



SVERIGES
RIKSBANK

Efficiency in the Swedish retail payment system

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Outline

1. The role of the Riksbank in the payment market
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 4. Approach and data
 5. Policy conclusions
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The role of the Riksbank in the payment market



Formal responsibility to promote a safe and efficient payment system

- Rationale for central bank's active involvement
- Efficiency focus in the retail payment market

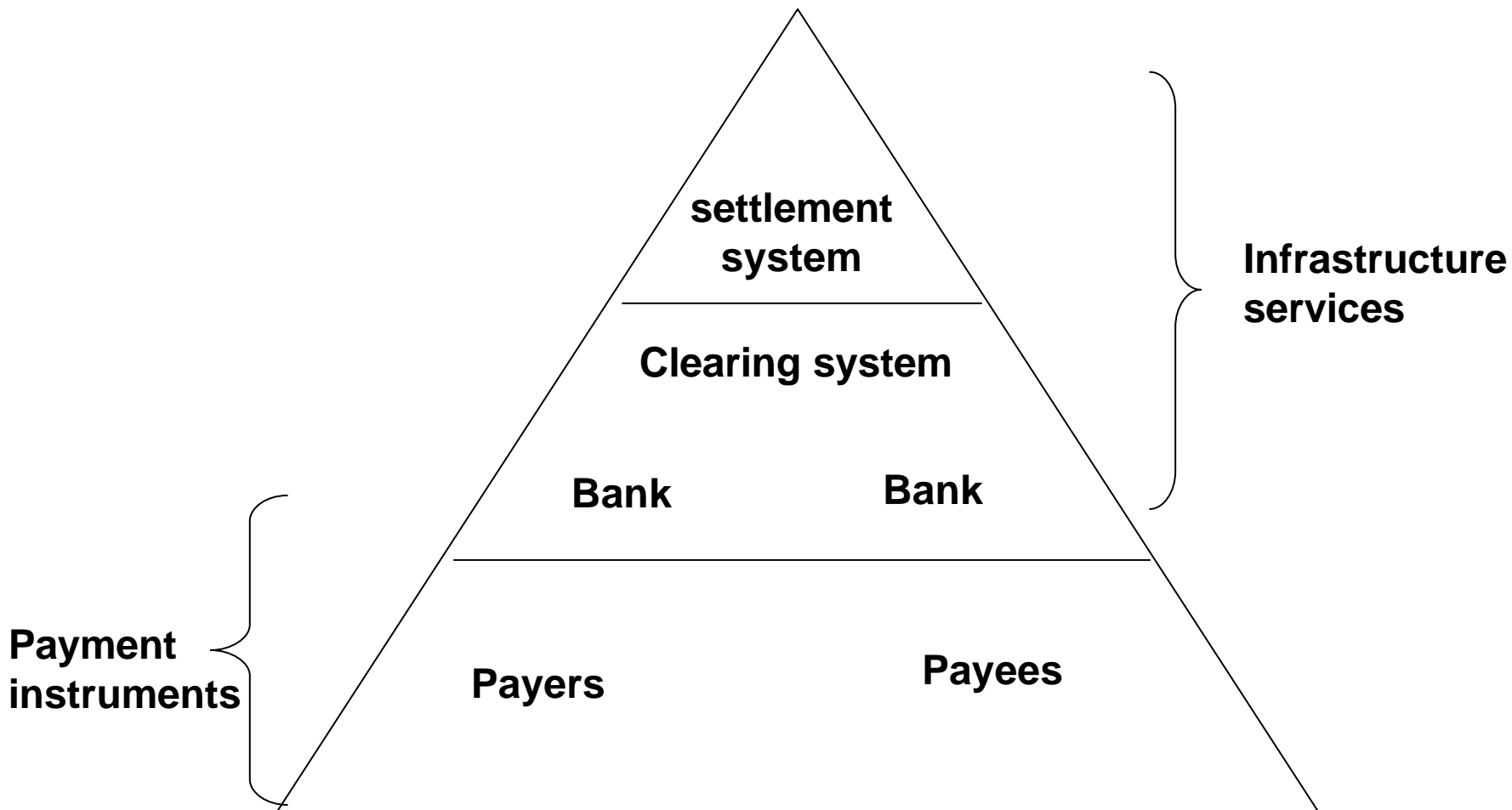


Efficiency in retail payments

- Evidence of efficiency losses:
 - Prices that do not reflect underlying production costs
 - Are not transparent to users

 - Evidence of price responsiveness:
 - Norway's case
 - Cheques in Sweden
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Efficiency in retail payments



Project's objective

- Analyse how efficient retail payments are in Sweden:
 - Only price considerations
 - Focus on end user market
 - Assumptions:
 - other markets are perfect
 - Efficiency analysis limited to efficient pricing of payment instruments
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Approach and data

- Efficiency condition: $p = mc$
 - Scale economies: two-part tariffs
 - Data on variable fees and fixed fees for all instruments and channels:
 - switch fees
 - clearing/settlement fees
 - bilateral fees/interchange
 - mail costs
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Policy conclusions

- Conclusions regarding the potential for efficiency increases through correct price incentives
 - Riksbank's catalyst role:
 - Publication of results
 - Discussion with participants
 - Information to the public
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