ClearIT

VOLUME 19 | March 2004

Information about the Swiss Payment Traffic Systems

SEPA – Impacts on the Swiss payment traffic

Revised National Bank Law becomes effective

Swiss Payments Council – an introduction

Swiss Interbank Clearing
A Telekurs Group Company

Content

DEAR READER

ClearIT receives good grades. We are both thrilled with the thoroughly positive feedback from our readers and motivated. Congratulations are especially due to our editing team who successfully produced our magazine right up to this latest issue. I would herewith like to personally and sincerely thank the representatives from eight different organizations for their committed - and voluntary - contributions. For five years they put together eighteen issues for the Swiss financial center. Their work - highly qualified and often including tedious research - truly represents a remarkable feat.

The motto is often recited: Don’t change a winning team! But is that really so? Or maybe not? Today, ClearIT is published quarterly, and in three languages. Efficiency increases are in high demand. Analogous to professional trade journals, our new publication is structured with the production separate from the content. The advisory board is responsible for the mid-term focus and the specific topics while the new editorial team is responsible for the actual publication. We are applying the positive feedback from our survey as our yardstick to set new challenges. In two years we will be back with another survey, asking for your opinions.

The desire to have a Swiss payment traffic lead council has been discussed for some time. And on page 11 you can now find out how our new Swiss financial center payments council is comprised, which responsibilities and authorities it has been assigned and how international networking fits into the picture. This leads directly to the SEPA (Single Euro Payments Area) roadmap, and then we realize: There are a lot of things going on around our country. This - in and of itself - is nothing new, but the environment changes faster and with more lasting effects. In the EU, the payment traffic landscape under SEPA leadership increasingly takes shape.

Let’s briefly revisit the internationalization of the Swiss payment traffic: June 1998: The cross-border expansion of SIC as a part of the Swiss Value Chain celebrates its first birthday, first meetings regarding the connection of SIC to CLS (Continuous Linked Settlement) are being held, the repo introduction with indirect participation abroad goes into production. January 1999: euroSIC goes live and links Switzerland with the EU zone. 2001: The Swiss Value Chain expands to London with virt-x, and the first remote accesses to SIC are switched on. Today, early 2004, CLS has already been successfully operating with 11 currencies, including the Swiss franc, for 18 months, euroSIC processes approximately 4,000 cross-border transactions daily, and the SIC system has 93 participants abroad. The EU has become more comprehensible. The European Payments Council and its Working Groups are up and running for two years. While Switzerland is appropriately represented with its five members in the payment traffic area, it has been noticed on the corporate policy level that the EU increasingly distances itself from non-EU countries: STEP2 for instance, excludes non-EU domiciled organizations. The danger is that this trend increases for an out-out country. With that in mind, there could be no better time for ClearIT to focus its attention on an international tour d’horizon.

André Bamat, CEO Swiss Interbank Clearing Ltd.

SEPA – HOW WILL THE SWISS BANK PAYMENT TRAFFIC BE AFFECTED?

Within the SEPA (Single Euro Payments Area) the cross-border EU payment traffic is to operate along the same requirements as the national payment traffic. To this end, the national payment systems are to be replaced by uniform systems, standards, and conventions throughout Europe by 2010. ClearIT spoke with representatives of the two largest payment traffic services providers in Switzerland about this development and its impacts on Switzerland.

André Gsponer (ClearIT) in conversation with Nicole Walker, PostFinance, and Michael Montoya (center), UBS

Since July 1, 2003, cross-border payments within the EU may not be more expensive than national payments for customers. Which noticeable consequences will this result in for Switzerland?

Michael Montoya: The introduction of the euro didn't have a negative impact on the development of the Swiss payment traffic transaction volume within the EU zone. Rather than handing over payment volume to the EU financial institutions near the borders, the volume has actually increased overall. On the other hand, the introduction of the EU regulation Nr. 2560/2001/EG governing cross-border payments in euro does have some noticeable consequences. It used to be that a French bank would handle a payment from Germany exactly the same as a payment from Switzerland. However, since SEPA has been introduced, the EU zone further marks itself off vis-à-vis non-EU countries. Since the regulation leads to reduced earnings for the EU banks, there is a tendency to make up for these losses with new prices on certain transactions, e.g. the ones on non-STP transactions. Those transactions not covered by the EU regulation lend themselves to this purpose particularly well, and among those, specifically payments from Switzerland.

Nicole Walker: We may be an out-out country – neither a member of the EU nor the European Economy and Monetary Union – and therefore

What brought about the idea for a SEPA?

In the early 1990s, die EU Commission commissioned a market research study. The conclusion of this study showed that payments within the EU take too long, are too expensive, lack transparency toward the client, and that the liability regulations were lacking. Under the motto 'Europe for the citizens' the EU directive 1997/5/EU therefore strived for a faster and more transparent commercial payment traffic within the EU long before the introduction of the euro. This directive was integrated into the national legislations. But a review in late1990 showed that the situation on a whole, but specifically in the areas of pricing hadn't been improved yet. After the introduction of the euro, the EU Commission found itself compelled to show the citizens the advantages of the uniform currency. That's why regulation Nr. 2560/2001 was developed and presented to the banks in 2001. It formulates the goal to align the prices for payments in euro within the EU to those of the respective Member States (uniform pricing regulation for cross-border payments). At a 3-day workshop during the first quarter of 2002 the banks (CS and UBS were also represented, among others) drafted the SEPA blueprint in response. This turned out to also be the founding occasion of the European Payments Council (EPC) with its goal to create a uniform euro payment traffic area where the cross-border payment traffic will work as efficiently as the national payment traffic within the individual EU nations does today.

legally don't fall under the price regulation. Nonetheless, the banks within the EU zone still demand of us and of our customers to execute our payments crediting an IBAN/BIC instead of with an account number and bank identification code or BIC of the beneficiary's institution as done previously. Even when our customers and we as a financial institution meet these requirements, we are still billed the fees for an out-out country despite the STP processing by the beneficiary banks.

M.M.: Currently, a noticeable north-south flow can be observed for the application of these new prices: The further south the EU country, the larger the number of banks already billing non-STP rates.

In effect, the prices were lowered with this new pricing regulation, but the costs remain virtually unchanged. Doesn't this simply lead to a cross-subsidization of the foreign payment traffic, e.g. by increasing the account management fees?

M.M.: At EUR 1.00 each, a payment from Germany to France via TARGET is more expensive than a payment within Germany via RTGS^{plus} at EUR 0.38. How can an EU bank charge the same for cross-border EU payments as for national payments?

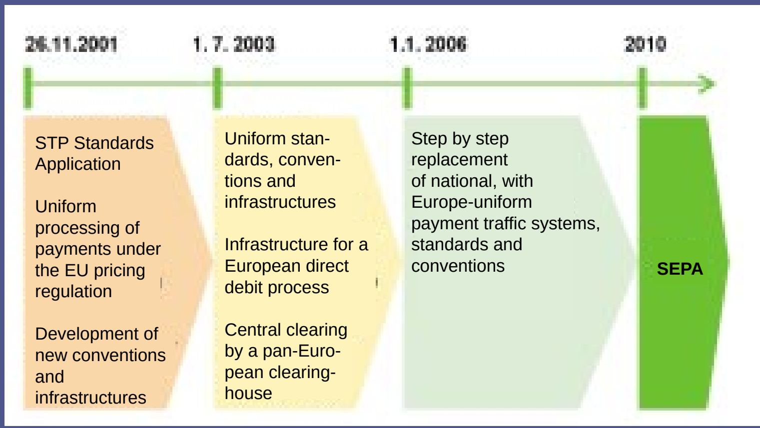
N.W.: It is therefore obvious, that the banks have built service packages – for instance – including or excluding foreign payment traffic. But it's too early to speak of a general tendency.

How, then, can the costs for foreign payment traffic be lowered at all?

N.W.: One important point remains the adaptation of the long standing and well rehearsed processes and routines. At the same time, there is a significant short term potential for cost savings at many financial institutions. Further streamlining can be achieved by using the clearing and payment systems instead of the traditional correspondent banking. Moreover, validation and registration tools are made available directly to the customer for e-banking applications. This helps ensure that the customer already submits an STP payment and that the financial institution can subsequently save internal costs thanks to the high STP rates.

M.M.: And, of course, with less expensive and more efficient cross-border payment systems: It is the European Central Bank's (ECB) TARGET2 goal to bill identical transaction costs regardless of where the payment flows. The benchmark is the least expensive EU clearing system and the aim is for a transaction fee of EUR 0.20. This would eliminate any cost discrimination between national and cross-border payments within the EU zone. STEP2, developed by European banks at the Euro Banking Association (EBA), is the equivalent for the bulk payment traffic. There, the intended transaction fee lies at around EUR 0.01. This goal can only be achieved with an appropriate number of transactions. In order to bring this about, an according number of national low value systems

Step by Step to SEPA



would have to place their transaction volumes in STEP2.

N.W.: This is predictably met with major political resistance; national egoisms would have to be overcome. But other tendencies are visible, too – the banks are offering their customers payment traffic as a service but the operational element is out sourced. A corresponding market situation is already noticeable.

Why is Switzerland participating this actively in the various SEPA working groups at all?

M.M.: The EU countries are Switzerland's most important trade partners. This is an important reason for our great interest in participating in the development of the European payment traffic and to be able to study and get to know the scopes and conditions there. However, they are rather insignificant for the time being, since the focus lies predominately on payments where both the ordering and the beneficiary's bank are domiciled in the EU. STEP2 is a rather typical example: Even though the UBS was actively involved in the development and is even represented on the board, the Swiss banks are unable to use this system because they, as ordering banks, aren't domiciled in the EU.

N.W.: Switzerland isn't comparable with other non-EU countries from a EU perspective, either. In addition to a certain emotional attachment the payment volume between the EU and Switzerland is markedly higher than between the EU and other non-EU countries. Our active participation is very much appreciated and not least of if because our contributions are «neutral», meaning not EU-politically tinted. It should also be mentioned that euroSIC has significantly contributed to raise Switzerland's acceptance in the EU.

SEPA is planned to be a reality by 2010, replete with a uniform payment system. In your opinion, is this goal even attainable?

N.W.: I actually do believe that the payment traffic world will grow closer together, especially within the EU – but there will not be a sole standardized payment traffic system within the EU. I also find it very difficult to believe in a full SEPA implementation by 2010 due to the many political unpredictabilities and legal differentiations in the local national markets.

M.M.: It bears keeping in mind that SEPA focuses on the relationship between the bank and the customer, thus necessitating a customer friendly design. In the end it's of little importance to the EU Commission whether this goal is achieved with one single system or with many. For

ADDITIONAL INFO

Michael Montoya

Responsible for the Payments Services Area at UBS AG.
Swiss representative, member of the European Payments Council (EPC) and on the board of the European Committee for Banking Standards (ECBS).

Nicole Walker

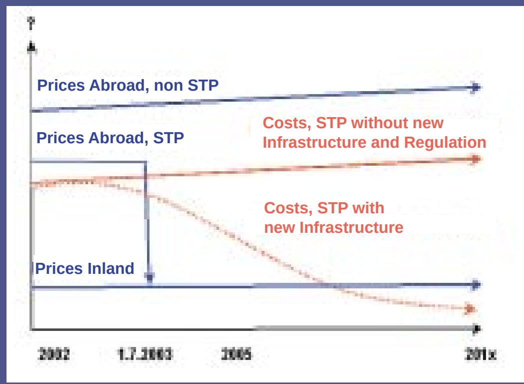
Manager Cross-Border Payments & Relations at PostFinance.
Responsible for product management in international payment traffic, the selection, acquisition and support of relationships with banks and postal organizations abroad. Represents PostFinance on the Eurogiro board and in international working groups.

The main steps of the EU pricing regulation

- Cross-border payments within the interpretation of the regulation are business transactions which on the initiative of the ordering party via an institution in an EU Member Sate are executed for the purpose of providing funds to a payment recipient at an institution in another EU Member State.
- Since July 1, 2002 cross-border electronic payment transactions in EUR (e.g. card transactions at POS or ATM) of up to EUR 12,500 may not be charged higher fees than are billed to national card transactions.
- Since July 1, 2003 transfer cross-border euro payments up to EUR 12,500 are charged the same fees as national transfers.
- Since July 1, 2003, credit institutions are under obligation to provide their customers the IBAN and the BIC either included in the statements or as an enclosure, in order for this information to be available for use for transfers.
- As of January 1, 2006 the maximum amount for the payments affected will be raised to EUR 50,000.

European Payment Traffic Costs and Prices

Costs must be lowered



TARGET2 to be working as a high value payment system without involving national systems would already make it a first step toward a uniform system world in EU payment traffic.

...and which effects will this have on Switzerland?

M.M.: The cross-border payment traffic originating from Switzerland will not become more expensive as a whole for private customers, but in comparison with the intra-EU transaction costs, it won't be able to keep up. We are – with our payment order extra international within our UBS e-banking service system – already offering a product that includes the new Euro zone standards such as IBAN and BIC for this particular customer segment. The flat fee package price charged already includes all third-party charges and thus allows the customer to calculate the total payment order cost.
As far as the corporate business is concerned, larger companies might potentially be interested in special conditions. But I can't imagine a migration of organizations transferring to EU banks, particularly since an EU bank which will only handle payment traffic for a Swiss company probably won't be able to offer the same conditions as could be offered to a company who uses the bank's entire range of services.

TOPIC-RELATED LINKS

Regulation governing cross-border payments in euro:
http://europa.eu.int/comm/internal_market/en/finances/index.htm

ECB brochure about TARGET2 under Publications, November 2003

www.ecb.int

Bank initiatives:
European Payments Council (EPC): www.europeanpaymentscouncil.org
European Banking Federation (EBF): www.fbe.be
European Savings Banks Group (ESBG): www.savings-banks.com
European Association of Co-operative Banks (EACB): www.gebc.org
Euro Banking Association (EBA): www.abe.org

Swiss Commission for Financial Standardisation (SKSF): www.sksf.ch

European Committee for Banking Standards (ECBS): www.ecbs.org

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STEP2: A PAN-EUROPEAN ACH FOR THE SEPA

On 28 April 2003, the EBA Clearing Company launched the first pan-European ACH-service for retail payments in the Single Euro Payments Area (SEPA), labelled STEP2. With STEP2, EBA Clearing now offers a comprehensive range of clearing and settlement services to the banks in the EU for both their single high-value payments and their retail mass payments. The system is highly automated, simple to use and based on broadly accepted industry standards (SWIFT MT103+).

The system provides broad access to the EU banking community through direct and indirect participation. The cost of participation is low to ensure wide access, but some technical modifications are usually needed at the participating banks. For those EU banks not connected to STEP2, direct participants within a country can route incoming payments over other national clearing systems. In this way, payment instructions, routed through STEP2, can be distributed to any bank operating in the EU and SEPA's universal «receiver capability» is ensured.

STEP2 has been developed together with SIA S.p.A. as a technology partner and with SWIFT as a messaging partner and is able to transact in its initial configuration up to 5 million payments per day. In cooperation with SWIFT, SIA delivered the STEP2 platform as planned in a 10-month-long, 50 man/year technology project.

Volumes have risen steadily since implementation and will continue to gain ground as customers in the EU become more familiar with the strict formatting requirements and realise they can save money by using them.

STEP2 launched in April 2003, ahead of the entry into force of the EC Regulation 2560/2001 requiring banks to price intra-EU cross-border payments no higher than domestic ones.

Outlook

48 banks are now directly connected and over 1000 banks are indirectly connected to STEP2 for cross-border retail payments. Another 10 direct participants are joining the system in March 2004. The STEP2 user community will continue to progressively grow in 2004, in line with banks' preparations to connect to SWIFTNet and to use FileAct for channelling essentially cross-border payments. This movement will be reinforced by the fact that STEP2 is the only future-oriented infrastructure processing retail payments at a pan-European level.

It has been recognised that STEP2 will co-exist with a number of national ACHs or other bulk payments exchange arrangements in euro. However, STEP2 has not been conceived to limit itself to cross-border payments but to progressively integrate domestic traffic.

Furthermore, STEP2 is in a position to accommodate, if required, non-STP instruments in order to cater to groups of banks that agree to switch to a pan-European platform while phasing out the usage of these instruments. Moreover, STEP2 is designed to be at the cutting edge of further evolutions of the industry towards the creation of SEPA payment instruments.

The infrastructure is highly scalable and it is foreseen that, subject to intra-EU and domestic growth, unit costs will eventually fall below EUR 0.01 per transaction. This would place it among the most competitive payment infrastructures in Euroland. STEP2's modern, flexible design, its highly standardised formatting and SWIFT-based transport, as well as its timely delivery into the European payments arena, make it the strongest contender to date to play a central role in the pan-European ACH. This possibility was strengthened by the recent announcement that the Italian banking community is seriously studying how it can move some or all of its domestic traffic onto STEP2. Furthermore, the German and Austrian central banks connected to STEP2 in November 2003 in order to offer cross-border, regulation-compliant payments to smaller banks in their countries.

Impact on Switzerland

For Switzerland, as a non-EU country, STEP2 is currently of little benefit. The current validation restrictions (focus on meeting the EU regulatory requirements) are strict: MT103+ only - CredEuro standard (IBAN and BIC), with no charging option. Additionally, both the ordering party's bank and the beneficiary's bank must be located within the EU. This could only be of interest to foreign branches of Swiss banks with significant domestic EU flows.

However, in the future, it is theoretically possible to use STEP2's modular design to allow processing of euro payments where one leg is outside the EU (for example inside the EFTA). This would already be an important step toward streamlining processing costs for euro payments in and out of Switzerland while bringing tangible benefits for Swiss banks and customers.

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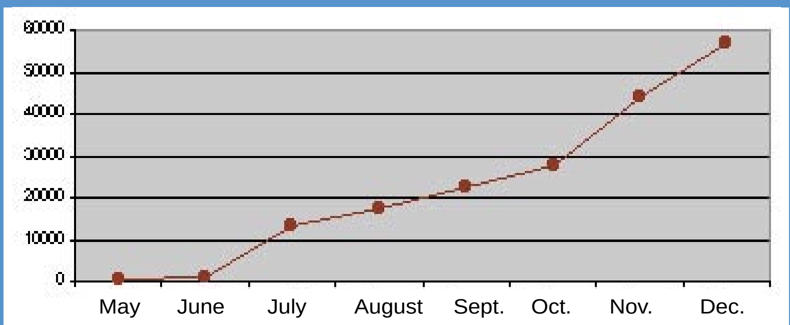
STEP2 – Number of Transactions in 2003



GLOSSARY

ACH: Automated Clearing House

EBA: Euro Banking Association

SWIFTNet: IP-based messaging platform for multiple financial services

FileAct: one of SWIFTNet services (FIN, InterAct, Browse, SWIFTNet) enabling the exchange of huge data volumes, i.e. regular payments, clearing and settlement instructions of securities, reportings, distribution of software patches or documentations

CredEuro: a convention issued by the European Payments Council (EPC) in July 2003. It draws out the practical consequences of the EU pricing regulation

COUNTDOWN FOR TARGET2

By 2007, the next TARGET generation is to continue the success of its predecessor while at the same time correcting the weaknesses currently afflicting the system. As a result, the TARGET2 project is primarily focused on substantially reducing technical complexity, creating standardized service and strict cost efficiency.

Along with the introduction of the euro as an accounting currency, just over five years ago, TARGET was started as an EU-wide high value payment system for the new currency. In its starting phase, TARGET specifically contributed to the fast integration of the European financial market. Today, after Fedwire, TARGET is the second largest payment system worldwide, processing an average of EUR 1.7 trillion per day.

TARGET was developed under enormous time pressure leading up to the ECU and working with the uncertainty of which countries would ultimately participate. Based on this, TARGET was designed as a complex union of 15 national systems and the European Central Bank (ECB) system. Its complexity is the root of TARGET's weaknesses. First, such a heterogeneous system union cannot really fully do justice to the banks' expectations for a harmonious service. Add to that, the decentralized infrastructure negatively impacts cost efficiency. And finally, the complexity of a decentralized TARGET system would increase tremendously with the imminent EU expansion.

TARGET2 will be equipped with a technical shared platform available for connection with all national central banks. The central banks of Germany, France, and Italy have already submitted the proposal to cooperate in developing such a shared platform for completion by 2007. Although important aspects - such as the questions of financing and leadership/management - still require detailed analyses, all the national central banks have generally demonstrated a willingness to join this shared platform.

The TARGET2 system performance spectrum is currently being developed based on a dialogue with the TARGET users.

TARGET2 will combine the strengths of the current system - accessibility to practically all banks in Europe, open for all payment types, fast processing and long opening hours - with the advantages of a technical consolidation and enhanced service in the interest of the European integration.

Dieter Becker,
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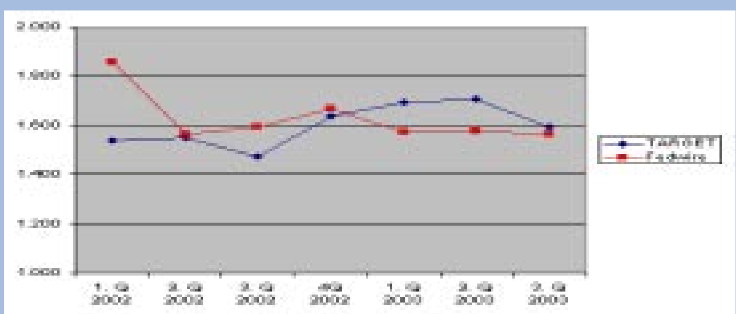
Value processed in TARGET and Fedwire – daily average in EUR billion



INTRODUCING THE NEW SWISS PAYMENTS COUNCIL

The Board of Directors of Swiss Interbank Clearing Ltd., during its meeting of 10 September, 2003, has agreed to the founding of a Swiss governance body for payment traffic issues. This new organization is named Swiss Payments Council (SPC). At a start-up workshop one month later, the SPC members developed their list of duties and tasks.

The former Councils Working Group of the Swiss financial institutions decided last summer that a Swiss governance body was needed in order to assume responsibility of phrasing the payment traffic-political positions of the Swiss financial center and, following the European Payments Council (EPC); it was given the name Swiss Payments Council. Due to its considerable expertise in payment traffic, the Swiss Interbank Clearing Ltd. Board was installed as the carrier agency.

Mission and scope

Initially, the SPC is to identify and prioritize topics of significance for the Swiss financial center referring to sight deposit and transfer payments of all kinds on a national and international level. Issues relating to the credit card industry, ATM and POS, however, are not included in the council's responsibilities. Rather, its area of activity extends to standardization work (development, introduction, matching or abolition of standards like IBAN, IPI and ISO). Within these bounds, it is authorized to decree guidelines in order to implement necessary measures within the local environment. Additionally, the SPC will actively influence other Swiss payment traffic committees, their structure, scope of work and guidelines. Last but not least, it nominates Swiss representatives to international commissions.

First decision

During the first SPC meeting on 12 November, 2003, one of the main topics discussed was the significance of the IPI (International Payment Instruction) in Switzerland. When its use in national and international environments was explored it was discovered that - except for cross-border payments - the IPI is practically never used. Since the this system doesn't have much strategic significance in other European countries, it was decided to no longer actively support the expansion of the use of this internationally usable payment receipt. The SPC will examine in late 2004 whether the IPI should be formally taken off the Swiss market.

The SPC members

Next to representatives of various committees in the area of payment traffic and the Swiss Bankers Association (SBA), the following financial institutions are members of this new council: Credit Suisse (CS), UBS, PostFinance, Zurich Kantonalbank (ZKB), Regional (SVRB) and Raiffeisen banks (RBA), as well as the Swiss National Bank (SNB). In order to maximize the synergies, it was decided that the SPC chair and the majority of the representatives from financial institutions should be either on the Board of Swiss Interbank Clearing or head up one of the payment traffic commissions.

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The Swiss Payments Council introduces itself

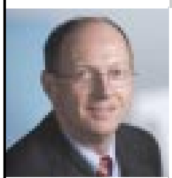
Horst W. Sander (Swiss Euro Clearing Bank, SECB)

Werner Haselbach (Special Committee Payment Traffic & Account Management, SCFS)

Georg Zeerleder (Swiss Interbank Clearing, secretary)

Matthias Kälin (Swiss Commission for Financial Standardisation, SCFS)

Germain Hennet (SBA)



Daniel Wettstein (SNB, SWIFT Switzerland)

André Bamat (Swiss Interbank Clearing)

Othmar Fritschi (SVRB)

Jörg Auer Chairman (UBS)

Theo Schmid Vice Chairman, (CS)

Christian Bieri (RBA Central Bank)

Zeno Bauer (ZKB)

Hanspeter Kissling (Product and Marketing Committee, PAM)

Willi Hurni (Project and IT-Process Steering Commitee, PAP)

Guido Bühler (UBS)

Michael Montoya (EPC)

Armin Brun (Post-Finance)

THE IMPACTS OF THE NEW NATIONAL BANK LAW

On May 1, 2004, the new National Bank Law goes into effect. Among other things, it defines the Swiss National Bank's (SNB) responsibility in monitoring payment and securities settlement systems. With a three step approach, a goal and risk oriented monitoring is to be achieved.

The changes within the economic and political environment and the developments in the financial markets made a total revision of the National Bank Law a necessity - a law that predominately dates back to the fifties. Additionally, following the revision of the Federal Constitution (new article 99BV about monetary and currency policy) adjustments on the statutory level became mandatory. Based on these reasons, the Federal Council passed a totally revised National Bank Law on 3 October, 2003.

Changes in content

The new National Bank Law updates the legal framework of the Swiss National Bank. The core reform transfers the specific responsibility for monitoring payment and securities settlement systems to the SNB. Also, the minimum reserve regulation is updated, the SNB's determination of profits and distribution is specified, the business circle is made more flexible and the SNB's accounting and reporting to the Federal Council and the Federal Assembly is formally and specifically defined. Additionally, the bank supervisory council is streamlined and its supervisory authority is strengthened.

The new Law also provides that the SNB decrees execution regulations concerning the statistic activities, minimal reserves, and monitoring of payment and securities settlement systems. Early November 2003, the SNB submitted a draft containing this regulation to the interested parties for comments. The decree, which was revised based on the statements received, will also become effective in early May 2004. The decree and additional annotations and explanations are posted on the SNB website (www.snb.ch).

Supervising and monitoring of the payments and stocks and bonds processing systems

With this new National Bank Law, the SNB is explicitly given the assignment to contribute to the stability of the financial system. This is specifically defined with the duty to monitor the payment and securities settlement systems.

In future, the SNB is to practice a risk-oriented approach, applying its resources where the risks are especially high. To this end, the new bank law defines a three step supervisory and monitoring formula.

The first step consists of a duty to disclose statistic information for the operators of payment and securities settlement systems. Based on the data, the SNB obtains an overview over the extent and significance of the payment and stocks and bonds transactions, settlement and processing systems and tools available in Switzerland.

The second step consists of a far-reaching duty to disclose information for the operators of those securities processing and payment systems handling payments in excess of 25 billion Swiss francs. With this additional data, the SNB will examine more closely to what extent these systems can affect the stability of the Swiss financial system.

Finally, at the third level, the Law allows the SNB to impose minimal requirements on the operators of systemically significant payment and securities settlement systems. In order to avoid duplication, the SNB coordinates its activities with the Swiss Federal Banking Commission.

The SNB plans a partial use of a dual system for its monitoring and supervisory activities, in which certain veri-

At the SNB main office in Bern, the Department III is responsible for questions regarding the stability of the financial system

ADDITIONAL INFO

Minimal requirements based on international standards

In matters of minimum requirements, the SNB follows two internationally recognized standards: the BIS Bank for International Settlement's Core Principles for Systemically Important Payment Systems as well as the Recommendations for Securities Settlement Systems, developed jointly by BIS and IOSCO International Organization for Securities. These standards are published on the BIS website (www.bis.org). Similar to these two standards, the SNB's minimal requirements are formulated in a goal oriented manner, leaving it mostly up to the specific system operator to determine how to reach the demanded required condition.

fications can be delegated to private auditors. This is especially appropriate in those areas, where very specific industry expertise is required, such as the assessment of information security.

Impact on banks

For the majority of the Swiss banks, the new system monitoring and supervision decreed by the new National Bank Law don't bring about significant changes. The system monitoring and supervision is directed at payment and securities settlement systems which could be a potential source of systemic risks (so-called systemically significant payment and securities settlement systems). Initially, in house payment systems are excluded from both the statistic duty to disclose information as well as from far reaching demands as long as their operators are subject to prudential monitoring.

As a result, the systems falling under SNB monitoring and supervision predominately includes those payments and securities processing systems which are part of the Swiss Value Chain, namely the interbank payment system SIC, the securities processing system SECOM and the central counterparty x-clear. Aside from that, the multi-currency payment system Continuous Linked Settlement (CLS), used for foreign currency transaction processing, will likely be classified as systemically significant. Joint monitoring with additional involved central bank is planned for CLS, with the Federal Reserve Bank of New York functioning as the lead overseer.

More detailed clarification will determine whether additional systems will be added to this group, such as the clearing of Eurex, euroSIC, the PostFinance payment system or the internal security transaction processing activities of large custodian banks.

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ClearIT RECEIVES GOOD GRADES

In Switzerland, the school grading system starts at 1 for worst and goes to 6, the best. And ClearIT came in a solid 5 in our reader survey! Clearly an expression of overall satisfaction. The very high number of replies (13%) makes these representative results. Our heartfelt thanks to all of you who took time out of your busy days to complete our questionnaire and return it to us!

164 readers have participated in our reader survey of December 2003. 87 percent indicated that they had read all issues. This result, along with the numerous additional comments, points to a very committed readership.

A healthy mix of information

The ClearIT graphics, layout and content receive an average grade of 5+. We were happy to learn that 90 percent of our readers find the articles neither too simple nor too technical, but rather well balanced in content. What's especially noteworthy is the fact that approximately 25% of all participants took the time to voice a specific opinion and to provide a detailed answer to the question: «What topics would you like to read more about?«. Here, too, the high level of acceptance for ClearIT is expressed: «The well-chosen topics meet my requirements. Please continue!» is an opinion often repeated which reflects the overall satisfaction of the current mix of information (grade achieved: 4.8).

Most frequent request

All the respondents expressed the desire for increased information about standards and trends within the European and world-wide payment traffic (specifically CLS) in ClearIT. This need reflects our assessment that, besides articles about new products and services, the readership considers reports about worldwide clearing systems as the most interesting. Of course, the ClearIT editorial team will thoroughly examine and discuss the numerous suggestions and ideas submitted.

Internet

18 percent of the questionnaires were returned electronically. What surprised us was that fewer than half of the online replies want to do without the printed version. On the other hand, more than 25% of the respondents who sent in their survey by mail felt that they could forego the printed version and gather their information solely via the internet. That makes it easy for the ClearIT team to follow the specific wish of one Kantonalbank reader, who would prefer to get both versions: ClearIT online and printed on paper.

Thank you again for your participation and valuable feedback. We are looking forward to bringing you even more specifically what it is you wish to read in ClearIT!

Your ClearIT editorial team,
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WINNER

And the lucky winners of a memory stick are:

Patricia Develey (Banque Piguet & Cie)
Ralf Dieringer (Baden-Württembergische Bank)
Jean-Robert Gindre (UBS)
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RESULTS

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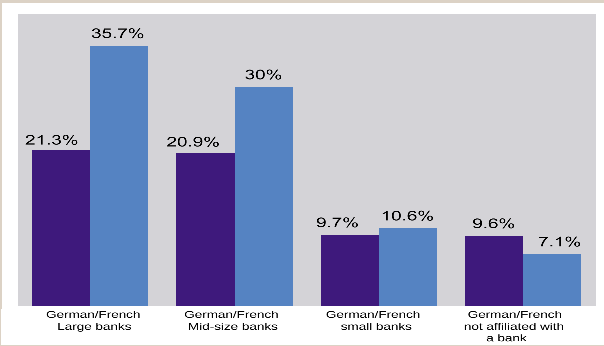
German and French speaking number of readers feedback in percent



Horst W. Sander, SECB Swiss Euro Clearing Bank in Frankfurt, Germany, presents Franky the bull (Frank von der Furt im Main zu Hessen) to Swiss Interbank Clearing during the five-year anniversary festivities on 16 December, 2003. Franky the bull is a return present for Sandy the cow, who has been gracing the SECB premises in Frankfurt for the past five years.

MASTHEAD

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