

The background features a stylized, light-colored graphic on a light blue background. It includes a tree with many small leaves, several buildings with rectangular windows, and a large, thick blue arrow pointing upwards and to the right. The text is overlaid on this graphic.

Discussion of Policy Analysis Using the Bank of Finland PSS 2.0.0

Payment and settlement simulator
seminar - 2005

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Helsinki, 25 August 2005

Policy background

- ” Given their ties to the government and the consequent private market subsidized debt that they issue, it is little wonder that these GSEs have come under increased scrutiny as their competitive presence in the marketplace has increased. ” (of Fannie Mae, Freddie Mac and FHLB)
- Our financial system would be more robust if we relied on a market-based system that spreads interest rate risks, rather than on the current system, which concentrates such risk with the GSEs.
 - Alan Greenspan February 24. 2004

Some immediate policy implications

The decision concerning GSEs intraday credit was announced September 23, 2004.

Share price of Fannie Mae

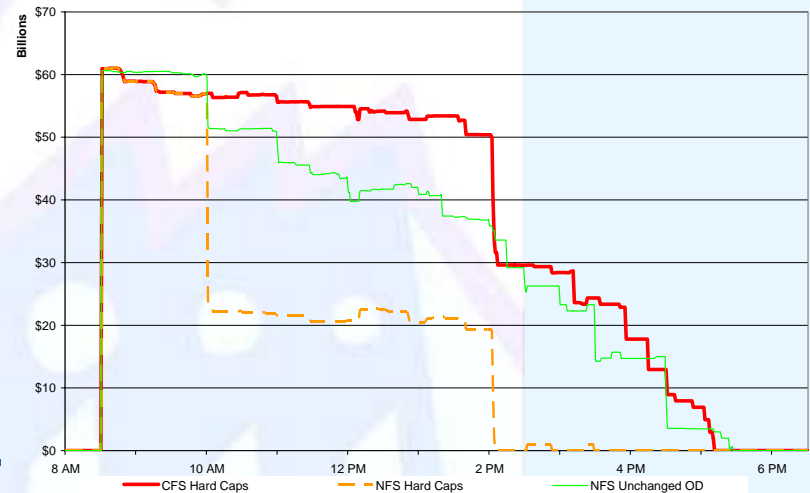


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Of the analysis

- Only one day of data – reliable results?
- Realistic to force settlement of some subset of transactions?
- Is the "new funding strategy" representative alternative of GSE:s actions?
- Studies like this are allways educational on how the systems are **really** being used.



Conclusions

- Scenario analysis with historical data can allways be debated but for sure...
- ...Simulator performance has been remarkeably improved due to observations and requirements of this project.

Thank you