Discussion
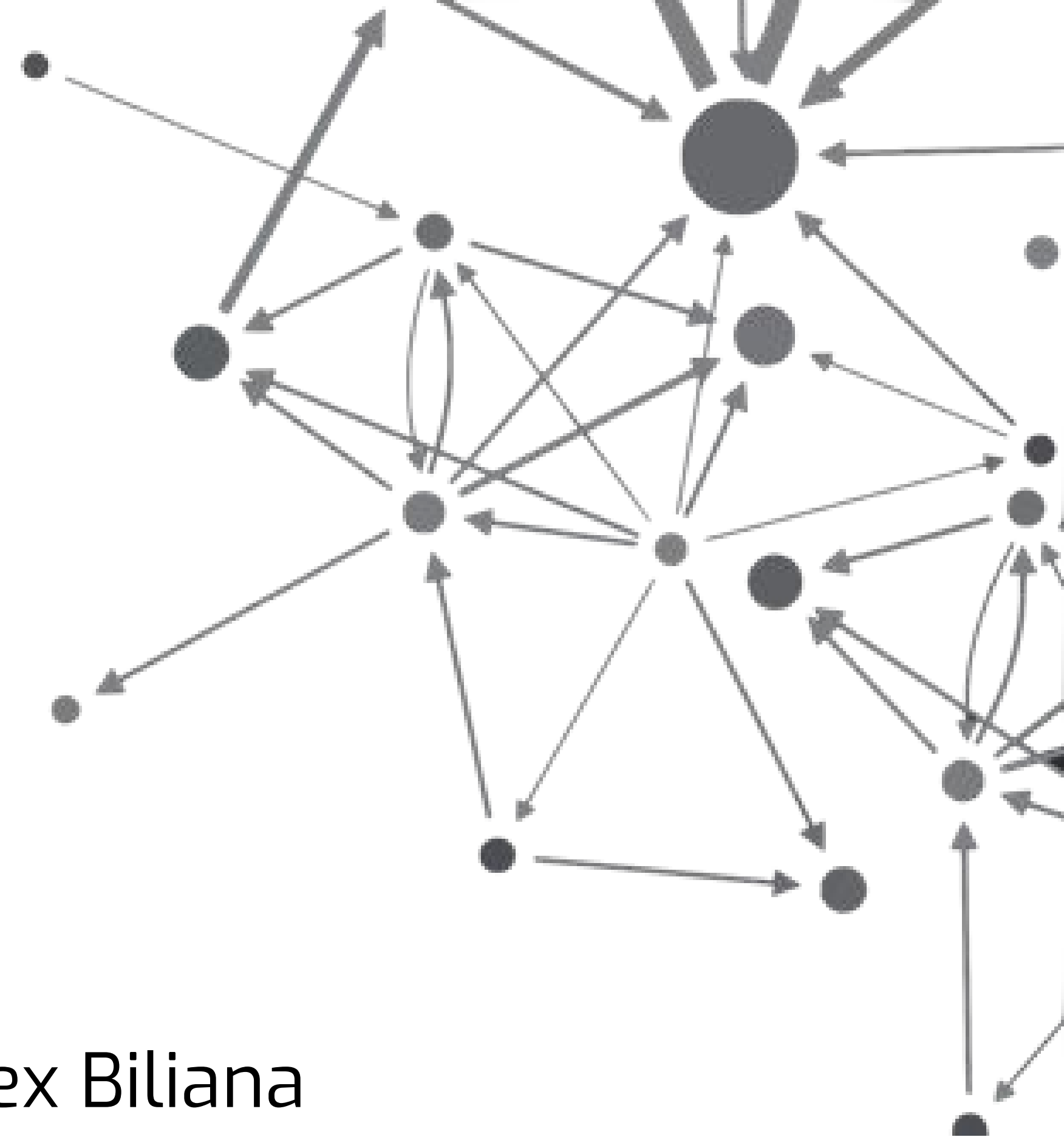
He Send, She Send: Analyzing Reactivity in a
Payment System

By
Miguel Angel Gavilan Rubio, University of Essex Biliana
Alexandrova-Kabadjova, Banco de México
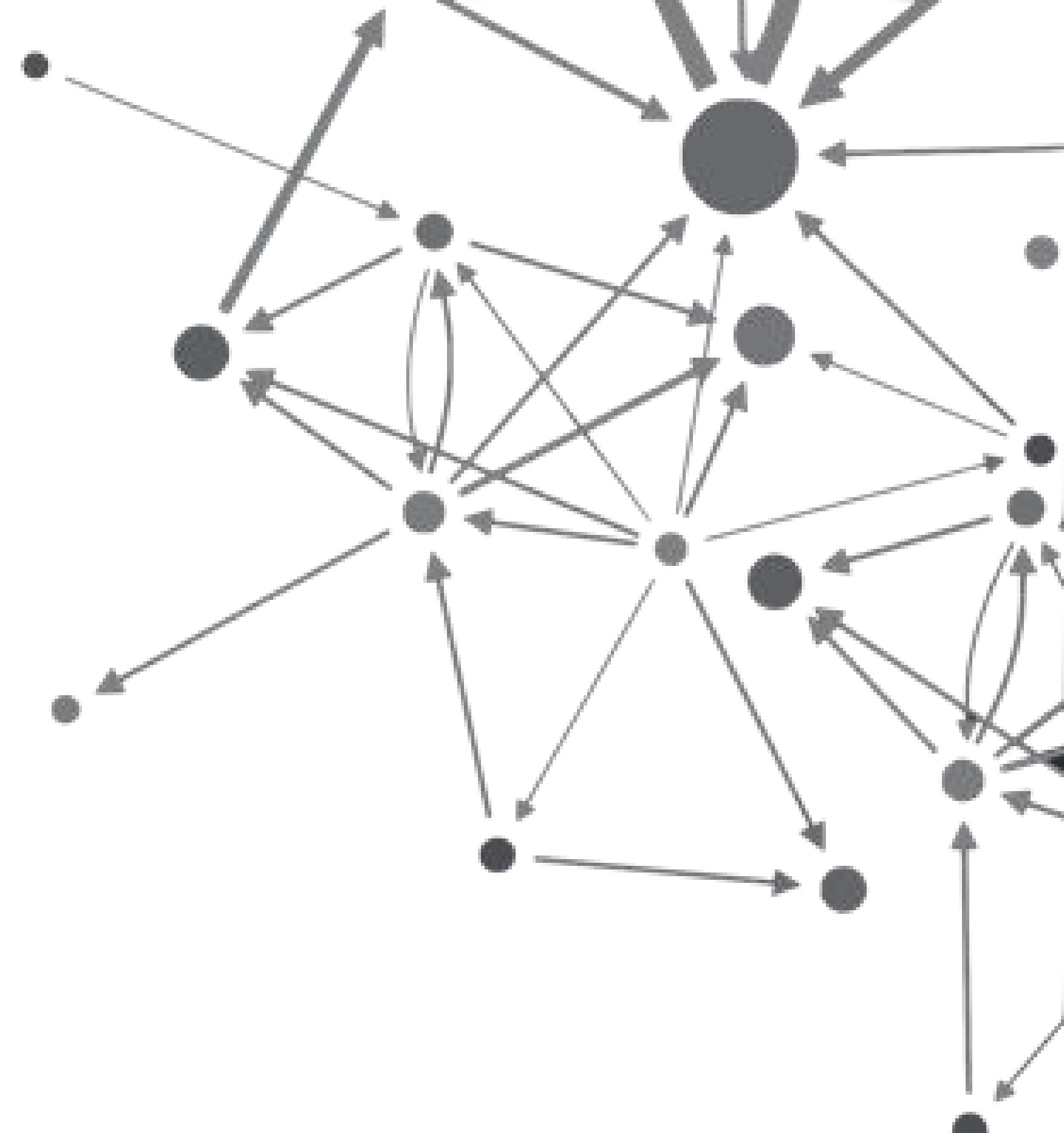
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Title

Play on "He Said, She Said"

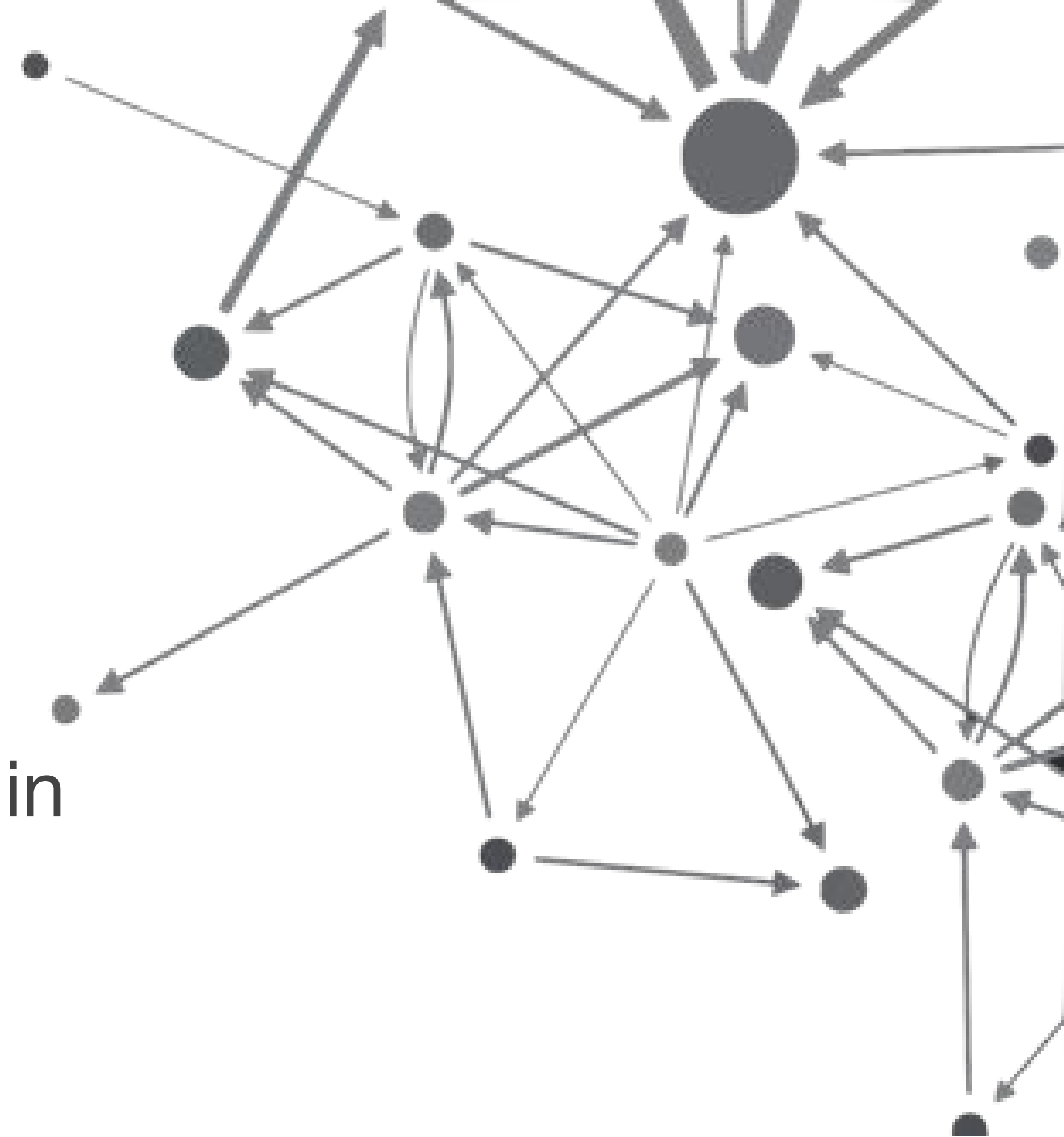Original meaning: Dialogue

Current meaning: Conflict

Motivation

Need to understand bank behavior in a payment system to be able to endogenize it.

This behavior may have material impact on results in most simulation questions, eg for:

- Design of new systems
- Monitoring of outliers and anomalies (liquidity, solvency, financial crime)
- Stress testing FMIs
- Policy & change analysis

Literature

Theory
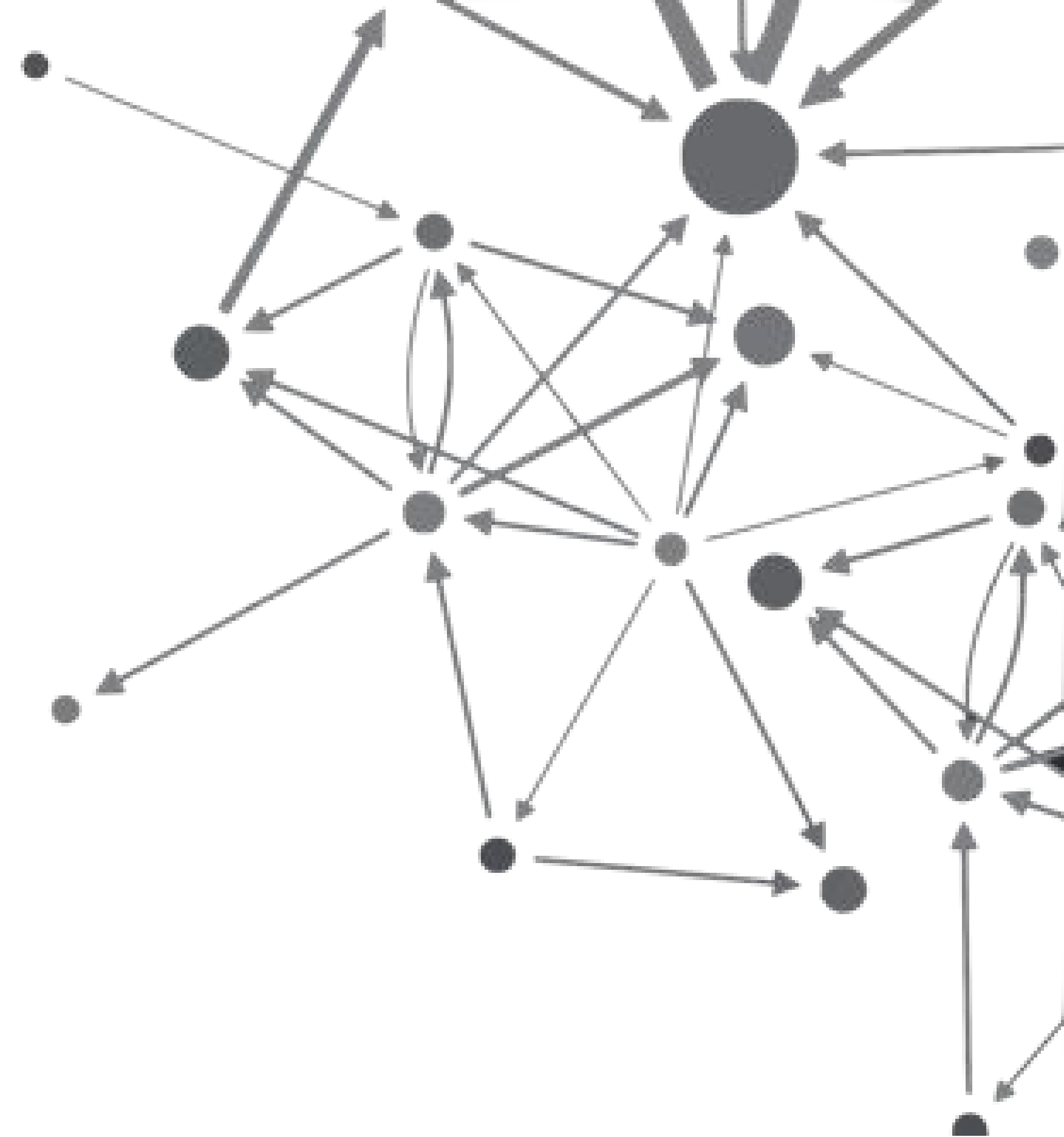
Angelini (1998)

Bech and Garratt (2003)

Martin and McAndrews (2008)

Empirics

McAndrews and Rajan (2000)

McAndrews and Potter (2002)
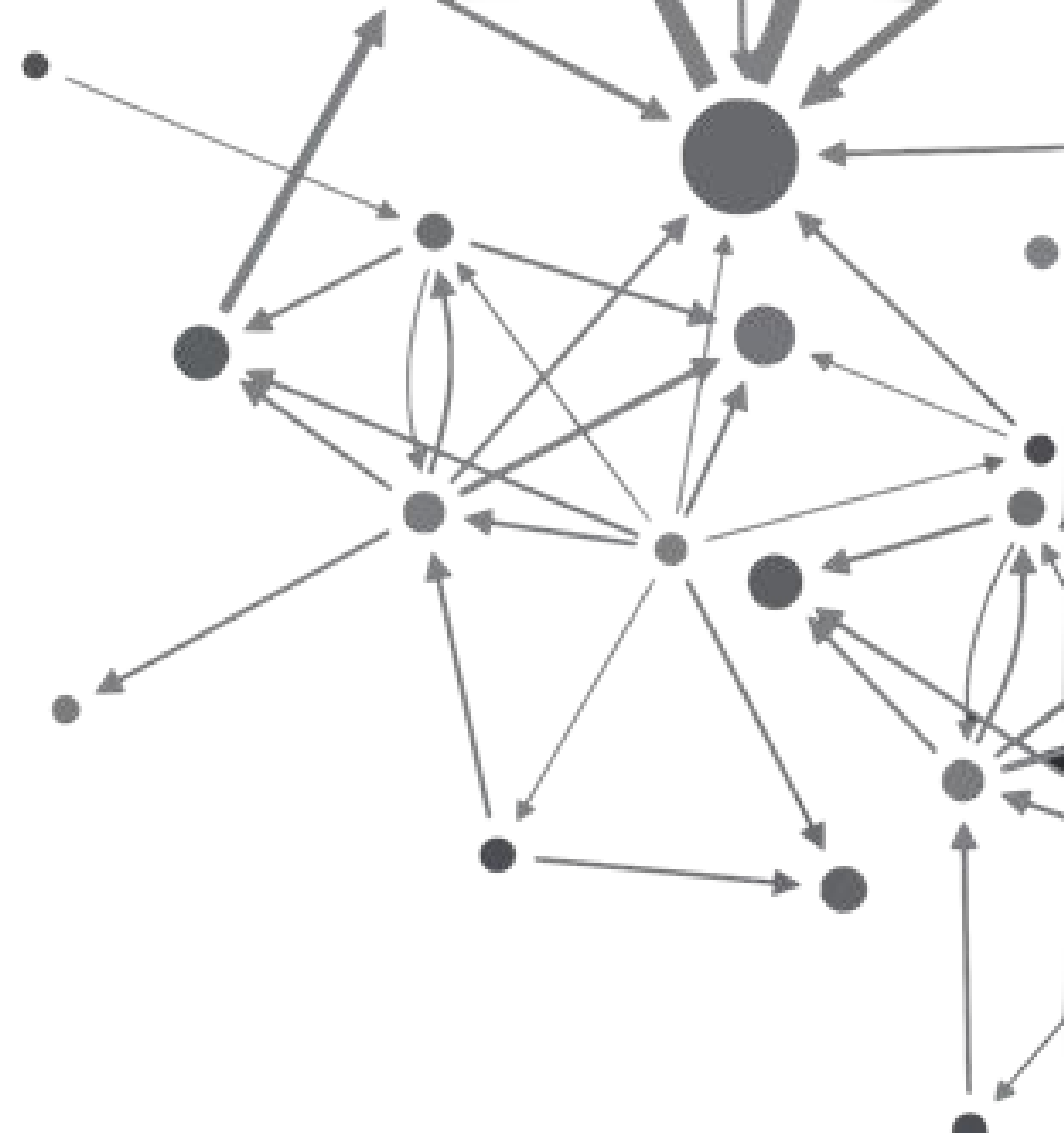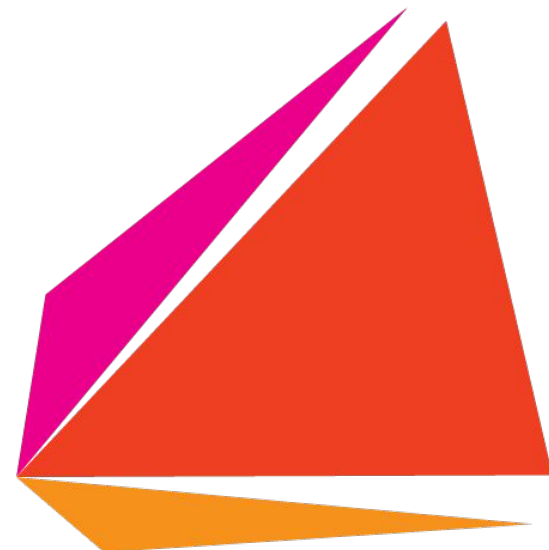
Merrouche and Schanz (2009)

Research Questions

How does bilateral dependency in payments affect to the whole Payment System?

1. How to measure bilateral dependency?

2. How strong is bilateral dependency?

3. How to interpret the measure and what assumptions were used (eg on *t, lag, etc)*?

4. What bank (node) and bilateral (link) characteristics explain magnitude of bilateral dependency?

5. How to measure "payment system as a whole"?

6. How to operationalize this in an ABM?

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