

Analyzing TARGET2 overnight loan data

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Motivation and approach of the research

- Availability of TARGET2 Euro money market database
- Can the data act as a bank stress indicator ?
- Compare data to stock and CDS rates
- Causality, impulse response for sign and size

Results, future work

- Promising results
- Signs are correct though weak
- Follow up:
 - time dependencies
 - control vars
 - data-scrutiny

Beautiful causality visualization

cds

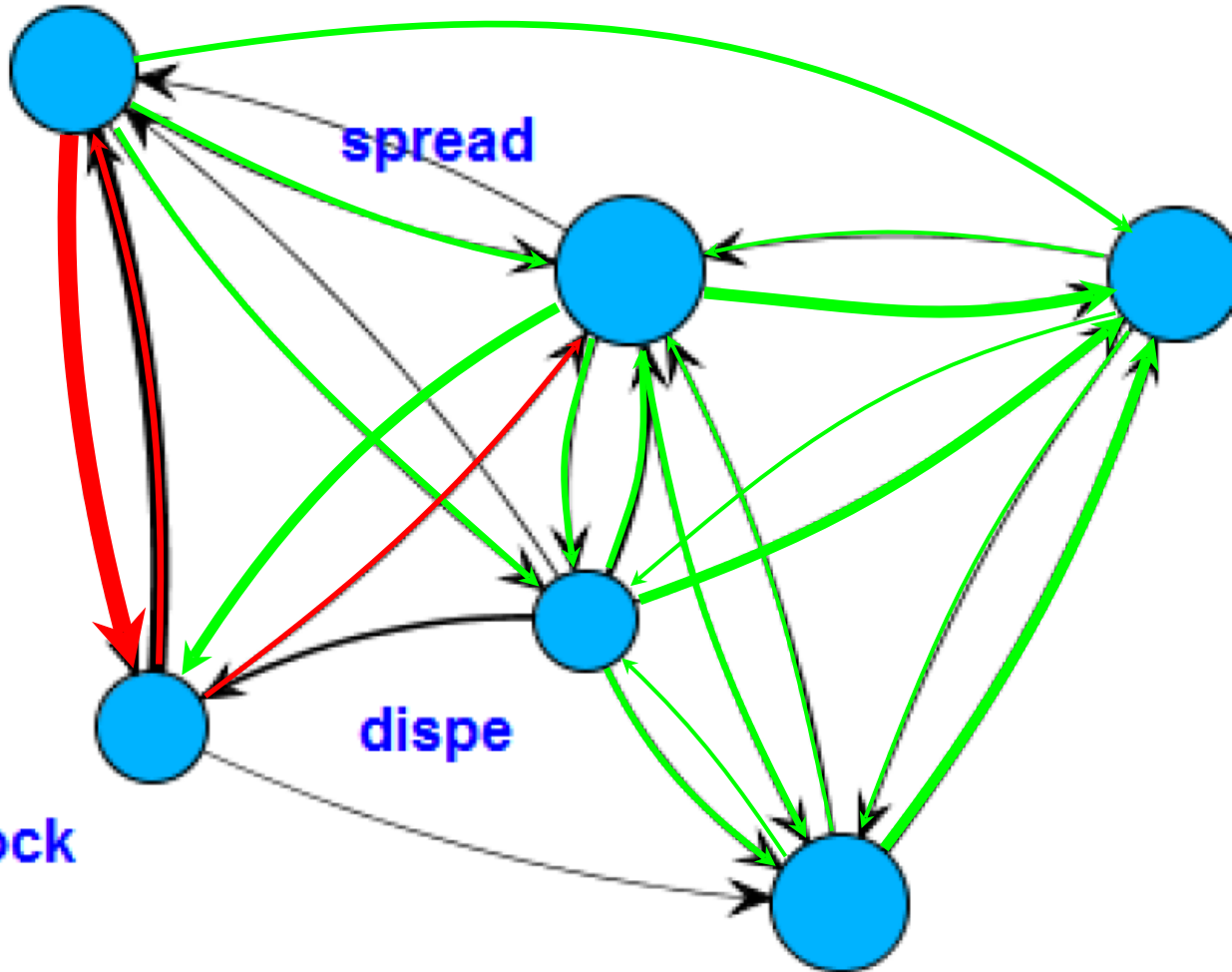
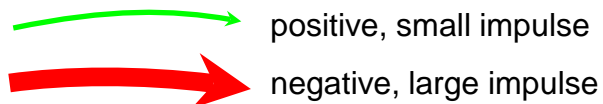
value

spread

dispe

stock

lenders

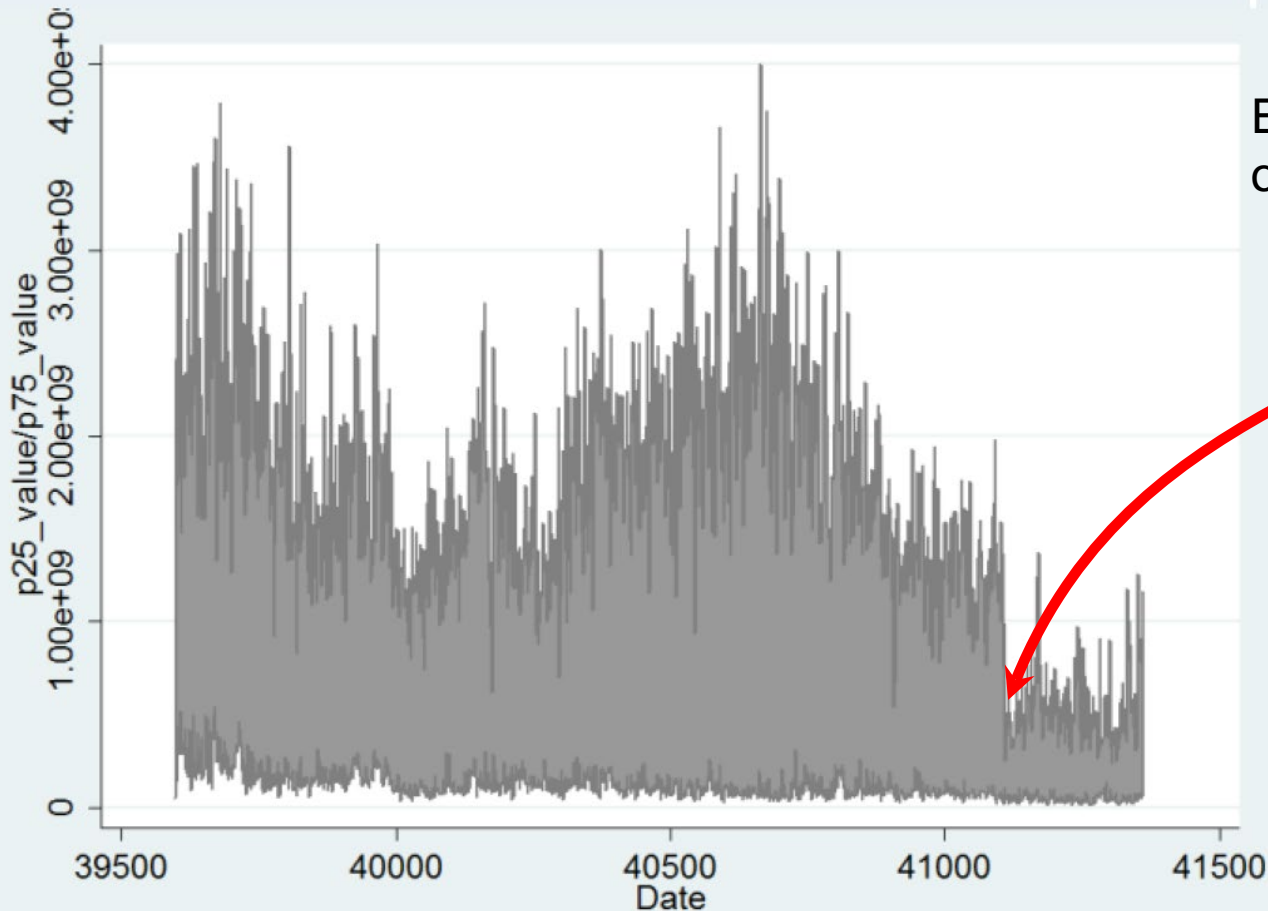


Furfine outcome differs from Eonia-reporting (1)

- **Too much found:**
 - Overidentification
 - Tomorrow-next and spot-next transactions
 - Rollovers, not reported in the EONIA
 - Intra-group transactions
 - Transactions concluded on behalf of clients
- **Too little found:**
 - Transactions settled outside TARGET2
 - Refunds
- **Deposits by non-eu banks (having no access to ECB deposit facility)**
 - filtering rates below ECB deposit rates

Furfine outcome differs from Eonia-reporting (2)

VALUE OF ON LOANS



ECB Deposit rate drop
on July 12, 2012

It is expected
that filtering rates
below ECB
deposit rates will
improve results

Adding variables for measuring stress

