facility Rate (DFR) de facto main policy rate. Longer targeted credit operations and asset purchases.

Balance sheet increased with unconventional asset side measures.

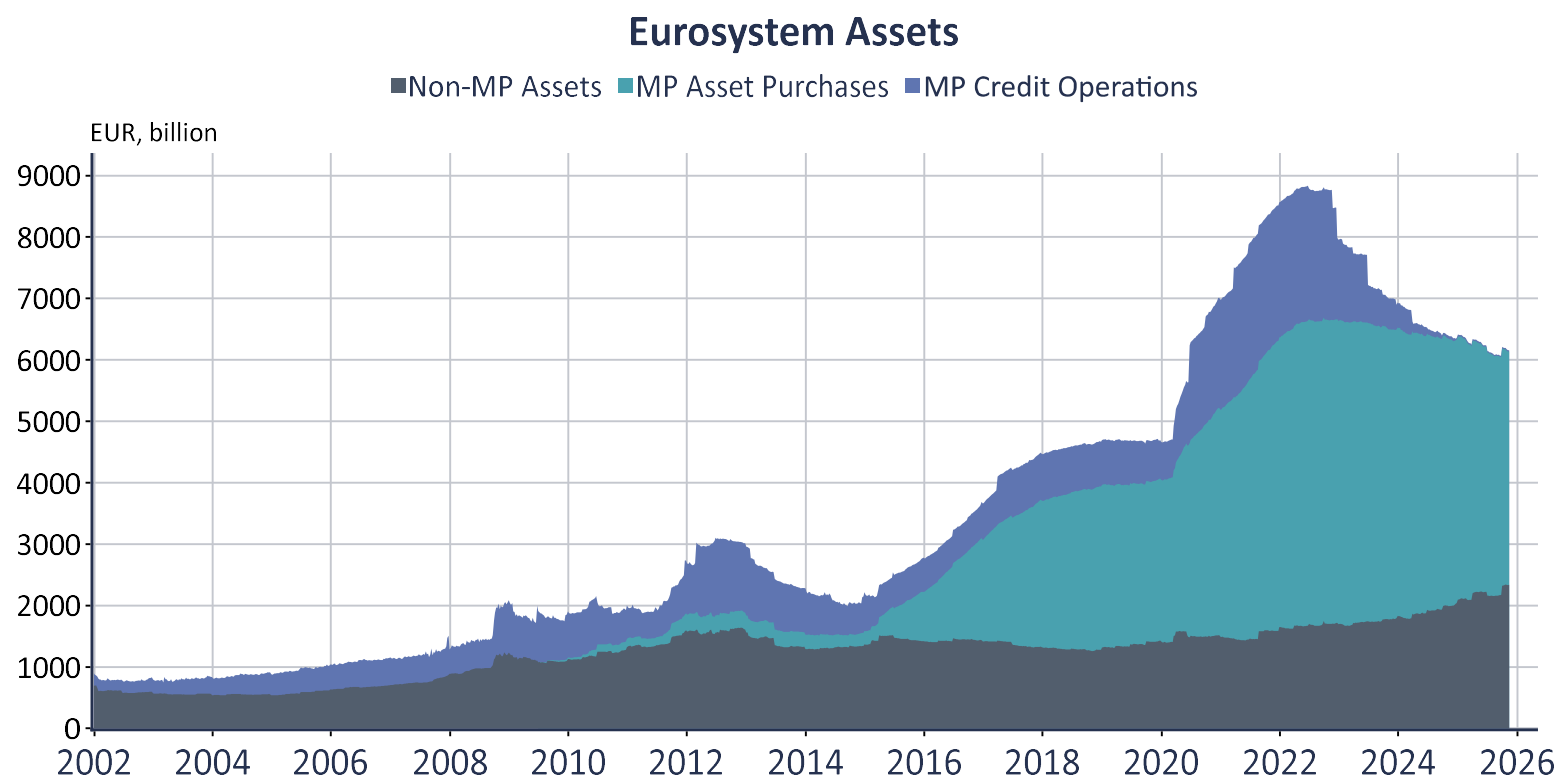
March 2024 New Framework

Role of FRFA confirmed for standard refinancing operations in the future. Demand driven, ample liquidity conditions.

DFR confirmed as the steering rate; narrow 15 bps MRO-DFR-spread, leaving some room for market activity. **Mix of instruments** to supply reserves. **New structural operations.**

Balance sheet to **adjust gradually** towards new normal; **next review to start** in 2026.

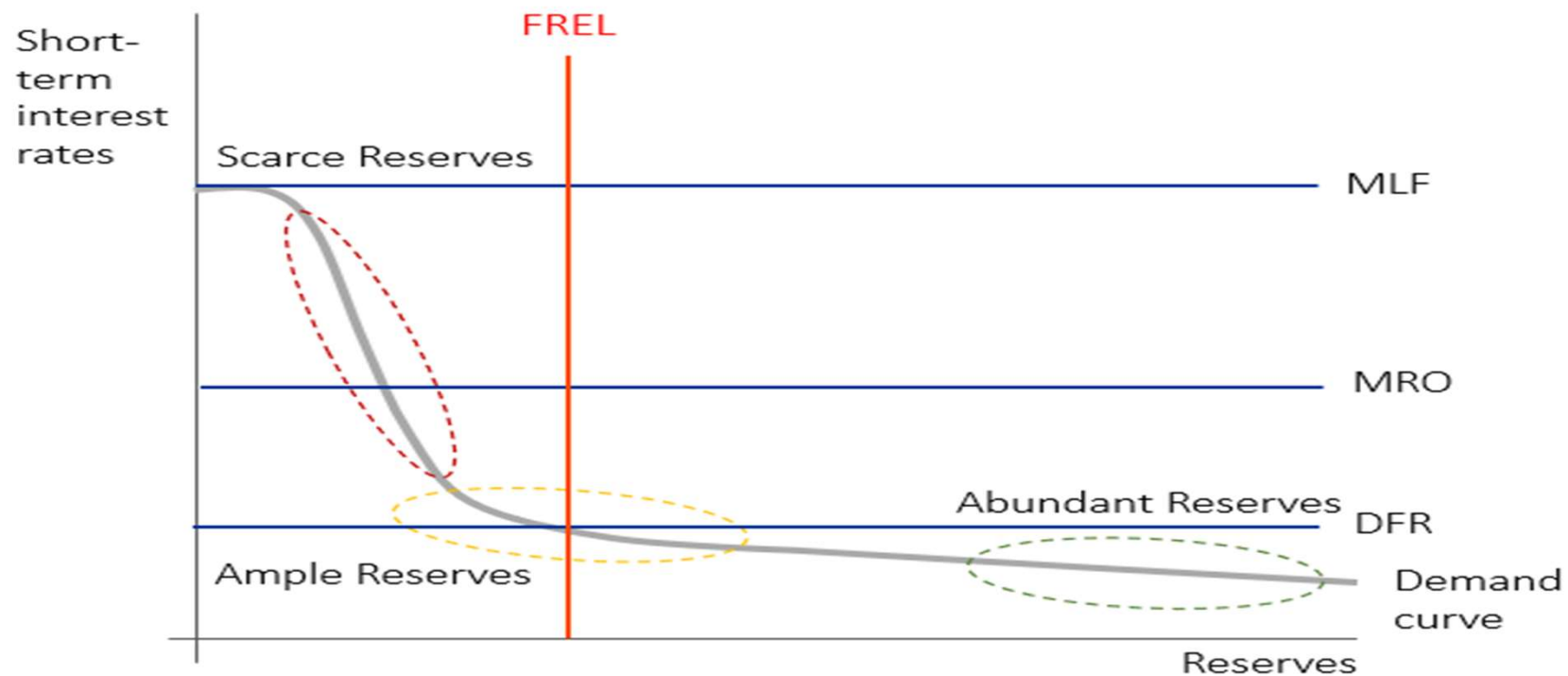
Balance Sheet remains above pre-crisis levels



Source: Bloomberg.

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Floor Required Excess Liquidity (FREL) maintains rates close to the Deposit Facility Rate (DFR)



Demand for liquidity i.e. Central Bank Reserves has increased

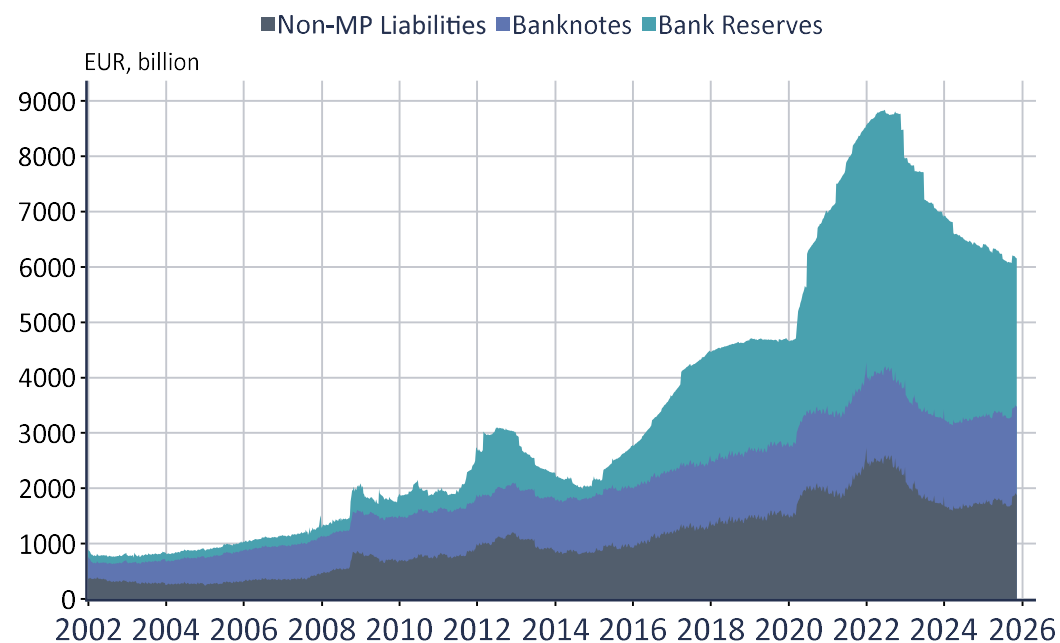
Sources of demand for liquidity

Payments and settlement needs

Minimum reserve requirement (MRR) and demand for reserves as High-Quality Liquid-Assets (HQLA)

Precautionary buffer for market stress and other needs such as signaling a strong liquidity position

Eurosystem Liabilities



Source: Bloomberg.

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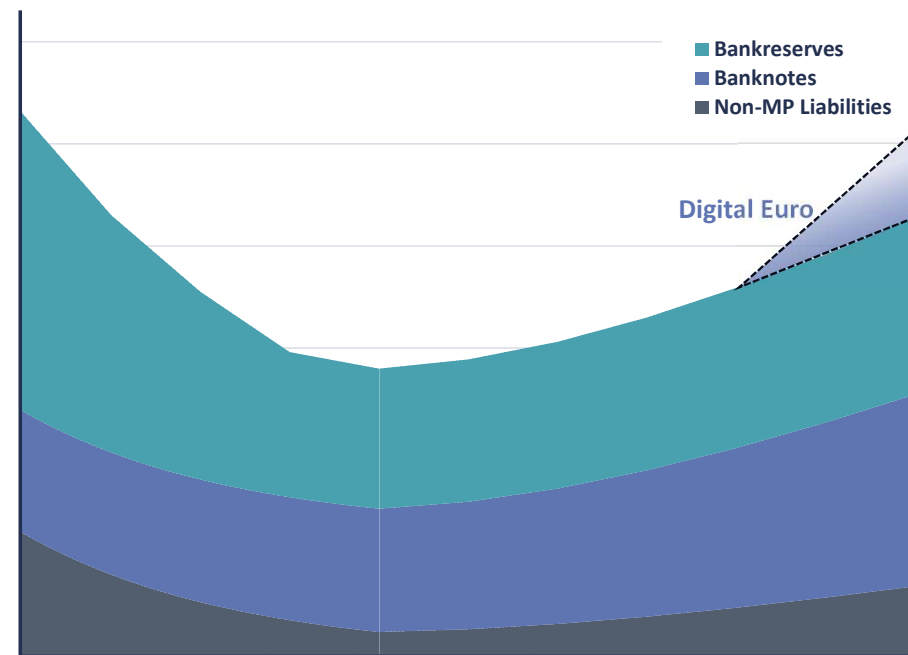
Future Balance Sheet will have new elements

Conceptual Projection of...

Liquidity Supply (Assets)



Liquidity Demand (Liabilities)



Central Bank and Digital Payments of the Future



Longer Operating Hours for T2 and Expansion of TIPS

Assessment of T2's operating hours extension to support smoother liquidity management as payments become more real-time and 24/7/365.



Digital Euro

A digital public money—like a digital banknote—for everyday retail payments.



DLT-Based Settlement

The Eurosystem is preparing for tokenised finance through DLT settlement in central bank money, ensuring safety and scale as markets adopt new architectures.

Concluding remarks

The Eurosystem's operational framework is solid but evolving.

Some aspects remain open—as highlighted throughout this presentation.

The next ECB's review provides an opportunity to elaborate further.

Thank you!

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