
 Download This Paper (Delivery.cfm/SSRN_ID2324422_code387943.pdf?abstractid=2324422&mirid=1)

Open PDF in Browser (Delivery.cfm/SSRN_ID2324422_code387943.pdf?abstractid=2324422&mirid=1&type=2)

 Add Paper to My Library

Share:    

Settlement Liquidity and Monetary Policy Implementation — Lessons from the Financial Crisis

Economic Policy Review, Vol. 18, No. 1, 2012

25 Pages

Posted: 13 Sep 2013

Morten L. Bech (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=280113)

Bank for International Settlements (BIS) - Committee on Payments and Market Infrastructures

Antoine Martin (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=294317)

Swiss National Bank

James McAndrews (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=2629008)

Wharton Financial Institutions Center

Date Written: March 1, 2012

Abstract


The U.S. dollar clearing and settlement system received little attention during the recent financial crisis, mainly because it performed reliably, processing record volumes and values of trades made in stressed financial markets. This article shows how Federal Reserve policy measures aimed at providing liquidity and stability to the financial system during and after the crisis had a major impact on settlement liquidity and thus on the efficiency of clearing and settlement system activity. The measures led to a substantial decrease in daylight overdrafts extended by the Federal Reserve and a quickening of settlement relative to the pre-crisis period. The decrease in daylight overdrafts reduced credit risk for the Federal Reserve and the earlier time at which payments settled suggests important efficiency gains as well as diminished operational risks. Interestingly, both improvements were the focus of the revisions to the Federal Reserve's Payment System Risk policy, adopted in late 2008 and implemented in March 2011. To a large extent, the desired outcome had been achieved ahead of the policy change. The authors explain that as the amount of reserves available to the banking system and the opportunity cost of holding such reserves are at the center of any framework for implementing monetary policy, the recent experience offers important lessons for policy going forward.

Keywords: monetary policy, liquidity, Fedwire, credit risk, payment system, monetary policy

JEL Classification: E50, E52, E58, E59

[Suggested Citation](#) >

[Show Contact Information](#) >

 Download This Paper (Delivery.cfm/SSRN_ID2324422_code387943.pdf?abstractid=2324422&mirid=1)

Open PDF in Browser (Delivery.cfm/SSRN_ID2324422_code387943.pdf?abstractid=2324422&mirid=1&type=2)

38 References

1. T Adrian , C R Burke , J J Mcandrews
Federal Reserve Bank of New York Current Issues in Economics and Finance , volume 15 Posted: 2009-08
2. P Angelini
An Analysis of Competitive Externalities in Gross Settlement Systems
Journal of Banking and Finance , volume 22 , issue 1 , p. 1 - 18 Posted: 1998-01

Crossref ([https://doi.org/10.1016/s0378-4266\(97\)00043-5](https://doi.org/10.1016/s0378-4266(97)00043-5))

We use cookies that are necessary to make our site work. We may also use additional cookies to analyze,

improve and personalize (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=1037316), James McAndrews

Policy (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=2629008), Jeffrey Arnold (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=501028)

[Cookie Settings](#)

Accept all cookies

4. Enghin Atalay (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=1056834) , Antoine Martin (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=294317) , James McAndrews (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=2629008)
 Quantifying the Benefits of a Liquidity-Saving Mechanism (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1607104)
 FRB of New York Staff Report No. 447 Pages: 26 Posted: 16 May 2010

Load more

0 Citations

Fetch Citations



Do you have a job opening that you would like to promote on SSRN?

Place Job Opening (<https://www.ssrn.com/index.cfm/en/Announcements-Jobs/>)

Paper statistics

DOWNLOADS	121
ABSTRACT VIEWS	1,273
RANK	439,190

11 Citations

38 References

PlumX Metrics



(https://plu.mx/ssrn/a/?ssrn_id=2324422)

Related eJournals

Federal Reserve Bank of New York Research Paper Series (https://papers.ssrn.com/sol3/JELJOUR_Results.cfm?form_name=journalBrowse&journal_id=570402)

Follow



Macroeconomics: Monetary & Fiscal Policies eJournal (https://papers.ssrn.com/sol3/JELJOUR_Results.cfm?form_name=journalBrowse&journal_id=1154269)

Follow



View more >

Recommended Papers

Securitized Banking and the Run on Repo (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1440752&rec=1&srcabs=2324422&pos=1)

By Gary B. Gorton (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=17513) and Andrew Metrick (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=20387)


Securitization Without Risk Transfer (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1550599&rec=1&srcabs=2324422&pos=2)

By Viral V. Acharya (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=142715), Philipp Schnabl (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=1151804), ...


Securitization Without Risk Transfer (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1364525&rec=1&srcabs=2324422&pos=3)


By Viral V. Acharya (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=142715), Philipp Schnabl (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=1151804), ...

[View more >](#)

[Feedback](#) 

[Submit a Paper >](https://hq.ssrn.com/submission.cfm) (<https://hq.ssrn.com/submission.cfm>)

[SSRN Quick Links](#) 

[SSRN Rankings](#) 

[About SSRN](#) 

 (<https://www.facebook.com/SSRNcommunity/>)

 ([https://www.linkedin.com/company/493409?](https://www.linkedin.com/company/493409?trk=tyah&trkInfo=clickedVertical%3Acompany%2CentityType%3AentityHistoryName%2CclickedEntityId%3Acompany_493409%2Cidx%3A1)

[trk=tyah&trkInfo=clickedVertical%3Acompany%2CentityType%3AentityHistoryName%2CclickedEntityId%3Acompany_493409%2Cidx%3A1](https://www.linkedin.com/company/493409?trk=tyah&trkInfo=clickedVertical%3Acompany%2CentityType%3AentityHistoryName%2CclickedEntityId%3Acompany_493409%2Cidx%3A1)

 (<https://twitter.com/SSRN>)

(<http://www.elsevier.com/>)

[Copyright](https://www.ssrn.com/index.cfm/en/dmca-notice-policy/) (<https://www.ssrn.com/index.cfm/en/dmca-notice-policy/>)

[Terms and Conditions](https://www.ssrn.com/index.cfm/en/terms-of-use/) (<https://www.ssrn.com/index.cfm/en/terms-of-use/>)

[Privacy Policy](https://www.elsevier.com/legal/privacy-policy) (<https://www.elsevier.com/legal/privacy-policy>)

All content on this site: Copyright © 2023 Elsevier Inc., its licensors, and contributors. All rights are reserved, including those for text and data mining, AI training, and similar technologies. For all open access content, the Creative Commons licensing terms apply.

We use cookies to help provide and enhance our service and tailor content.

To learn more, visit [Cookie Settings](#).



(<http://www.relx.com/>)

(<https://papers.ssrn.com/sol3/updateInformationLog.cfm?process=true>)