

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 15 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, 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 a large number of advantages to using TARGET:

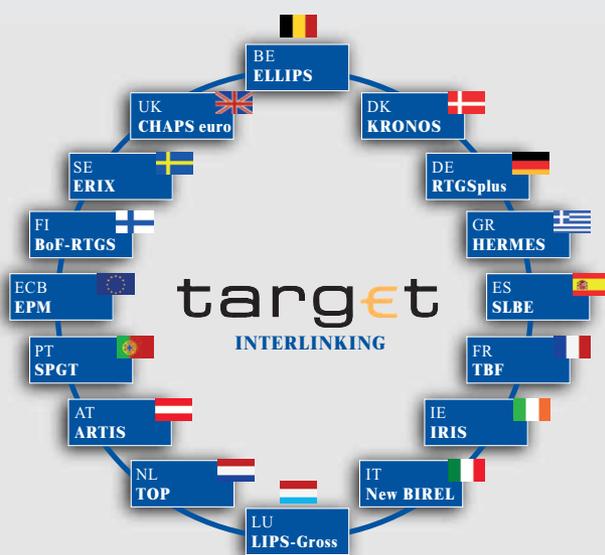
- TARGET settles payments with immediate finality in central bank money, thus eliminating the settlement risk between participants.
- TARGET provides real-time settlement, making it possible to transfer large amounts of money between bank accounts

KEY FACTS

- > one of the world's largest payment systems
- > real-time settlement and processing
- > average daily volume/value (2003): 261,000 transactions/ €1,650 billion
- > operated by the ECB and 15 national central banks

target

TARGET structure



from one end of the European Union (EU) to the other 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 2003 the overall availability of TARGET was 99.79%, as compared with 99.77% in 2002 (TARGET availability is defined as the ratio of time during which all TARGET components are fully operational to TARGET opening hours).

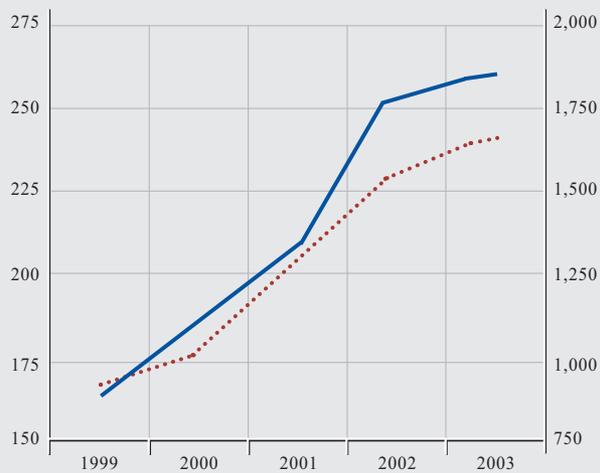
- TARGET fully supports the SWIFT standards for straight-through processing (STP). This is reflected in the very low rate of rejected payments at the cross-border level, which in 2003 amounted to just 0.22% (as compared with 0.26% in 2002).

- TARGET is unique in its coverage, with almost 1,100 direct participants and more than 48,000 banks – including branches and subsidiaries – accessible through the system. Information on whether an institution is addressable via

TARGET traffic – volumes and values

(daily averages)

— volume in thousands (left-hand scale)
..... value in EUR billions (right-hand scale)



Source: ECB.

TARGET can be found in the “value added services” field of the SWIFT BIC Directory, accessible online via <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 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 its growth in the first five years of operation. In 1999 the number of payments processed in TARGET amounted to a daily average of around 163,000, representing a value of €925 billion. In 2003, an average of more than 261,000 payments with a value of €1,650 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 expected to go live in 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 standards. Furthermore, TARGET will migrate to SWIFTNet FIN before the end of 2004 and may have to accommodate the connection of new EU Member States to the current TARGET system.

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 accessed on the ECB website at www.ecb.int.

Alternatively, hard copies can be ordered from any of the NCBs, or from the ECB at the following address:

European Central Bank
Press and Information Division
Kaiserstrasse 29
60311 Frankfurt am Main
Germany
Fax: +49 69 1344-7404

Further information can also be obtained by e-mail from:
target.hotline@ecb.int