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## Global Trends in Large-Value Payments

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European Central Bank (ECB)

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### Abstract

Globalization and technological innovation are two major forces affecting the financial system and its infrastructure. Perhaps nowhere are these trends more apparent than in the internationalization and automation of payments. While the effects of globalization and technological innovation are most obvious on retail payments, the influence is equally impressive on wholesale, or interbank, payments. Given the importance of payments and settlement systems to the smooth operation and resiliency of the financial system, it is important to understand the potential consequences of these developments. This article presents ten major long-range trends in the settlement of large-value payments worldwide. The trends are driven by technological innovation, structural changes in banking, and the evolution of central bank policies. The authors observe that banks, to balance risks and costs more effectively, are increasingly making large-value payments in real-time systems with advanced liquidity-management and liquidity-saving mechanisms. Moreover, banks are settling a larger number of foreign currencies directly in their home country by using offshore systems and settling a greater number of foreign exchange transactions in Continuous Linked Settlement Bank or through payment-versus-payment mechanisms in other systems. The study also shows that the service level of systems is improving, through enhancements such as longer operating hours and standardized risk management practices that adhere to common standards, while transaction fees are decreasing. Payments settled in large-value payments systems are more numerous, but on average of smaller value. Furthermore, the overall nominal total value of large-value payments is increasing, although the real value is declining.

**Keywords:** large-value payments systems, real-time gross settlement, hybrid payments systems, offshore systems, cross-border systems, CLS Bank, technological innovation, structural change in banking, central bank policies

**JEL Classification:** E58, O33

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