

THE CURRENT TARGET SYSTEM

WHAT IS TARGET?

The **T**rans-European **A**utomated **R**eal-time **G**ross settlement **E**xpress **T**ransfer system (TARGET) is the leading euro payment system and one of the largest payment systems in the world.

TARGET has a decentralised structure (see diagram), linking together 16 national real-time gross settlement (RTGS) systems and the ECB payment mechanism (EPM). It is owned by the Eurosystem, which consists of the ECB and the 12 national central banks (NCBs) of the euro area.

TARGET went live in January 1999, at the same time as the start of Monetary Union. As of this date TARGET facilitated the conduct of the single monetary policy and the creation of a unified money market in the euro area.

TARGET is available for all credit transfers in euro between and within the euro area countries, Denmark, Poland, Sweden and the United Kingdom.

TARGET processes both interbank (MT202) and customer payments (MT103/103+). There is no upper or lower value limit for TARGET payments.

BENEFITS

There are many advantages to using TARGET:

- TARGET settles payments with immediate finality in central bank money, thus eliminating the settlement risks between participants.
- TARGET provides real-time settlement, making it possible to transfer large amounts of money between

KEY FACTS

- > one of the world's largest payment systems
- > real-time settlement and processing
- > average daily volume/value (2004): 267,000 transactions/ €1,714 billion
- > operated by the ECB and 16 national central banks

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bank accounts from one country participating in TARGET to another within minutes, if not seconds.

- TARGET has long operating hours, being open from 7 a.m. to 6 p.m. C.E.T. on each of its working days, with a cut-off time of 5 p.m. for customer payments.

- Liquidity is widely accessible in TARGET. Minimum reserve holdings are available for settlement purposes during the day and the Eurosystem provides unlimited (collateralised) intraday credit free of interest to its counterparties.

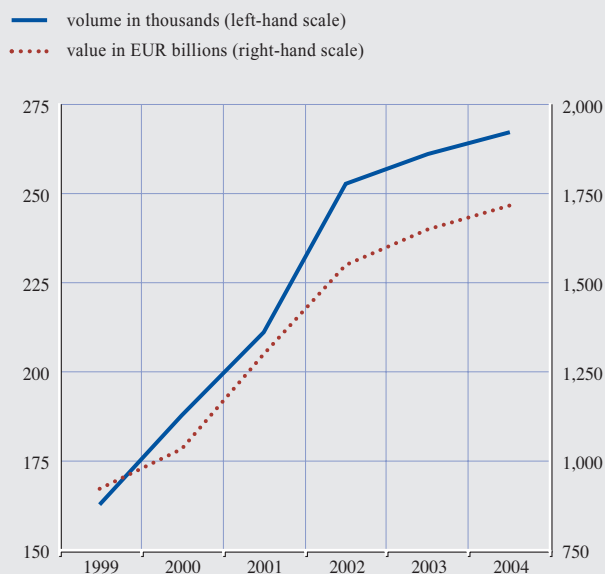
- TARGET is a highly reliable system with a high degree of availability. In 2004 the overall availability of TARGET was 99.81%, as compared with 99.79% in 2003 (TARGET availability is defined as the ratio of time during which TARGET components are fully operational to TARGET opening hours).

- TARGET fully supports the SWIFT standards for straight-through processing (STP).

- TARGET is unique in its coverage, with 1,001 direct participants and around 50,800 banks – including branches and subsidiaries – accessible through the system. Information on whether an institution is addressable via TARGET can be found in the “value added services” field of the SWIFT BIC Directory, accessible online via

TARGET traffic – volumes and values

(daily averages)



Source: ECB.

<http://www.swift.com/biconline/advanced> (currently provided by SWIFT free of charge).

Since its inception TARGET has been a benchmark for the processing of euro payments in terms of speed, reliability, opening times and service level, and has greatly contributed to the harmonisation of business practices in the European Union (EU).

IMPORTANCE

TARGET has not only met its objectives of serving the needs of the monetary policy of the ECB and promoting the integration of the euro money market; it has also become increasingly popular among its users, as is shown by the growth in its six years of operation. In 1999 the number of payments processed in TARGET amounted to a daily average of around 163,000 payments, representing a value of €925 billion. In 2004 an average of more than 267,000 payments with a value of €1,714 billion were transferred per business day (see chart). This makes TARGET the preferred system for large-value



EUROPEAN CENTRAL BANK

payments in euro and – alongside the Fedwire system in the United States – one of the two largest wholesale payment systems in the world.

THE FUTURE OF THE TARGET SYSTEM

Despite its achievements, the major shortcomings of TARGET stem from its heterogeneous technical design. Thus, and because of changes in the environment, such as the enlargement of the EU and, in the future, of the euro area, the Eurosystem is currently building the next generation of TARGET: TARGET2. The new system is envisaged to start operations during the second half of 2007 and will achieve even higher levels of safety and efficiency through a harmonised structure based on a common technical platform. In the meantime, the performance of the current system will be maintained at a high level. Regular TARGET releases will ensure that the system stays abreast of changes – e.g. in SWIFT messaging and standards.

FURTHER INFORMATION ON TARGET

More detailed information on TARGET can be found in the “Information guide for credit institutions using TARGET” and in the “TARGET Annual Report”. These and other relevant documents and reports can be downloaded from the ECB's website at www.ecb.int

Information on TARGET is also provided on the websites of the national central banks. Alternatively, hard copies can be ordered from any of the national central banks or from the ECB at the following address:

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