



# TARGET2 Newsletter

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The objective of the TARGET2 Newsletter is to inform the user community and the general public about relevant issues surrounding the TARGET2 system in operation.<sup>1</sup> The Newsletter contains articles of special interest, and provides insights and opinions from relevant system participants.

## Introduction

The second issue of the TARGET2 Newsletter was published on 18 December 2009. Since then, the TARGET2 system has continued to perform smoothly, with the TARGET2 single shared platform reaching 100% availability. In the first half of 2010, TARGET2 settled a daily average of 351,029 transactions with a total value of €2,318 billion. With a market share of 60% in terms of volume and 90% in terms of value, TARGET2 maintained its dominant position in the market for large-value payments in euro. The stability of TARGET2's market share confirms banks' strong interest in settlement in central bank money, particularly in times of market turbulence. In February 2010, after having carried out the necessary preparations and testing activities, Българска народна банка (Bulgarian National Bank) and its national user community connected to TARGET2. In total, 23 central banks of the EU and their respective user communities are connected to TARGET2: the 17 euro area central banks (including the ECB)<sup>2</sup> and six central banks from non-euro area countries.<sup>3</sup>

The Eurosystem is currently engaged in the implementation of system release 4.0 (November 2010) and the definition of the content for system release 5.0 (November 2011). In system release 4.0, the Eurosystem is developing internet-based access to TARGET2. It will consist of an alternative connection mode to the Single Shared Platform (SSP) that offers direct access to the main TARGET2 services, but without requiring a connection to the SWIFT network. A user consultation carried out in 2009 indicated that some smaller European institutions were interested in holding an account with their central bank, particularly in those countries in which proprietary home accounts (PHAs) are being phased out. System release 4.0 is planned to start operations on Monday, 22 November 2010.

The Eurosystem appreciates the recent feedback received from the user communities on proposals for functional changes for system release 5.0. A newly created template enabled the proposals, including a

- 1 In the following paragraphs, the references made to the first-generation TARGET system (which was in operation from January 1999 to May 2008) are also applicable to its second-generation successor, TARGET2 (which has been in operation since November 2007). Indeed, the second-generation system continues to provide euro RTGS services, but with significant improvements. This is the reason for both the first and second-generation systems being referred to as "TARGET" in many instances in this newsletter, i.e. no distinction is made between TARGET and TARGET2.
- 2 The central banks of Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Portugal, Slovenia, Spain and the Netherlands, as well as Malta and Cyprus, which joined the euro area in January 2008, and Slovakia, which joined the euro area in January 2009.
- 3 Denmark, Poland, Estonia, Latvia, Lithuania and Bulgaria.



business case and a precise description of functional changes, to be received. A subset of proposals has been identified for release 5.0 and the final content of release 5.0 will be published on 15 November 2010.

### About the TARGET2 Newsletter

The third issue of the TARGET2 Newsletter contains one article and one interview: a comparison of the US Fedwire Funds system with TARGET2, and an interview with Dieter Becker from the ECB. Two boxes provide information on the recently published items on the TARGET2 website and on the main TARGET2 indicators in the first half of 2010, while two charts depict TARGET2 traffic trend in detail. The final part of the Newsletter includes a calendar of events and details of where to find further information on TARGET2.

On Tuesday, 18 May 2010 the Eurosystem published the TARGET Annual Report 2009. Chapter I of the Report provides information on the TARGET2 system and background information on its predecessor. Chapter II details TARGET2 traffic, its performance and the main developments that took place in 2009. The annexes provide details of the main features of TARGET2, as well as a chronology of developments in TARGET/TARGET2. The report contains seven information boxes on current topics of interest, such as the role of TARGET2 in the settlement of commercial payments and the internet-based participation in TARGET2, which is scheduled to go live in November 2010. Lastly, the report contains a list of general terms and acronyms, and a glossary. The press release and the TARGET Annual Report 2009 can be downloaded from the TARGET2 section of the ECB website.<sup>4</sup>

On 8 September 2010 the European Central Bank (ECB) published an assessment report on the implementation status of the Eurosystem's business continuity oversight expectations for systemically important payment systems. The assessment was carried out as part of the Eurosystem's oversight task and confirmed that the business continuity and crisis communication arrangements of the assessed systems, including TARGET2, are maintained at high standards by the respective operators. The assessment report on the business continuity oversight expectations can be accessed and downloaded from the ECB's website.<sup>5</sup>

### Recently published on the TARGET2 website

<https://target2.ecb.europa.eu>

- 15 October: Minutes of the September 2010 joint meeting of the TWG and the WGT2
- 11 October: Consultation on a possible TARGET2 strategy for ISO 20022
- 1 October: ICM Handbook I v. 4.0 for SSP release 4.0
- 1 October: List of TARGET2 participants
- 29 September: Information Guide for TARGET2 pricing (version 2.0)
- 17 September: Communication on 2nd user consultation for SSP release 5.0
- 9 September: Communication on testing activities for SSP release 4.0: Start of User testing
- 16 August: System requirements for SWIFT based access to SSP release 4.0
- 10 August: Additional Q&A on the Internet based access
- 9 August: Pre-version of ICM User Handbook
- 7 July: July 2010 update of the list of TARGET2 participants
- 2 July: Schema files for SSP release 4.0 (November 2010) and updated version of the „Additional Information ASI“ document for release 4.0
- 30 June: User Manual for the public key certification service and security requirements for the Internet-based access
- 8 June: Communication on the SSP testing environment in August 2010
- 7 June: EURO1 completed its settlement in record time, using the Ancillary Systems Interface (ASI) for settling in TARGET2 for the first time
- 7 June: Revised table with settlement times of ancillary systems
- 18 May: TARGET Annual Report 2009
- 18 May: Communication on the list of changes for SSP release 5.0 (November 2011) - items shortlisted for detailed assessment

<sup>4</sup> <http://www.ecb.europa.eu/pub/pdf/other/targetar2009en.pdf>

<sup>5</sup> <http://www.ecb.europa.eu/press/pr/date/2010/html/pr100908.en.html>

## Special interest article

### A real-time gross swap<sup>6</sup>

*The world's two largest real-time gross settlement systems are TARGET2 for the euro and Fedwire®Funds<sup>7</sup> for the US Dollar. If compared, the two systems show a number of similarities as well as differences, as the two authors experienced when they swapped positions: Bob Bucco spent one year at the European Central Bank in Frankfurt am Main, while Patrick Papsdorf spent one year at the Federal Reserve Bank of New York.*

Compared to Fedwire Funds, TARGET2 is a rather young system. But neither should one speak of Fedwire Funds as an “oldie” nor of TARGET2 as a “youngster”. In fact both systems look back to a long tradition of their respective central banks in providing payment services, in particular immediate settlement in central bank money. At the same time, both systems are continuously evolving in terms of services and security and are leveraging technological advances to provide state-of-the-art services. Overall Fedwire Funds and TARGET2 can be described as the backbone of the financial infrastructure of the US dollar and the euro respectively.

#### Background on Fedwire®Funds

The **Fedwire Funds** service is the Federal Reserve's large-dollar electronic payment system. As a real-time gross settlement system, the Fedwire Funds service, like TARGET2, initiates, processes, and settles individual payments between participants immediately in central bank money. Once processed these payments are final, i.e. irrevocable and unconditional.

From a historical perspective, Fedwire Funds can trace its origins back to the early 1900's. When the Federal Reserve Banks first opened in 1914, the movement of funds between Reserve Banks and among depository institutions usually required the physical shipment of currency or gold. Then in 1918 the first dedicated funds transfer network was introduced, and it used the most sophisticated “wire” technology of the era, that being Morse Code. The evolution of Fedwire Funds continued throughout the century, and as communications technology became increasingly sophisticated and reliable, and as computers provided high speed processing capabilities, Fedwire Funds leveraged those technological improvements throughout the decades to build increasingly more sophisticated communication networks and increasingly complex processing systems.

The technological evolution continues to drive change. Beginning in late 2004 and continuing through 2006, Internet protocol (IP) based customer access to Fedwire replaced dial connections that used a DOS based software package for the mid-size to small volume customer tier. For the larger volume, computer interface customers, IP access via a direct connection to the Federal Reserve was introduced for Fedwire Funds customers in late 2006 and full customer migration to the IP based access channel was completed mid-year 2009.

#### Background on TARGET2

**TARGET**, the Trans-European Automated Real-time Gross settlement Express Transfer system, was the first-generation RTGS system for the euro and commenced operations on 4 January 1999 together with the launch of the euro. TARGET was developed by the Eurosystem, the central banking system of the euro area, and offered payment services which transcend national borders in the European Union (EU). The Eurosystem created the TARGET system for the settlement of large-value payments in euro and with this it facilitated a rapid integration of the euro money market. Albeit being introduced only 11 years ago, it should be kept in mind that almost all participating central banks provided RTGS and payment services prior to the implementation of TARGET. In that regard, TARGET was designed as a system-of-systems, i.e. the local RTGS systems (like the Dutch TOP, the German RTGS<sup>PLUS</sup>, the Austrian ARTIS or the Italian BIREL) were inter-connected by the so-called Interlinking component and an approach of minimum harmonisation was introduced (e.g. operating times or contingency measures).

<sup>6</sup> The views expressed in this article are those of the authors and do not necessarily reflect those of the European Central Bank or Federal Reserve Bank of New York. Moreover, the article is edited according to the style of the authors.

<sup>7</sup> Fedwire® is a registered service mark of the Federal Reserve Banks. A complete list of marks owned by the Federal Reserve Banks is available at [www.frbservices.org](http://www.frbservices.org).

In November 2007 the enhanced second-generation **TARGET2** was introduced. As main difference to TARGET, TARGET2 is based on a single technical platform, which was developed and is now operated by three National Central Banks on behalf of the entire Eurosystem, and provides harmonised services to all TARGET2 participants based on a single pricing structure. As a result, liquidity management across the entire system has been facilitated and a bank can manage its euro liquidity across TARGET2 as if it was in a single account.

Today's Fedwire Funds and TARGET2 system are the result of a long history and great experience of central banks in providing RTGS services. Interesting is hereby that both systems have developed from a multiplicity of platforms towards a single technical platform that serves the whole US and the euro area respectively. Not surprising either is that both systems have similar objectives, namely to provide a safe and reliable mechanism for the settlement of payments on an RTGS basis, to increase the efficiency of payments within the respective currency area, and, most importantly, to serve monetary policy needs. In serving these objectives both systems have a reach across the financial industry and are instrumental in promoting an integrated money market, which is a prerequisite for the effective conduct of the single monetary policy. Whether a US dollar payment from New York to San Francisco or a euro payment from Rome to Dublin, the systems can ensure the processing in real time – presupposed that enough funds are available on the sender's account. In case of TARGET2 this was a very important achievement in view of the introduction of the euro and the integration of the euro financial markets.

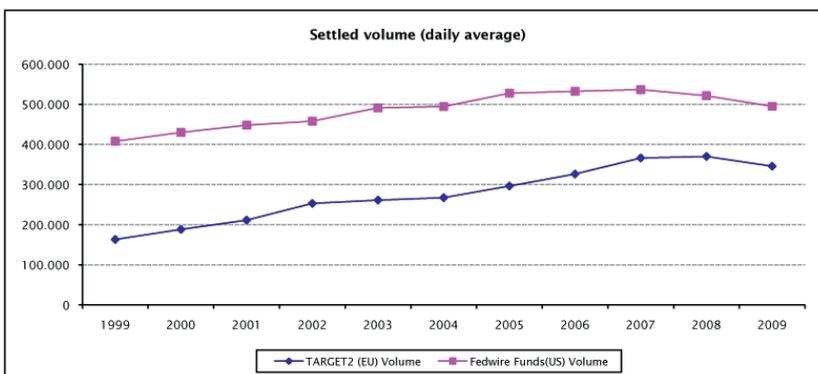
The differences in the organisation of financial services or in the structure of the financial market are just a few examples that may explain differences between TARGET2 and Fedwire Funds, which for instance can be observed in terms of operating times, services offered beyond the pure payments settlement, technology used for the systems' architecture and communication, account structure or settlement of other market infrastructures in central bank money. Still, TARGET2 and Fedwire Funds face similar challenges, market demands and regulatory oversight requirements as they share similar objectives, play similar roles and have similar participants.

In order to address the ever-increasing interconnections and interdependencies that are brought along with the trends of globalisation and internationalisation, TARGET2 and Fedwire Funds maintain a fruitful dialogue at various levels and fora. The swap of the authors, the first one of that kind, illustrates the importance and the transparent approach that the ECB and the Eurosystem as well as the Federal Reserve Bank of New York and the Federal Reserve System pay to the cooperation between TARGET2 and Fedwire Funds.

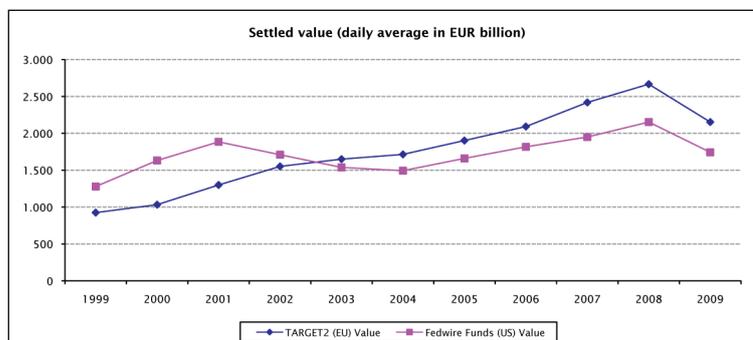
**Some figures**

Fedwire Funds and TARGET2 share to be the world's largest RTGS systems. In 2009 TARGET2 processed a daily average of 345,768 transactions, representing an average daily value of EUR 2.2 trillion. In other words, the equivalent to the euro area's annual GDP is settled in TARGET2 each

3.5 days. By comparison, in 2009 Fedwire Funds processed an average daily volume of 494,965 transactions, representing an average daily value of USD 2.5 trillion. The equivalent to the US annual GDP is settled each 5.6 days in Fedwire Funds.



Albeit being primarily designed to settle interbank payments of large value, an equivalent share of transactions processed in both TARGET2 and Fedwire Funds are of lower value (in TARGET2 the median value is approximately EUR 10,000; in Fedwire Funds the median value of a Fedwire Funds



transfer is approximately \$17,000) expresses the market's demand to settle certain lower value but important and time sensitive payments in central bank money in real time with immediate finality. Besides providing settlement on a real-time basis, TARGET2 also offers various liquidity saving features such as

consolidated and virtual accounts, sender limits, prioritisation of payments, reservation of liquidity or queue management. A similar demand for such liquidity and collateral saving features has not materialised in the US financial markets, which may be explained with the differences in the organisation of banks (e.g. banks have already a rather streamlined liquidity management across the districts of the Federal Reserve System and somewhat concentrated to the district of the Federal Reserve Bank of New York) and structure of accounts held at the Federal Reserve System (single accounts serving multilateral purposes like the settlement of the Fedwire® Securities service or National Settlement Service). Both TARGET2 and Fedwire Funds provide intraday credit against eligible collateral free of interest. In Fedwire Funds this policy was introduced only recently and it is still possible under certain conditions to obtain intraday credit without providing collateral but by paying an intraday interest rate.

In terms of pricing, Fedwire Funds charges a lower transaction fee compared to TARGET2 but assesses fees to both the sender and the receiver, whereas in TARGET2 only the sender pays the transaction fee<sup>8</sup>. In case of the ancillary system service, all the fees are charged to ancillary systems. Both systems are treated like quasi-private firm products and are obliged to cost recovery principles (in Fedwire Funds the private sector adjustment factor (PSAF) includes also the recovery of imaginary profits). These principles are taken very seriously and their fulfilment is subject to oversight from governance bodies, as well as audit.

### Broad participant structure

A further similarity between the two systems lies in the broad participant structure. Unlike a tiered system, both systems offer services that fulfil the requirements of small and mid-size banks, as well as of larger and multi-country banks. This materialises for instance in the pricing schemes that take into account the requirements and resources of both relatively smaller and larger banks. Another example is the possibility to access the TARGET2 information and control module (ICM) in user-to-application mode (U2A) or application-to-application mode (A2A) or the possibility for smaller banks in the US to access Fedwire Funds service through an IP based access channel.

To provide some comparative figures on the aspect of participation, TARGET2 has a total of 930 direct participants and these direct participants registered 3,687 indirect participants from the European Economic Area (EEA) and 12,800 correspondents worldwide. Fedwire Funds has approximately 8,000 participants, and it is a somewhat concentrated business. For example, the top 25 customers account for roughly 60% of the total volume and over 69% of the total value originated. In TARGET2, the business is not so concentrated around few banks. In fact it is much more distributed as the top 25 customers account only for about one third of the value processed in TARGET2.

While the Eurosystem offers TARGET2 and is progressing on the projects of TARGET2 Securities and CCBM2, the Federal Reserve offers in addition to Fedwire Funds, the Fedwire Securities Service and the National Settlement Service. The Fedwire Securities Service provides safekeeping, transfer, and delivery-versus-payment settlement services to US depository institutions and US branches and agencies of foreign banks. The Fedwire Securities system maintains in electronic form all marketable

<sup>8</sup> In the case of an MT204 (Direct Debit) the debited party pays the transaction.

US Treasury securities, as well as many federal government agency, government sponsored enterprise (GSE) and certain international organisations securities. The Federal Reserve Banks, in their capacity as fiscal agents, facilitate the issuance of book-entry securities to the Fedwire Securities Service participants. The National Settlement Service (NSS) is a multilateral settlement service owned and operated by the Federal Reserve Banks. NSS was designed to minimize financial institutions' settlement costs and limit credit and liquidity risks associated with settlement. The service is offered to depository institutions that settle for participants in clearing houses, financial exchanges and other clearing and settlement groups. Settlement agents, acting on behalf of those depository institutions in a settlement arrangement, electronically submit settlement files to the Federal Reserve Banks. Files are processed on receipt, and entries are automatically posted to the depository institutions' Federal Reserve Bank accounts. The service provides Fedwire-like payment finality and uses the same risk controls as those used for the Fedwire Funds Service.

When it comes to ancillary systems and their settlement in central bank money, like other payments systems, securities settlement systems or central counterparties, it should be mentioned that TARGET2 facilitates the euro settlement of ancillary systems with the so-called ancillary systems interface. This is a standardised interface that offers ancillary systems broad access to the participants and a range of functionalities, and to banks in particular the possibility to use one RTGS account for the (cross-border) settlement of transactions stemming from ancillary systems.

### **Accessibility and Availability**

A further difference between TARGET2 and Fedwire Funds lies in the communication and messaging channels used. TARGET2 uses the messaging service provider SWIFT and the communication may take place through the above mentioned ICM using SWIFTNet InterAct and SWIFTNet Browse, the ancillary system interface (ASI) using SWIFNet FileAct and SWIFTNet InterAct or the standard participant interface using SWIFTNet FIN. In the near future an additional access to the ICM based on the Internet will be offered. Fedwire Funds access is based on the Federal Reserve Banks' FedLine access solutions, which provide financial institutions with direct access to all Federal Reserve Financial Services information and critical payment services (e.g. Fedwire Funds, Fedwire Securities, Fed ACH or National Settlement Service).

Differences do also exist in terms of operating times: TARGET2 is closed every Saturday and Sunday and on six holidays. The day trade phase starts at 7 p.m. of the preceding day, if it is not a TARGET holiday, and closes at 6 p.m. of the actual day. The operational day can be distinguished into two main phases, the night time settlement from 7:30 p.m. to 6:45 a.m. (interrupted by a maintenance period of 3 hours between 10 p.m. and 1 a.m.). During the night only limited business is allowed, more precisely business that is related to the settlement of ancillary systems. The day trade phase commences at 7 a.m. and ends at 6 p.m. During the day trade phase there is a cut-off for customer payments at 5 p.m. and the last TARGET2 opening hour is reserved for interbank transactions allowing banks to square their cash balances.

The Fedwire Funds Service is open Sunday evening through Friday evening each week. The only exception to the schedule is for the ten Federal Reserve holidays. Fedwire Funds operates on a 21.5 hour schedule each business day. So, the system is open for the current business day at 9 p.m. on the preceding calendar day, and closes at 6:30 p.m. of the current business day. Customer (Third Party) transfers are accepted until 6 p.m. and, similar to TARGET2, the final 30 minutes of the Fedwire Funds operating day is reserved for bank to bank settlement transfers.

In light of the importance of TARGET2 and Fedwire Funds for the functioning of the financial system and of the knock-on effects that any potential malfunctioning could have to other market infrastructures, financial institutions and currencies, both central banks pay highest attention to ensure the smooth operations of the systems. This is clearly underlined by the achieved availability rates, with a 99.998% availability in TARGET2 in 2009 and a 100% availability in Fedwire Funds in 2009. In the event that an incident occurs notwithstanding all precautionary measures, both market infrastructures have effective means and measures available allowing them to be up and running within few hours and to continue processing at least the most critical business meanwhile. The technical resiliency components of both TARGET2 and Fedwire Funds are regularly tested with

participation from key system participants and complemented by continuous reviews often using tabletop or simulation exercises.

### **What ranks on the agenda?**

Last but not least, it is worth mentioning what ranks high on the agenda of the two systems today. It goes without saying that both infrastructures are striving for continuous development and leveraging technical advance to grow their services and security further. For instance, TARGET2 is currently reviewing how to accommodate to the UNiversal Financial Industry message scheme UNIFI – ISO20022 which offers the system various opportunities for development. In Fedwire Funds, a lot of efforts are being made to migrate the system to a distributed network technology.

TARGET2 and Fedwire Funds are also continuously exploring how to further develop and improve the services in consideration of the needs of monetary policy, financial stability and the market. These efforts do not only take into account the relatively larger banks but also the smaller or medium sized players. A recent example of such effort is that TARGET2 will introduce an internet-based access to TARGET2 for smaller banks. A further example for taking on board market demands is Fedwire Funds moving into the direction of offering the carriage of remittance information together with the payments.

Besides initiatives and investment decision driven by market analysis which aim at equipping the infrastructure with reliable, robust and customer oriented services, TARGET2 and Fedwire Funds are systemically important payment systems and subject to oversight. In this context, it should be mentioned that both TARGET2 and Fedwire Funds are of course fully compliant with the Core Principles for Systemically Important Payment Systems.

### **In a nutshell**

In a nutshell, the authors share the view that the achievements of both the Eurosystem and the Federal Reserve System are outstanding. TARGET2 and Fedwire Funds are highly regarded financial market infrastructures that provide a stable backbone to the financial market they are serving. In particular in times of stress their strength and operational performance proved to be an important and reassuring factor for the market players.

We have seen that the systems are managed and operated by highly professional teams that have the dedication and spirit to provide a competitive product that serves the needs of monetary policy and the market. Besides differences for instance in view of offered services, technical architecture or organisation, TARGET2 and Fedwire Funds have several similarities and the continuous cooperation between the central banks standing behind TARGET2 and Fedwire Funds provides a leveraging opportunity. We are looking forward to the future cooperation to exchange views on the challenges and opportunities that are lying ahead.

If you want to know more TARGET2 please visit [www.ecb.int](http://www.ecb.int). For Fedwire Funds please go to [www.frb-services.org](http://www.frb-services.org).

#### **Bob's view**

Instead of Fedwire Funds, it was TARGET2. Instead of Federal Reserve District Bank, it was National Central Bank. Instead of dollar, it was euro. Instead of train station, it was Hauptbahnhof. Instead of baseball, it was soccer!

During the one year I spent working for ECB and living in Frankfurt, Germany, I found many things that were different from the Fed and the USA.

But I also found many things that were the same. Payment and settlement systems exhibit common characteristics. ECB's approach to the management of complex projects, financial analyses, market intelligence and business continuity planning shares many aspects of what is done at the Fed.

And while I was unfamiliar with the specifics of ECB, the euro zone and the European System of Central Banks (ESCB) processes, my experience at the Fed positioned me to ask the questions I needed to ask to understand much of what was happening around me.

I worked in Directorate General – Payments and Market Infrastructure (DGP). All of my assignments were within the mandate of Payment and Settlement Systems Committee (PSSC) and included work on business continuity, finances and market analysis.

The colleagues at ECB were kind and cordial. We had many discussions comparing Fed processes to ECB's. What continues to strike me is the remarkable achievements ECB has made in terms of bringing together different peoples from different nations and reaching an unprecedented level of cooperation.

On the personal side, my wife took a sabbatical from her job as a teacher and had a one year holiday. She enjoyed being on holiday so much that she has recently left teaching and now is on holiday every day. We lived in an apartment near Grüneburg Park and Palmengarten. Frankfurt is a lovely city and we thoroughly enjoyed our time there. We were able to visit many locations in Europe. We had great neighbours in Frankfurt and met many friendly folks in the places we visited.

We enjoyed ourselves immensely and have many warm memories of our one year adventure in Europe.

#### **Patrick's view**

After the migration from TARGET to TARGET2 was completed in May 2008, the ECB and the Federal Reserve Bank of New York (NY Fed) gave me the opportunity to spend one-year working at the NY Fed. Of course, such experience went far beyond seeing a different business area. Besides some distinctive differences between Mainhattan and Manhattan, I experienced a different working environment, organisation and culture. I got the chance to get an insight into the Federal Reserve System, in particular the NY Fed, the US financial market and its financial market infrastructures. The welcome I received and the support from both the NY Fed as well as from ECB's management was outstanding.

My office was located within the Wholesale Product Office (WPO), the business area that manages Fedwire Funds, Fedwire Securities and the National Settlement Service. A very professional, well connected and highly motivated group is entrusted with this difficult and very interesting task. I met this team during challenging times as while I worked in New York Lehman Brothers filed for bankruptcy and the financial crisis augmented. During that time of stress I was fully integrated in the team, I followed presentations, I participated in various internal and external meetings, and I tried to contribute my part to various tasks on the side of both Fedwire Funds and Fedwire Securities.

My Federal Reserve colleagues were very interested in understanding the Eurosystem and TARGET2 better, and I was invited to contribute presentations and information at various occasions. Together with Bob's presence in Frankfurt, I believe we made the first swap between the ECB and the Federal Reserve Bank a great success and contributed to alleviate future understanding and cooperation.

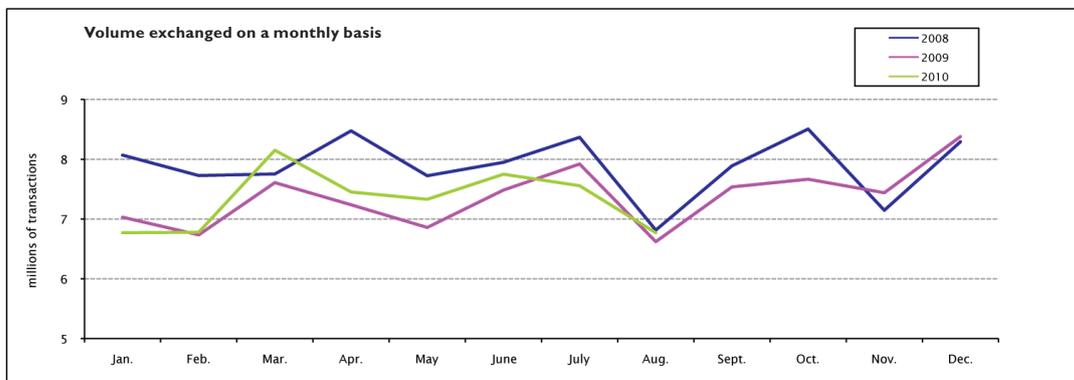
Out of all the various experiences and impressions, I am of the opinion that the greatest achievement of the swap was to understand and value differences – the motto "e pluribus unum" that can be found on US dollar coins maybe expresses this best.

## Main TARGET2 indicators in the first half of 2010

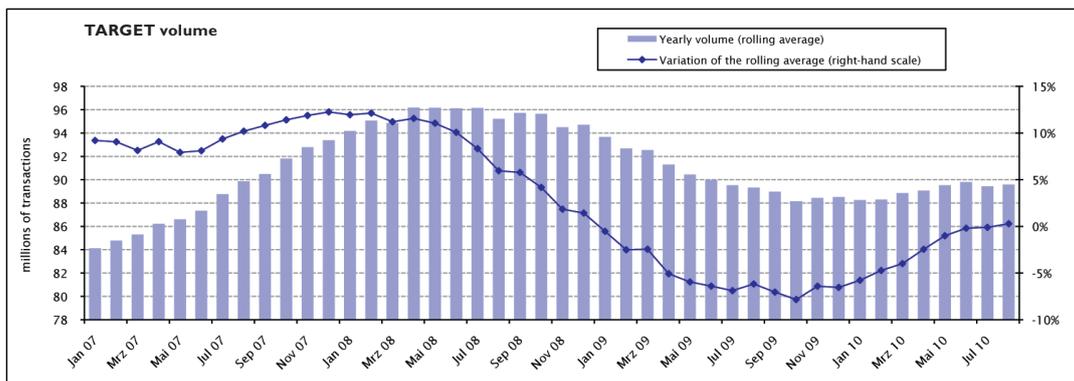
In the first half of 2010 TARGET2 processed a daily average of 351,029 payments, representing an average daily value of €2.3 trillion.

- The average value of a TARGET transaction was €6.6 million.
- 67% of TARGET payments had a value of less than €50,000.
- The peak day was 30 June 2010, with 504,124 payments.
- TARGET2's share of total large-value payment system traffic in euro was 90% in value terms and 60% in volume terms.
- The availability of the system was 99.998% in 2009.
- 99.48% of TARGET2 payments were processed in less than five minutes.

## TARGET2 traffic



## Cumulative volumes over the last 12 months



4 An International Organization for Standardization Standard that has been approved as a European Standard.  
 5 The EU Eco-Management and Audit Scheme (established by Regulation (EC) No 1221/2009 of the European Parliament and of the Council).

## Calendar of events

### Implementation dates for TARGET2 new system releases

The content of the 2010 release (version 4.0) was published on 11 November 2009, and is expected to be implemented in the live environment on 22 November 2010. The content of the 2011 release (version 5.0) is currently being defined in close cooperation with the user community. The final content of release 5.0 is expected to be finalised and communicated to the TARGET user community on 15 November 2010.

### Next meetings with user representatives

The Eurosystem maintains close relations with TARGET users, and regular meetings are held at the national level between the NCBs connected to the system and the respective national user groups. In addition to the cooperation at the national level, joint meetings of the Eurosystem Working Group on TARGET2 and the TARGET Working Group, which comprises representatives of the European banking industry, take place regularly at a pan-European level. There were three joint meetings in 2010 thus far, on 7 February, on 12 May and on 8 September. Summaries of the joint meetings are available on the TARGET2 website.<sup>9</sup> The next joint meeting is scheduled to take place in Frankfurt on 25 November 2010. The dates of the joint meetings have been arranged to fit in with the planning for the annual system releases. In 2010 this is the case for system release 5.0, which is scheduled to go live in November 2011.

### The Eurosystem at Sibos 2010

The Sibos 2010 exhibition is scheduled to take place in Amsterdam from 25 to 29 October. The Eurosystem's stand will be C 315. A Eurosystem session will be held on Wednesday, 27 October from 14:00 to 18:30 in Community room 2.

In its catalyst role, Sibos will be a very good opportunity for the Eurosystem to promote the Single Euro Payments Area (SEPA). Both the SEPA direct debit (SDD) and the SEPA credit transfer (SCT) schemes are operational, and it is now crucial to ensure migration and to achieve critical mass. At Sibos, the Eurosystem will provide information on the latest developments (the SEPA migration end-date, SEPA as a reference for the standardisation of the retail payments market at a global level, the seventh SEPA progress report) and the benefits of SEPA for all relevant stakeholders. The World Bank Payments' Week is taking place in Amsterdam the week before Sibos, with SEPA again high on the agenda. In terms of the Eurosystem's operational role, the topics to be covered at Sibos 2010 will be the latest developments in the T2S and CCBM2 projects, which are both entering critical phases this year. The Eurosystem will also provide information on TARGET2 and the latest new system releases (versions 4.0 and 5.0).

<sup>9</sup> <https://target2.ecb.int/doc/meetings/html/index.en.html>

## Interview

### Pragmatic, if absent-minded!

Exceptionally, personal views and opinions are expressed in this article, which is the result of a series of conversations between the interviewee and the author. "Pragmatic, if absent-minded!": An article on Dieter Becker, currently Head of the Enterprise Systems Division, Directorate General Information Systems, of the European Central Bank (ECB). It was written by Vicente Ventura of the ECB. The article, which is to mark Dieter Becker's move from the TARGET and Collateral Division of the ECB, also includes information on the Dieter Becker his peers know.

#### Introduction

In preparing for this article, I talked to Dieter Becker on several occasions about what it should cover. Dieter is always ready to discuss papers and issues from unimaginable angles, and this article was no exception. He really is a one-off. Dieter excels in helping to get the best out of his colleagues. With a personality that may appear strange to those who first meet him, he is a model of how one should (or perhaps should not) behave in life. On his desk, interspersed with all his work and a collection of tea cups, there are a number of quotes from philosophers, which he enthusiastically reads to me. The many first impressions I had of Dieter repeatedly boiled down to the same question: what on earth is this man trying to say?! From the day he interviewed me for my current job to the day I interviewed him for this article, Dieter always left me concerned, somehow fretful about something. Dieter, I thought to myself, all I want to do is write an article about you! But I learned to be patient. With Dieter, there is always a purpose and an intention. Just take a deep breath and open your mind. I hope you enjoy this article as much as I enjoyed Dieter's conversation.

#### Dieter's jobs

From 1994 to 1998 Dieter was Project Manager at the European Monetary Institute (EMI), coordinating the preparation of the TARGET system for its start in January 1999. He had previously worked for the Deutsche Bundesbank, where he was involved in several infrastructure projects and managed technical assistance programmes for central and eastern European countries. From the beginning of 1998 to March 2010, he was head of the TARGET Division at the ECB (renamed the TARGET and Collateral Division in 2008). Some of you know him – or think you know him – very well, and have worked with him since the early days of the EMI or the ECB. Dieter has also been central to realising the former TARGET system and its successor (TARGET2), as well as playing an active role in working together with the user community. After having worked in the field of payments and market infrastructure first at the EMI and then at the ECB for 15 years, Dieter assumed a new role in the Directorate General Information Systems at the ECB from 1 March 2010. He has a broad knowledge of designing and managing large-scale projects, particularly large-value central bank payment systems. He holds a degree in Business Administration.

#### The man who juggles books and tea cups

An interview complemented by a few of the author's own colourful impressions.

Imagine you are one of the men in the classic photograph of the workers eating their lunch whilst sitting on a beam high above the ground during the construction of the Rockefeller Centre. Beneath you, all you have is a 300-metre drop. You see the faces of those men and the convivial scene. Is it careless, is it bold or is it simply brave? Then, on the other side of the ocean, there are the fishermen in the Bay of Biscay who defy all logic and relieve themselves over the side in the middle of a storm, with just one hand on the railing and a smirk on their face, while the rest of us mortals are used to quiet, safe cubicles. Is it careless, is it bold? Yes, it is. And they enjoy this knowing that there are other ways. Yes, there are always other ways that give you the sensation of freedom after having experienced the unknown!

*VV: Dieter, what are the goals you are still working towards?*

DB: The journey is the reward.

*VV: What three objects would you like to have on a desert island?*

DB: Something to eat, something to drink and a satellite phone to prepare my escape.

*VV: What was the last book you read?*

DB: Philosophy as Cultural Politics by Richard Rorty.

The work undertaken and what has been achieved by Dieter could not be conceived without the notion that, by working together, we can do anything that our ingenuity and skill will let us. "Just imagine what we could be."

*VV: In a single word, how would you define your years in the world of payments and collateral management?*

DB: Great.

*VV: Were there any incidents that made you laugh?*

DB: Taking the train at Brussels airport and planning to get off at the main station, but being surprised that the train had already left Brussels and was on its way to Antwerp. Another one was entering a shop and saying "bye-bye"!

*VV: What did you want to be when you were 12 years old?*

DB: I was desperately trying to find a solution to the problem of how to bridge the gap between leaving school and retirement.

*VV: Do you prepare for meetings or not?*

DB: Is it possible to do so?

Dieter is one of the most original chairmen of meetings and also one of the most annoying. He is fond of removing the foundations of the establishment. Removing what is right and what is wrong, removing the very same routine. He is always ready to disconcert some and scandalise others. This little bit of polemic denotes his position against something: he is against the pretensions of a unitary vision, of a top, divine, authentic point of view leading us to "the truth".

*VV: Dieter, what is your worst quality?*

DB: To suggest my being grave.

*VV: Is there intelligent life in outer space?*

DB: If you are talking about animals with a limited capability of understanding the world, which make some kind of noise that could be called a language, then yes.

*VV: How did you get into this line of work?*

DB: By chance.

In his speech, Dieter invites us to chase our ideals and to become more pragmatic. He summons us to get involved in the fight, instead of being anesthetised by vague theories or the indescribable power of the system. Dieter's idea is that the current can always turn into something much better, despite the threats and despite the establishment.

*VV: What did you enjoy doing as a child? What was your favourite outdoor activity?*

DB: Anything other than going to school.

*VV: Did you admire any famous people?*

DB: No.

*VV: Tell me about a memorable moment in your life; a time you will never forget.*

DB: My subconscious will decide – hopefully, without any strong intervention by Mr Alzheimer.

As a true believer in the ironic, Dieter continuously doubts the essentials of any vocabulary. How many times have I heard him say that language at work is just that: a social tool. Dieter the ironist continuously questions any fixed ideas or set of values, including the right ones. Dieter dedicates his time to designing alternative ways of being, and of actually being in the world. You may gain the

impression that this ironic person always tries to overwhelm people and to excel, but only if you tickle him enough to get him to work, mind you, he is lazy by nature.

*VV: Is there anything that you are really proud of and, if so, why?*

DB: Pride can be understood as the subjective assurance that one has done something special. I do not think it is worth spending time on such “subjective assessment”.

*VV: What is your earliest childhood memory?*

DB: I have never given it a thought.

*VV: What is your favourite hobby (going to the cinema or the beach, etc.)?*

DB: There are so many things, I cannot decide.

Early in the 20th century, Miguel de Unamuno (a Spanish writer and philosopher) wanted to demonstrate that it is not necessary to believe in God to be a good person. Now, a century later, Dieter suggests that it is not necessary to believe in reason and certainty to be a good professional and human being. Actually, the most asymmetrically absurd ideas can fuel a constructive discussion, and support the attainment of objectives and the realisation of projects.

*VV: What do you believe is the key to a successful professional career?*

DB: Hard work, discipline, excellent organisational skills, but also to be a free spirit (the first part of my answer frightens me a bit).

*VV: What music do you like to listen to?*

DB: Anything from Monteverdi to Mungo Jerry.

*VV: How does the world today differ from what it was like when you were a child?*

DB: As a child I did not need a mobile phone to talk to others.

Dieter suggests moving away from the “Cartesian anxiety” that surrounds us, i.e. move away from the search for unquestionable essentials. This anxiety comes from the belief that, without certainty, we will go nowhere. To him, the power of the word (i.e. unquestionable essentials) is nothing but noise, given far too much importance in discussions. He wants to show us that language is a social tool and that one should refrain from falling into the trap of “ideal constructions”. “Discussions in meetings are sometimes nothing other than noise. When you have accepted the noise, you start thinking pragmatically”, he says. When attending meetings in the context of the work environment, I think this quotation helps to understand what is going on in three ways: (i) sometimes, the perception that language is only noise is right; (ii) sometimes, there is a genius at the table who helps to make progress by making the right noise; and (iii) sometimes, even you recognise that the use of the language might end up in a downward spiral.

In meetings, I have often had the impression that Dieter is in a situation much like that of an atheist living at the heart of a hyper-religious culture.

*VV: What do you believe is the key to a successful life?*

DB: Don't worry, be happy.

*VV: If you could have had any other profession, what would it have been? Why was that not your first choice?*

DB: This question is too complex for me to answer.

*VV: What is the one thing you most want people to remember about you?*

DB: I would rather leave it to them.

Trying to base the conversation and the dialogue on something absolute is – Dieter thinks – a futile and unnecessary task. The dialogue, the conversation, the justification, the arguments, etc., are only virtues and, as such, do not communicate what is certain or unavoidable, but what is suitable. Now, if the conversation, the arguments, the dialogue, etc., are only virtues, they are not but “our way of seeing things”. For Dieter, it is not a question of having the truth, but of having options to describe the reality in alternative ways and of having the freedom to narrate alternative worlds. “It is not certainty that involves us in the fight for freedom, but the taste for freedom itself”.

VV: *Of all the things you learned from your parents, what do you feel were the most valuable?*

DB: Confidence and humour.

VV: *How did you find out you were going to be a parent for the first time?*

DB: There was a cradle in the bedroom and some strange noise came out of it.

VV: *What has been your proudest moment as a parent so far?*

DB: I am happy when the kids are happy.

VV: *What does your family enjoy doing together?*

DB: Dining and talking.

VV: *What goes through your head when you are running?*

DB: Everything or nothing.

VV: *Last question: do you have a favourite quotation?*

DB: "It is a miserable story: man seeks a principle through which he can despise men – he invents a world so as to be able to slander and bespatter this world. In reality, he reaches every time for nothingness and construes nothingness as "God", as „truth“, and in any case as judge and condemner of this stage of being." (Friedrich Nietzsche 1888). This statement might guide you towards nihilism, but might also be the starting point for pragmatism.

### The Dieter Becker his peers know

When Dieter left the TARGET and Collateral Division, his former colleagues wrote a book for him. The following comprehensive, but not all-inclusive, list is taken from the book the TARGET and Collateral Division gave to Dieter as a farewell present, describing him as the man who:

- carved his footprints in the euro payments and collateral management landscape (picture);
- does not worry, knows his place, stays calm with a smile on his face;
- can see the forest through the trees;
- is a creative person from head to toe, but, above all, a pragmatist (wherever Dieter is, the "pragmatism check" reigns);
- counted chocolate cookies among his best meeting allies;
- on average, took one-and-a-half hours to conclude the first item when chairing meetings immediately after lunch, irrespective of the subject;
- exudes common sense;
- mixes conviviality and deftness in steering meetings;
- is the person to refer to for guidance;
- but is not there to please anybody;
- does not always take things too seriously;
- is there whenever wild laughter breaks out ;
- has to be reminded a thousand times about issues to be settled;
- has a natural skill in herding the crowds;
- has a natural skill for doing nothing in particular;
- expects sharp and pragmatic logic to be built into documentation (sometimes so sharp that others can no longer follow it);
- is always trying to solve issues in the fairest and most logical way;
- summarises a discussion in a few key points, after first having given the impression of not knowing anything about the topic; and
- says things that are not always popular, but always help to bring clarity and progress to projects.



Dieter Becker is at his best in difficult conditions and is a guiding light in chaos and complexity. He was at the helm of the TARGET ship, which sailed in choppy waters at times in its early days. Was anyone seasick? Dieter certainly was not. I remember him dealing with systemic crises by holding the phone the wrong way round and looking perplexed, as if the crisis had interrupted him while he was immersed in something precious. My word! He had just saved the system from collapsing, with all of its many negative consequences. Then he was more than happy to get back into his routine. Then the TARGET boat became a cruise, which shows how far we have come. Dieter, it has been a pleasure meeting you both professionally and personally. Now it is time to move on forward, the only way you know to move on.

## Further information

More detailed information on TARGET can be found in the “Information guide for TARGET2 users” [http://www.ecb.europa.eu/paym/t2/shared/pdf/infoguide\\_V3\\_I\\_0.pdf](http://www.ecb.europa.eu/paym/t2/shared/pdf/infoguide_V3_I_0.pdf) and in the latest available TARGET Annual Report, covering the year 2009 (please see footnote number 4). All relevant documents and reports can be accessed from the ECB’s website at <http://www.ecb.int>, as well as those of the NCBs.<sup>10</sup> For further information, please e-mail [target.hotline@ecb.europa.eu](mailto:target.hotline@ecb.europa.eu)

<sup>10</sup> <http://www.ecb.europa.eu/home/html/links.en.html>