Working Papers on Economics - Identifying central bank liquidity super-spreaders in interbank funds networks

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Evidence suggests that the Colombian interbank funds market is an inhomogeneous and hierarchical network in which a few financial institutions fulfill the role of “super-spreaders” of central bank liquidity among market participants. Results concur with evidence from other interbank markets and other financial networks regarding the flaws of traditional direct financial contagion models based on homogeneous and non-hierarchical networks, and provide further evidence about financial networks’ self-organization emerging from complex adaptive financial systems. Our research work contributes to central bank’s efforts by (i) examining and characterizing the actual connective structure of interbank funds networks; (ii) identifying those financial institutions that may be considered as the most important conduits for monetary policy transmission, and the main drivers of contagion risk within the interbank funds market; (iii) providing new elements for the implementation of monetary policy and for safeguarding financial stability.

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