Jussi Leinonen

Bank of Finland

The implications of instant payments

Discussion slides

Summary

- Investigate the impact of instant payments on liquidity
- Examine this via set-up of two different RTGS systems
  - With and without liquidity optimization algorithms
  - → The system without liquidity optimization algorithms resembles an instant payment system
- Impact is examined through three scenarios
  - Alteration of transaction value limit
  - Alteration of traffic volume
  - Alteration of start-of-day balances
- Findings show LSM having some impact on banks' liquidity needs
  - Available liquidity has an impact as well
  - Liquidity needs seem to be contained

Comments

- Interesting and important paper, analysing liquidity impacts of instant payments is very useful for both operators and overseers
- Operator's perspective: What are reasons behind selecting certain payment method?
  - Is there a trade-off in prices? E.g. what's the price of an instant payment message compared to MT103?
  - Does the instant payment message contain the same amount of information as MT103?
  - Instant payments are maybe mostly expected to involve more P2P and P2B transactions, are they included in MT103s?
  - Value share of MT103s is quite low (less than 10% of all T2 payments) → Is it possible to analyse liquidity implications properly?

  → Repeat the calculations with other payment messages / transaction types?

Thank you!