

# Discussion on

*An Addendum to the Eighth Survey on  
Correspondent Banking in Euro: Bank  
Clustering via Self-Organizing Maps*

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# Major Findings of the ECB's Eighth Survey on Corresponding Banking

- ▶ Efficient payment tools for Euro
- ▶ Most payments originated through correspondent banking, solely stood almost 11% of total value and over1% of the total volume
- ▶ Wholesale correspondent banking segment is relatively higher than retail correspondent banking segment during the survey in 2012
- ▶ Decline in loro transactions in 2012 is subject to outward moment of retail payments towards payment systems as identified in previous surveys
- ▶ Nostro transactions accounted by retail correspondent banking has grown

## Major Findings of the ECB's Eighth Survey on Corresponding Banking. Contd.....

- ▶ Most interconnected correspondent banks might quickly trigger a domino effect on their respective customer banks or service-providing banks, as well as the risk of spillover to interdependent payment systems.
- ▶ Intraday credit exposures normally being uncollateralized which results in significant threat in corresponding banking business
- ▶ Risk areas that may trigger a threat are operational, liquidity and credit risks

# Corresponding Banking, considering via compliance of Basel III.

- ▶ It will no longer be as financially attractive
- ▶ Under Basel III, balances can no longer be treated as part of the correspondent's balance. What survey has said on this?
- ▶ Could have done more discussion on paper. (Since a long, banks have been rewarded by the balances that result from flows.)

# What conclusions are about?

- ▶ Heuristic threshold are either no longer exist, or it has not been explored
- ▶ Cluster concentration tendency increased. Significantly or what extent?
- ▶ A combined market share of 15.85 % by the correspondent banking would continue! Subject to the time span or volatility of the market?

# Major attention

- ▶ Efficiently defined the three additional clusters
- ▶ Clusters are categorized in Domestic wholesale, International wholesale and International Commercial
- ▶ High-value payments grows the concentration of the few banks
- ▶ International commercials has significantly been high clusters in terms of composition and total values per cluster over time
- ▶ Prospective transfer of task of supervision is said to be uniformly covered in Euro area, but how?
- ▶ Commentators say that ECB is pressuring for a combined guarantee on bank deposits across the Euro zone, amid worries that bank runs will spread like wildfire as investors head for the hills. Does it have any effect on correspondent banking?