Discussion of “Electronic finance: reshaping the financial landscape around the world” by Claessens, Glaessner+Klingebiel

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Disclaimer: Any views expressed are only the discussant’s own
This paper...

- Takes us for an exciting stroll through the global village’s financial supermarket...
- with the watchman on the side
- Addresses many important issues on how the financial system evolves in response to the IT revolution and other factors…
- and addresses many relevant policy options
Points for discussion

- What is e-finance?
- Is there a difference between e-money and e-finance?
- What makes banks special?
- Different notions of safety nets
What is e-finance?

- Important to structure our ideas
- “Transactions in which funding for an economic activity is provided through an electronic communication medium (ECM)”
- ECMs: 1) phone, 2) closed computer networks, 3) Internet (open network), 4) chip or other cards
- Financial instruments basically the same (“direct” finance, “indirect” finance)
What is e-finance? (cont.)

- Differences: distribution channels (a) personalised, b) impersonalised] and technical execution
- “weightless economy” in the financial sector
- Conclusion: progress in e-finance<changes in financial systems
e-finance vs. e-money

- e-finance: funding for investment or consumption (credit)
- e-money: payment execution, transactions
- cards as MOE imply SOV, SOV not necessarily MOE
e-finance vs. e-money (cont.)

- if cash card balances redeemable at par and transferable, then similar to deposit with issuer (e-money=e-finance)
- if not redeemable, then more similar to a banknote (with variable denomination)
- hence, e-money and (e-finance) related with monetary policy
- not entirely appreciated in the paper
Strengthen analysis of e-money

- Part 1: “Recent trends” about e-finance
- Part 2: “Policy implications” mainly about e-money !?, but not monetary policy !?
- Strengthen ANALYSIS about e-money in Part 1 before jumping to policy concl. in 2
Speciality of banks

• in relation to financial stability
• Past: short-term retail deposits, long-term loans
• Present: 1) short-term funding from wholesale interbank market, long term loans+securities trading; 2) involvement in large-value payment business
• Systemic risk?
• Special risks not retail deposits or retail payment systems
Different notions of safety nets

- Investor/consumer protection: deposit insurance with upper bound, private investor compensation schemes
- Systemic stability: lender of last resort
- Safety nets mainly refer to ex post intervention
- Different from pre-cautionary ex ante policies: financial regulation and supervision (but related through incentives)
Other points

• Give more guidance on the literature
• Eliminate long lists of financial sector developments unrelated to e-finance/money
• Discuss also “indirect” e-finance (electronic trading systems), interesting developments in EU for example
• Give sources of data
Other points (cont.)

- Paper mainly about industrial countries, only some information on emerging markets
- Update: Deutsche Börse-London Stock Exchange merger didn’t happen in the end (table 2)