Should the Riksbank’s payment system be open 24/365?

Sveriges Riksbank 12 June 2019

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The Riksbank’s tasks

Maintain price stability

Promote a safe and efficient payment system

“The Swedish payment infrastructure must be at least as safe and efficient as the payment infrastructure available abroad”
The Riksbank now

Cash
• Functions 24 hours a day

RIX
• Open 0700-1700 for interbank payments
• Payments in central bank money between 34 participating financial institutions
• Designed for large amounts, few transactions
Payment market undergoing rapid change

- Cash usage decreasing
- Payments expected to be instant
- Swish and BiR
  - Instant settlement 24/7 at Bankgirot (BiR)
  - Can manage many transactions
  - Hybrid solution, problems if the amounts are large

Number of Swish payments

Source: Bankgirot
The difference between money and money

Central bank money

Commercial bank money
RIX and Swish

Turnover: SEK billion per day. Transactions: Number of thousand per day.
Shall the Riksbank offer settlement 24/365?

• Today RIX is open **weekdays 0700-1700**

(0700-1800 with effect from October)

• 24 hours a day, every day of the year?
Yes!

Settlement should be in central bank money
• Safest means of settlement
• Follows international principles
• Cost-efficient liquidity management

The payment system is a critical infrastructure
• The Riksbank is a neutral supplier
• Economies of scale, natural monopoly
The Riksbank in the future

**RIX_{RTGS}**
- Open 0700-1800 for interbank payments
- Open almost around the clock for
  - Transfers to/from **RIX_{INST}**
  - Intraday credit

**RIX_{INST}**
- Open 24/7
- Can manage retail payments

**Cash**
Platform sharing with other central banks is cost-effective

• Expensive and complex to develop
• Expensive to run
• If more share the fixed costs the cost per transaction will be lower
Platform sharing with the Eurosystem

• Target Instant Payment Settlement, TIPS, since November 2018
• Platform for the settlement of instant payments
• Developed and run by the Eurosystem
• No start cost or fixed charge for the Riksbank, only transaction fee
• Designed to manage more currencies than the euro
• Central banks wanting to use the platform enter into agreements with the ECB and the Eurosystem
Financial infrastructure outside of Sweden?

Payment from Bank A to Bank B

Physical distance Bank A to Bank B via the Riksbank ~ 0.7 km

Communication distance Bank A to Bank B via the Riksbank ~ 6,000 km
How does $\text{RIX}_{\text{INST}}$ affect the Swedish payment market?

- Participants will need to adapt their processes and message formats
- Processes and message formats that apply in most of Europe
- Harmonisation reduces thresholds for cross-border services
What happens next?

• Negotiate TIPS agreement with the Eurosystem and the ECB
• The Riksbank makes demands regarding security
• Prepare implementation project in close dialogue with the market
• We will return to the forms for consultation in the autumn