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TARGET, which stands for the Trans-European Automated Real-time Gross settlement Express Transfersystem, is the real-time gross settlement system for the euro. TARGET consists of fifteen national real-time gross settlement (RTGS) systems and the ECB payment mechanism (EPM), which are interlinked so as to provide a uniform platform for the processing of cross-border payments.

TARGET is more than simply a payment infrastructure; it will offer a premium payment service which will overcome national borders between payment systems in the EU.

TARGET is a real-time system: under normal circumstances payments will reach their destination within a couple of minutes, if not only a few seconds, of being debited from the sending participant’s account; all payments will receive the same treatment, regardless of their value.

TARGET provides intraday finality: settlement will be final once the funds have been credited. The money received will be central bank money.

TARGET is an EU-wide system for euro payments. It provides individual real-time processing and intraday finality. TARGET is very easy to use and is accessible to a large number of participants.

Why TARGET has been developed

TARGET has been developed to achieve three main objectives:

1. to provide a safe and reliable mechanism for the settlement of cross-border payments on an RTGS basis;
2. to increase the efficiency of intra-EU cross-border payments; and, most importantly,
3. to serve the needs of the ESCB’s monetary policy.

The introduction of the euro will enable internationally-oriented financial and non-financial enterprises in the EU to centralise their treasury operations, ... instead of several, it will be possible for all enterprises involved in cross-border activity to make considerable savings.

One pre-condition for optimising these savings is that the payment systems themselves must be integrated.
Which payments can be made and who can use TARGET?

All credit transfers will be possible

TARGET will be available for all credit transfers in euro between EU countries, including those countries not participating in EMU. TARGET will process both interbank and customer payments. There will be no upper or lower value limit for TARGET payments.

Payments directly related to monetary policy operations involving the ESCB – as the recipient or the sender – will have to pass via TARGET or the national RTGS environment.

Cross-border large-value net settlement systems operating in euro will also have to settle their end-of-day balances via TARGET.

All credit institutions will be able to use TARGET

There will be more than 5,000 RTGS participants in TARGET and almost all EU credit institutions will be accessible via TARGET. TARGET will process both interbank and customer payments. There will be no upper or lower value limit for TARGET payments.

TARGET will provide a highly efficient service for time-critical large-value payments. Therefore, market participants should consider using TARGET for all their large-value payments, especially those related to money market and foreign exchange market operations. This would make a substantial contribution to reducing systemic risk throughout the EU.

Unless both the sending institution and the beneficiary institution have direct access to the same alternative payment system, TARGET could also be the best option for corporate cross-border payments. Such payments might indeed be time critical and the amounts involved could be substantial.

Should the beneficiary institution be unable to apply the funds received, it will be possible to return the payment to the sending institution via TARGET. TARGET is mainly intended for large-value payments. However, participants with only a limited number of smaller cross-border corporate and retail payments to be processed should also consider using TARGET for their entire cross-border euro payment business. They would thus avoid having to rely on the services of a competitor and even smaller institutions would be able to offer their customers an excellent cross-border payment service.

TARGET participants would thus be able to reduce their costs and offer additional value to their customers by virtue of streamlined, integrated and automated end-to-end payment processing.

It will be possible to make credit transfers to almost all EU credit institutions via TARGET without any limitation on value. With special emphasis on large-value payments related to money market and foreign exchange operations TARGET will contribute to reducing systemic risk.
What are the advantages of using TARGET?

1. Flexible liquidity management

Connecting to different payment infrastructures will necessitate the management of multiple liquidity positions in euro. It is important to note that there are at present no well-established intraday liquidity bridges between different euro payment systems. On an intraday basis, only the funds received within each system can be used to make outgoing payments via the same system.

In order to reduce risk, large-value net settlement systems have to respect binding intraday limits on participants’ positions, which cannot normally be increased during the day. Once these limits have been reached, payments are blocked. Liquidity is effectively trapped in the net settlement system until the point at the end of the day when the balances of such netting systems are settled by means of a payment through TARGET or the domestic RTGS environment.

In TARGET liquidity will in principle be available to participants at all times. TARGET will run smoothly and will provide a fluid payment system. National central banks will grant free intraday credit to TARGET participants up to an amount participants will be able to determine themselves by providing adequate collateral.

Participants will not be restricted by any net debit or credit caps. Each participant will be able to make a payment as and when it so chooses.

The opportunity cost of providing collateral is relatively low: collateral is interest-bearing and participants in RTGS systems in the euro area may wish to use the same collateral on an intraday basis.

To ensure that sufficient collateral is available to obtain liquidity on equivalent terms throughout the euro area, a comprehensive list of both public and private eligible assets is currently being prepared. National central banks are also implementing a mechanism which, for payment systems and monetary policy operations, will enable collateral to be used on a cross-border basis.

This mechanism will enable credit institutions to obtain credit from their respective national central bank on the basis of collateral provided to another national central bank.

The Governing Council of the ECB will decide whether, for monetary policy reasons, the availability of intraday credit to participants in euro RTGS systems in non-euro area countries should be subject to restrictions. The ECB's Web site at www.ecb.int contains updated information.

Liquidity in TARGET will be widely available and the turnover of funds can be high. This will facilitate liquidity management compared with net settlement systems, where liquidity is trapped until end-of-day settlement.
Risk reduction

TARGET will provide a firm foundation for the management of payment system risks. It will give participants the possibility of settling payments in central bank money with immediate finality, thus eliminating the settlement risk between participants which is inherent in other payment mechanisms. TARGET payments will become final for receiving participants once they have been credited to their account held at the national central bank. This means that participants will be able to pass on customer payments they receive to the final beneficiary immediately and without credit risk.

Real-time operation

The high speed at which cross-border payments in TARGET will be processed will facilitate and improve cash management. Moreover, this will enable participants to increase their turnover of funds.

For cross-border TARGET payments, under normal circumstances, the average time between the debiting of the account of the sending participant and the crediting of the account of the beneficiary participant will be a couple of minutes, if not only a few seconds.

The rapid processing of funds, which will be credited to the appropriate account with finality, will yield direct benefits for participants.

With TARGET, international corporate cash management will be able to make substantial efficiency gains. The real-time execution of TARGET payments will reduce the float and make it possible to optimise cash management in euro. Participants’ corporate customers might therefore be particularly interested in having their financial payments executed via TARGET.

Operating times to suit everyone

To meet the needs of its customers and those of financial markets in general, TARGET will have long operating hours, common to all EU countries. The system will be available from 7 a.m. to 6 p.m. Frankfurt time, with a cut-off time for customer payments at 5 p.m.

The long TARGET operating hours will help to reduce foreign exchange settlement risk substantially. The TARGET business day will overlap with the Fedwire system in the United States completely and with the Bank of Japan Payment System during the first operating hours in the morning. In addition to Saturdays and Sundays, TARGET will only close on the two public holidays that are common to all EU countries: Christmas Day and New Year’s Day.

Domestic RTGS systems may close on certain national holidays, should this be requested by the national banking community. However, it is most likely that only a few national RTGS systems will take additional national holidays. The ECB will keep the financial community informed of these by publishing a calendar of TARGET operating days. The calendar for 1999 will be available in September 1998 at the latest.

The possibility of reaching almost any EU credit institution

It will be possible to reach almost all credit institutions established in the EU via TARGET and, hence, all their account holders. The Bank Identifier Codes (BICs) of TARGET participants are listed in the TARGET BIC directory.

With TARGET there will no longer be any need for either a service level agreement with other participants or an exchange of S.W.I.F.T. keys.

Full end-to-end transmission of information in TARGET payment messages

No payment-related information will be lost in TARGET. The payment instruction, if provided in accordance with the standards, will always be forwarded in its entirety to the beneficiary participant.

During the transition period, from 1999 to 2002, participants may wish to specify both the euro amount for settlement purposes and the original amount and currency denomination for information purposes. S.W.I.F.T. has developed a structured method to enable financial institutions to supply euro-related information. TARGET will support its transmission.

The cost of making a payment

The fee charged for cross-border TARGET transactions (excluding VAT) will be based on the number of transactions made by a participant within a single RTGS system, according to the following degressive scale:

- 1.75 for each of the first 100 transactions per month;
- 1.00 for each of the next 900 transactions per month;
- 0.80 for each subsequent transaction in excess of 1,000 per month.

The fee will be charged by the sending national central bank only and will be identical, irrespective of the destination or size of the payment. It will cover the handling and processing costs of the transaction, with the exception of the communication cost between the ordering and the sending national central banks.

TARGET will result in cost savings for the following reasons:

- incoming funds will be available for immediate re-use;
- it will be possible to reconcile accounts on an intraday basis;
- immediate reaction will be possible should any problem arise with regard to the transfer of a payment;
- the need to split liquidity between several payment systems during the day can be avoided.

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No additional entry or periodic fees will be applied to users of the cross-border TARGET service.

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What makes TARGET reliable?

TARGET will be a safe system

TARGET has been developed by all the EU national central banks, most of which have a long and proven track record in building and running RTGS systems.

TARGET testing started as early as June 1997 and is based on a well-structured modular testing strategy, which includes a six-month simulation period. Hundreds of hours of tests of TARGET components, which will involve credit institutions during the second half of 1998, will cover the functionality of a TARGET business day from start to finish.

Each national central bank participating in TARGET has a full backup system to ensure that - with the exception of unforeseen disasters - its processing capacity will never be out of action for more than one hour during any single working day.

S.W.I.F.T. FIN has been chosen as the network service provider for the Interlinking system. Agreements have been concluded with S.W.I.F.T. with a view to providing the best possible support in terms of speed, capacity, availability and security.

The security policy for TARGET is based on an agreed security strategy and methodology and is implemented using a life-cycle approach. Risk analysis of TARGET as a whole has been conducted on a regular basis since the beginning of 1997.

TARGET will operate for eleven hours each working day. This will offer considerable scope for cross-border payment processing.

Participants will be able to input their payments throughout the day and thus spread them across the day according to their individual business needs.

TARGET will be ready by 4 January 1999

Payment systems experts from all EU national central banks and the EMI have been working on TARGET since 1995. A detailed timetable for the TARGET project was defined at the outset and since then the various stages have been implemented on a step-by-step basis and on schedule.

A testing and simulation phase lasting eighteen months was planned and started slightly ahead of schedule in June 1997. Progress made in the development, implementation and testing of all TARGET components is being monitored continuously so as to ensure the timely and successful completion of the TARGET project.

TARGET will be fully operational on the first business day of Stage Three of Economic and Monetary Union, i.e. 4 January 1999.

TARGET will be a high-capacity system

TARGET will be a high-capacity system with extensive operating hours and fast processing.

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How will users gain access to TARGET?

Access to a national RTGS system will mean access to TARGET.

Access to their respective domestic euro RTGS system will be sufficient to enable participants to make cross-border TARGET payments. No separate connection will be required.

TARGET will enable participants to use their existing system to integrate the processing of cross-border and domestic payments. Detailed information on access to the national RTGS systems can be obtained from the national central banks concerned.

Multiple access points

Most credit institutions are expected to become participants in the euro RTGS system of their home country. Credit institutions with a wide network of branches or subsidiaries across the EU could choose to become members of different euro RTGS systems within which they would be able to obtain intraday credit from their respective national central banks.

Since remote access will also be permitted, depending on their business needs individual participants could apply for access to any or several of the fifteen euro RTGS systems, irrespective of their location.

TARGET payments can be made via the following systems:

- Belgium: ELLIPS
- Denmark: DEBES
- Germany: ELS
- Greece: HERMES euro
- Spain: SLBE
- France: TBF
- Ireland: IRIS
- Italy: BI-REL
- Luxembourg: LIPS-Gross
- Netherlands: TOP
- Austria: ARTIS
- Portugal: SPIET
- Finland: Bof-RTGS
- Sweden: ERIX
- United Kingdom: CHAPS euro
- European Central Bank: EPM

In accordance with Community practice, countries are listed using the alphabetical order of the national languages.

Further information on TARGET

The documents listed here can be accessed via the ECB’s Web site at http://www.ecb.int.

Alternatively, hard copies can be ordered from any of the national central banks or from the ECB at the address given below:

European Central Bank
Press Office
Kaiserstraße 29
D-60311 Frankfurt am Main
Fax: +49 69 1344 7404

Some of the publications listed above are available in EU languages other than English. Further information is available from:
target.hotline@ecb.int


First progress report on the TARGET project, September 1997.


The single monetary policy in Stage Three: General documentation on ESCB monetary policy instruments and procedures, September 1997.

The TARGET service level, July 1998.

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