

## Harmonization from the customer's perspective

Practical experiences of four SMEs  
at their migration to ISO 20022

*“The Swiss financial  
center is modernizing  
its payment traffic –  
and no stone shall  
remain in place”*

Is the QR-bill compatible  
with the DTA standard?

Structured addresses  
in payment traffic

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### FRONT PAGE

Chantal Vuistiner, owner of the eponymous  
Valais transport company

# DEAR READERS,

The world of payments that used to be rather quiet and stable has been set into powerful motion with the current change to ISO 20022. The Swiss financial center is modernizing its payment traffic – and in the process no stone shall be left unturned.

In retrospect, the decision for the renewal can be seen as a minor “Rütli oath”: The major stakeholders in the financial center came together and agreed to a new common message standard based on ISO 20022. As a result of the far-reaching harmonization the financial center only needs a single national payment traffic system which creates a high degree of automation for all participants, largely avoiding media disruptions and manual activities to the benefit of quality and processing speed. In addition, the domestic and international regulatory requirements that can only be met with the new message standard.

All Swiss financial institutions will have migrated their proprietary SIC message types in interbank payment traffic entirely to ISO 20022 by the end of this year. By July 2018, at the latest, all customer payments also must be submitted as pain.001 messages via file transfer, because the DTA standard, which is now 40 years old, no longer meets the high requirements of the financial center – neither in regard to the combating of money laundering nor in terms of the fields necessary for the paying of a QR-bill. This rapidly approaching migration date is one with far-reaching consequences, particularly for companies with their own ERP system, but also for producers of financial software and their customers. No one may miss the speeding harmonization train because only those who complete the migration on time will continue to have guaranteed access to Swiss payment traffic and will, thanks to the new standard, profit from added value through process optimizations.

As soon as the migration of all participants to ISO 20022 pain.001 is complete, the QR-bill can also be launched. The QR-bill, which was introduced to the public in spring 2017, will, following an appropriate parallel phase, incrementally and completely replace the current “Wild West” of payment slips we know today. It is the ideal means to bridge traditional slip-based and electronic payment traffic. The QR-bill is well thought out and designed to be future-proof, and is best suited for automated processing through its cutting edge technology. Nevertheless, the



Matthias Sailer

QR-bill remains easy to read with the naked eye. With the tools to be provided by SIX Interbank Clearing in the future, all market participants will be able to conveniently create their own QR-bill, which they can send electronically or print with any commercial printer.

Don't miss the ISO 20022 train! One of the main goals of all participants in Swiss payment traffic – whether payment software vendors, banks or business customers – is to complete the upcoming migration by mid-2018 according to schedule. Those who initiate the required measures early on will be able to take this step into the future with calculable time and expense.

A stylized, handwritten signature in white ink, likely belonging to Matthias Sailer.

**Matthias Sailer**

Head Product Management Payment Traffic and Cards,  
Zürcher Kantonalbank,  
Member of the SIX Interbank Clearing Board of Directors

# *Harmonization from the customer's perspective*

**Financial institutions are challenged in various ways when it comes to the harmonization of Swiss payment traffic and the migration to the ISO 20022 message standard. No sooner have they reached the home stretch with interbank migration and they are already in the middle of the hot phase of adaptations on the customer side. clearit is on the trail that companies have taken so far, based on the example of four SMEs.**

Everything is going well on the customer front, if not always smoothly. What is most important is the essential understanding of the reasons for the harmonization among all the companies surveyed.

Chantal Vuistiner, owner of the eponymous Valais transport company states succinctly: the meaning and purpose of the migration is the standardization of payment traffic. Patrick Angyan from Emaform AG emphasizes the global significance: "Payment traffic should be internationally standardized so that financial transactions can be carried out worldwide faster, easier and cheaper." Thomas Eichenberger, Board of Directors' Chairman of Fahnenfabrik Sevelen AG gathers that the harmonization was long overdue and that a standardized payments processing is definitely desirable. Patrick Beer at Wander AG sheds light on the idea and advantages of standardization in processes and the communication between various systems with an analogy: "Process standardization is indispensable in order for us to be able to guarantee that every cup of Ovomaltine meets the high quality demands and consistently tastes good. It makes no difference in the process whether we are talking about powder production or filling. Accordingly, we conduct various quality checks during the production to ensure that the product meets the set standard."



**Contact your customer  
advisor."**

## **EXTENSIVE DIALOGUE**

Rarely is someone as familiar with ISO standardization as is Thomas Eichenberger. He was already in contact with the International Organization for Standardization 24 years ago before he assumed the management of the flag factory. This quickly gave him a link to ISO 20022 when the e-mail from PostFinance arrived at the company in March 2016. "But it was only when I read that the migration involves another data format for ISR did it become clear that our SME, with just 15 employees, was also impacted. Our customer advisor visited us just a few days later." Chantal Vuistiner, of Vuistiner Frère & Cie, was informed about the

upcoming migration by her customer advisor by letter. Patrick Angyan of Emaform AG also learned about the harmonization early in 2016. "One of our banks informed us through a mailing about

Chantal Vuistiner

the upcoming changes and the timeplan." Patrick Beer of Wander AG first heard about the ISO migration at a PostFinance customer forum the previous summer. "Because starting in autumn of 2015, just a few months later, a comprehensive ERP update project was planned for our company, this event and the topic in general was quite interesting for us. From that point on, we focused on the best possible integration of the new standards into the upcoming ERP project." After an extensive dialogue with PostFinance, he was able to deepen his understanding of

which areas would be affected and to what degree. “We also had to review how the harmonization timeplan could be coordinated with our ERP project timeplan.”

“Obtain and compare information about the migration through different channels.”

Patrick Beer

#### BASICALLY READY, BUT ...

In reply to the question of how far along the migration is, Patrick Angyan stated that Emaform AG has already been able to generate payment files with the new XML with the bookkeeping software and to process the delivered ISR files in the new format. CEO Thomas Eichenberger considers: “We will certainly still be confronted with issues, but because we use a very good ERP solution, we are more or less relaxed about it.” At Wander AG, migration of the existing DTA message to the new pain message is complete, according to Patrick Beer: “Unfortunately, while attempting to implement the new camt, we discovered that the banks are not yet able to implement this format. This means that the camt remains to be completed.” The migration to ISO has already been accomplished at Vuistiner Transport, and went as smoothly as the filling of containers with cement at a construction site.

“Ultimately, the communication between the ERP and the bank is crucial, which the company does not alone control.”

Patrick Beer

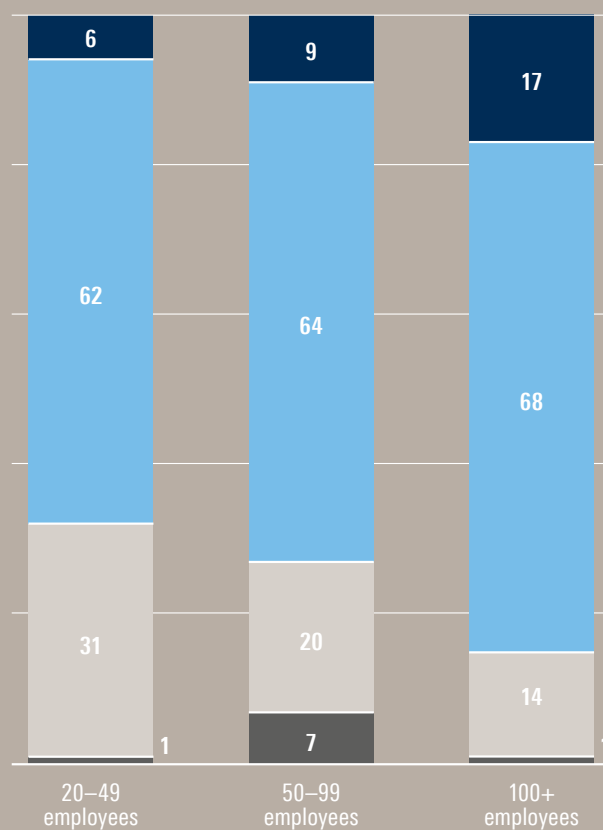
#### “THE TIME AND EXPENSE OF THE CHANGE-OVER HAVE BEEN MANAGEABLE SO FAR”

Patrick Beer does not stand alone with this statement. According to Chantal Vuistiner, there were no difficulties worth mentioning, thanks to the good support provided by their customer advisor. Thomas Eichenberger also confirms: “Things actually ran rather smoothly. We were able to try everything on a test platform provided by PostFinance and then converted everything in one go.” Patrick Angyan was hardly affected by the migration because the software supplier for Emaform AG provided the program adaptations in an update. “However, when we delivered the first payment files in the new format,

we discovered that our bank still had certain problems with the processing. Several payments could not be processed right away and were returned to us. But after a few weeks everything functioned smoothly.” Fahrenfabrik Sevelen AG had a similar experience. “The first transfer went perfectly, but there was a problem with the

#### ASSESSMENT BY THE USERS

“Has the payments’ standardization only benefits, rather benefits, only or rather disadvantages for you in the long run?”  
(in % of users, n=530)



■ only benefits  
■ rather benefits  
■ don't know/no answer  
■ only or rather disadvantages

Source: gfs.bern, PaymentStandards.CH, August 2016

*“The migration is coming and if it has to happen quickly, the time will be tight for long preparations or necessary tests.”*

Thomas Eichenberger

second one,” according to the CEO. “Without a corresponding clear error message, payments were not read or were not removed from the open positions. The consequence of this was that in a dunning process we sent a first reminder even to properly paying customers. Of course, we apologized to the affected customers for this, which represented the greatest amount of work we experienced.”

“Test adaptations with all the banks the company works with.”  
Patrick Angyan

#### **BANKS AND SOFTWARE SUPPLIERS AS PARTNERS**

Patrick Angyan identified the main problem in that “not all banks were, or are, at the same stage of progress. One could already submit the new file formats, while the others were not yet ready. This meant that the file format had to be adapted each time to the state of development of the respective bank through a conversion in the bookkeeping software. However, our software supplier programmed this setting option to be very user-friendly, which meant that the corresponding adaptations could be made in short order.” Patrick Beer reported a similar experience: “As a company we are integrated in a system in which we are dependent upon partners in various ways. If, for example, the company’s bank is unable to supply precise information and technical support, we also have problems providing the necessary information to our ERP software provider. We have thus far been lucky to be able to profit from competent partners. PostFinance provided advance information and UBS supported us with the specific implementation needed to move the project forward.” “What is important for the migration is that you can rely on your partners,” summed up Thomas Eichenberger.

#### **BENEFITS**

Chantal Vuistiner assumes that thanks to the IBAN fewer errors will occur and that the investigations of payments will be simplified. She sees solid benefits for accounts receivable, accounts payable and payroll accounting. Thomas Eichenberger opined: “Ostensibly, we certainly will not notice all that much. However, in the long run, the new format and the uniform payment traffic will lead to less complex work procedures in accounts payable/receivable processing.” Although the SME representatives questioned are not yet clear in every regard what the benefits of the migration are, there are some promising things for the future, particularly in regard to further harmonization stages. Patrick Angyan hopes to profit not only from faster and

cheaper processing of foreign payments, but also to be able to boost the level of automation in the bookkeeping process with the help of e-billing. Patrick Beer, in turn, believes one must wait until the payment slips are replaced to estimate the specific benefits: “If the migration enables us to place additional information that is relevant to us on the QR-bill, that could result in added value for us. Our stated goal is to increase the number of customer bills that we close automatically in the ERP.”

“Actively approach the financial institutions and especially the partners being used to process the order.”  
Thomas Eichenberger

#### **DISADVANTAGES?**

None of the interview partners were able to mention a current disadvantage of the standardization. That is not surprising. The survey conducted for us by the gfs.bern research institute a year ago confirmed this impression (see figure page 5). Patrick Beer could imagine “that in the future the management of the additional information that can be provided in a pain in the Swiss QR Code might result not only in added value, but possibly also greater effort and expense.” According to Thomas Eichenberger, who is convinced that the harmonization will generally accelerate the economy rather than thwart it, small companies have entirely different problems: “How, for example, to produce flags in Switzerland from top-quality materials and compete with cheap imports from Asia.”

Interviews:

**Gabriel Juri**

SIX Interbank Clearing



**Patrick Angyan**  
**Bookkeeping/Personnel**  
**Emaform AG**

➔ [www.emaform.ch](http://www.emaform.ch)

Emaform AG has supplied plastic casings and technical form components to industry for 35 years. Around 60 employees in Gontenschwil, Aargau, look after the development, construction and production of the plastic prefabricated parts.



**Thomas Eichenberger**  
**CEO and Chairman of the Board of**  
**Directors of Fahnenfabrik Sevelen AG**

➔ [www.fahnenfabrik.ch](http://www.fahnenfabrik.ch)

Founded in the 1950s, Fahnenfabrik Sevelen AG produces flags with traditional handcraftsmanship as well as innovative printing technology for any conceivable use and operates a webshop with over 50,000 articles.



**Patrick Beer**  
**Financial Bookkeeper**  
**Wander AG**

➔ [www.wander.ch](http://www.wander.ch)

In business for 150 years, around 250 employees at Wander AG in Berne develops, produces and markets more than 19,000 tons of foodstuffs annually worldwide, among them Caotina, Twinings and Ovomaltine.



**Chantal Vuistiner**  
**Owner**  
**Vuistiner Frères & Cie**

➔ [www.vuistinertransports.ch](http://www.vuistinertransports.ch)

The Vuistiner company in Central Valais was founded 70 years ago and is specialized in transport and earthworks. The company has ten employees and a high-performance vehicle fleet.

# ISO 20022: Bank readiness for the third time

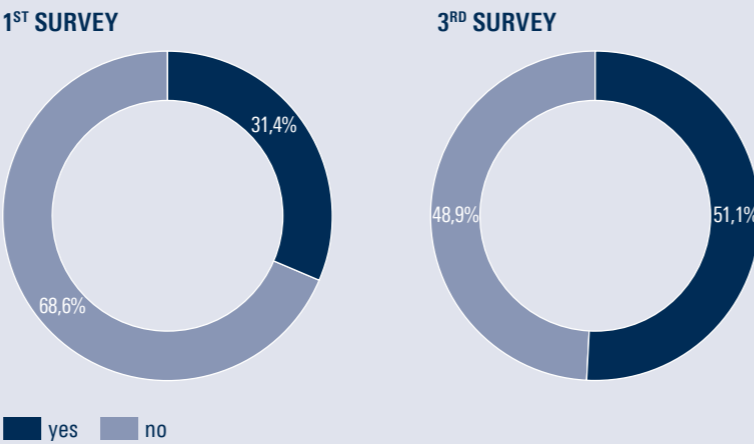
PaymentStandards.CH has measured the pulse of the Swiss banks for the third time. Are their business customers and employees better informed about the migration of payment traffic to ISO 20022 than they were a year ago? Here are the highlights:

Practice makes perfect. In comparison to the first survey conducted in the second quarter of 2016, more banks completed it in full – both in relative terms (35%, plus 7 percentage points), as well as in absolute numbers (80, plus 16). To make the trend clearly visible, only the first survey is being compared with the third survey here, no comparison is made with the second survey.

Maya M. Bertossa  
SIX Interbank Clearing

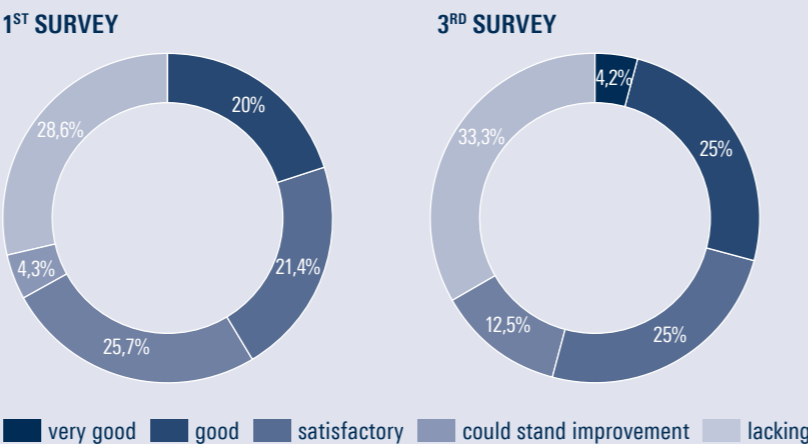
## Significantly more banks have already actively communicated

An increase of 20 percentage points in the “yes” portion was recorded for the question, “Have you already actively informed your business customers about the harmonization of Swiss payment traffic?”.



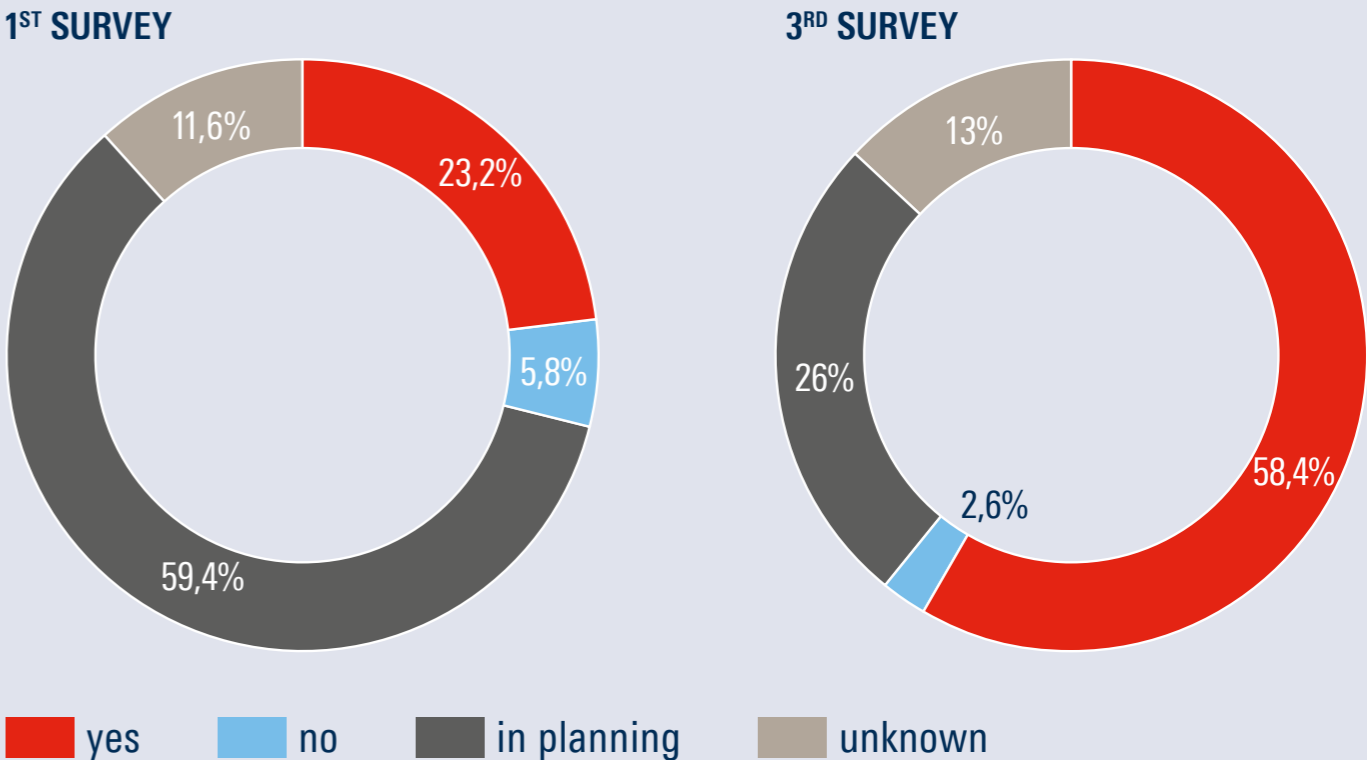
## Level of information among business customers is much better

In answer to the question, “How do you assess the general state of information regarding the harmonization of Swiss payments among your business customers?”, the evaluation “lacking” no longer appeared. The share of those who checked “very good”, “good” and “satisfactory” increased from 41% to more than 54%, a positive development.



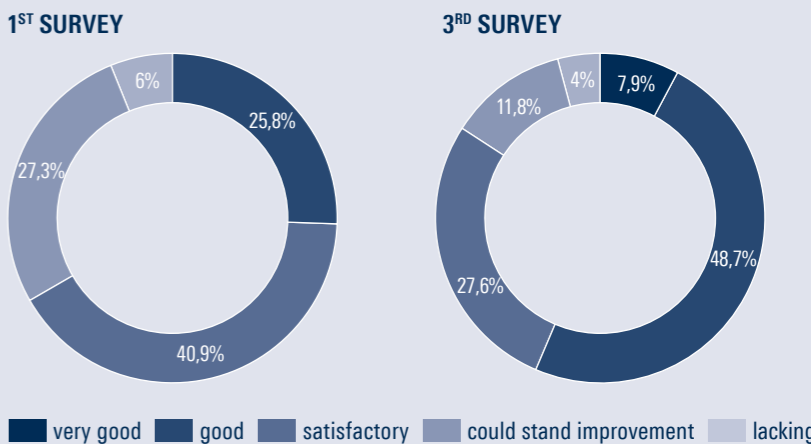
## The information readiness of staff increased massively

“Are the employees involved within your bank prepared to provide information about the harmonization of Swiss payments should customers inquire?” The development points to a positive trend.



## Staff’s level of knowledge still partially lacking

Similarly improved in general are the evaluations for the question, “How do you assess the level of knowledge in this regard among your staff that is involved?” However, the share that checked “lacking” is regrettably not essentially lower.



# All roads lead through ISO 20022

**It is the end of 2017. 100% of all Swiss interbank payment transactions are converted to the ISO 20022 standard. Really? Well, no, not quite. The SWIFT FIN messages, which comprise 1% of the payment volume, also still need to be migrated.**

The SWIFT FIN standard was introduced in the Swiss SIC and euroSIC RTGS systems in 2001 after the Swiss Value Chain was implemented and so trading on the Swiss stock exchange was integrated and automated with the post-trading services and payment processing. SWIFT access enabled an inexpensive connection for domestic and foreign banks, which was also in the interest of the Swiss National Bank. The central bank sought to further promote liquidity in the secure franc repo business, with an eye towards boosting the stability and crisis resistance of the financial system.

## MIGRATION BY NOVEMBER 2018

SWIFT FIN transactions cover most use cases – from balance payments to customer payments, to direct debits and returns. Just over half the approximately 100 banks that must migrate to ISO 20022 by the end of November 2018 are foreign banks. The others are small Swiss banks with very low payment volumes.

Even if only around 1% of all interbank transactions are affected: against the backdrop of the harmonization of Swiss payment traffic, it is important that all payments in SIC and euroSIC are migrated. This is because when the new QR-bill is introduced from January 2019, and all consumers will be able to pay their QR-bills with all data elements, then ISO 20022 must be possible end-to-end throughout the payment chain.

Preparations for the migration have been ongoing for the past year. Comparable with the procedure for the migration of the SIC message standard,

which shall be completed by the end of November 2017, the SWIFT FIN migration will also take place in several stages. Nearly all banks have already been allocated to one of the four migration windows in the coming year.

## MASTERING THE CHALLENGES

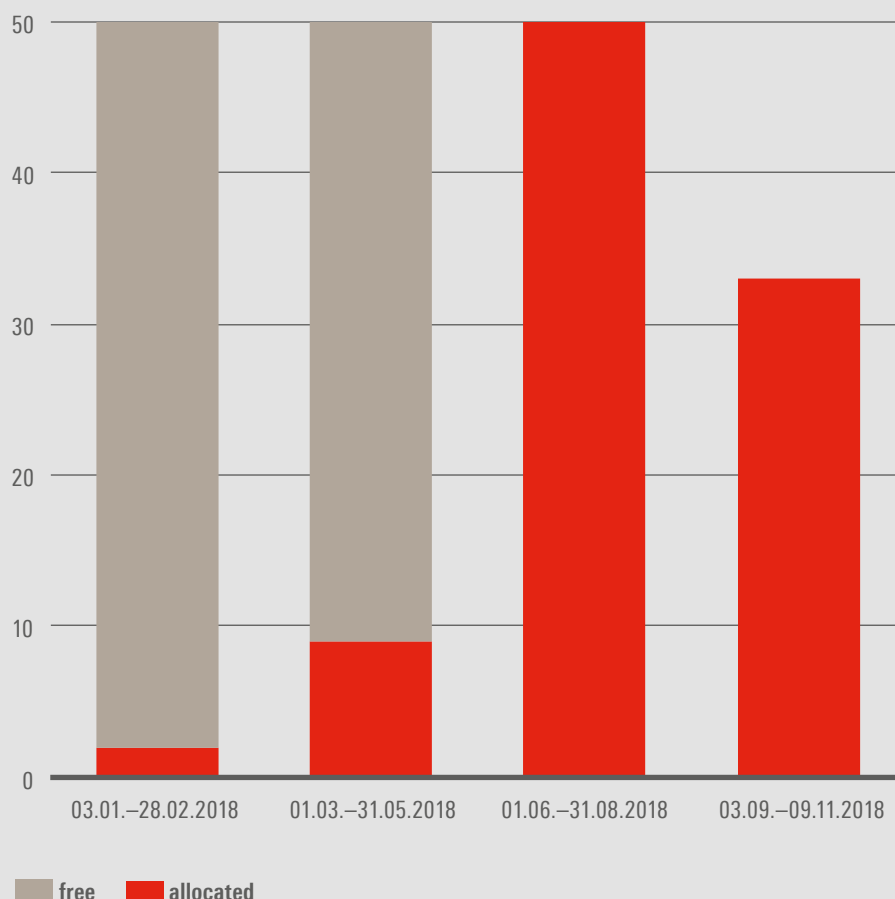
In contrast to the migration of SIC messages, the banks that are affected here have very heterogeneous internal applications. While in the first case, most use ISO 20022-compatible standard software, widely diverse systems are used among the SWIFT FIN banks, some of which have never come into contact with ISO 20022 – especially when it comes to foreign currency payments outside the eurozone.

Since the core banking systems cannot be replaced overnight, those

banks that cannot process ISO 20022 messages automatically and without media breaks are confronted with challenges. In such cases, in addition to several SWIFT Service bureaus, SWIFT itself is leaping into the breach and offering the impacted community a conversion solution, which converts ISO messages to SWIFT FIN messages; specifically, a pacs.008 to MT103 and a pacs.009 to MT202. A solution of this sort can, however, only be helpful for certain banks in the short-term in order to be able to meet the migration deadline. In the medium- to long-term, there is no path that can fully avoid the complete use of ISO 20022.

**Gabriel Juri**  
SIX Interbank Clearing

## ALLOCATION OF MIGRATION WINDOWS



# *Is the QR-bill compatible with the DTA standard?*

**There are still some who cannot imagine Swiss payment traffic without the DTA standard. They assume that the electronic submission and execution of payments will still long be possible without difficulty, along with the new ISO 20022 pain.001 message. However, some problems might be expected when the QR-bill is launched.**

The QR-bill will play a central role in Swiss payment traffic as of 2019. The key question is: can the QR-bill be smoothly processed with DTA? After its official presentation in April of this year, the QR-bill has been very well accepted by billers, software providers and banks. There is broad agreement that the new product makes sense and will provide many benefits. Both billers and debtors will be able to significantly improve their accounts payment and accounts receivable processes with the QR-bill.

The deployment of the QR-bill, especially with a structured reference, will also depend on whether the automatic accounts receivable reconciliation functions at least as well as it currently does with the orange inpayment slip with reference number (ISR). This will be the case if every debtor is able to pay the QR-bill so that incoming payments from the banks can be properly notified to the biller with the new ISO 20022 camt message type so that the debtor software can automatically recon-

cile incoming payments with the open positions.

## THE HARDEST NUTS TO CRACK

One of the difficulties is trying to pay a QR-bill with DTA, since a QR-bill (large data record) can transport considerably more information than fits in a DTA message (small data record). Various information (see chart page 14) cannot be filled in with DTA and therefore can hardly be transmitted to the biller's bank and the biller without additional effort.

Furthermore, DTA does not technically offer the option of filling in a

QR-bill with a reference so that it can be processed end to end (STP) by financial institutions. Financial institutions generally strive to determine the scheme used upon receipt of payments in order to ensure the scheme conformity for the subsequent processing. Payment instructions and incoming payments that do not correspond to the official rulebooks ("DTA Standards and Formats", "Swiss handbook for SWIFT payments" and "Swiss Implementation Guidelines for Credit Transfers", will, as a rule, be rejected or manually routed.

Now, if you wish to pay a QR-bill with DTA there are theoretically two options: with the TA 826 message for the inpayment slip with reference (ISR) and with TA 836 for the inpayment slip with message (IS). It seems obvious to use TA 826 for the QR-bill with reference. However, a closer look makes it clear that while the QR reference (which corresponds to the ISR reference) can be used, the new creditor reference cannot be according to the ISO 11649 standard. Added to this it is impossible to fill an IBAN in a TA 826, in which there is only space for the much shorter participant number.

In the worst case, the TA 836 could serve to enter an IBAN. However, since this transaction does not provide a field for references, software developers and bank customers can simply enter the reference in the message field. This would be a valid

## HOW ARE THE ISR AND QR-BILL PROCEDURES RECOGNIZED?

- ISR payment instructions and incoming payments are identified by means of the ISR participant number. As soon as a correct participant number is detected, a check is made as to whether the delivered ISR reference is correct. If it is not, then the payment instruction can be rejected or routed to manual processing.
- QR-bill payment instructions and incoming payments for the procedure with reference are recognized by means of the QR-IBAN. As soon as a correct QR-IBAN is detected, a check is made as to whether the delivered reference is correct. If it is not, then the payment instruction can be rejected or routed to manual processing.

DTA message that probably would be accepted by the debtor's bank despite the QR-IBAN. However, at the biller, at the latest, no automatic allocation of the incoming payment can be made, which in turn can lead to problems with debtors. This because the TA 836 is fundamentally less suited for paying QR-bills.

Similarly happens also when you want to enter a QR-bill with the SWIFT MT103 message through the SIC RTGS system. Therefore, all financial institutions that still currently do this will migrate to ISO 20022 before the launch of the QR-bill in January 2019 (see article on page 12).

### ROADMAP

Thus, if a QR-bill is paid electronically with the Swiss DTA standard, there is a risk that not all information will be processed or even that the payment will be returned. Migration to the ISO 20022 pain.001 message according to the Swiss Payment Standards will ensure payments processing as of 1 January 2019. To be able to profit entirely from the advantages of the QR-bill, the following steps are necessary (see also figure page 15):

#### Banks

ISO migration by the end of 2017;  
QR-bill payment offer (paper, e-banking, mobile banking, etc.) by the end of 2018.

#### Debtors

Migration of DTA to pain.001 by mid-2018; the basis for the introduction of the QR-bill at the beginning of 2019 will also be set in terms of standards.

#### Billers

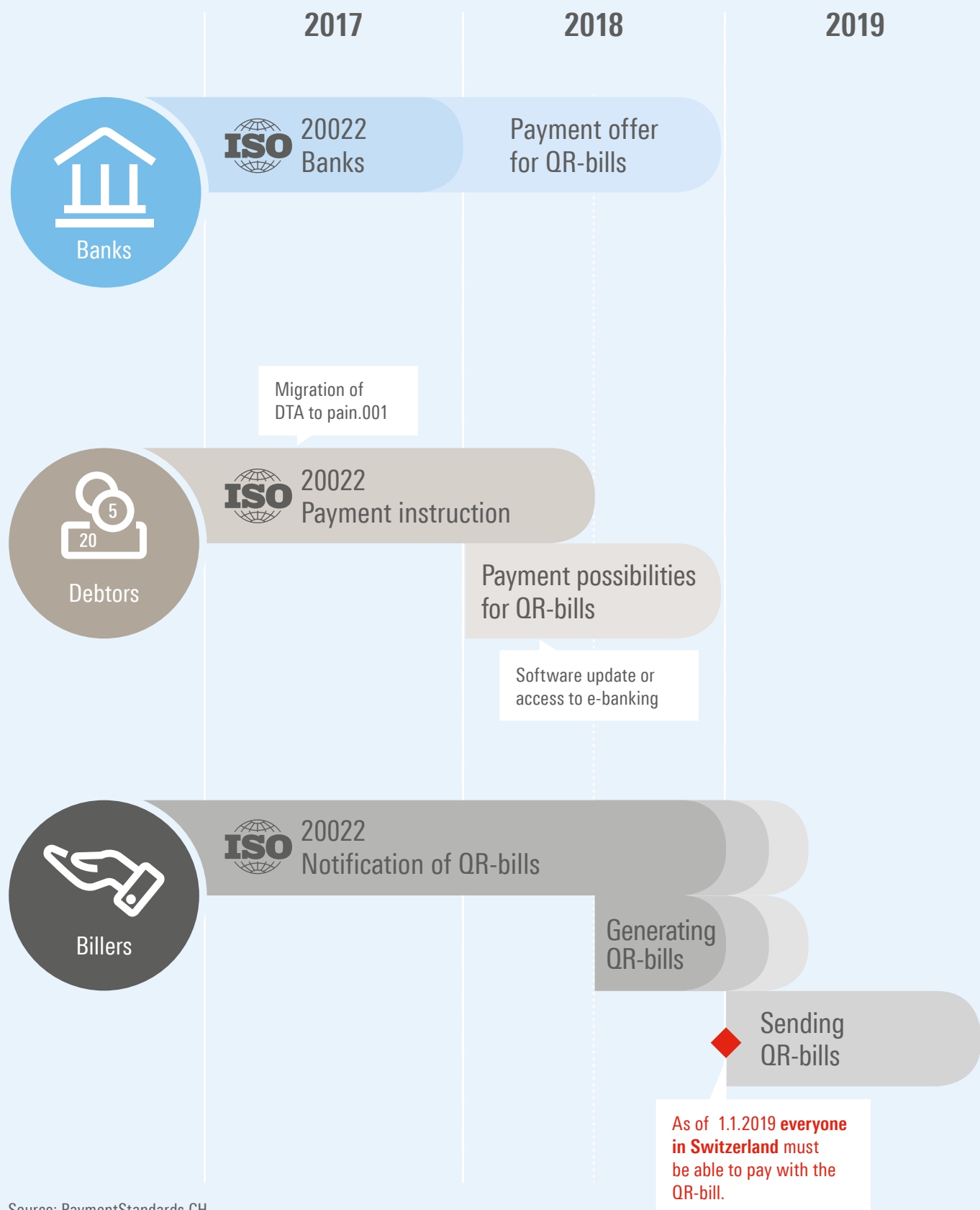
Sending of QR-bills starting 2019. Prior introduction of incoming payment notification with the ISO 20022 camt message.

#### Boris Brunner

SIX Interbank Clearing

QR-BILL	OLD (WILL BE DISCONTINUED)			NEW
	DTA (TA 826) ISR PAYMENTS	DTA (TA 836) IS PAYMENTS	SWIFT MT103	ISO PAIN.001
IBAN	NOT POSSIBLE	POSSIBLE	POSSIBLE	POSSIBLE
Payment reference – QRR – QR-reference	POSSIBLE AS ISR REFERENCE	NOT POSSIBLE	POSSIBLE AS ISR REFERENCE	POSSIBLE
Payment reference – SCOR – creditor reference (ISO 11649)	NOT POSSIBLE	NOT POSSIBLE	NOT POSSIBLE	POSSIBLE
Creditor	POSSIBLE, BUT WILL NOT BE ROUTED	LENGTH LIMITATION	LENGTH LIMITATION	POSSIBLE
Ultimate creditor	NOT POSSIBLE	NOT POSSIBLE	NOT POSSIBLE	POSSIBLE
Ultimate debtor	NOT POSSIBLE	NOT POSSIBLE	NOT POSSIBLE	POSSIBLE
Unstructured message	NOT POSSIBLE	LENGTH LIMITATION	LENGTH LIMITATION	POSSIBLE

## STEPS TOWARDS THE QR-BILL



Source: PaymentStandards.CH

# Structured addresses to become standard in payment traffic



The structuring of data for payment transactions is among the most interesting topics in the world of payments – at least for those with an interest in field lengths, field definitions and message standards. Boredom quickly evaporates for everyone else as well when they are aware of the background: besides boosting efficiency, it involves fight against terrorism, money laundering and organized crime.

To eliminate these scourges of the financial industry, or at least to limit their impact, regulators are constantly tightening the requirements regarding the information content and structure of payment transactions.

### FATF RECOMMENDATIONS

The FATF (Financial Action Task Force), as a worldwide group of experts for combating money laundering, recommends requesting complete information about debtors and creditors, which should be transported along the entire process chain (end-to-end). It also recommends that financial institutions precisely check transactions and to reject

them if this requirement is not met, or if one of the two parties is suspected of being associated with terrorism. It is remarkable that, in addition to terrorists, so-called PEPs – politically exposed persons – are also under general suspicion and that their transactions should be closely monitored.

### EU MONEY TRANSFER REGULATION 2015/847

The EU Commission has gone a bit further with their regulation, which has been in force since the end of June 2017. It translates the FATF Recommendations into mandatory law. While for transactions in the EEA zone, the debtor's account number and name suffice, payments of non-member countries must meet stricter rules and, for example, must contain a complete address. Switzerland is also impacted by this as a non-EEA country. Problems may arise if conversions of messages in the new ISO 20022 standard (e.g. pacs.008) in the current SWIFT FIN standard (e.g. MT103) lead to cut-off field contents (so-called truncations) or if the instructing party data is incomplete (e.g. missing country code). More frequent questions and returns

### THE STRUCTURED INITIATING PARTY ADDRESS IN ISO 20022 IS A SEPA KILLER

According to the Implementation Guidelines for ISO 20022 interbank messages, the format of a structured initiating party address is not permissible for the instructing of a SEPA payment. After the ISO 20022 migration, a SEPA payment will be instructed as a pacs.008 with the "SEPA Credit Transfer" payment type. According to the EU Wire Transfer Regulation 2015/847, a complete provision of the initiating party address (name, street with house number, postal code, city and country) is required. The payment is returned by the euroSIC system if the initiating party address is submitted in a structured form.

SEPA default routing facilitates the instructing of SEPA payments as pacs.008 with the "General customer payment" payment type. The provision of the initiating party address in structured form is not rejected here. The payment is routed the same day as a TARGET2/STEP1 payment.

### UNSTRUCTURED DATA

<b>SWIFT FIN</b> :50K:/ CH5481230000001998736 FRITZ MUSTER ROSENWEG 6 3110 MUENSINGEN, BE SCHWEIZ	<b>ISO 20022 (here: Swiss recommendation)</b> <Dbtr> <Nm>FRITZ MUSTER</Nm> <PstlAdr> <AdrLine>ROSENWEG 6</AdrLine> <AdrLine>3110 MUENSINGEN BE</AdrLine> <Ctry>CH</Ctry> </PstlAdr> </Dbtr> <DbtrAcct> <Id> <IBAN>CH5481230000001998736</IBAN> </Id> </DbtrAcct>
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### STRUCTURED DATA

<b>SWIFT FIN</b> :50F:/ CH5481230000001998736 1/FRITZ MUSTER 2/ROSENWEG 6 3/CH/3110 MUENSINGEN, BE	<b>ISO 20022 (here: Swiss recommendation)</b> <Dbtr> <Nm>FRITZ MUSTER</Nm> <PstlAdr> <StrtNm>ROSENWEG 6</StrtNm> <TwnNm>MUENSINGEN</TwnNm> <Ctry>CH</Ctry> </PstlAdr> </Dbtr> <DbtrAcct> <Id> <IBAN>CH5481230000001998736</IBAN> </Id> </DbtrAcct>
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Sample of unstructured and structured data in SWIFT FIN and ISO 20022 messages

are occurring since the end of June, which causes costly manual post-processing among various Swiss banks. The problem is being exacerbated by the fact that some EU banks are subject to self-imposed rules regarding the structure in MT103 messages, although the regulation only deals with the content, not the structure. The returns are generally accompanied by the comment that a message regarding suspicion of money laundering will be sent to the regulator if the EU Regulation rules are not adhered for future payments. As an immediate solution, the SECB Swiss Euro Clearing Bank is urgently recommending that its euroSIC participants do not exceed the usual field lengths in MT103 messages as well

as in their ISO 20022 messages, and to always provide complete instructing party data.

### NEED FOR ACTION

FINMA's rules are similarly strict and set out in the Anti-Money Laundering Ordinance. There it states: "For payment orders, the client's financial intermediary shall disclose the client's name, account number and address as well as the name and account number of the creditor."

The example of the EU regulation has shown that discussions about data content quickly lead to questions about whether action must be taken regarding the structure thereof. Some financial institutions

in the EU have not only undertaken appropriate considerations, but also compiled facts. However, they are provisionally applying their criteria less strictly due to the associated processing problems. That a need for action nevertheless exists has become clear, at the very latest, since SWIFT announced that as of 2020 only structured address data will be permitted (i.e. only options "A" or "F" in address fields 50 and 59).

### PAYMENTS COMMITTEE SWITZERLAND (PACOS) IN THE LEAD

Due to these developments, the Swiss financial center has decided to tackle this topic early on and has founded the PaCoS taskforce "Structured Addresses" for this purpose. It is currently reviewing sound options for the implementation of structured initiating party data in SWIFT FIN and ISO 20022 messages as well as their impacts on various stakeholders (market infrastructure, banks, end-customers and software suppliers). To bear in mind in the process is that SWIFT FIN messages will no longer be supported as of November 2018 by the Swiss RTGS systems SIC and euroSIC (see page 12). The decision by the SIX Interbank Clearing Board of Directors as to how to further proceed with the issue is anticipated towards the end of the year. It should then be clear whether SWIFT will be able to stick to its timeplan for the migration to structured addresses.

**Beni Schwarzenbach**  
SIX Interbank Clearing

# TWINT and the new Swiss payment ecosystem

**Changes in the Swiss payment system are rapidly increasing. Until a few years ago, there was hardly a single provider of mobile payments in Switzerland. Today, besides TWINT, there are also diverse international solutions on the market. Major digitalization projects, such as the QR-bill, or the migration to ISO 20022 are lending additional impetus to the issue of mobile payment. The access to digital payments simplified.**

Swiss consumers make an average of three to four payments each day. Payments are therefore the most common point of contact by bank customers with financial products. Close contact to customers is enormously important in a digital world; not least because customer needs can be derived from the large volumes of data. Based upon it, supplemental services can be offered in areas such as financing, investing and insurance. In addition, it also opens possibilities for expanded services such as loyalty systems, more targeted search results and advertising customized for users.

Against this backdrop, it is important for financial institutions to cooperate on the cutting edge of innovations and to actively design the digital future to facilitate efficiency gains for merchants, billers and consumers.

## **TWINT – SWITZERLAND'S DIGITAL WALLET**

Until recently, there were two locally developed mobile payment systems in Switzerland: TWINT and Paymit. Since network effects are crucial when it comes to mobile payments, and because the Swiss market is small, the two systems have been successfully merged. The six largest Swiss banks and SIX are participating together in the new company TWINT AG. The new system has been live since spring this year.

While the international providers are focusing on contactless (cash register) paying on site, TWINT is going a step further and is already offering additional options and value added services:

- P2P: TWINT is the largest Swiss network which enables individuals to send and request money among themselves – regardless of whether the sender and recipient use Android or iOS.
- E-Commerce: payments can now be made by scanning a QR code at over 1,000 online shops. The typing in of credit data is eliminated. This is convenient for the user and merchants profit from lower transaction abort rates. An additional 4,000 shops will use this service starting in autumn 2017.
- Vending machines: payments can be made quite easily with a mobile phone instead of small change at

many Selecta vending machines.

- Unmanned points of sale: Payment can be made electronically through a QR code today at unmanned points of sale (e.g. snack boxes or farm shops) which only accept cash today.
- Added value at the cash register (POS): TWINT supports the integration of value added services, by which customer or stamp cards can be stored and activated in the TWINT application. For example, in all Coop branches paying and collecting points function in a single step through the stored Supercard (One-Tap).

TWINT was designed from the start as an open, platform-independent system and will be enhanced with additional functions in the current year:

- M-Commerce: as of autumn 2017, payments from merchants' apps will become even more convenient. The customer chooses the TWINT payment mode and afterwards needs only to confirm the amount. Implementation of the same solution is also planned for mobile websites for the beginning of next year.
- User on File: TWINT is currently designing an interface (API) through which third-party applications can directly charge accounts or credit cards. This means that it will also be possible to save TWINT as a payment means in the future.
- Furthermore, TWINT is planning the further merging of the payment process in e-commerce in the medium term. The customer scans a QR code from a brochure or poster with the TWINT app and the merchandise is automatically ordered with the payment.
- Rapid developments and uniform standards are demanded

Targeted implementation is required to quickly bring innovations to merchants and customers market-wide. There are many issues involving mobile payments that must be dealt

with. The issue of digital identities is just one of them. People in Switzerland spent more than CHF 8 billion for purchases on the Internet last year. In view of such sums, a secure, standardized but simple identification in e-commerce is desirable for both buyer and seller. Another issue involves the submitting of sales slips for which already existing interfaces may possibly be used. The question also arises of whether in general payment infrastructures can be linked with the value added services of TWINT to create benefits for consumers.

Uniform and publicly accessible standards are crucial in order for all market participants – including smaller ones – to profit from the increasing opening of the finance API's. With its "User on File" concept, TWINT is making a significant contribution to the open development of the Swiss payment services.

#### EASIER ACCESS

To provide a uniform, future-oriented and cost-effective Swiss payment ecosystem for payments, providers are called upon to reduce the friction points between traditional and digital

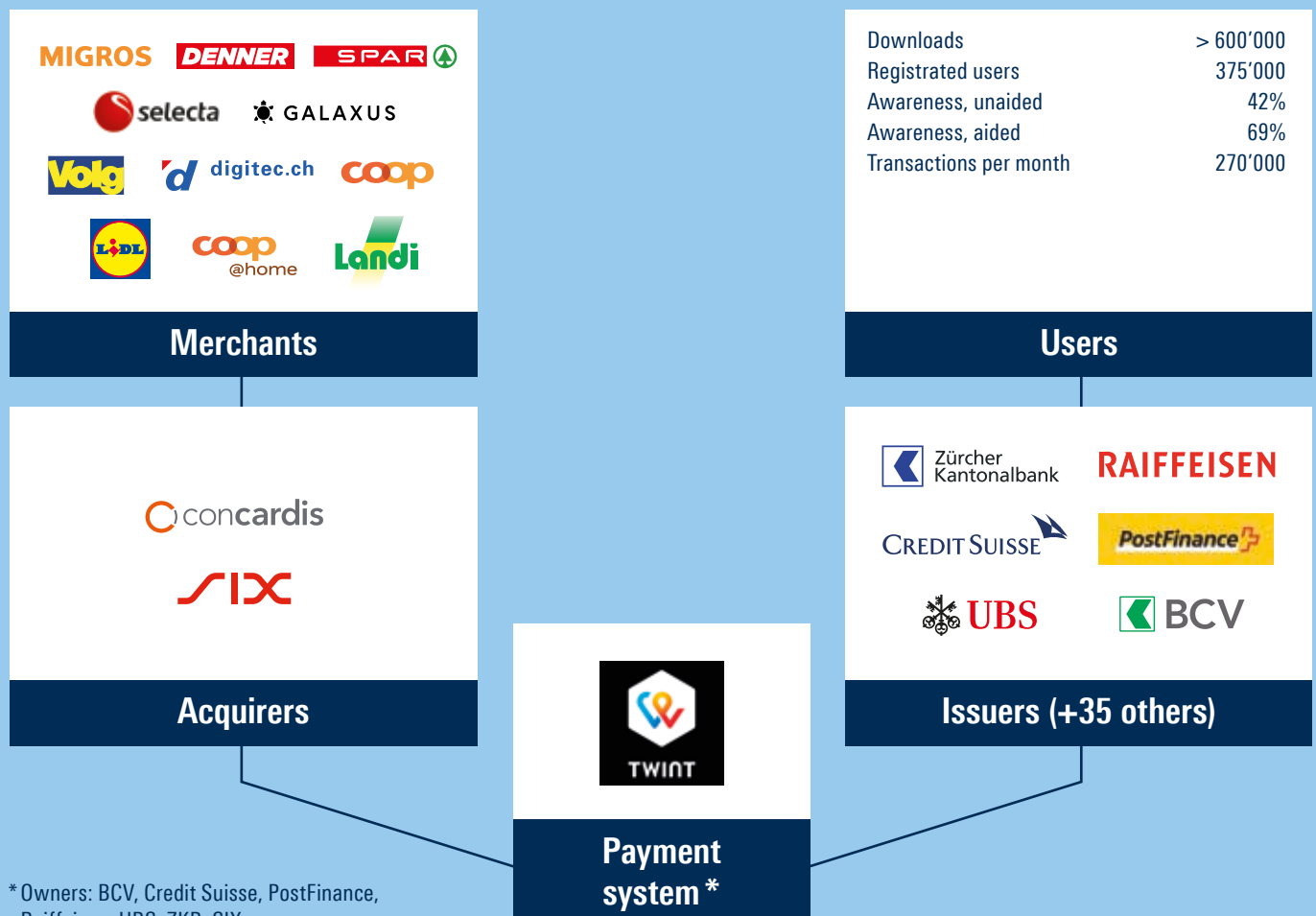
payment. The aim must be to simplify the access to digital payment traffic.

If innovative digital payment traffic can be created, to which all participants have easy access, this would also strengthen the competitiveness of Switzerland in an increasingly global and digital world.

#### Philipp Stahel

Head TWINT & Digital Wallets,  
UBS Switzerland

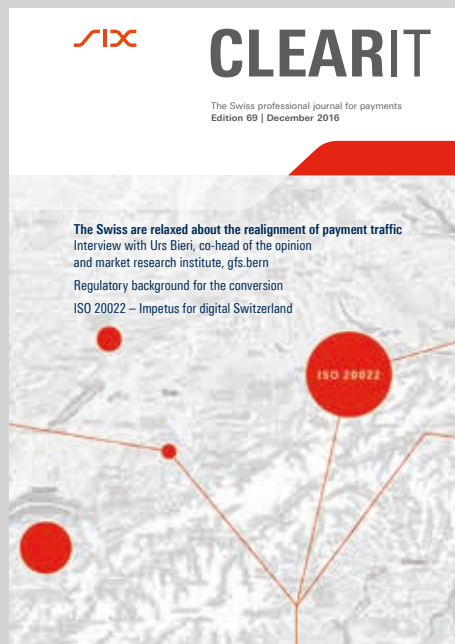
## The Swiss mobile payment network



## DEEP DIVES:



More about the first bank readiness survey in the June 2016 edition



More about the anticipated benefits for SMEs in the December 2016 edition