

BIS 13th Research Conference

Central Bank Reserves

Session 3

Reserves, liquidity and regulation

Commentary

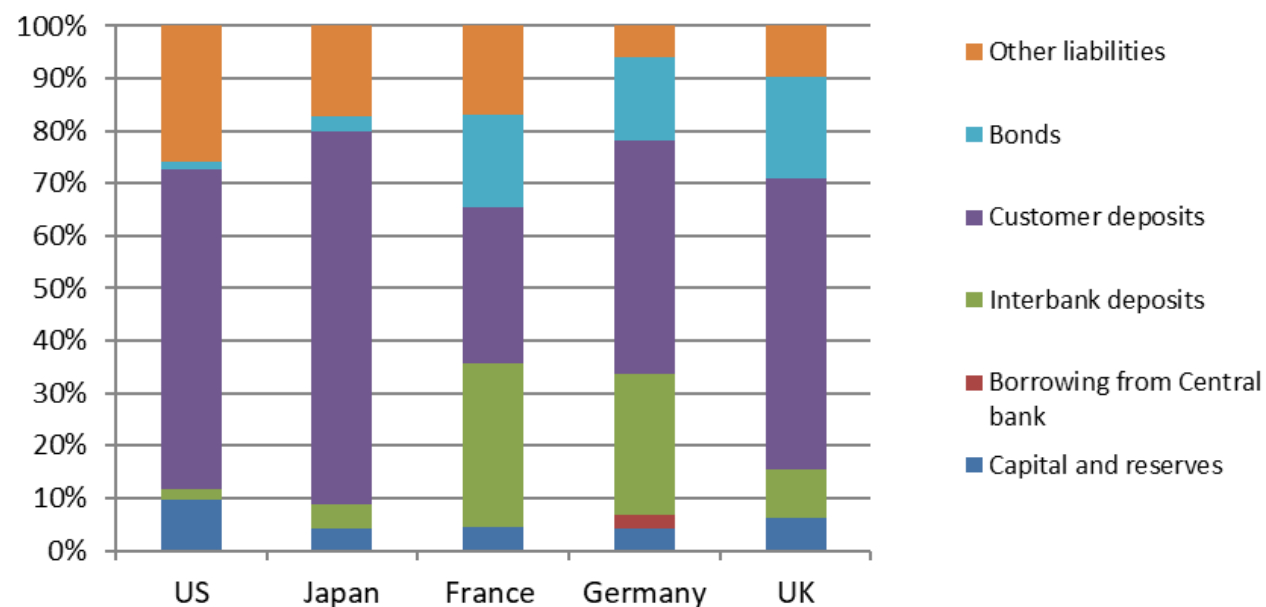
Franklin Allen

Sources of liquidity

1. Interbank market
2. Central bank
3. Commercial banks
4. Securities and other markets
5. CBDCs and crypto

1. Interbank market

Liabilities: 10-year average (2000-2009)



Assets: 10-year average (2000-2009)

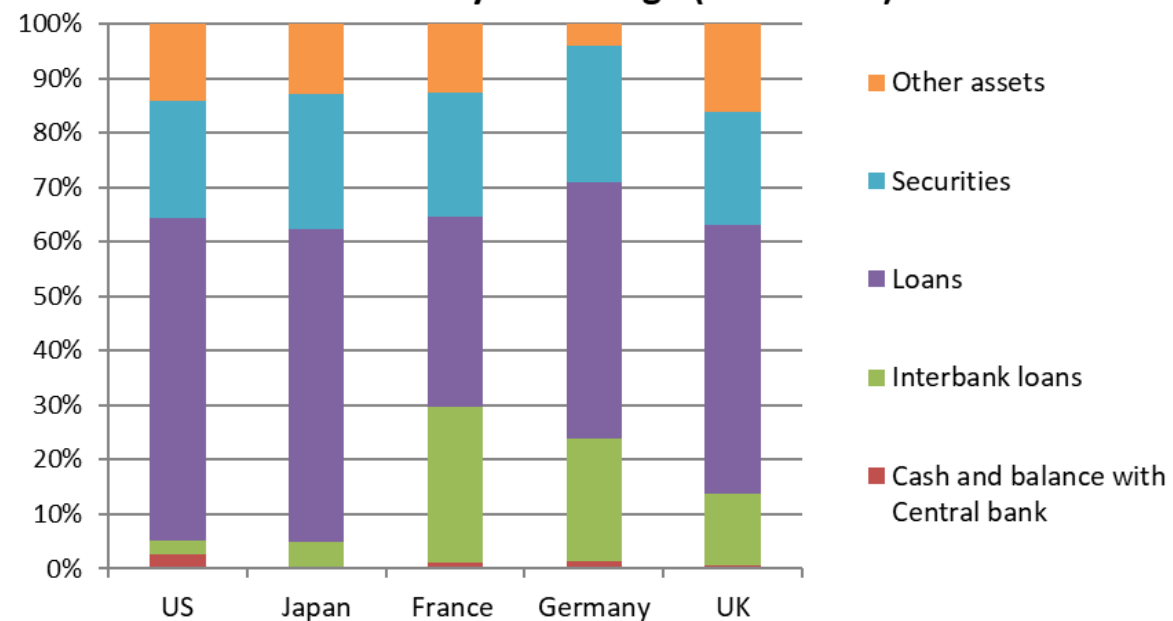


Figure 1 from Allen et al. (2025)
Source: OECD Statistics;
Japanese Banker Association

2. Central bank

Central bank policies

- Normal times
- Crisis times

3. Commercial banks

Commercial banks supply most of the liquidity in the financial system

- How should they be regulated in terms of liquidity requirements?

4. Securities and other markets

Ex ante: Risk management policies to grant access to liquidity when needed

- Normal times
- Crisis times

Ex post: Liquidate securities and other financial instruments

- Normal times
- Crisis times

5. CBDCs and crypto

CBDCs

- Financial architecture – only banks have access to CBDC accounts
- Financial architecture – retail CBDC accounts so payments system is within the central bank

Crypto

- Stablecoins
- Much faster settlement

International differences:

Europe: CBDC

US: Crypto

China: Cross-border e-yuan (mBridge)

References

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