

THE IMPLEMENT ROLE OF TARGET SYSTEM FOR HIGH VALUES

Voica Irina – Elena

Constantin Brancusi University of Targu-Jiu, Faculty of Economics, Aleea Teilor Street, Building 8, No. 2, Apartment 19, E-mail irynavoica@yahoo.com, Phone: 0723553659

The Target system, one of the most worldwide used payment system, continued to participate in fitting process of monetary market in euro currency and to play a major role in the task of putting in harmony application the single monetary policy. The system is conceived in order to allow the initially payment to be finish in a matter of few minutes, through a special communication network (interlineking system). TARGET is the main tool for introduction the. Eurosystem policy and create one single banking market in Europ.

Keyword: Target system, highly value transfers, electronic transfers, cash flow

The introduction of euro currency since 1999, determined the achievement of all financial transactions between these states in new settlement coin. This issue implied the adoption of one unique payment method between the countries from euro zone, which is connect to national payment systems of the member states.

Nowdays, to European Union level is working the payment system of inter-banking high value transactions, known under name of TARGET (Trans-European Automated Real-Time Gross Settlement Express Transfer System). The procedure was initiated since 1995 by European Monetary Institute de Institute (becoming later European Central Bank) and was in operational phase since january 1999.

The TARGET system is composed from 15 national payment systems RTGS (National Real Time Gross Settlement System), connected/linked through one electronic automate processing dates network, to whom it adds the own payment system of European Central Bank EPM (European Central Bank Payment Mechanism).

Through this mechanism has done approximate 90% from highly value transfers of European Union, having the role of ensurance the payments made between european central banks, on raw base and in real time, no matter the system used by every country and minimize the risk of no payment until this risk nearly vanish.

The TARGET system structure is one of uncentralised type, including:

- the national systems with raw payments made in real time from member countries;
- the supervise mechanism of Central European Bank;
- the interconnect network between central banks.

The European Central Bank' s role is not to involve in the payment system, but hold one control system which allows the working day closing into a final and irrevocable position. In change, the central national banks detain the task to collect the payment messages from the internal participants and to transmit only in available fund limits of them and in limit of granted credit facilities.

The direct participants to electronic transfers through TARGET method are the banks and internal credit institutions .The central banks could authorise other institutions to participate in system as treasury departments of member states, the compensating/clearing houses and discount institutions, the financial investment firms, other institutions from public area who can open accounts to customers, all authorised and supervised by central bank ot other authorities recognised/high reputation in this field. The admission of straigth/direct members is make accordingly to adequate financial capacity of instutution, taking into account the minimum number of transactions, the necessary technical understructure in concordance to the standard level and central bank approval.

The architecture of target eurosystem includes one technical element and one outlook of interconnect of central banks with European Central Bank through a communication network, named Interlinking throughout are changing the payment messages. Too, the central banks have to their disposal one Standard

Interlinking element, which ensure the message transforming from internal standard to community standard. The structure and functioning mode of TARGET procedure is illustrate in Figure no. 1.

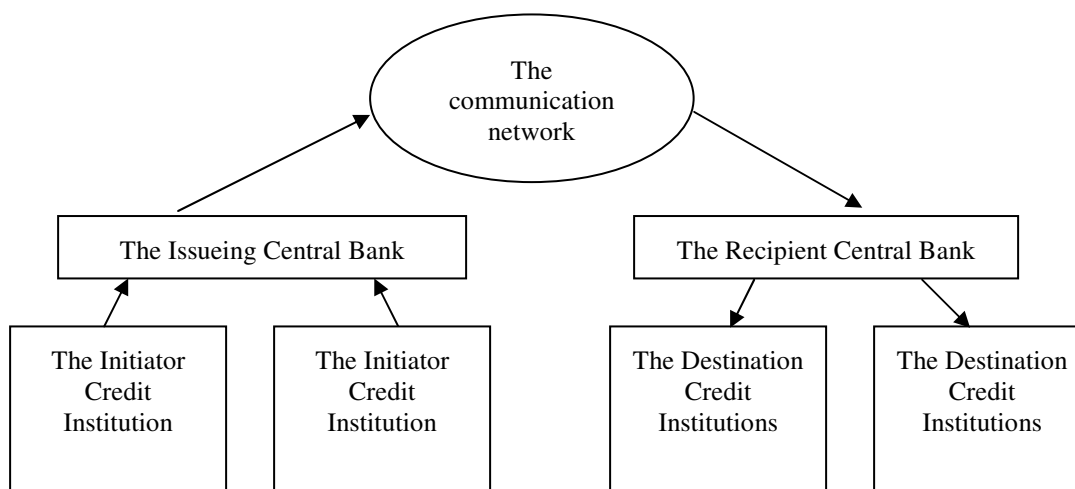


Figure no.1 The operational cash flow of payments through TARGET system

The operational payment flows through target method are illustrated below:

- the initiator credit institutions transmit the codify payment message to the central bank from own country;
- the issueing central bank verifies the message transmitted by the initiator credit institutions (un-codify, verify the bank's code), validates the payment, formats the message and transmits it through the communication network to the recipient central bank;
- same time, pour forth/debt the initiator's bank account and credit the interlinking-initiator bank account;
- the recipient central bank verifies the message, the recipient bank affiliation and retransmit the payment message to the recipient credit institution; simultaneously, debt the interlinking-issuing bank account and credit the recipient bank account;
- the recipient bank must to confirme, in a 30th minutes timeframe, to the initiator bank, the payment discount.
- In the frame of TARGET system can be develop the following application types, illustrating as a rule the credit transfers:
 - direct/straight payments in connection to central banks operations of eurosystem;
 - discount the account balances for high values payment systems;
 - the internal banking payments system and commercial payments.

The TARGET system takes part to optimum functioning of monetary market in euro coin expression and, thanks to the fact that credit operations are make through this system, has a major role in introduction of unique/single monetary policy. Through the TARGET system are processing a lot of other payment operations, due the fact that those issues offer discount services in real time in central bank's money, having a vaste market covered. Still the begining, TARGET functioned/worked without problems and full of success, having, accordingly to statistics, an increasing trend regarding the discount of bigger and bigger number of high value payments in euro.

As an example in 2006 year, 89% from total volume of high value payments in euro, had been proceeded through this system. The daily average/mean of payments proceeded through discount system TARGET was increased with 10%, both volume and value point of view. From the following tabel (Tabel no. 1) which illustrates the payment traffic TARGET in 2006 year, by comparison with the registred traffic from the previous year, it has been ascertained an increase of the transaction volumes and values. 96,75% from total amount of payments between member states, had been proceeded in a time frame of five minutes.

		2005	2006
The transactions volume (no.)			
Total	Total	76.150.602	83.179.996
	Daily Mean	296.306	326.196
Intra- member states	Total	58.467.492	64.162.211
	Daily Mean	227.500	251.617
Inter-member states	Total	17.683.110	19.017.785
	Daily Mean	68.806	74.580
Value (thousand million. Euro)			
Total	Total	488.900	533.541
	Daily Mean	1.902	2.092
Intra- member states	Total	324.089	348.764
	Daily Mean	1.261	1.368
Inter-member states	Total	164.812	184.777
	Daily Mean	641	725

Tabel no.1 The payment traffic Target

Source: Central Bank European

It is available to all credit transfers in euro between the interconnected banks, without any lower or upper limitation regarding the transfer value. The transfers can be proceeded both, between the banks from the same member state, also between the banks from different member states.

The TARGET system is conceived in order to allow an initiate payment to be finish in a maximum timeframe of few minutes. This timeframe, named operational time, starts from the moment when is proceeding the debt account of the person which send the money and it finishes in moment when credit the transfer beneficiary's account. Same time with confirmation, by the system, of recipient address, takes place simultaneously the credit of beneficiary's account, who can dispose immediatly by the money.

The TARGET system is functioning only in working days ,from Monday to Friday, to 7 a.m. to 6 p.m., to which it adds the exceptions afferent to national happiness days when the respective elements are closed.

By the day's end, the banks detain highly debit positions or highly credit positions, in report to the compensate system.Until next day, one of them become owner of deposits which must to be placed in investments, others hold debt positions and must to obtain short term deposits in order to resist to specific obligations from the payment system. The intermediary is the National Central Bank. The management rate of interest used for this proceeding has the goal to equal the value of one economical indicator illustrating the monetary policy in short term operations.

In order to ensure one highly operativity degree for proceeding the payments through this system, in order to be possible the payment facilities through open positions, the participate banks must to hold some supplementary warranties. Based on these quaranties, the participate banks could obtain daily free credits granted by the National Central Banks.

The warranties afferent to credits offered in euro coin are settled by every National Central Bank and could result also from other Central Banks.The credit mechanism represents a main component of monetary policy system introduced by National Central Banks, to Central Bank European recommndations.

Due the major role of central pillar, which is played by this system on market and due to cover area, is essential to ensure an appropriate protection level against one extended risks area, in order to ensure an

efficient functionality, without problems. It is an important issue the settlement of some emergency measures against an eventually system risks, which can affect the payments with highly importance degree. The system risk supposes” undoing the payment obligations by one participant could conduct others participants to difficulties, generating thus a chain reaction, which will determine a general financial crisis. The system must ensure the achievement of these payments without delays, even in especially times. In this direction, the eurosystem method established emergency measures for proceeding ensuring these payments in a good manner, even in a mistaken function of it.

To central banks level, series of extra tests proceeded, and these tests demonstrated the efficiency of eurosystem emergency measures, also the fact that it gathered all the conditions in order to vouch for function without disorders in a crisis situation.

Due to the extent volume of operations made through TARGET, the euro area extended and the increasing of transaction volumes, were introduced since November 2007, a better system:TARGET2.This system allows the access for all participants to the same kind of services, allows using of one unique commision for national and foreign operations, answering to new exactingness imposed by users.

TARGET2 benefits by one single platform (instead of uncentralised platforms) offering new supplementary services(for example: payments ordering, proceeding of programme payments).

The European Union's wish is to create, since 2008, a Single Area Euro Payments - SEPA for companies and citizens.First step in this direction was made by introduction of upper version to TARGET system, named TARGET 2. Supplementary to efficiency increasing by using the same system both for internal and foreign payments, the advantages of this new system consist also in harmonize the service's qualities offered by european banks, the access to consolidate informations and the possibility to improve management of money flows.

The Single Area Euro Payments realization is possible only by joint efforts of all european states, which must to metamorphose gradually the national payment systems into pan-european systems. Too, the instruments, services and national standards must to be substituted with the same pan-european items.

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