



Instant payments as a new normal - Case study of liquidity impacts for the Finnish market

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Introduction*

- The gradual transition in processing retail payments through instant payment schemes and systems has increased the level of liquidity used for settlement.
- The paper studies how the liquidity needs of Finnish banks will be affected if retail transactions in the STEP2 system of EBA Clearing on the Finnish market are settled as instant payments.
- The authors generate artificial transaction level data samples using monthly statistics
 - The data is calibrated according the value and volume of submitted transactions and the value of received payments.

*The views presented are exclusively of the discussant and do not necessarily reflect the views of Banco de México

Main contribution

- In the case of full transition from the current settlement scheme to instant payment processing, the authors estimate that daily liquidity requirements on the system level could increase with no more than 8.6%.
 - The average increase is calculated at 2.7%.
- Similarly, the increase of the overall daily liquidity need would be at most 28 million euros.
 - The average increase is estimated at 8.6 million euros.

Comments

- The study is related to the literature on liquidity needs in settlement systems.
- The paper is well structured and clearly presented.
- The amount of additional liquidity is calculated for similar time structure currently cleared in STEP2.
 - In table 1 page 4, the higher proportion of the value of payments is processed during the night.
 - The time structure of these transactions could be different if the settlement is made instantaneously. Would you expect that early processing of these transactions modify the level of liquidity needs?
- The calculation of required funds is based on currently cleared transaction volume; the authors claim that payment topology does not affect the increase on the bank level.
 - What if the value of the transactions between pairs increase and the rate on a bilateral level is different.
 - To what extent, in your opinion, the heterogeneity in the growth of bilateral transaction value will imply a more relevant role of the network topology.



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