

Comments on ” Profiling banks

Clustering payment profiles of TARGET2 participants”

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Why important ?

- Huge amount of liquidity
- Potentially important source of information of banks' financial situation and behavioral patterns
- Largely neglected issue in behavioral studies (main (sole) emphasis has been in prices)

Data sample

- Large participants: from the default risk perspective, the small players would be equally, it not more interesting subject of research
- 2017 “nothing happened” Would be interesting to focus on times of turmoil or crisis

Analysis

- Remains somewhat unclear how sensitive the results are in terms of computational details (seed setting)...

Why clusters?

- One might think that the payment patterns result from some optimization process; the results do not lend support to this idea, or do they?
- Does e.g. very early payment serve as some signal of liquidity (and vice versa)
- Does also (some other) fixed hours of payment serve the same purpose.

Why is that?

- Could the data give us some hints of the reasons for different payment patterns
- Take for instance time-independent payers; are they the true optimizers? (so that timing reflects the liquidity situation).
- Similarly, do Tea-time payers have some genuine reason for late payment ("no money")
- Could we just ask the dealers "why do always pay at 11.00 hours?"

More questions

- How persistent are the clustering profiles, i.e. how often do banks change their profile, say from early morning to very late evening payers (never, often??)
- You say that “payment profiles are not stable” but can we say more about that (e.g. have a flow chart, % -shares of “movers” ..
- If the changes are rare – and they are “clear” – they could convey important information

This is an important topic

- I believe that the (changes in) payment patterns could be informative as early warning indicators (e.g. with some suspect market participant)
- More generally, an overall change in payment patterns & timing) could be a useful piece of information
- You are on the right track.. Keep digging.
- Thank you