

Risks and efficiency gains of a tiered structure in large-value payments: simulation approach

Discussion

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- Study of risks and benefits in CHAPS Sterling – highly tiered system:
 - 14 CHAPS Sterling settlement members
 - around 340 UK-resident banks!!!
- Importance of tiering studies for low tiered LVPS?
 - LVPS in Latvia – all resident banks direct participants

Credit risks:

- Settlement bank:
 - Direct impact on second-tier banks
 - degree of tiering leading to systemic risk?
- Second-tier bank:
 - Credit problems of second-tier bank may spill over first-tier bank (possibility, impact?)
 - Oversight measures from first-tier banks (secured or non-secured intraday settlements?)

Operational risks:

- Settlement bank:
 - inability of one or multiple settlement banks to send and receive payments (tiering concentration)
- Second-tier bank:
 - impact and probability of one or multiple second-tier banks operational problems to settlement bank?
- Central payment processing infrastructure?

1. Are there researched out of CHAPS system or correspondent banking impact on changes in tiering?
2. Evaluations for tiering concentration impact on systemic risk?