



**E U R O P E A N C E N T R A L B A N K**

**Excerpts of GUIDELINE OF THE EUROPEAN CENTRAL BANK  
of 16 November 1998**

**ON A TRANS-EUROPEAN AUTOMATED REAL-TIME  
GROSS SETTLEMENT EXPRESS TRANSFER SYSTEM  
("TARGET")  
(ECB/1998/NP13)**

THE GOVERNING COUNCIL OF THE EUROPEAN CENTRAL BANK,

Having regard to the Treaty establishing the European Community (hereinafter referred to as the "Treaty") and in particular to Articles 105(2) and 1091(1), second paragraph, thereof and to Articles 3.1, 12.1, 14.3, 17, 18 and 22 of the Statute of the European System of Central Banks and of the European Central Bank (hereinafter referred to as the "Statute");

- (1) Whereas Article 105(2), first indent, of the Treaty and Article 3.1, first indent, of the Statute require the European System of Central Banks (ESCB) to define and implement the monetary policy of the Community;
- (2) Whereas Article 105(2), fourth indent, of the Treaty and Article 3.1, fourth indent, of the Statute empower the European Central Bank (ECB) and the national central banks (NCBs) to promote the smooth operation of payment systems;
- (3) Whereas Article 1091(1), second paragraph, of the Treaty requires the NCBs of EU Member States and the ECB to prepare for their full operation as described in the Treaty and Statute;
- (4) Whereas Article 22 of the Statute entrusts the ECB and the NCBs with the provision of facilities to ensure efficient and sound clearing and payment systems within the Community and with other countries;

- (5) Whereas the achievement of a single monetary policy entails the need for a payment arrangements through which the monetary policy operations between NCBs and credit institutions can be effected in a timely and secure manner, and which will foster the singleness of the money market within the euro area;
- (6) Whereas such objectives warrant a payment arrangement which operates with a high level of security, within very short processing times and at low cost;
- (7) Whereas, in accordance with Articles 12.1 and 14.3 of the Statute, ECB Guidelines form an integral part of Community law;

HAS ADOPTED THIS GUIDELINE:

### **Article 1**

#### *Definitions*

1. For the purposes of this Guideline:
  - the “blocking-of-funds procedure” shall mean the procedure according to which funds on deposit or available credit are earmarked and made unavailable for any transaction or purpose other than the execution of the payment order concerned, in order to ensure that the earmarked funds or available credit will be used for the execution of such payment order; the earmarking of funds or available credit is referred to in this Guideline as “blocking”;
  - “cross-border payments” shall mean payments effected or to be effected between two national real-time gross settlement (RTGS) systems or between a national RTGS system and the European Central bank (ECB) payment mechanism;
  - “domestic payments” shall mean payments effected or to be effected within one national RTGS system or within the ECB payment mechanism;
  - the “EEA” shall mean the European Economic Area as defined in the Agreement on the European Economic Area concluded on 2 May 1992 between the European Community and its Member States and the Member States of the European Free Trade Association, as amended by the Protocol adjusting the Agreement on the European Economic Area of 17 March 1993;
  - the “ECB payment mechanism” shall mean the payment arrangements organised within the ECB and connected to TARGET for the purpose of effecting payments between accounts held at the ECB and payments through TARGET between accounts held at the ECB and at the NCBs;

- “inter-NCB accounts” shall mean the accounts that each NCB and the ECB shall open for each other on their respective books for the operation of cross-border TARGET payments; each such inter-NCB account is held for the benefit of the ECB or the NCB in whose name the account is opened;
- “Interlinking” shall mean the technical infrastructures, design features and procedures which are put in place within, or constitute adaptations of, each national RTGS system and the ECB payment mechanism for the purpose of processing cross-border payments within TARGET;
- “intraday credit” shall mean credit extended and reimbursed within a period of less than one business day;
- “mandatory repayment event” shall mean any event which, by reason of the mandatory operation of the laws of the Member State of a sending NCB or, in the case of the ECB payment mechanism, the laws of the seat of the ECB, requires in a legally enforceable manner the reversal, revocation or avoidance of a payment order or any payment or any credit or debit entries made pursuant to such payment order on an RTGS account or on an inter-NCB account (and, in particular, any such law which, in the case of the opening of insolvency proceedings, provides that a decision concerning the initiation of insolvency proceedings has retroactive effect - inter alia due to any “zero-hour rule”- or otherwise provides a mandatory right of reversal or revocation of a payment order); provided that a mandatory repayment event shall not include cases of imperfections in the underlying transaction(s) or payment order(s) arising from criminal offences or fraudulent acts (whereby fraudulent acts shall also include preferences and transactions at under-value during suspect periods in case of insolvency) as decided on a case-by-case basis by courts of competent jurisdiction or other competent dispute resolution bodies, or arising from error;
- “national central banks (NCBs)” shall mean the NCBs of participating Member States;
- “national RTGS systems” shall mean those real-time gross settlement systems which are component parts of TARGET as identified in Annex 1 of this Guideline;
- “network service provider” shall mean the undertaking appointed by the ECB to provide computerised network connections for the Interlinking;
- “participants” shall mean the entities which have direct access to a national RTGS system and have an RTGS account with the NCB concerned (or, in the case of the ECB payment mechanism, with the ECB) and shall include such NCB or the ECB, whether in its capacity as settlement agent or otherwise;
- “participating Member States” shall mean all Member States which have adopted the single currency in accordance with the Treaty;

- “payment order” shall mean an instruction by a participant in accordance with the applicable RTGS rules to place at the disposal of a receiving participant, including an NCB or the ECB, an amount of money by means of a book entry on an RTGS account;
  - “receiving NCB/ECB” shall mean the ECB or the NCB at which the receiving participant maintains its RTGS account;
  - “receiving participant” shall mean the participant designated by the sending participant as the participant to whose RTGS account the amount specified in the relevant payment order shall be credited;
  - “remote participant” shall mean an institution established in an EEA country which participates directly in a national RTGS system of an(other) EU Member State (hereinafter referred to as a “host Member State”) and, for that purpose, has an RTGS account in euro in its own name with the NCB of the host Member State, without necessarily having established a branch in the host Member State;
  - “RTGS rules” shall mean the regulations and/or contractual provisions which are applied to a national RTGS system;
  - “RTGS account” shall mean an account (or, to the extent permitted in accordance with the relevant RTGS rules in question, any group of consolidated accounts, provided that all such account holders are jointly and severally liable vis-à-vis the RTGS system in case of default) opened in the name of a participant on the books of an NCB or the ECB on which domestic payments and/or cross-border payments are settled;
  - “sending NCB/ECB” shall mean the ECB or the NCB at which the sending participant maintains its RTGS account;
  - “sending participant” shall mean the participant which has initiated a payment by giving a payment order.
2. The annexes to this Guideline and the documents identified and listed therein shall form an integral part of this Guideline. Such documents may be amended from time to time by the Governing Council of the ECB, and additional documents containing, inter alia, technical provisions and specifications for TARGET may be adopted by the Governing Council, whereby such amendments and additional documents shall become effective as an integral part of this Guideline as per the date specified by the Governing Council, which date shall not precede communication to the NCBs.

## **Article 2**

### *Establishment and description of TARGET*

1. TARGET is established by the ECB and the NCBs and is composed of the national RTGS systems, the ECB payment mechanism and the Interlinking.
2. RTGS systems of EU Member States which have not adopted the single currency will be allowed to connect to TARGET, provided both that such RTGS systems comply with the minimum common features set out in Article 3 of this Guideline and are able to process the euro as a foreign currency alongside their respective national currency and that the national central bank concerned enters into an agreement whereby such national central bank agrees to adhere to the rules and procedures for TARGET referred to in this Guideline (with specifications and modifications, where appropriate, as referred to in such agreement).

## **Article 3**

### *Minimum common features of national RTGS systems*

Each NCB shall ensure that its respective national RTGS system complies with the features set out below.

#### **(a) Access criteria**

1. Only supervised credit institutions as defined in the first indent of Article 1 of the First Banking Co-ordination Directive (First Council Directive 77/780/EEC of 12 December 1977), and established in the EEA, can be admitted as participants in a national RTGS system. As an exception, and without prejudice to Article 7.1 of this Guideline, the following entities may also be admitted as participants in a national RTGS system upon approval by the relevant NCB:
  - (i) treasury departments of central or regional governments of Member States active in the money markets;
  - (ii) public sector bodies of Member States authorised to hold accounts for customers; for the purposes of this Guideline, “public sector” shall have the meaning of Article 3 of Council Regulation 3603/93 of 13 December 1993;
  - (iii) investment firms as defined in Article 1.2 of Council Directive 93/22/EEC of 10 May 1993, established in the EEA and authorised and supervised by a recognised competent authority designated as such under the terms of the said Council Directive (with the exclusion of the institutions defined under Article 2.2 of the said Directive), provided the investment firm in question is entitled to carry out the activities referred to under items 1(b), 2 or 4 of Section A of the Annex to Council Directive 93/22/EEC;

- (iv) organisations providing clearing or settlement services subject to oversight by a competent authority.
2. The criteria for access to a national RTGS system and the procedure for the assessment thereof shall be set out in the RTGS rules concerned and be made available to interested parties. In addition to the criteria mentioned in sub-section 1 of Article 3(a), these national criteria may include, inter alia:
- adequate financial strength;
  - expected minimum number of transactions;
  - the payment of an entry fee;
  - legal, technical and operational aspects.
3. A participant in a national RTGS system pursuant to sub-section 1 of this Article 3(a) shall have access to the cross-border payment facilities of TARGET.
4. The RTGS rules must contain the grounds and procedures for removing a participant from the national RTGS system concerned. The grounds for removing a participant from a national RTGS system (by way of suspension or expulsion) should cover any event which entails systemic risk or could otherwise cause serious operational problems, including: (i) where a participant enters into insolvency proceedings, or where such proceedings are impending; (ii) where a participant is in breach of the RTGS rules in question; or (iii) where one or more access criteria for participation in the relevant national RTGS system are no longer fulfilled.

**(b) Currency unit**

All cross-border payments to be processed through the Interlinking shall be in the euro unit. NCBs shall ensure that payment orders denominated in their respective national currency units of the euro to be effected through the Interlinking are converted into and transmitted in euro units.

**(c) Pricing rules**

1. The pricing policy of the TARGET system shall be determined by the Governing Council of the ECB with reference to the principles of full cost recovery, transparency and non-discrimination.
2. Domestic payments in euro effected through the national RTGS system are subject to the pricing rules of the national RTGS system concerned, which, in turn, shall respect the policy on pricing set out in Annex 2.

3. Cross-border payments effected within TARGET shall be subject to a common price established by the Governing Council of the ECB and specified in Annex 3. A methodology for the determination of the costs related to the Interlinking and a regime for their reimbursement is set out in Annex 4.
4. Prices shall be made available to interested parties. National RTGS systems shall disclose their fee structure to the ECB, to all other NCBs and to participants in the respective national RTGS system.

**(d) Time of operation**

1. *Operating days*

TARGET as a whole will only close on Saturdays, Sundays, Christmas Day and New Year's Day. National RTGS systems may be closed during national holidays, in which case the Interlinking components of such national RTGS systems shall also be closed. RTGS rules shall reflect the regime applicable to regional and local bank holidays (if any). At the request of the ECB, NCBs shall give notice to the ECB of the calendar of national holidays when their national RTGS systems will be closed during the course of the following year. Whenever two or more national RTGS systems are open, the Interlinking and the ECB payment mechanism shall be operational between such national RTGS systems. The ECB shall make public on a yearly basis the calendar for each national RTGS system, both for the Interlinking and for the ECB payment mechanism.

2. *Hours of operation*

The hours of operation of national RTGS systems shall comply with the specifications set out in Annex 5 and be made available to interested parties.

**(e) Payment rules**

1. All payments directly resulting from or made in connection with (i) monetary policy operations; (ii) the settlement of the euro leg of foreign exchange operations involving the ESCB; and (iii) the settlement of cross-border large-value netting systems handling euro transfers shall be effected through TARGET. Other payments may also be effected through TARGET. Intra-ESCB transactions shall be processed through TARGET, with the exception of (i) the transfer of assets to the ECB, (ii) contributions to the capital of the ECB; and (iii) where appropriate and bilaterally agreed between NCBs, customer-related payments processed through correspondent accounts.
2. A national RTGS system and the ECB payment mechanism shall not process a payment order unless sufficient funds are available on the account of the sending participant with the sending NCB/ECB, either through immediately available funds already credited to that account, through

the intraday mobilisation of reserves maintained to fulfil reserve requirements or through intraday credit granted by such NCB/ECB, as the case may be, to that participant in accordance with Article 3(f) below.

3. RTGS rules and the rules for the ECB payment mechanism shall specify the point in time at which payment orders become irrevocable, which must not be later than the point in time at which the RTGS account of the sending participant held at the sending NCB/ECB is debited with the amount concerned. Where national RTGS systems apply a blocking-of-funds procedure before debiting the RTGS account, such irrevocability shall be provided from that earlier point in time at which blocking takes place.

**(f) Intraday credit**

1. Subject to the provisions of this Guideline, including, without limitation, sub-section 6 of this Article 3(f), each NCB shall provide intraday credit to the supervised credit institutions referred to in Article 3(a) participating in the national RTGS system of such NCB. Provided that it is a clear condition that intraday credit shall remain limited to the day in question and that no extension to overnight credit shall be possible, intraday credit may also be granted to:
  - (i) treasury departments referred to in Article 3(a)(1)(i) above;
  - (ii) public sector bodies referred to in Article 3(a)(1)(ii) above;
  - (iii) investment firms referred to in Article 3(a)(1)(iii) above, on condition that such investment firm submits satisfactory written evidence that:
    - (a) either it has concluded a formal agreement with an ESCB monetary policy counterparty to cover any residual debit position at the end of the day in question;  
or
    - (b) access to intraday credit is limited to investment firms which hold an account with a central securities depository, and the investment firm in question is subject to a liquidity deadline or the amount of intraday credit is subject to a ceiling.

Should an investment firm for any reason be unable to reimburse the intraday credit on time, it will be subject to penalties set in accordance with the following. If such an investment firm has a debit balance on its RTGS account as at the close of business of TARGET for the first time within any twelve-month period, then the relevant NCB shall promptly impose a penalty on that participant calculated at a rate 5 percentage points above the marginal lending rate of the ESCB on the amount of such debit balance (e.g. should the marginal lending rate be 4%, the penalty would be 9%); should such an investment firm repeatedly be in such a debit position, then the penalty interest rate applied to that participant would be increased by a further 2.5 percentage points each time such a debit position were to occur within the twelve-month period referred to above. Only the Governing Council of the ECB shall have the power and discretion to waive the



imposition of any penalties, where any such debit balances on the RTGS account of the investment firm were attributable to circumstances beyond its reasonable control;

- (iv) organisations providing clearing or settlement services (and subject to oversight by a competent authority) on condition that the arrangements for granting intraday credit to such organisations are submitted in advance to the Governing Council of the ECB for approval.
2. Each NCB shall provide intraday credit by means of collateralised intraday overdrafts at the NCB and/or intraday repurchase transactions with NCBs in compliance with the minimum common features laid down in Annex 3 of the Guideline of the Governing Council of the ECB (ECB-GL/1998/02) of 11 September 1998 on monetary policy instruments and procedures of the ESCB.
  3. Intraday credit shall be based on adequate collateral. Eligible collateral shall be the same assets and instruments and be subject to the same valuation and risk control rules as those prescribed for eligible collateral for monetary policy operations under the Guideline of the Governing Council of the ECB (ECB-GL/1998/02) of 11 September 1998 on monetary policy instruments and procedures of the ESCB.

Each of the national central banks of the EU Member States which have not adopted the single currency in accordance with the Treaty will establish and maintain a list of eligible assets which can be used by institutions participating in their relevant national real-time gross settlement systems connected to TARGET to collateralise credits granted by such national central banks, provided that the assets on such list meet the same quality standards and are subject to the same valuation and risk control rules as those prescribed for eligible collateral for monetary policy operations under the ECB Guideline (ECB-GL/1998/02) of 11 September 1998 on the monetary policy instruments and procedures of the ESCB. The national central bank in question shall submit such list of eligible assets for prior approval by the ECB.

The ECB may authorise NCBs wishing to do so to grant intraday credit against assets contained in such a list of assets approved by the ECB, provided that the assets are: (i) located in EEA countries; (ii) issued by entities established in EEA countries; and (iii) denominated in EEA currencies or other widely traded currencies. NCBs having received the authorisation to accept these assets and the lists of such assets shall be listed in Annex 9. The ECB's authorisation will be subject to the preservation of operational efficiency and the exercise of appropriate control over the specific legal risks relating to such assets and over the mechanisms to prevent such assets from being used in monetary policy operations. These assets shall not be used on a cross-border basis (i.e. counterparties may use such assets only to receive funds directly from the national central bank which has been authorised by the ECB to grant intraday credit against these assets). In addition, these assets shall only be used by participants to secure intraday

credits granted by the relevant NCB and may not be used to secure overnight credit. In case intraday credit secured by these assets needs to be extended overnight, the assets in question need to be substituted with collateral eligible for monetary policy operations as prescribed under the Guideline of the Governing Council of the ECB (ECB-GL/1998/02) of 11 September 1998 on monetary policy instruments and procedures of the ESCB. If overnight credit extension occurs without simultaneous substitution of such assets with eligible collateral for monetary policy operations as prescribed under the Guideline of the Governing Council of the ECB (ECB-GL/1998/02) of 11 September 1998 on monetary policy instruments and procedures of the ESCB, penalties set in accordance with the following will be imposed on such participant. If the participant commits the violation described above for the first time within any twelve-month period, then the relevant NCB shall promptly impose a penalty on that participant calculated at a rate 2.5 percentage points above the marginal lending rate of the ESCB on the amount of the overnight credit; should the participant repeatedly be in such violation, then the penalty interest rate applied to that participant would be increased by a further 1.25 percentage points each time such a violation were to occur within the twelve-month period referred to above. Only the ECB shall have the power and discretion to waive the imposition of any penalties where any such violation were attributable to circumstances beyond the reasonable control of the participant.

4. The Governing Council of the ECB may exempt treasury departments as referred to in Article 3 (a)(1)(i) above from the requirement of collateralisation in relation to the provision of intraday credit set out under sub-section 3 in this Article 3(f) upon a proposal from the relevant NCB.
5. Intraday credit provided in accordance with this Article 3(f) shall be free of interest.
6. Intraday credit shall not be granted to any remote participant.
7. The RTGS rules shall contain the grounds on the basis of which the relevant NCB may decide that the access of a participant to intraday credit may be suspended or terminated. Such a decision in respect of an eligible counterparty for ESCB monetary policy operations must be approved by the ECB before it becomes effective. The grounds for such suspension or termination should cover any event which entails systemic risk or which could otherwise endanger the smooth operation of payment systems, including: (i) where a participant enters into insolvency proceedings; (ii) where a participant is in breach of the RTGS rules in question; (iii) where the entitlement of a participant to participate in the national RTGS system is suspended or terminated; and (iv) where, in case of a participant which is an eligible counterparty for ESCB monetary policy operations, the participant ceases to be eligible or is excluded or suspended from any access to such operations.

## **Article 4**

### *Interlinking provisions*

The following provisions of this Article shall apply to the arrangements for cross-border payments effected or to be effected through the Interlinking. Other provisions of this Guideline shall apply to such cross-border arrangements to the extent that such provisions are of relevance to them.

#### **(a) Establishment and description of the Interlinking**

The ECB and each of the NCBs shall operate an Interlinking component to enable the processing of cross-border payments within TARGET. Such Interlinking components shall comply with the technical provisions and specifications included in the documents listed in Annex 6.

#### **(b) Opening and operation of inter-NCB accounts held at the NCBs and the ECB**

1. The ECB and each of the NCBs shall open an inter-NCB account on their books for each of the other NCBs and for the ECB. In support of entries made on any inter-NCB account, each NCB and the ECB grant one another an unlimited and uncollateralised credit facility.
2. To effect a cross-border payment, the sending NCB/ECB shall credit the inter-NCB account of the receiving NCB/ECB held at the sending NCB/ECB; the receiving NCB/ECB shall debit the inter-NCB account of the sending NCB/ECB held at the receiving NCB/ECB.
3. All inter-NCB accounts shall be maintained in the euro unit.
4. [...]

#### **(c) Obligations and liabilities of the sending NCB/ECB**

##### *1. Verification*

The sending NCB/ECB shall without delay check: (a) the accuracy and the syntax of the data according to the applicable standard contained in Annex 6; (b) the value date of the payment order (to verify that it is to be executed for same value day); and (c) the calendar of opening times to verify the availability of the receiving NCB/ECB. If syntactical errors or other grounds for rejecting a payment order are detected by the sending NCB/ECB, the latter shall handle the data and the payment order in accordance with the RTGS rules of its national RTGS system. Each payment passing through the Interlinking shall have a unique identifier to facilitate message identification and error handling.

The receipt of a positive acknowledgement from the receiving NCB/ECB shall be taken as conclusive evidence for the sending NCB/ECB in respect of making the respective debit and credit entries on the

inter-NCB account held for the sending NCB/ECB and on the RTGS account of the receiving participant, in each case, as maintained on the books of the receiving NCB/ECB.

## 2. *Settlement*

As soon as the sending NCB/ECB has checked the validity of a payment order as referred to in sub-section 1 of this Article 4(c), and provided that funds or overdraft facilities are available, the sending NCB/ECB shall without delay: (a) debit the amount of the payment order from the RTGS account of the sending participant; and (b) credit the inter-NCB account of the receiving NCB/ECB, as maintained on the books of the sending NCB/ECB. The point in time at which the sending NCB/ECB has carried out the debiting referred to in (a) above shall be referred to as the settlement time. For national RTGS systems which apply a blocking-of-funds procedure, the settlement time is the point in time at which blocking takes place as referred to in Article 3(e)(3) above.

## 3. *Finality*

For the purposes of this Guideline, a payment shall become final at the settlement time as referred to in sub-section 2 of this Article 4(c). The finality of a payment at its settlement time requires that neither the payment nor the transfer of funds across the RTGS accounts and the inter-NCB accounts concerned can be revoked, reversed or made void by the sending NCB/ECB, by the sending participant or by any third party in the case of a mandatory repayment event.

If, owing to a mandatory repayment event (and notwithstanding the foregoing), a payment is revoked, reversed or made void, in such a way that: (i) the receiving NCB/ECB is prevented from crediting the RTGS account of the receiving participant; or (ii) the receiving NCB/ECB or the receiving participant is obliged to refund or reimburse, in whole or in part, the amount thereof processed through TARGET, then the sending NCB/ECB shall indemnify the receiving NCB/ECB in respect of any amount refunded or reimbursed, including all losses, costs, additional damages and liabilities, which the receiving NCB/ECB or the receiving participant is obliged to refund or reimburse or may incur as a direct result thereof; provided, however, that this indemnity shall not cover any indirect or consequential losses or damages, and shall be limited to the amount of the relevant payment order, together with interest thereon at the marginal lending facility rate from the date on which the relevant debit and credit entries were so revoked, reversed or made void and until the date on which the relevant debit and credit entries are reinstated or the amount of the transfer order is refunded or reimbursed to the receiving NCB/ECB.

**(d) Obligations and liabilities of the receiving NCB/ECB**

1. *Verification*

The receiving NCB/ECB shall check without delay all details contained in the payment order which are necessary for the appropriate credit entry to be made to the RTGS account of the receiving participant (including the unique identifier in order to avoid double crediting). The receiving NCB/ECB shall not process any payment orders which it knows to have been made in error or more than once. It shall notify the sending NCB/ECB of any such payment orders and any payments received pursuant thereto (and shall return any such payments received without delay).

2. *Settlement*

As soon as the receiving NCB/ECB has checked the validity of a payment order as referred to in sub section 1 of this Article 4(d), the receiving NCB/ECB shall without delay: (a) debit the amount of the payment order to the inter-NCB account of the sending NCB/ECB on its books; (b) credit the amount of the payment order to the RTGS account of the receiving participant; and (c) deliver a positive acknowledgement to the sending NCB/ECB. For the purposes of this Guideline, the settlement of such payment order and the payment shall become final in the meaning referred to in Article 4(c)(3) above for the receiving participant concerned at the moment at which its RTGS account referred to in (b) above is credited.

**(e) Transfer of responsibility for payment orders**

Responsibility for the execution of the payment order passes to the receiving NCB/ECB upon receipt by the sending NCB/ECB of a positive acknowledgement from the receiving NCB/ECB.

**(f) Regime for errors**

NCBs shall ensure that their respective national RTGS system complies with the error handling procedures included in the document identified in Annex 7, and the ECB shall ensure the same for the ECB payment mechanism. The allocation of responsibilities and liabilities in the case of error is also set out in the document(s) identified in Annex 7.

**(g) Relation to network service provider**

1. . [...]

2. As between themselves, neither NCBs nor the ECB will assume any liability to each other for any failure of the network service provider under standard FIN Services governed by the network service provider's User Handbook or under the TARGET Message User Group Service Agreement providing for additional service levels. It will be the responsibility of the NCB/ECB which has suffered the loss to claim compensation, if any, against the network service provider

through the ECB if the failure concerned is exclusively related to the TARGET Message User Group Service Agreement. Any such claims shall therefore be submitted without delay to the ECB to be made against the network service provider, and the ECB shall decide on the presentation and (as regards any such claim where one or more NCBs have incurred losses or are otherwise involved) the co-ordination of such claims.

## **Article 5**

### *Security provisions*

Each NCB shall comply with, and shall ensure that its respective national RTGS system complies with, the provisions of the security strategy and security requirements for TARGET included in the documents listed in Annex 8. The ECB shall also ensure the same for its part and in respect of the ECB payment mechanism.

## **Article 6**

### *Audit rules*

The internal auditors of the ECB and the NCBs shall assess compliance with the functional, technical and organisational features, including security provisions, as specified for the relevant TARGET components and arrangements referred to in this Guideline. These assessments will be performed subject to the principles and arrangements set out in the ESCB Audit Policy as it may be amended from time to time by the Governing Council of the ECB.

## **Article 7**

### *Management of TARGET*

1. The direction, management and control of TARGET shall fall within the competence of the Governing Council of the ECB. The Governing Council shall be entitled to determine the terms and conditions under which cross-border payment systems other than the national RTGS systems may use the cross-border facilities of TARGET or be connected to TARGET.
2. The management of TARGET shall follow the arrangements set out in Annex 7.
3. The Governing Council of the ECB is assisted by the Payment and Settlement Systems Committee (hereinafter referred to as the "PSSC") in all matters related to the TARGET system. For such purposes, the PSSC will set up a sub-group composed of NCB representatives for the

national RTGS systems. The sub-group shall have responsibility for, inter alia, the following functions:

- co-ordination and co-operation between national RTGS systems;
- elaboration of proposals for the continuous adaptation and for updating the technical and other rules and procedures of TARGET (including those set out in the Manual of Procedures) and for the adoption of necessary corrective measures; and
- organisation of TARGET relationships with network providers.

4. In accordance with the references to the managerial aspects in Annex 7, the daily management of TARGET is entrusted to the ECB TARGET Co-ordinator and to the NCB Settlement Managers:

- each NCB shall appoint an NCB Settlement Manager for the administration and monitoring of its respective national RTGS system;
- the NCB Settlement Manager shall have responsibility for the daily management of such national RTGS system and for handling abnormal situations and errors; and
- the ECB shall appoint the ECB TARGET Co-ordinator as the daily manager of the ECB payment mechanism and of the central functions of TARGET.

### **Article 8**

#### *Force majeure*

There shall be no liability for non-compliance with this Guideline to the extent that, and for so long as, there is an inability to perform the obligations in question under the Guideline, or such obligations are subject to suspension or delay, owing to the occurrence of any event arising from any reason or cause beyond reasonable control (including, but not limited to, equipment failure or malfunction, acts of God, natural disasters, strikes or labour disputes); provided that the above shall not prejudice the responsibility to carry out the error-handling procedures, referred to in Article 4(f) above and Annex 7, as far as possible despite the force majeure event, and to use all reasonable efforts to mitigate the effects of any such event while it is taking place.

### **Article 9**

#### *Dispute resolution*

1. Without prejudice to the rights and prerogatives of the Governing Council of the ECB, any disputes arising between NCBs or between any NCB and the ECB in connection with TARGET which cannot be settled by agreement between the Parties involved in the dispute shall be

notified to the Governing Council of the ECB and referred for conciliation to the PSSC referred to in Article 7(3) above.

2. In the event of such a dispute between NCBs, or between an NCB and the ECB, the respective rights and obligations to one another in relation to payment orders processed through TARGET and all other matters referred to in this Guideline shall be determined: (i) by the rules and procedures referred to in this Guideline and its annexes; and (ii) as a supplementary source in disputes concerning cross-border payments through the Interlinking, by the laws of the Member State of the seat of the receiving NCB/ECB.

## **Article 10**

### *Final provisions*

1. This Guideline shall be applicable as of the starting-date of the third stage of EMU. However, each of the NCBs shall communicate the texts and means through which they intend to comply with this Guideline to the ECB not later than 30 November 1998.
2. This Guideline is addressed to the national central banks of participating Member States.

Done at Frankfurt am Main on 16 November 1998.

On behalf of the Governing Council of the ECB

[signed]

Willem F. Duisenberg



## RTGS SYSTEMS

| <b>Member State</b>    | <b>Name of system</b>                                    | <b>Settlement Agent</b>                                | <b>Location</b> |
|------------------------|--|--|-----------------|
| <b>Belgium</b>         | Electronic Large-value Interbank Payment System (ELLIPS) | Banque Nationale de Belgique/Nationale Bank van België | Brussels        |
| <b>Germany</b>         | Euro Link System (ELS)                                   | Deutsche Bundesbank                                    | Frankfurt       |
| <b>Spain</b>           | Servicios de Liquidación del Banco de España (SLBE)      | Banco de España  | Madrid          |
| <b>France</b>          | Transferts Banque de France (TBF)                        | Banque de France                                       | Paris           |
| <b>Ireland</b>         | Irish Real-time Interbank Settlement System (IRIS)       | Central Bank of Ireland                                | Dublin          |
| <b>Italy</b>           | Banca d'Italia Regolamento Lordo (BIREL)                 | Banca d'Italia   | Rome            |
| <b>Luxembourg</b>      | Luxembourg Interbank Payment Systems (LIPS-Gross)        | Banque centrale du Luxembourg                          | Luxembourg      |
| <b>The Netherlands</b> | TOP  | De Nederlandsche Bank                                  | Amsterdam       |
| <b>Austria</b>         | Austrian Real-time Interbank Settlement System (ARTIS)   | Oesterreichische Nationalbank                          | Vienna          |
| <b>Portugal</b>        | Sistema de Pagamentos de Grandes Transacções (SPGT)      | Banco de Portugal                                      | Lisbon          |
| <b>Finland</b>         | Bank of Finland (BOF)                                    | Suomen Pankki  | Helsinki        |

**DOMESTIC PAYMENT FEES**

The price of domestic RTGS transfers in euro will continue to be determined at the national level, with reference to the principles of full cost recovery, transparency and non-discrimination and taking into account the fact that the price for domestic and cross-border transfers in euro should be broadly in the same range so as not to affect the singleness of the money market.

National RTGS systems shall disclose their fee structure to the ECB, to all other participating NCBs, to participants in national RTGS systems, and to other interested parties.

Methodologies to determine the costs of national RTGS systems will be harmonised to an adequate level.

### CROSS-BORDER PAYMENT FEES

The fee (excluding VAT) to be charged for cross-border payments through TARGET between direct participants will be based on the number of transactions sent by a participant within a single RTGS system, according to a degressive scale.

The degressive scale is as follows:

E1.75 for each of the first 100 transactions per month;

E1.00 for each of the next 900 transactions per month;

E0.80 for each subsequent transaction in excess of 1,000 per month.

For the purpose of the application of the degressive tariff, the payment volume to be considered is the number of transactions entered into by a same legal entity within a single RTGS system or the payment transactions entered by different entities for execution through the same settlement account.

The application of the above tariff scheme shall be reviewed from time to time.

Fees are charged only by the sending NCB/ECB to the sending participants in the national RTGS system/ECB payment mechanism (EPM). No fees are charged by the receiving NCB/ECB to the receiving participant. There shall be no charge for inter-NCB transfers, i.e. where the sending NCB/ECB is acting on its own behalf.

Fees shall cover the queuing of the payment instruction (if applicable), the debiting of the sender, the crediting of the inter-NCB account of the receiving NCB/ECB on the books of the sending NCB/ECB, the sending of the Payment Settlement Message Request (PSMR) via the Interlinking network, the debiting of the inter-NCB account of the sending NCB/ECB on the books of the receiving NCB/ECB, the crediting of the RTGS participant, the sending of the Payment Settlement Message Notification (PSMN) via the Interlinking network, the communication of the payment message to the RTGS participant/receiver and confirmation of settlement (if applicable).

The cross-border TARGET fee structure does not cover the costs of the telecommunications link between the sender and the national RTGS system in which the sender is a participant. The fee for this telecommunications link will continue to be paid according to the domestic rules.

National RTGS systems may not charge any fee for the conversion of transfer orders from national currency units into euro units or vice versa.

RTGS systems may charge extra fees for additional services they may provide (e.g. the entering of paper-based payment instructions).

The possibility of applying different fees according to the time of execution of the payment instructions shall be considered on the basis of experience gained during the operation of the system.

[...]

## TARGET HOURS OF OPERATION

TARGET and, therefore, NCBs and national RTGS systems participating in or connected to TARGET shall respect the following rules with respect to the time of operation.

1. The reference time for TARGET shall be “European Central Bank time”, defined as the local time at the seat of the ECB.
2. TARGET will have common operating hours from 7 a.m. to 6 p.m.
3. Early opening, before 7 a.m., may take place after prior notification has been sent to the ECB:
  - (i) for domestic reasons (e.g. in order to facilitate settlement of securities transactions, to settle balances of net settlement systems, or to settle other domestic transactions, such as batch transactions channelled by NCBs into RTGS systems during the night), or
  - (ii) for ESCB-related reasons (e.g. on days when exceptional payment volumes are expected, or in order to reduce foreign exchange settlement risk when processing the euro leg of foreign exchange deals involving Asian currencies).
4. A cut-off time for customer payments (both domestic and cross-border) of one hour before the general TARGET closing time shall apply; the remaining hour will be used only for interbank payments (both domestic and cross-border) to transfer liquidity between participants. Customer payments are defined as payment messages in the MT100 format, or equivalent national message format (which would use the MT100 format for cross-border transmission). The implementation of the 5 p.m. cut-off time for domestic payments is to be decided by each NCB in co-operation with its banking community. In addition, NCBs may continue to process domestic customer payments which were in a queue at 5 p.m.

**TECHNICAL PROVISIONS AND SPECIFICATIONS**

1. Interlinking User Requirements - Version 1.30 - 2 July 1996
2. Interlinking Specifications - Version 1.31 - 20 November 1997
3. Interlinking Data Dictionary - Version 1.30 - 26 September 1997
4. Minimum Common Performance Features for RTGS systems within TARGET - Version 1.30 - 26 September 1997

**TARGET MANAGEMENT AND MANUAL OF PROCEDURES**



**TARGET MANAGEMENT AND MANUAL OF PROCEDURES**

**SECURITY PROVISIONS**

[...]