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DISCUSSION – PAYMENT SYSTEM PARTICIPANT REACTIONS UNDER STRESSFUL CONDITIONS

27-28 August 2015 - Bank of Finland

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Summary

- Very interesting approach!

- Novelty: Implementation of behavioral patterns into the BoF-PSS2 simulator.

- Simple behavior (e.g. cautious participants) but general framework

- Results as expected:
  - Much caution especially among larger participants is a problem
  - Behavior less important when liquidity is ample

Questions

- Is it possible to implement adaptive behavior into the model? (beyond the simple binary rules)

- What are the possibilities for incorporating such a behavioral module into the simulater? (for the rest of us to use! ☺)

- Have you talked to liquidity managers in banks about likely behavioral patterns and the extent of micro-management?

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Comments

- Would be very interesting to see applied to real data
  - With/without external shocks
  - Effects on liquidity reservations for ancillary systems

- ABM (or MAS) opens the doors for simulating more complex scenarios
  - Scenarios spanning several days where likely reactions to longer periods of stress can be modelled

- Behavioral assumptions are a tough choice:
  - Assuming too much about behavior is dangerous
  - BUT assuming no behavior is also not very attractive

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