

Discussion: Network Motif of Interbank Payment As Early Warning Signal of Liquidity Crisis

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Contributions:

- A simple binary representations can highlight the interbank motif
- Using data on high value payment transactions (RTGS) and retail transactions (clearing) of Bank of Indonesia to construct the early warning signal.
- Added tools for early warning system (using real time data) other than using the conventional macroeconomic indicators.
- Participants behaviour before/after the crisis.
- The economics of network information

Comments and Suggestions

- Clarifying the economic functions of dyadic motifs – e.g. how market stability affects the motifs
- Do these network isolate the transactions between core banks and periphery banks? Suggest 3 groups- core banks inter-lending, core-banks lend/borrow from periphery banks, periphery banks inter-lending.
- Incorporate other properties of the network. E.g. weights of the links, core periphery structure
- Do these network isolate the transaction volume and transaction value
- How many periods in advance before crisis happen? Is there out-of-sample testing?
- Can the transactions be linked to interest rate? It could be the transactions declined because of interest rate and not the early warning.
- Suggestion: Apply to other data to enhance the early warning signal

Thank You