

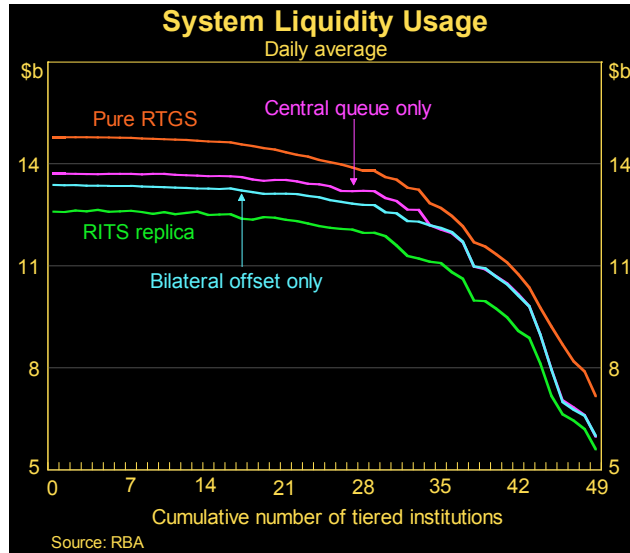
The impact of system design on tiering incentives

Robert Arculus, Jennifer Hancock and Greg Moran

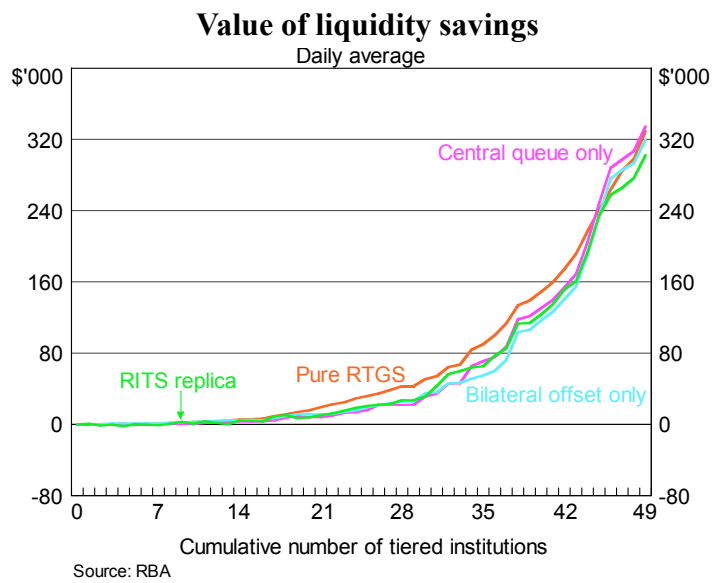
a few comments by Marco Galbiati

- Motivation – a tiering puzzle:
If liquidity is costly,
and tiering reduces liquidity costs,
why is the Australian system so little tiered?
 - see what (liquidity) **benefits** from tiering
 - see what **costs** from tiering

BENEFITS I



BENEFITS II

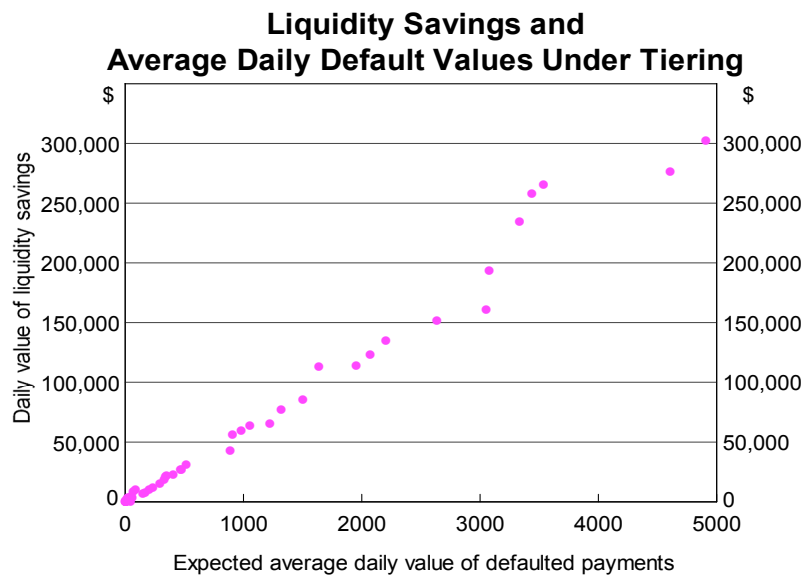


COSTS

- Concentration of across-books payments
- Risks Client / Correspondent

(system design has no effect on them)

TRADEOFF COSTS/BENEFITS

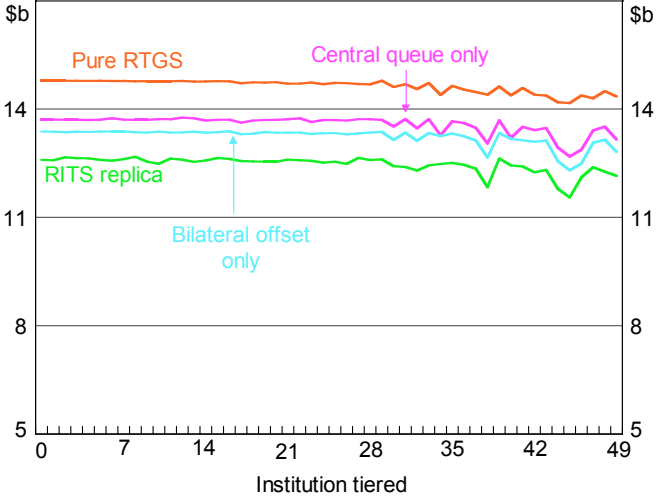


END

BENEFITS II

System Liquidity Usage

Daily average

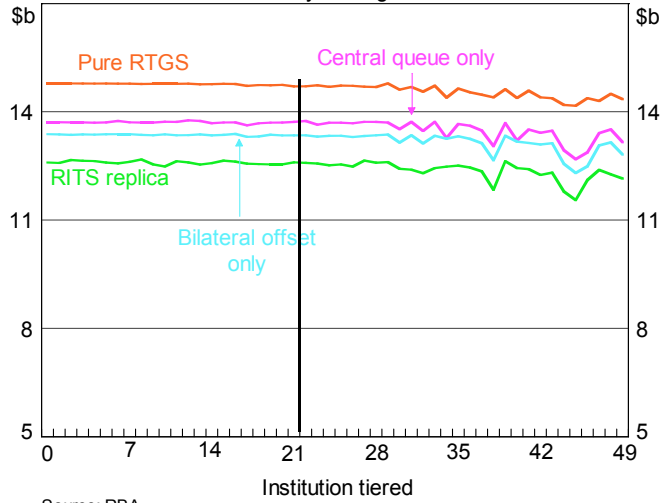


Source: RBA

BENEFITS II

System Liquidity Usage

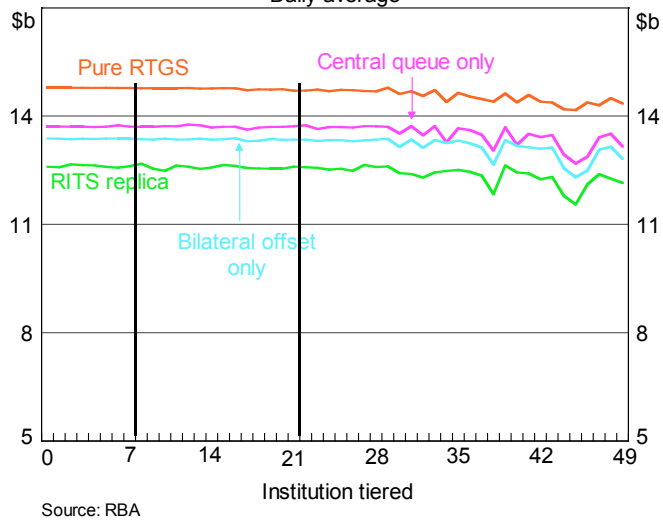
Daily average



BENEFITS II

System Liquidity Usage

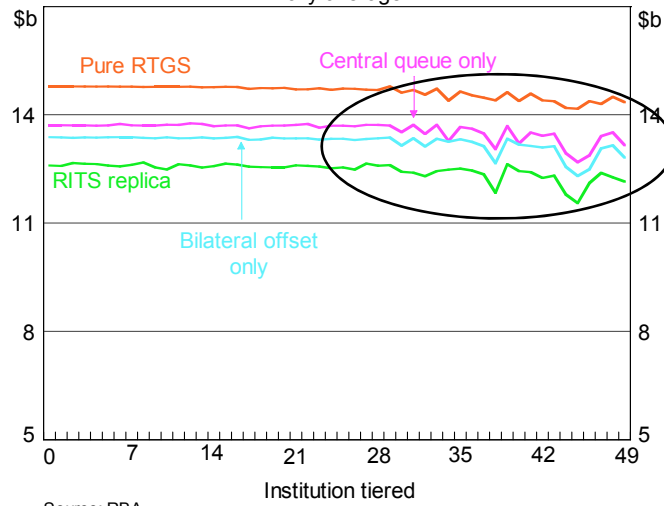
Daily average



BENEFITS II

System Liquidity Usage

Daily average



Source: RBA