

Governance of payment systems: a theoretical framework and cross-country comparison

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We develop and test the effectiveness of a theoretical governance model for general-purpose payment systems (GPPSs), systems that are used by individuals, businesses and merchants, as well as state, local and federal government entities, to make and receive payments. The model has characteristics found in the governance of large technical systems, whose complexity calls for local operational management and direction, and groups of operationally dissimilar organizations that must cooperate closely to form a network. Five reference countries and the single-currency euro area are placed into one of two groups based on the degree to which their GPPS governance aligns with the model. We test for effective governance across the six reference entities using measures that are based on evolving regulatory norms. We find that payment system governance in Australia, the euro area and the United Kingdom aligns with the theoretical model, and that their governance is effective. Payment system governance in Japan, Canada and the United States does not align with the theoretical model and is shown not to be effective according to the measures. Our findings indicate that government authorities are being increasingly called on to set and oversee the accomplishment of public policy objectives, and that their involvement is consistent with effective governance. We conclude that the theoretical governance model, while not necessarily normative, is strongly consistent with the evolving regulatory norms of effective payment system governance.

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