Harmonization of Payment Transactions in Switzerland and Europe

General Introduction

• In August 2014, the eurozone countries completely migrated their national payment transaction processes to SEPA (Single Euro Payments Area), meaning they all now apply the ISO 20022 standard.

• The Swiss financial center is also currently working on the harmonization of national payment transaction processes and is switching to the ISO 20022 standard as part of its efforts.

This document compiles anticipated client questions on the issue of payment transaction standardization in Switzerland and Europe, and the ISO 20022 standard.
1 Harmonization in Switzerland

1.1 General Information

Why do payment transaction processes need to be harmonized in Switzerland?
Although the volume of transactions in Switzerland is very low compared to major currency groups (e.g. US dollar, euro), the country operates two systems for payment transactions – SIC (Swiss Interbank Clearing) and PostFinance – with a range of different procedures, formats, and receipt types. Harmonization within the field of payment transactions therefore has the following primary goals:

- To reduce the number of different processes
- To apply a uniform technical standard (ISO 20022)
- To increase the level of automation in the processing of receipts and payment messages through the use of end-to-end identification
- To comply with regulatory requirements, such as the Federal Act on Combating Money Laundering and Terrorist Finacing in the Financial Sector.

Which products and procedures are affected by the harmonization?
- **Transfers** will be transmitted as pain.001 under ISO 20022 instead of using the banks’ DTA format or the electronic payment order (EZAG) format under PostFinance.
- The various structured, proprietary account numbers will be replaced by IBAN.
- For notifications and account statements, the camt.052/camt.053/camt.054 formats under the ISO 20022 standard will be used in parallel with the old format.
- The existing payment slips issued by PostFinance and banks will be replaced by a standard QR-bill.

What is ISO 20022?
ISO 20022 is a standard for the structure of financial messages and is issued by the International Organization for Standardization (ISO). The standard is being introduced in Switzerland as part of the harmonization process. ISO 20022 messages are normally written using an XML (eXtensible Markup Language) syntax, which is why the standard is also sometimes known as ISO 20022 XML.

Why exactly is the Swiss financial center switching to the ISO 20022 standard?
The use of ISO-20022-based payment transaction messages offers the greatest range of options for sending larger amounts of data in a structured manner. The new end-to-end references, for example, support the automatic identification of a payment by the issuing party and recipient as these references remain unchanged as they are passed through the entire payment chain. Furthermore, ISO 20022 is already used throughout the entire EU and EEA, so this standard will simplify the processing of payment transactions with these countries.

1.2 Products and Processes

1.2.1 Transfers

When will the Swiss DTA format be replaced by pain.001?
The procedure envisaged in Switzerland was to use the old and new formats in parallel until the end of June 2018. Starting on July 1, 2018, payments at Credit Suisse will only be possible in pain.001 format in accordance with the ISO 20022 standard.

How will ISO 20022 be implemented in Switzerland?
Switzerland has defined its own country-specific standard for the messages covered in the extensive ISO 20022 standard. This new standard will be applied by all banks in Switzerland and will also contain several optional services, which banks can decide to offer to their clients if they wish.

Are there different versions of the Swiss standard for payment transactions?
Yes. As the Swiss standard for transfers, direct debits, and account statements will be updated on a periodic basis, various versions of the standard will be in circulation. Only the three most recent versions will be supported in the Swiss market. The plan is to update the standard once a year.

Where do I find the regulations that will apply to future transactions under the Swiss standard?
The Swiss recommendations for client-bank communication are compiled in a set of Business Rules and Implementation Guidelines, which are published on the SIX website. The specifications that apply to Credit Suisse are available on our website at www.credit-suisse.com/ptmigration.

As a corporate client, will I be affected by software changes?
Yes, if you depend on software solutions and/or electronic channels to handle payment transactions. You must use up-to-date software that can transmit, process, and archive the new formats in XML as per ISO 20022.

As a corporate client, do I really need to be familiar with all the technical details related to ISO 20022?
No, the implementation of XML-based programming as per ISO 20022 will be dealt with by the provider of your accounting software or your IT provider.

What is CGI?
CGI (Common Global Implementation) is an initiative set up by several large companies with the goal of creating an alternative to the multiple national versions of the ISO 20022 standard. It aims to enable companies to use the same message structure for all payment communication with all banks. All the main message types for payments and account information are described at www.swift.com/cgi.

Does Credit Suisse offer the CGI standard to its clients?
Yes. Credit Suisse processes the CGI standard via all electronic channels.

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1.2.2 IBAN & BIC

**What is an IBAN?**

IBAN (International Bank Account Number) is an internationally standardized account number. In Switzerland, the IBAN is composed of 21 characters. In addition to the specific account number, it also contains a country code, an ID for the bank at which the account is held, plus a two-digit check code for security purposes.

**Should clients use the IBAN for payments in Switzerland?**

Credit Suisse generally recommends that clients use the IBAN as the account number for all payments. The IBAN is now mandatory for cross-border payments, e.g. in countries with the euro (SEPA).

**Do postal accounts also have an IBAN?**

Yes. All standard postal account numbers have a corresponding IBAN for PostFinance. However, IBANs are not available for the ISR participant numbers on the orange payment slips.

**What does BIC stand for?**

BIC is the abbreviation for Business Identifier Code, also known as a SWIFT code. It is a unique ID code for identifying banks and companies affiliated with the SWIFT (Society for Worldwide Interbank Financial Telecommunication) network and replaces the current bank number.

**How does the obligation to use the BIC affect client and partner data?**

BICs (SWIFT codes) are replacing national bank numbers in Europe and are also increasingly becoming a global standard. Please therefore check your partner and client data, your standing orders, and payment templates. Use the BIC instead of the bank number wherever possible.

**Where do I find my IBAN and the BIC for my bank?**

For some time now, Credit Suisse and all other financial institutions have been printing account numbers using the IBAN format and the BIC (SWIFT code) on all account statements and/or transaction notifications. Both pieces of information are also listed on Credit Suisse debit cards.

**Where can I find my business partners’ IBAN and BIC?**

In most cases, your business partners will list their full bank details on their invoices. If this is not the case, please request them from your partner directly.

1.2.3 Payment Slips

**What is a QR code?**

A QR code (Quick Response code) is made up of black and white dots inside a square (see image below). Data can be viewed using this method. Data is saved multiple times in a QR code, so even if up to 30% is lost (e.g. due to smudging or damage) it can still be read.

**Will there still be BESR files with details on incoming payments in the future?**

Yes. When processing invoices with the existing orange payment slips, clients will be able to choose to use the BESR credit data from the ISO 20022 standard or to keep the type 3 ISR credit record. Following the switch to QR-bills, the BESR credit data will only be available as an ISO 20022 file.

**What do I have to do for the switch to QR-bills?**

Manage all of your current forms (e.g. blank forms) with a view to replacing payment slips with QR-bills from mid-2020. Please note that your hardware (e.g., equipment for reading payment slips, printers) may also have to be replaced with the introduction of QR-bills. Furthermore, you should also be able to process credit notes with the camt.054 format for QR messages following the introduction of QR-bills.

1.2.4 Direct Debits

**What will happen to the regular direct debit procedure?**

To make sure all market participants can benefit from a simplified approach, the existing direct debit solutions used by banks (LSV+/BDD) and the PostFinance direct debit process will be replaced by a new process. The financial center will communicate details of the new procedure on an ongoing basis.

**How long will LSV+/BDD continue to exist?**

A date for the withdrawal of the bank direct debit process has yet to be defined. Credit Suisse is continuing to support both the receipt in the current format and the delivery of credit data as a type 3 ISR credit record.
2 Harmonization in Europe – SEPA

2.1 General Information

What is SEPA?
SEPA stands for "Single Euro Payments Area." The aim of this EU initiative is to standardize payment transactions in euros. The main objectives are as follows:
• Standardization of the procedures for fund transfers and debit procedures in euros
• Use of a uniform technical standard (ISO 20022)
• Equal treatment of national and cross-border payments within EU and EEA countries

Which countries make up the SEPA zone?
The geographical SEPA zone consists of 34 European countries. These comprise the 28 EU countries, the three EEA countries (Norway, Iceland, Liechtenstein), and Switzerland, San Marino, and Monaco.
The 28 EU countries comprise the 18 euro countries (Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia, and Spain) along with the other ten EU countries that have their own national currency (Bulgaria, Croatia, Czech Republic, Denmark, Hungary, Lithuania, Poland, Romania, Sweden, and the United Kingdom).

How are SEPA and ISO 20022 linked?
Under SEPA, the application of ISO 20022 is mandatory for the transmission of payment information. The initiative also specifies which elements of the extensive ISO 20022 standard should be applied. It thus defines market practice.

Is the standardization of payment transactions mandatory in Europe?
Yes. Under the legislation (SEPA Regulation 260/2012), the SEPA process has been mandatory for euro payments since August 2014. The national payment processes in these countries have thus been completely replaced. The SEPA process has been mandatory for euro payments in the participating non-euro countries since November 2016.

What are the key points in the EU’s SEPA Regulation?
The EU’s legal regulations govern the SEPA process for SEPA transfers and SEPA direct debits. They cover the following key points:
• All banks in EU countries must be able to process SEPA transfers and SEPA direct debits
• Mandatory use of IBANs
• Mandatory use of ISO 20022
• Cross-border transfers and direct debits may not be more expensive than payments within the same EU or EEA country
• The amount must be credited to the payee after a maximum of one working day, or two working days if the instruction is submitted in paper form.

Who defines the regulations for SEPA?
The rules for SEPA Credit Transfer and Direct Debit are defined by the European Payments Council (EPC). The SEPA Regulation, i.e. the implementation of SEPA regulations at EU legislation level, was therefore issued by the European Union.

Where do I find the regulations concerning SEPA?

Can SEPA be used to make payments in a currency other than the euro?
No. Only euro payments can be processed with SEPA. The existing process remains in place for payments in all other currencies.

Will a standardized data format be used for payment transactions in the entire SEPA zone under SEPA?
No. While the regulations issued by the European Payments Council (EPC) set out binding data formats for payment transactions between the various banks (pacs messages), the specifications for the exchange of client-bank messages (pain messages) are merely recommendations. Individual countries can therefore decide for themselves exactly how the EPC regulations should be applied. SEPA therefore cannot really be referred to as the complete harmonization of payment transactions as there is no standard data format for client instructions (pain messages).

2.2 SEPA and Switzerland

Can Swiss banks also execute and receive SEPA transfers and direct debits?
Yes. Although Switzerland is neither an EU nor an EEA country, Swiss banks can participate as full SEPA members for SEPA transfers and direct debits.

Do the European fee regulations also apply for Switzerland?
No. Because Switzerland is neither an EU nor an EEA country, the European fee regulations for SEPA transfers and direct debits do not apply to payments to or from Switzerland. In practice, however, the majority of European banks do not charge additional fees for SEPA payments into or out of Switzerland.

How can clients issue SEPA payment orders?
They initiate their payment as normal, either electronically via Online Banking, Direct Link, or Direct Exchange, or as a paper order. The following points must also be noted to make sure a payment is processed under SEPA and not as a normal international payment:
• The transfer currency must be the euro
• The payee’s IBAN must be provided
• Fee-sharing must be selected (fee code SHA)
• The priority level must be normal and not urgent
• The payment instruction must not be directed to Credit Suisse
• There must be no notification to the beneficiary’s bank
When will the payee receive my SEPA transfer?
SEPA transfers require that the credit be received by the payee the day after the charge was debited from the payer – regardless of whether it was processed nationally or cross-border within Europe. However, the cut-off times of the financial institutions for delivering SEPA payments must also be observed.

How can a corporate client submit a SEPA Direct Debit order?
These orders are submitted electronically via the Direct Link or Direct Exchange interface to Credit Suisse. The status report messages on the orders will of course be sent back via the same channel.

2.3 SWIFT

What is SWIFT?
SWIFT stands for Society for Worldwide Interbank Financial Telecommunication. It provides a network that the majority of banks use to exchange information about financial transactions on an international basis. SWIFT assigns a BIC to every participating institution through which it can be clearly identified. For the past few years, non-banks have also been able to connect to the SWIFT network, meaning they also have their own BIC.

Does SWIFT also use the ISO 20022 standard?
At the moment, SWIFT mainly uses its own standard, MT (Message Type) messages. Plans are in place to implement the ISO 20022 standard in parallel, though it may take a few more years for introduction to become effective.
3 Support from Credit Suisse

Do you have any questions concerning our recommendations on payment transaction standardization in Switzerland and Europe?
Your relationship manager or support office will be glad to assist you in cooperation with our experts.

Where do I find the latest information on market developments and their effects on clients?
As the bank for entrepreneurs, we have consolidated all the most important information and checklists for you on our website at https://www.credit-suisse.com/microsites/zv-migration/en.html. Subscribe to our ISO 20022 newsletter. We will keep you informed of relevant changes.

Your Contact
You can receive support and personal advice by calling one of the following numbers:

Private clients: + 41 848 88 08 40*
(Monday to Friday 8:00 a.m. to 8:00 p.m.)

Corporate clients: +41 800 80 87 50*
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* Please note that telephone calls to our numbers may be recorded. We assume that by calling us, you accept this business practice.