Foreword

Payment transactions have been fundamental to business activities from time immemorial. Today, payment and financial transactions stand at the core of economic activities. Nevertheless, the ultimate goal is for agents’ business decisions not to be affected by the way they pay. This implies that effective payment methods should become smoothly integrated into complex logistics processes. Four determinant factors play a crucial role here: price, processing and settlement speed, simplicity, and availability. With the evolution of institutional frameworks, the development of technology, and the advantages of economies of scale and network economies, modern integrated and complex financial market infrastructures (FMIs) are getting closer to the goal of transforming payments so that they are transparent to the user.

To that end, solid research on FMIs is essential and should proceed further to consider design, the establishment of operations rules, and the development of regulation for those infrastructures, as is the case in Mexico. Research is made easier by detailed data on a wide variety of financial transactions, from money market operations to repos. Mexico is among the few countries in a position to use real data from long time series to study the complex structure of the backbone of the financial system. There are two reasons for that development – the 1994 crisis and significant volumes of retail payments, which are settled in real time, since 2004, by the large value payment system, SPEI, operated by Banco de México.

In recent years, regulation has been designed on a worldwide scale to ensure financial stability as a result of the 2007-2008 financial crisis. In this context, the present book is particularly timely because FMIs are an element critical to studying the effect of this regulation and possibly mitigating some of the risks stemming from potential future financial crises. This volume advances the scope of studies integrating economic research related to FMIs, such as payment systems (PSs), securities settlement systems (SSSs), central securities depositories (CSDs), central counterparties (CCPs), and trade repositories (TRs). For the first time, stress testing, monitoring and early warning indicators, network studies and simulations are combined to form a comprehensive overview of the tools and applications available for analysing and monitoring FMIs. I would like to congratulate the editors and authors for this wonderful effort, which will be very useful to academics, central banks, and other financial authorities throughout the world as they face ever-changing payment systems, induced by economic development and technological innovation.

Agustín Carstens
Governor of Banco de México

Agustín Carstens was named Governor of Banco de México starting January 1, 2010, a position he currently holds. Since July 1, 2013, he has been chairman of the Economic Consultative Council (ECC) and the Global Economy Meeting (GEM) at the Bank for International Settlements (BIS) and from March 23, 2015 he chairs the IMF’s International Monetary and Financial Committee.