



EUROPEAN CENTRAL BANK

EUROSYSTEM



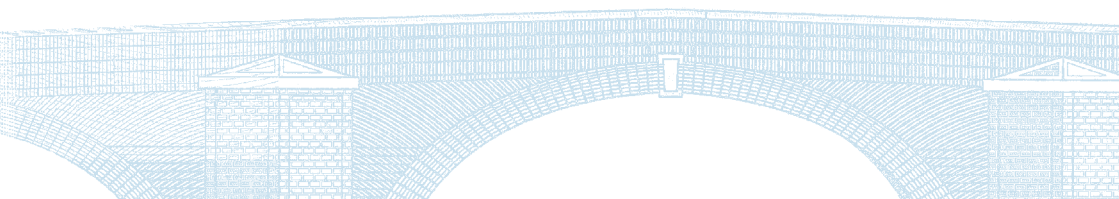
**TARGET2 is the real-time gross settlement (RTGS) system for the euro, where processing and settlement takes place in real time (i.e. continuously) and where each transfer is settled individually (gross settlement). Operated by the Eurosystem, TARGET2 enables transactions to be settled using central bank money and with immediate finality, and offers the highest standards of reliability and resilience.**

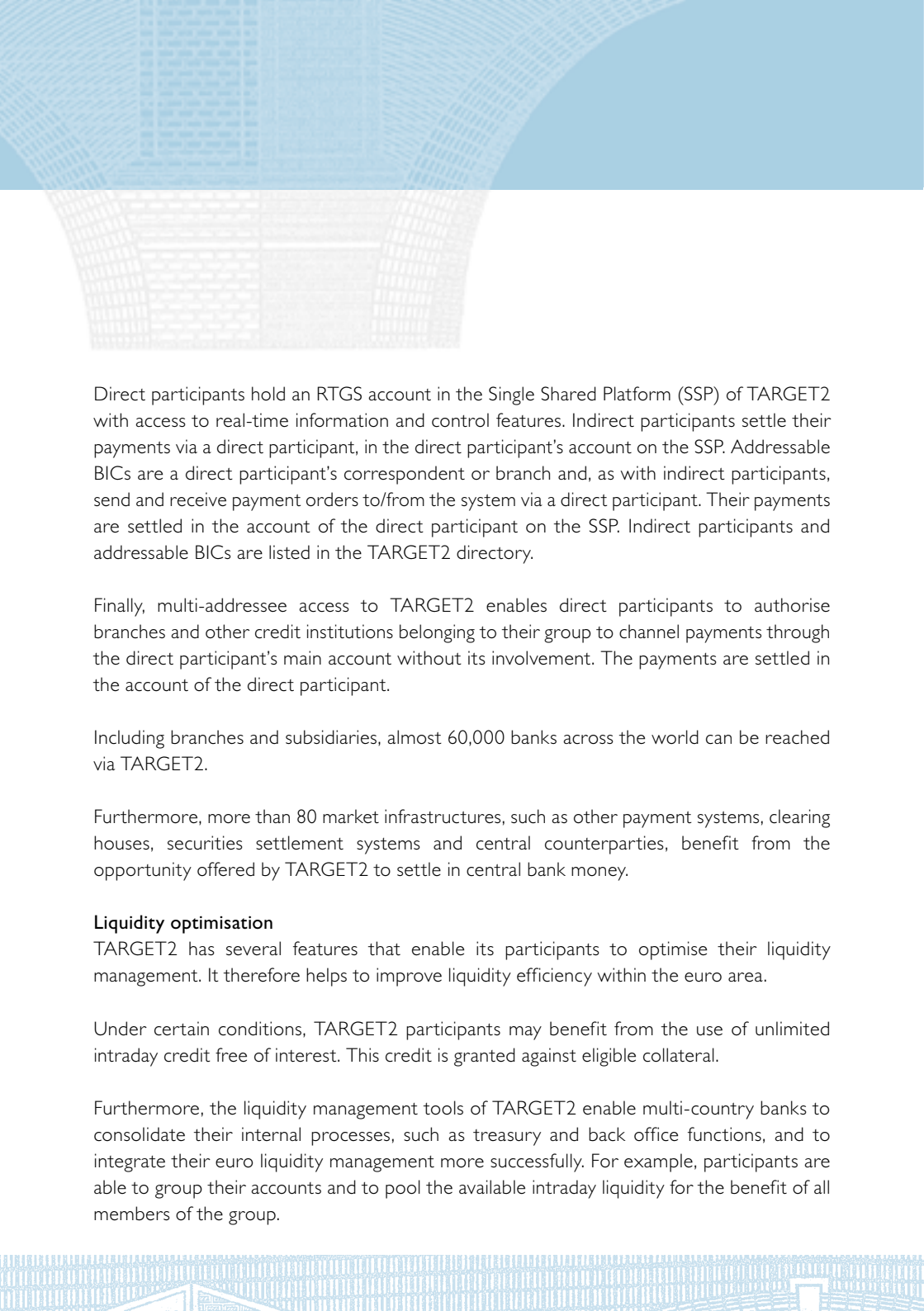
Almost 350,000 transactions totalling approximately €2.3 trillion were settled every day in 2011, making TARGET2 one of the three largest wholesale payment systems in the world. The payments settled via TARGET2 relate mainly to refinancing operations with national central banks, transactions between credit institutions and the settlement of other financial market infrastructures. TARGET2 also settles customer payments, and there is no upper or lower value limit for transactions. While supporting the business of its customers, TARGET2 also plays a key role in ensuring the smooth conduct of monetary policy, the correct functioning of financial markets, and banking and financial stability in the euro area by substantially reducing systemic risk.

### **Participation**

All Eurosystem central banks and their banking communities are connected to TARGET2. Other EU national central banks may join TARGET2 on a voluntary basis, making TARGET2 accessible to a large number of participants from 23 EU countries.

Over 1000 direct participants use TARGET2 to initiate payments on their own or their customers' behalf. A number of options are available to participants in terms of access to TARGET2, including direct and indirect participation, addressable Bank Identifier Codes (BICs), and multi-addressee access.





Direct participants hold an RTGS account in the Single Shared Platform (SSP) of TARGET2 with access to real-time information and control features. Indirect participants settle their payments via a direct participant, in the direct participant's account on the SSP. Addressable BICs are a direct participant's correspondent or branch and, as with indirect participants, send and receive payment orders to/from the system via a direct participant. Their payments are settled in the account of the direct participant on the SSP. Indirect participants and addressable BICs are listed in the TARGET2 directory.

Finally, multi-addressee access to TARGET2 enables direct participants to authorise branches and other credit institutions belonging to their group to channel payments through the direct participant's main account without its involvement. The payments are settled in the account of the direct participant.

Including branches and subsidiaries, almost 60,000 banks across the world can be reached via TARGET2.

Furthermore, more than 80 market infrastructures, such as other payment systems, clearing houses, securities settlement systems and central counterparties, benefit from the opportunity offered by TARGET2 to settle in central bank money.

### **Liquidity optimisation**

TARGET2 has several features that enable its participants to optimise their liquidity management. It therefore helps to improve liquidity efficiency within the euro area.

Under certain conditions, TARGET2 participants may benefit from the use of unlimited intraday credit free of interest. This credit is granted against eligible collateral.

Furthermore, the liquidity management tools of TARGET2 enable multi-country banks to consolidate their internal processes, such as treasury and back office functions, and to integrate their euro liquidity management more successfully. For example, participants are able to group their accounts and to pool the available intraday liquidity for the benefit of all members of the group.



TARGET2 participants can also control their liquidity outflow by setting limits, actively managing payment queues or prioritising certain payments.

In addition, via the information and control module, users have real-time access to comprehensive information, control of balances and payments and easy-to-use liquidity management features.

Finally, the settlement of other market infrastructures in TARGET2 provides participants with liquidity optimisation opportunities, as these infrastructures are able to access any account on the SSP via a standardised interface.

### **System structure**

TARGET2 is based on a technically centralised platform, the SSP, and all users, irrespective of their location, have access to the same services, functionalities and interfaces.

The SSP of TARGET2 was set up using a modular approach. Every module in the SSP is closely related to a specific service (e.g. the Payments Module for the processing of payments). Some of the modules (Home Accounting, Standing Facilities and Reserve Management Modules) can be used by individual central banks on an optional basis. Central banks that do not use these modules offer the respective services via proprietary applications in their domestic technical environments.

SWIFT standards and services (e.g. FIN, InterAct, FileAct and Browse) are used to enable standardised communication between the TARGET2 system and its participants.

Since November 2010, TARGET2 has also offered internet-based access for low-volume participants.



### **Resilience and business continuity**

TARGET2 offers the highest possible level of reliability and resilience, as well as sophisticated business contingency arrangements commensurate with the systemic importance of the TARGET2 infrastructure.

The business continuity concept of TARGET2 consists of a two-region/four-site architecture. There are two regions for payment processing and accounting services, and in each region there are two different sites. Regular region rotations are applied, thus ensuring full readiness and preparation in both regions in case of any event. This architecture enables TARGET2 to fulfill the highest service level, minimise operational risk and avoid systemic risk.

### **Opening times**

TARGET2 is open from 7 a.m. to 6 p.m. CET on each working day, with a cut-off time of 5 p.m. CET for customer payments.

Furthermore, TARGET2 starts the new business day on the evening of the previous day. The night-time window is available from 7.30 p.m. to 6.45 a.m. CET the next day, with a technical maintenance period of three hours between 10 p.m. and 1 a.m. CET.

The night-time window facilitates the night-time settlement of the different market infrastructures in central bank money with finality, and also supports cross-system settlement during the night.



For further information please visit the  
TARGET2 website: [www.target2.eu](http://www.target2.eu)

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