Where to find what?

What companies need to know and to do 4–15

Background information 16–23

PaymentStandards.CH – A Swiss Financial Center Initiative.
www.PaymentStandards.CH
The change being ushered in by international standardization and progressing digitalization requires more efficient payment processes. The Swiss financial center has been preoccupied with various developments and requirements for years. The analysis is clear: there is no way around the international ISO 20022 standard. The harmonization of Swiss payments with ISO 20022 is now in full swing. And the entire financial center is pulling together.

The objective: simplifying payment transactions between financial institutions and their customers as well as ensuring competitiveness and adherence to national and international guidelines.

PaymentStandards.CH functions as a central information platform for the harmonization of payments in Switzerland. This brochure offers all those who are involved and affected an overview of the Swiss financial center’s joint project. It is a project that affects you too. Please simply contact your bank for further information!

Yours faithfully,

Swiss Bankers Associations (SBA)
Claude-Alain Margelisch, CEO
What is it all about?
The shared road to harmonized payments.

ISO 20022 is the new international standard for electronic data exchanges in the financial industry, which is assuming an increasingly key role worldwide, particularly in Europe. The Swiss financial center is also introducing this beneficial standard, and also taking this opportunity to harmonize payments and to align with the Swiss ISO 20022 payments standard.

All players involved in payment traffic shall profit, along with the Swiss economy as a whole.

The program includes the following areas:

> Credit transfers
> Direct debits
> Notifications & reporting
> Payment slips

Details for the individual areas can be found starting on page 20.
Why is the harmonization happening?
Making sure that all payments participants take the same route.

The diversity of Swiss payment standards and formats, and various payment slips – will soon be a thing of the past. Due to new harmonized standards, payment processes can be operated at lower cost and be better integrated in the digital value creation chain. This also contributes to a more efficient cash management; and all this with enhanced process security and the highest degree of reliability.
The benefits at a glance.

Harmonized procedures, standards & formats
Greatest possible alignment to the proven international standards.

Uniform IBAN account number format
Replacement of the proprietary account numbers with the structured Swiss IBAN, which is in turn structured on the basis of the international IBAN standard (ISO 13616).

Reduction of payment slip diversity
The potpourri of slips will be reduced to a single inpayment slip in two versions: one with reference number and one with message option.

All-out elimination of duplications
Standardization of the dual system of PostFinance and the banks.

Minimized development & maintenance costs
Alignment of domestic and foreign credit transfer schemes.

Higher automation rates
Automated processing through universal references.

Added value through integration of the QR code
Boosting of the strait-through processing (STP) rate.

Easier implementation of regulatory requirements
The flexible ISO 20022 standard simplifies adherence to the exigencies of the Money Laundering Law and other regulatory stipulations.
What do you gain from it?
This is how harmonization pays off for companies in Switzerland.

Faster availability of funds, fewer costs
The unambiguous identification of the account number in IBAN format significantly reduces the number of entry fields, inquiries and returns by banks. This, in turn, reduces your administrative work.

Reduction of IT investment & maintenance costs
Standardized payment orders and status messages at all Swiss financial institutions reduce the complexity of software solutions. This relieves the IT budget.

Standardized validation of payments
A consistent validation of file submissions at all Swiss financial institutions increases processing quality. This saves time.

Enhanced process automation
The end-to-end payment process made possible through common standards enables the automatic recognition of a payment. This boosts efficiency.

New payment slip enables improved automated scanning
On the new, uniform inpayment slip, contents are always structured in the same way through the common standards used by the banks and PostFinance, and can be conveniently scanned by means of a data code (QR code). This simplifies the entering of payments.

Easier implementation of regulatory requirements
The new ISO 20022 standard simplifies implementation of regulatory provisions (replacement of the ISR procedure). This ensures security.
ISO 20022: an opportunity for companies.

Many software producers and IT services providers are also furthering the development of their ERP solutions within the scope of the ISO 20022 switchover and thus offering corresponding service packages. Check with your contact partners to find out what their solution approach is and take advantage of it!

Companies have opportunities, particularly in terms of optimizing

- Payments processes (accounts receivable and accounts payable accounting)
- Cash management
- Working capital management
- Enterprise resource planning; keyword: straight-through processing
Crucial for the switchover to ISO 20022 is the type of software used for payment transaction processing companies.

Do you use standardized software solutions? Such solutions are developed for bookkeeping, invoicing, payment transactions and more. If you use standard software, then we recommend that you do the following as soon as possible:

### Checklist

1. Contact your software partner and inquire about their migration schedule.
2. Clarify the following with your bank:
   - Migration time window
   - Possible procedural methods
   - Range of testing possibilities
   - Potential improvement possibilities
3. Plan and budget the update.
4. Undertake the necessary configurations (e.g. banking connection, account number, master data).
5. Test the new functionalities on the SIX validation platform or – if offered – on the test platforms provided by the financial institution where you keep your account.
Do you use individual software solutions?
If you have customary solutions in use, then you must make them ISO 20022 compatible. Should this be the case, please proceed as follows:

Checklist

1. Contact your IT department or software partner (they will implement the ISO requirements individually).
2. Launch a project to carry out the implementation in a structured manner.
3. Discuss it with your bank representative.
4. Conduct an impact analysis and define your requirements.
5. Plan the implementation and testing sufficiently early.
6. Test your configuration on the SIX validation platform or – if offered – on the test platforms provided by the financial institution where you keep your account.
Who else is affected?
Forward-looking action.

Fiduciaries, consultants, institutions, administrations or pension and compensation funds are responsible for seeing that their customers’ payments processing can also function efficiently and in line with regulatory requirements. To ensure a timely and efficient migration process, it is indispensable to establish early contact with software partners or the internal IT department.

What should private individuals know?
An important number.

Consumers will hardly be affected by the harmonization. Except that they will only be able to use the 21-digit IBAN (e.g. CH18 3004 3123 0007 8901 2) and the new inpayment slip. On the whole the new, modern Swiss payments world is set up to make it even easier for Mr. and Mrs. Swiss to make their payments per e-bill, direct debit or credit transfer.

A sample of the new inpayment slip can be found on page 23.
What are the financial institutions doing?
Joint roadmap – individual switchover.

The switchover of payments to ISO 20022 impacts all bank customers. Correspondingly, all financial institutions are carrying out comprehensive migration projects. They are following implementation plans based on the Swiss financial center’s roadmap.

Although the harmonization is a joint project of the Swiss financial center, each financial institution is basically responsible for its migration to ISO 20022. They are also independent when it comes to communicating with bank customers and software partners.

The financial institutions are standing by to provide their customers with more detailed information. The current migration progress of individual institutions can be viewed at: www.PaymentStandards.CH.
The standardization and harmonization of payment transaction processing is being carried out according to the implementation plan defined by the Swiss financial center. This is divided into three migration stages. The modifications should be completed by 2020 at the latest.
1) "SIC4 – New SIC Architecture" project and the PostFinance infrastructure project
2) Including ECA-F, ISR & EPO for banks (as of 4th quarter 2015)
3) Migration date (mainly between 2015 and 2018) with regard to pain & camt to be coordinated with the house bank
4) The direct debit will be combined with the e-bill as of 2019

1st processing of credit transfers in EUR (since April 2015) and in CHF (as of April 2016) on the basis of ISO 20022
1st processing of direct debits based on ISO 20022 CH (mid-2017)
The current schemes, standards and formats will no longer be supported / end dates:
• Credit transfers in interbank payments (end of 2017)
• Credit transfers in customer-bank payments (mid-2018)
• Current orange (ISR) and red (IS) inpayment slips (mid-2020)
What is ISO 20022?
The new international standard for Swiss payments.

The International Organization for Standardization (ISO) has issued a systematic list of message types for the financial industry based on XML (Extensible Markup Language), under the title “ISO 20022 Financial services – Universal financial industry message scheme.” The goal of the ISO 20022 standard is to achieve global alignment of electronic data exchanges and thereby a higher level of automation in payment processes.
Message flow according to ISO 20022.

The ISO 20022 standard in payment transactions is divided into different fields of application and includes a range of various message types. The pain and camt messages (pain stands for payment initiation, while camt stands for cash management) are relevant for the customer-bank data exchange. The pacs messages (payments clearing and settlement) are only used in interbank transactions.
What is changing with credit transfers?
Identification via IBAN.

The existing credit transfer schemes of the banks (DTA) and of PostFinance (EPO/ECA/ISR) will be harmonized using the ISO 20022 standard. Payment instructions at the customer-bank interface will be processed as pain.001 messages (Customer Credit Transfer Initiation) and status messages as pain.002 (Customer Payment Status Report) based on the ISO 20022 standard. The IBAN will be used exclusively as the primary identification feature for a bank account connection as of 2020.

These changes will provide more efficient transaction processing through the uniform, bank-independent standard, both throughout Switzerland and cross borders. Each payment will be unambiguously identified with the new end-to-end reference. Among other things, this facilitates the automatic allocation of repayments. The exclusive use of account numbers in IBAN format reduces errors and boosts the straight-through processing (STP) rate.
What is changing with direct debits and e-bills?
Just a single interface.

The Swiss financial center currently has a variety of different direct debit schemes. In the course of standardization, banks and PostFinance are aiming at implementing a single scheme throughout Switzerland with a common direct debit message based on the ISO 20022 standard (pain.008). Furthermore, the direct debit shall be integrated in the e-billing process to enable companies to handle all direct debits and e-bills with a single contract through one interface.

The new solution offers advantages to companies and their customers alike. Registrations for the direct debit scheme should be delivered to companies electronically in the future and aligned with the e-billing processes. Direct debit authorizations that have already been issued will remain valid. SEPA direct debits (in euro) based on the ISO 20022 standard from Swiss financial institutions are not affected by the harmonization.
What is changing with notifications/reporting?
Cash management messages.

Up-to-date account balances and notifications of movements are indispensable for regular account reconciliations.

In the future, camt messages (“camt” stands for cash management) based on the ISO 20022 standard will be standard for this account and booking information. This enables automatic straight-through processing (STP) of the transactions. As a standard, the end-of-day account statement (camt.053) is available with or without detailed information. Intraday account statements as well as debit and credit notifications will be provided as camt.052 and camt.054 messages respectively.
What is changing with payment slips?
Data code for greater uniformity.

The new inpayment slip with data code will be introduced throughout Switzerland as of mid-2018 and shall replace the at least seven different variations of payment slips in use today. The new inpayment slip is suitable for all payment types and support billing in CHF and EUR. It will depict the account number in IBAN format (IBAN/ISR-IBAN) and show a data code (QR code). The latter contains all important payment information, such as the reference number, the creditor’s information, the amount and messages.

Sample of the new inpayment slip with reference number and data code.
Who should you contact?

Regarding the migration of payments to ISO 20022, please contact your bank, and your partner for financial IT matters.

PaymentStandards.CH
E-Mail info@paymentstandards.ch