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License to Pay Smartly

Interview with Thomas Hilgendorff, CEO of Yapeal

Consumer Spending Behavior in Real Time

Liechtenstein’s Triangle

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COUNCIL
Samuel Ackermann, PostFinance; Daniel Berger, SIX; Boris Brunner (Head), SIX ; Susanne Eis, SECB; Pierre-Michel Gicot, BCV; Susanne Höhener, Liechtensteinischer Bankenverband; Daniela Hux-Brauss, Credit Suisse AG; Gabriel Juri, SIX; Karin Pache, SIX; Raphael Reinke, SNB; Thomas Reske, SIX; Peter Ruoss, UBS Switzerland AG

EDITORIAL TEAM
Gabriel Juri (Head), Karin Pache and Thomas Reske, SIX

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FRONT PAGE
Thomas Hilgendorff, CEO of Yapeal

Dear Readers

For many of us, life as we know it has changed – as has our sense of normality. In both our personal and our professional lives, it is now more important than ever to tackle the new challenges we face with confidence and inspiration. This year has brought changes for me too: In spring 2020, I was appointed CEO of Credit Suisse (Switzerland) Ltd., and as a new member of the Board of Directors of SIX, I now have the opportunity to help shape the future development of payment transactions in Switzerland, among other things.

There is no doubt that 2020 will go down in history as a challenging and eventful year. We will most probably remember the lockdown, and the way COVID-19 has altered our personal and professional lives, for as long as we live. 2020 has also been a year dominated by a marked advance in digitalization. However, we must not forget that while digitalization creates many new opportunities, it is still dependent on people. The new Credit Suisse branch concept, which combines personal service with digitalization, is a good example of this. We use state-of-the-art technologies to provide our clients with interactive forms of advice. If necessary, specialists can also participate in personal consultations with clients directly via video conferences. Personal contact will thus remain vital in a digital environment and it forms the foundation for a reliable partnership with our clients.

The digitalization megatrend will remain a key driver of developments in 2021, further accelerating our lives. In the area of payment transactions, for instance, this means that real-time transfers will become the new norm. As we already know from the countries that use 'SEPA Instant Payment' as well as a number of Swiss banks, future payments will become instant, i.e. they will be processed almost immediately on a 24/7 basis. SIX is doing outstanding work on this front, and it continues to prepare itself for the future: To process real-time transfers and enable a general upgrade of the SIC system, SIX will launch a new technical infrastructure – the SIC5 platform – in 2023. This will enable it to meet high demands in terms of availability, processing time, and operating times for sending and receiving real-time payments.

Digitalization also calls for a high degree of flexibility and agility: It requires us to be open, work collaboratively and be interconnected. Indeed, innovation and client-centric offerings will be even more crucial to the competitiveness of financial providers in the future. Here too, SIX is playing a key role by launching b.link – a standardized interface between financial institutions and third-party providers. And, of course, fintechs will continue to give new momentum to the Swiss financial center with their innovative business models.

In short: I look forward to an exciting 2021!

André Helfenstein
CEO Credit Suisse (Switzerland) Ltd.

Thomas Hilgendorff,
CEO of Yapeal

Yapeal – License to Pay Smartly

Neobanks are in vogue. They are investing their efforts and resources in uncompromising, smart digitalization of payment transaction processes. In July 2020, Yapeal became the first startup to enter the Swiss market with a fintech license from the Swiss Financial Market Supervisory Authority (FINMA). CEO Thomas Hilgendorff talks about the regulatory challenges, Yapeal's strategic objectives, and cool payment experiences.

We've just met for the first time, and you're already calling me by my first name. Yapeal is on a first-name basis with its clientele and apparently with everyone in general. How did this first-name culture go down with FINMA and the Swiss National Bank when Yapeal applied for a fintech license and admission to the SIC system?

Thomas: I think they considered that smart in principle, but in that regulatory environment, you simply don't address people by their first name, neither in writing nor in speaking.

What regulatory requirements are especially challenging for Yapeal, and why?

The fintech license gives us a smart entryway into banking because the equity capital requirements are far lower than they would be under a banking license. FINMA, however, didn't give us a free pass. Know-your-customer and money-laundering issues are the two biggest challenges. Here we are regulated exactly like a bank. A colleague at one of the cantonal banks told me that its anti-money-laundering policy is 50 pages long. Ours is ten pages longer. So, we aren't getting any special treatment here, which is absolutely fine with us.

We are currently in discussion with the Swiss National Bank about what proportion of our sight deposit account balance will be exempted from negative interest charges. The fintech license authorizes us to accept deposits from the public up to a maximum of CHF 100 million, for which the amount exempt from negative interest would be CHF 10 million. This means that we have to charge negative interest on up to CHF 90 million, which would amount to a sum of up to CHF 675,000. That kind of money is hard to generate because, unlike banks, we are not allowed to put client funds to work to compensate for the negative interest. So we see ourselves at a certain disadvantage regarding the exemption limit.

> **"The fintech license gives us a smart entryway into banking because the equity capital requirements are far lower than they would be under a banking license."**

How often is Yapeal audited for compliance?

Yapeal gets audited the same way banks do. Some areas are inspected annually, others every two or three years. All in all, we get completely audited within a three-year period.

Yapeal evidently wanted to enter the market last year. Why did it take until this summer?

Technically, we were already operating productively in mid-2019 with the first card payments. But at that time, we didn't have a fintech license yet, which is a prerequisite for admission to the SIC system.

But didn't you know that beforehand?

We thought things would go faster with a fintech license. Since we didn't get it until March, this delayed our going live. But I would like to stress that FINMA and the SNB both gave us good support within the limits of what's legally permissible. For example, we were allowed to integrate and test the SIC system in our operations before the SNB formally assigned us a sight deposit account, and we were thus able to save time in going to market.

Yapeal wants to turn paying into an experience. Fun experiences are normally associated with visits to theaters, art exhibitions, or travel. Why should paying with a bank account or card from Yapeal be an enjoyable experience?

That's a legitimate question *(Thomas chuckles)*. In today's context, we often observe that payments arrive belatedly to recipients or even don't arrive at all during weekends. Or at the end of the month you get a credit card bill for, say, CHF 3,000, which definitely isn't fun. Payment transactions in general are evolving toward being increasingly integrated into a customer's shopping experience. Take automated Amazon Go stores, for example. You run in, figuratively speaking, grab items from the shelf, and dash out without having to type in or scan anything. Since the camera knows exactly what items you picked, payment takes place fully automatically and the amount is debited to your account, smoothly and stress-free. Yapeal is evolving in this direction by operating in real time and by integrating into the changing environment. Payment transactions aren't even the driver, they just have to seamlessly adapt to the changes underway in the digital sphere. One example from our ecosystem is real-time cashbacks. We're currently running this pilot project with a partner shop. I buy something, and when I pay for it, I receive a 2% cashback rebate automatically credited to my account. That's a cool experience, wouldn't you say?

Speaking of real time, Yapeal promises clients real-time transactions. Be it money transfers or card purchases, Yapeal claims that everything is settled in seconds. What does "real time" mean here, and how does Yapeal do it?

In under a second. We work with the new Visa debit card, which we were the first to introduce in Switzerland. Transactions are instantly debited or credited to an account. When we receive notification of a payment via the SIC system, it gets credited to the client's account

Thomas Hilgendorff, CEO of Yapeal

in a fraction of a second. We don't do any batch runs. They're a relic of the past. Even though SIC makes real-time crediting possible, not every bank credits the money to the recipient account immediately. We do – naturally during weekends as well – as long as the payer and the payment recipient are both clients of ours.

This means that you're in real time when the payment flow takes place within Yapeal's ecosystem, otherwise you're not.
Exactly. Outside our ecosystem, we're dependent on outside parties, be it another bank or because the SIC system doesn't operate on weekends.

#BESTTEAMEVER

Yapeal was founded in 2018 by a group of 15 people whose stated mission is to reshape retail banking in Switzerland. They and an additional 18 co-workers are doing just that on the fourth floor of a nondescript office building in Zurich-Altstätten and in collaboration with their current community of 2,000 Yapsters.

> **"When we receive notification of a payment via the SIC system, it gets credited to the client's account in a fraction of a second."**

How does Yapeal fundamentally differentiate itself from other, "normal" financial institutions or smartphone banks?
From day one we assembled a community that collaborates with us in developing Yapeal. We have members who are fervidly involved. They are our ambassadors. They have really helped to analyze and define Yapeal's functions and features.

The Yapsters are even present on Yapeal's website...
Not only that. We also have alpha users who exert influence on other banks. This happened, for example, in the middle of this year, when we received lots of transaction rejections from other banks during the rollout of Yapeal. They weren't able to process IBANs that aren't entirely numerical – mine, for instance, is "CH...83019GRABTHESTARS". The algorithms at various

“From day one we assembled a community that collaborates with us in developing Yapeal. We have members who are fervidly involved. They are our ambassadors.”

Thomas Hilgendorff

banks simply failed at the task. Our Yapsters then actually explained to the support staff at those banks that their systems also have to accept alphanumeric IBANs. This pressure prompted some banks to make adjustments very quickly because they realized that they were out of line with the standard. Our community is our strategic pillar. No one else in Switzerland is doing it the way we are for the moment.

And what other strategic objectives are you pursuing?
Our second strategic pillar is our handling of licenses. Interestingly, we differ here from most banks. It is extremely important to us to own all the licenses we need for our value chain ourselves. This means that we ourselves are a card issuer, we hold our own license from Visa, have our own fintech license, and hold our own sight deposit account with the SNB. There's no intermediary service company in the card business and no partner bank at which to set up our app. We want to operate completely autonomously and to hold all of the levers in our own hands. Only that way can we make critical decisions quickly. We have all of the know-how in-house, which means that we command and control the value chain ourselves.

> **"We have all of the know-how in-house, which means that we command and control the value chain ourselves."**

The third pillar is technology. We operate entirely in the cloud, we're a cloud-native company. Standing behind you is a big old rack with exactly one pizza slice in it – our WLAN router. We don't own any servers, only laptops. Whatever happens on the app is instantly updated to your account – we're digital to the core. One particular focus is on our APIs, we have an open integration architecture.

While we're on the subject of APIs, what do you think about open banking – the opening of banking interfaces to third parties?
That's the future, there's no doubt about it. To me, though, open banking means much more than just digitalizing banking processes. It seems more important to me to integrate companies more efficiently and elegantly into the digital world of banking in general and into the payment transactions space in particular. What I'm trying to say is that the world outside the banking industry is working arduously on digitalization and

b.Link

With b.Link, SIX makes a platform for standardized application programming interfaces (APIs) available to financial institutions and software and service providers. Platform participants connect with each other easily and securely. They exchange payment transaction data with each other in order to offer their customers innovative solutions for account information and payment submission.

wants solutions for use cases that very often involve the issue of paying. Take, for example, micropayments and the evolution of media consumption. More and more, consumers prefer to buy a single newspaper article for 20 cents instead of purchasing a monthly subscription. For a bank with complex legacy systems, paying that with a credit card makes no sense at all because a 20-cent transaction simply can't be processed efficiently. At Yapeal, even a one-cent transaction is efficient because everything is executed automatedly in real time. We therefore prefer to talk about "open business" instead of just "open banking".

Returning to open banking initiatives, is Yapeal interested in sharing its clients' account information with third parties?
Absolutely. After all, unlike many other financial institutions in Switzerland, Yapeal is also GDPR- and PSD2-compliant. We don't have a problem with clients wanting to have their Yapeal data elsewhere; the interfaces for that are in place. On the contrary, in fact, we are convinced that things won't work without account information sharing because there's another reason that's extremely important: the "transparent customer". I'm firmly convinced that we're on the way to that. But you have to give customers something in return to instill confidence in entrusting their data to someone. Customers must feel assured that their data are being managed securely and that they are the ones actually in control of their data.

Via standardized interfaces?
Exactly. We're deeply convinced that this is the right approach, and we're building Yapeal in a way to make this possible.

What is your opinion on the b.Link initiative, which precisely aims to advance the use of standardized interfaces that enable banks and third-party payment service providers to share client data?
You can see how motivated banks are to join in...

And how motivated is Yapeal?
We haven't had this discussion yet with b.Link, but my preceding arguments suggest that we are unlikely to be opposed to b.Link.

Almost a year ago you said that the Yapeal community rates eBill as being far more important than FX payments. What is Yapeal making of that?
We are very proud to have fully integrated eBill into the look and feel of Yapeal and the convenience it offers. We're starting up the service at the beginning of this December. We could have opted to use the HTML pages from SIX to implement access to the eBill portal and to utilize the user interfaces there. We didn't do that, though. eBill has very good application programming interfaces, and we have integrated the eBill experience into the Yapeal experience. As far as I know, aside from Yapeal, only three banks have accomplished that, and it took them over a year to get it done. It took us only three months to get ready to go live with eBill.

Another thing: When I look around at other neobanks, I see that I, Thomas, would be a client with nothing more than an account, a card, and foreign currencies, to put it simply. We at Yapeal are working on building a "family" model, meaning one account with many sub-clients (children have allowance accounts). We call that a joint account. But we also envisage joint accounts for associations, people living in shared housing, and so on. And that's a differentiation from what challenger banks are offering today. We're working on it together with business software providers.

"We are very proud to have fully integrated eBill into the look and feel of Yapeal and the convenience it offers. We're starting up the service at the beginning of this December."

"Ten percent of Swiss residents use neobanks," read the title of the last Swiss Payment Monitor report published in August. Since the university study bases itself on a survey that was conducted last year, Yapeal doesn't figure in the rankings yet. What place on the podium are you aiming for next time?
That's a good question because I don't have an answer to it. We have strategically decided to pursue a sustainable model, which means that we don't chase customers. Of course, we want to have as many of them as possible, but we first have to build everything from scratch ourselves. That's not the case at other neobanks in Switzerland, which take everything regulatorily relevant in banking from their partner banks. We want to digitalize everything so that we're cheap and fast, and we want to do that sustainably. When we look at the foreign neobanks in Switzerland and see the compliance problems they've had, we don't want to emulate that. We're not on a hunt for customers, we're building a sustainable business model, which entails growing more slowly than other neobanks. We deliberately accept that. We'd prefer to win a spot on the podium for "most convenient solution".

> **“At Yapeal, even a one-cent transaction is efficient because everything is executed automatedly in real time.”**

An example?
Take employee business expenses, for instance. With Yapeal, I go to lunch, pay the bill, snap a photo of the receipt, and send the receipt and the payment digitally to the ERP system, where everything is processed automatically. No more hassle of having to keep track of endless receipts.

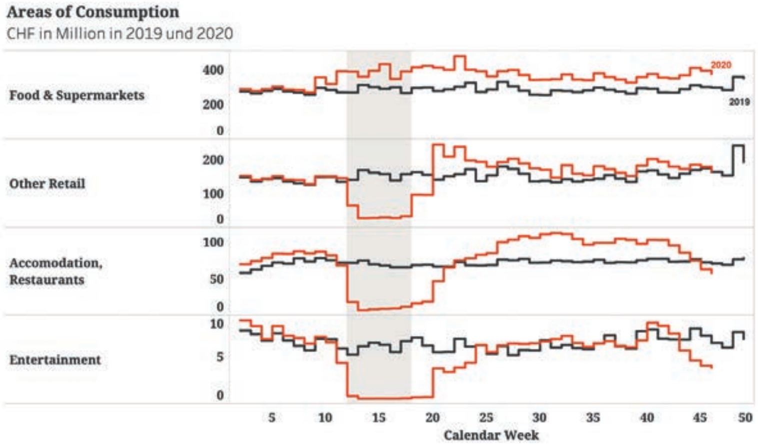
Interview:
Gabriel Juri
SIX

Stone money on the Micronesian island of Yap. It is still a valid medium of exchange. Which stone belongs to whom is recorded in oral history. The name Yapeal is derived from a combination of “Yap” and “appeal”.

Consumer Spending Behavior in Real Time

Since the outbreak of COVID-19, the demand for analyses of private consumption has grown in a significant manner. The project "Monitoring Consumption Switzerland" gives an insight into the consumer behavior in Switzerland in real time. Measured by the use of cashless payment means and cash withdrawals at ATMs. The evaluations concerning the debit card are mainly based on issuer data from SIX.

Since April 2020, the project team, including professors from the University of St. Gallen (HSG) and the University of Lausanne, has been providing in-depth analyses of consumer behavior in the Swiss population, which has attracted considerable media attention. The numbers processed in real time show the development of private consumption in Switzerland at the time of the COVID-19 pandemic and enable empirical recommendations for action pertaining to the impacts and risks of individual national economic policy measures.



Debit Card Remains Number 1

The most popular means of payment remains the debit card. The debit card is a means of payment with which people spend the most money, followed by cash and the credit card. The underlying numbers on debit card statistics is provided by SIX which, as an issuing processor for banks as card issuers, processes around 98% of all debit card transactions within the international card schemes.

SIX Provides Anonymized Transaction Data

SIX provides carefully selected recipients with aggregated and anonymized transaction data from the processed debit cards. These include the Swiss National Bank, the State Secretariat for Economic Affairs SECO and the Statistical Office of the Canton of Zurich. Since this spring, the transaction data has also been made available for the abovementioned HSG project. Depending on the need, the delivery takes place every day, week or month, but the data granularity is adjusted to the respective requirements. The number of transactions can be broken down by type of purchase, at the point of sales (POS) or ATM in Switzerland or abroad, as well as by amount, and can be enriched with geographical information and merchant type (e.g. retail, transport, travel, gas stations, etc.).

Serving the Public

In Switzerland, economic data, which is regularly collected and analyzed, provides important insights into economic events. Primary, significant data is evaluated by state institutions at the national and municipal level. Since the outbreak of COVID-19, the demand for analyses of consumption behavior in the Swiss population has grown in a significant manner. The aim is to observe and analyze the development of private consumption at the time of the pandemic and to derive respective insights and then share these with the public. Therefore, the transaction data provided by SIX makes a significant contribution to the Swiss financial center and the rapidly progressing digitization of payment traffic.

Philippe Eschenmoser
SIX

Cash Supply Rethought

Credit cards, debit cards or apps such as TWINT – cashless payments today are diverse, secure, user-friendly, quick and often digital. The use of cash is on the decrease. This trend is now accelerating even more due to COVID-19. As a result of the lockdown, the number of cash transactions has dropped almost by half. This poses a challenge to Swiss banks operating ATMs.

As the use of cash is decreasing, it is becoming more difficult for banks to guarantee the efficient operation of ATMs. This is because due to high infrastructure expenses, the costs per cash transaction will keep increasing. We must therefore support banks with targeted measures to ensure efficient cash supply in Switzerland in the long term.

Multivendor Software Implemented Across Switzerland

The first step into this direction was made when the Multivendor Software (MVS) was successfully introduced in September 2020. A total of almost 6,000 ATMs were migrated to a uniform software program based on the specifications of Swiss banks. Among other benefits, the uniform user interface constitutes a direct advantage to end users. SIX now processes all transactions and entries to ATMs, supporting banks in monitoring and managing their devices.

The monitoring can be outsourced to SIX either partially as Software as a Service (SaaS) or completely. Additional SaaS solutions will allow SIX to industrialize other parts of operations and take over the processes from banks in the short and mid-term, be it cash, incident or hardware management.

Need for Higher Capacity

However, this is only a part of the solution for a more efficient cash supply. In addition, ATMs should be better used to their capacity, i.e. the transaction volume per ATM should increase. Having 2.16 ATMs per square kilometer of residential area, Switzerland is significantly above the European average of 0.93 ATMs. Therefore, it is possible to reduce the number of ATMs in Switzerland by approx. 2,500 without losing service. Having conducted comprehensive discussions with banks, SIX is going to carry out a proof of concept with various stakeholders in the second quarter of 2021. Its aim is to check the impact of the temporary reduction in the number of ATMs with low transaction volumes and the optimization of local cash cycle.

In the long term, it is expected to provide a comprehensive model covering the entire operational and value chain. For banks, “ATM as a Service” is a practical option to help:
– save costs thanks to outsourcing and thus reduce the total “ATM cycle cost”,
– improve the quality of services thanks to highly specialized professionals,
– focus on the core business and outsource non-strategic activities.

Innovative, efficient and future-oriented cash supply and disposal models can only be implemented if all market participants are involved, such as banks, retailers and end consumers. As a central service provider on the financial market, SIX coordinates various concerns of market participants. Only this approach will ensure a synced process to successfully redimension services and nationwide cash availability across Switzerland.

Sacha Ravinger
SIX

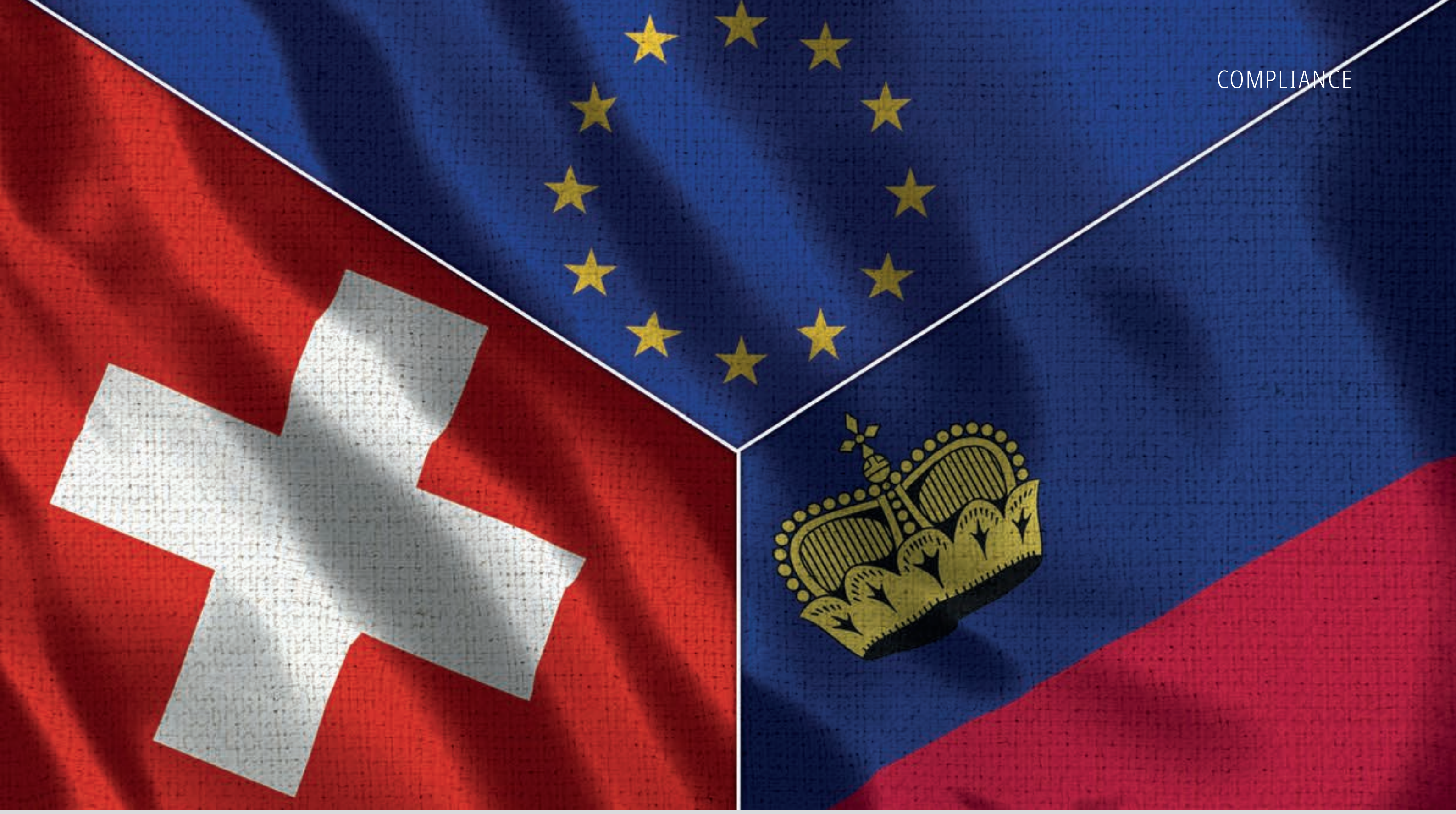
Liechtenstein's Challenging Triangular Relationship

Liechtenstein has a special and challenging starting point in payment traffic. On one hand, the country has been linked to the Swiss payment systems since 1980 under the currency contract with Switzerland. But as an EEA member, it must implement and apply EU law in payment traffic matters. This has been presenting the country with some major regulatory and practical challenges for years, and also has an influence on the use of TWINT.

There are various EU requirements in the area of payment transactions: The money transfer regulation (EU 2014/847) is intended to ensure the complete tracking of payments. The regulation on cross-border payments (EU 924/2009) also aims to ensure that charges for cross-border payments in euro are the same as for corresponding payments in euro within a Member State. The directive on the comparability of payment account charges, switching of payment accounts and access to payment accounts with basic functions (abbreviated PAD, Directive 2014/92/EU) aims to harmonize consumer protection and the rights and obligations of payment service providers and users. It does this by setting minimum requirements for payment accounts and creating a level playing field. And finally, the Payment Services Directive PSD2 (EU 2015/2366), which aims to better protect consumers when they pay online, should also be mentioned. It will also promote the development and use of innovative online and mobile payments.

Unequal and Yet Equal in Many Ways

Despite the challenges posed by the different legal conditions, the payment traffic for clients in Liechtenstein is not much different from that for Swiss clients. Liechtenstein switched to the ISO 20022 standard at the same time as Switzerland. Clients in Liechtenstein also benefit from the latest developments in payment traffic, the QR-bill and eBill. In the course of this, Liechtenstein will abandon the orange payment slip at the end of 2022, the use of which is due to an exemption in connection with article 10 AMLO-FINMA. This states that for cross-border payment traffic with Liechtenstein, the large data set must be transmitted in the same way as for payment traffic with the EU. But there is a special regulation created for payment orders with the orange payment slip. This is confirmed by the EU for CHF money transfers within the Swiss franc currency area on the basis of a special transitional provision limited to the end of 2022. The special framework conditions for Swiss franc payment traffic are one of the reasons why Liechtenstein customers cannot use TWINT.



Open Banking: almost a reality in Liechtenstein due to the PSD2

Since October 1, 2019, the revised Payment Services Act (ZDG) implementing PSD2 has been in force in Liechtenstein. It generally regulates the diverse developments in the field of innovative payment products, especially in mobile and online banking, the improvement of consumer protection and the promotion of technical innovation and competition. In the future, so-called payment trigger and account information service providers will have access to the payment accounts held with the bank. In the first case, a customer can trigger a payment transaction directly via a payment initiation service provider (PISP for short), e.g. when completing online shopping. In the second case, a bank customer can grant an account information service provider (AISP) access to his account information. For a customer with multiple payment accounts, this has the advantage that an account information provider can provide the customer with consolidated account information.

LARGE VERSUS SMALL DATA SET

FINMA's revised Money Laundering Ordinance (AMLO) has been in force since 1 January 2016. It requires that for payment orders, not only information about the creditor (small data set), but also about the debtor, is recorded and transmitted (large data set). The basis for this is the requirements of the international Financial Action Task Force (FATF). This global group of experts in combating money laundering, requires financial intermediaries to deliver full data records on debtors and creditors when forwarding payments.

LIECHTENSTEINISCHER BANKENVERBAND

Additionally, EU technical specification and security standards require strong customer authentication when a customer accesses his payment account online or initiates an electronic payment transaction in the future. It means that two or more factors of the categories knowledge (e.g. password), possession (e.g. cell phone) or inherence (e.g. fingerprint) must be combined for identification. The law provides for a transitional period of 18 months after entering into force for implementation. The aforementioned elements must be implemented by banks in Liechtenstein by April 1, 2021 at the latest.

The different regulations are a great challenge for the Liechtenstein banks and are associated with high costs. It is important, however, that this regulation ensures that confidence in the payment traffic of the future remains high and that it continues to enjoy great acceptance among clients.

Susanne Höhener
Liechtenstein Bank Association

Digital Wallet for Liechtenstein

Liechtensteinische Landesbank launched its LiPay digital instant payment solution in spring 2020. Wolfgang Mair, Head of Innovation Management for the LLB Group, answers questions on the strategy behind LiPay, the dissemination of the payment solution, and how it works.

Mr. Mair, what role does LiPay play in LLB's digitalization strategy?
Wolfgang Mair: Our digitalization initiatives include state-of-the-art online and mobile banking solutions for private, corporate, and institutional clients. Our proprietary development of our entire e-banking system in collaboration with Ergon Informatik in Zurich enables us to create a scalable platform for all client groups that nonetheless caters to individual needs. Some examples of the specific added features are comprehensive portfolio analysis functions for investment clients, special Excel-like screen views (pivot functions in the browser) for corporate clients, and integrated instant payment, which is exciting in both a peer-to-peer environment and a business context. To put it succinctly, LiPay, as an integrated function in the LLB Mobile Banking app, is one of several different approaches being pursued by LLB to extend customer benefits in digital channels beyond the prevailing market standard.

Does the name LiPay mean that mobile payments are only possible in Liechtenstein?
LLB's broad market penetration among private and corporate clients in Liechtenstein enables us to test innovations like LiPay in a manageable setting and to further develop it in collaboration with our customers. LiPay has been rolled out only in Liechtenstein thus far, but we're confident that our approach has growth potential beyond Liechtenstein.

What is your stance on EU regulatory requirements?
Unlike banks in Switzerland, LLB, as a bank in the European Economic Area, is directly subject to numerous European Union regulations. This doesn't just create costs, but also opens new opportunities. If one specifically thinks of the possibilities of a payment initiation service under PSD2 or about the European Central Bank's ambitions for its TIPS (TARGET Instant Payment Settlement) platform, it becomes increasingly likely that instant payments between banks 24/7 will be the market standard in the future. We are convinced that the LiPay approach (instant account-to-account payments regardless whether in the P2P environment or in a business context) is the future of payment transactions. Banks would be wise to actively participate in the new developments if they wish to stand their ground in the digital customer interface space.

Why did you develop your own digital payment solution?
Many roles in the existing process stem from a different time and are simply no longer necessary today or can be taken over by a bank at minimal expense. Our opinion is that payment transaction execution in all of its manifestations is a commodity service, the costs of which must decrease toward zero in the medium term. We couldn't find any offerings on the market that follow this line of thinking. There's no shortage, though, of established companies and startups that view payment transaction services as a business case. However, the value that those companies create for end-customers on both sides of the payment transaction often bears no relation to the costs, and processes are made needlessly slow and expensive. That didn't fit with our mission creed, so we had to take action ourselves.

You currently have around 60 small-scale partner businesses on board. How do you intend to get more retailers involved?
Large and even small retailers' ears prick up when they hear about digital instant payments that cost only a fraction of what existing offerings charge, or that even cost nothing at all.

Wolfgang Mair is instrumentally involved in the development and further advancement of the LiPay payment solution.

Direct crediting to the payment recipient's account is also not yet a given today. The facts thus clearly argue in favor of our approach with LiPay. Open banking and PSD2 support us here additionally and help us bring customers and the bank closer together.

What does your growth strategy regarding payment transactions look like?
Liechtenstein is currently our "test market" and enables us to learn many lessons. Transactions will gradually increase with new use cases. We're specifically thinking here of the following further advancements:
- building up an interbank network that enables instant confirmation of payment even if actual clearing via the SIC system takes longer;
- integration into online shop systems;
- direct linking of scanner checkout registers.

Those are basics from a purely technological standpoint. Why such solutions haven't already been around for a long time now is a mystery to us.

We, of course, know that we cannot attain critical mass in the payment transactions sector in Switzerland on our own. That's why we're integrating the know-how gained through LiPay into the open banking project being conducted under the leadership of the Business Engineering Institute St. Gallen. There, in collaboration with other banks and partners in the retailing sector, we are developing a broad-based solution under the name "Best Payment Method for E-Commerce".
As the name implies, this solution focuses at first on e-commerce. A rollout to physical points of sale is planned as a second step.

Your advertising talks about instant crediting to bank accounts. How do you execute such money transfers in real time?
LiPay only works between LLB clients at the moment. Here we can handle the entire process instantly from the client's perspective. This means that we verify the available balance, block the amount to be debited, and credit that amount to the recipient of the payment. The fact that it sometimes takes a couple of minutes for the transaction to be booked in the core banking system doesn't matter for clients. In the interbank scenario we're eyeing, the communication network that I touched on comes into play. Stated simply, the payer's bank and the recipient's bank talk to each other. The payer's bank verifies the account balance, blocks the amount to be debited, and notifies the recipient bank of the incoming payment. On this basis, the recipient bank can already confirm a (forthcoming) credit to the payee's account so that the payee can rest assured that the payment has been validated and will arrive shortly. Clearing takes place in the background conventionally via SIC or SEPA. This setup makes us almost infinitely scalable and of course very open to other interested banks.

The charm of this solution is its independence from developments at SIC or the ECB. It already guarantees, for instance, implicit compatibility with an upcoming instant payment scheme. SWIFT theoretically would be conceivable as well.

> **"Instant account-to-account payments 24/7 are effectively unrivaled in the payment transactions sector."**

How are you set up organizationally to enable instant payments?
Our mobile banking app, which incorporates LiPay, was built to run "independently" from our core banking platform. This means that even on a Sunday evening, LiPay payments are displayed transparently on the mobile banking app's account transactions screen – automated balance verification and irrevocable payments guarantee that a LiPay payment cannot be stopped after being sent.

Interview:
Gabriel Juri
SIX

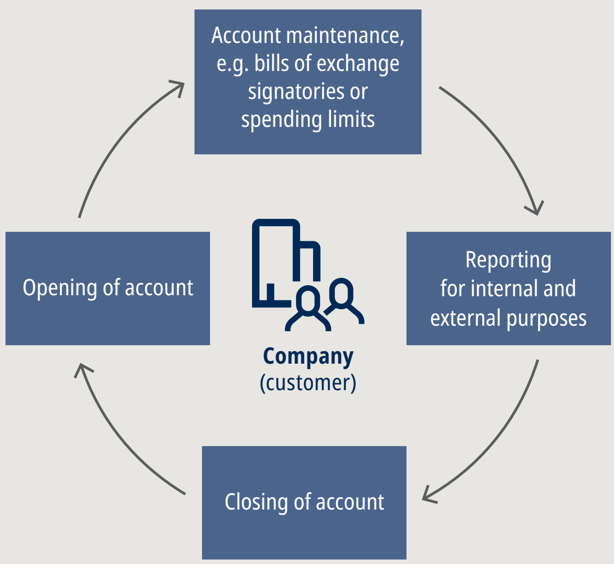
eBAM: Bank Account Management as Self-Service

Opening, closing and managing bank accounts is an often tedious, time-consuming, and error-prone task for cash managers, as even today orders usually have to be placed using paper forms. Treasurers in multinational companies can tell you a thing or two about it. Electronic bank account management (eBAM) creates transparency and efficiency, and enables processes to be standardized.

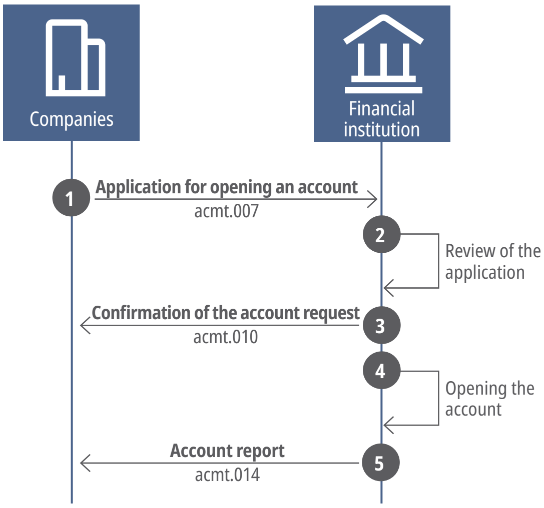
Today, the manual processes, which are still involved in bank account management, are costly and cumbersome because they are usually paper-based. At the same time, several communication loops are often necessary. Numerous media disruptions hold the danger of mistakes being made. Things get even more complicated when a large number of accounts of different subsidiaries have to be managed centrally at several banks. In addition, there is often a lack of an up-to-date, accurate and, if required, audit-proof overview of all accounts and account holders of a company.

Bank Account Management as Self-Service
eBAM eliminates paper exchange between banks and customers and enables cash managers to manage their accounts with ISO 20022 messages in self-service. This is similar to what has been common practice for some time in payment transactions for payment orders. This gives companies more transparency, security and control over their banking relationships and account holders.

Automated account management activities



EXAMPLE MESSAGE FLOW FOR SUCCESSFUL ACCOUNT OPENING



1. The company sends an acmt.007 message (AccountOpening Request) to the financial institution. The company will provide all known details regarding the new account to be opened.
2. The received message is checked by the financial institution for authentication and authorization.
3. The financial institution sends an acmt.010 message (Account RequestAcknowledgement) back to the company. This serves exclusively to confirm that the received acmt.007 message is technically readable and has reached the next, banking-specific processing step.
4. The financial institution sets up the account with all details in its system.
5. The financial institution then sends an acmt.014 message (AccountReport) with the complete details of the new account. This informs the company about the account opening and allows them to compare the characteristics of the account with the original request.

The rationalization and automation of processes offers advantages to all participants:
- Less effort for the administration of the accounts
- Reduction of error risks thanks to elimination of media breaks
- Reduction of the execution time for changes
- Increased transparency and security through automatic and computer-assisted tracking and monitoring of account activities
- Improved account management control through comprehensive electronic audit reports
- Auditable account information, promptly available during an audit

To exchange messages with the bank, bank customers use eBAM software and connect directly to the bank computer. Either with SWIFT FileAct, via a secure host-to-host channel like EBICS or via file up/download in the e-banking portal.

In addition to transmitted documents such as business terms and conditions in PDF format or a passport copy in an image format are referenced with the file name and sent separately via the same channel. Depending on the channel, the transmission is handled differently and must be agreed between the parties upon prior consultation.

Prediction for Switzerland

eBAM is still largely unknown in Switzerland. Since eBAM can be seen as part of the open banking initiative, the pressure from companies on software vendors and banks to offer eBAM is expected to increase. Sooner or later, paper, signature with ink and manual processing will be completely replaced by electronic documents, digital proof of security and automation.

Peter Ruoss
UBS Switzerland AG

THE 15 ISO 20022 MESSAGES FOR COMMUNICATION

From bank customers to financial institutions:
- acmt.007 – Account Opening Request
- acmt.008 – Account Opening Amendment Request
- acmt.013 – Account Report Request
- acmt.015 – Account Excluded Mandate Maintenance Request
- acmt.016 – Account Excluded Mandate Maintenance Amendment Request
- acmt.017 – Account Mandate Maintenance Request
- acmt.018 – Account Mandate Maintenance Amendment Request
- acmt.019 – Account Closing Request
- acmt.020 – Account Closing Amendment Request

From financial institutions to bank customers:
- acmt.009 – Account Opening Additional Information Request
- acmt.010 – Account Request Acknowledgement
- acmt.011– Account Request Rejection
- acmt.012 – Account Additional Information Request
- acmt.014 – Account Report
- acmt.021 – Account Closing Additional Information Request

The digitalization megatrend will remain a key driver of developments in 2021, further accelerating our lives.

André Helfenstein
CEO Credit Suisse (Switzerland) Ltd.