Working Papers on Economics - Reaction Functions of the Participants in Colombia’s Large-value Payment System

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Large value payment flows can be disrupted by several types of failures such as operational incidents, problems experienced by the administrator of the payments settlement system, outages in the communications networks and the inability of a participant to submit payments due to insufficient liquidity. During any of these incidents, the participants of the system can either decide to stop, delay or continue sending payment orders, which fundamentally depends on the elements that originated the disruption, as well as on the alternative liquidity sources available to each entity. By means of Tobit models with random effects we evaluated the payments activity of Colombian financial institutions. Our results suggest that participants’ reaction vary in accordance with the type of incident, along with the type of entity and its role in the market.

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