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Swiss Interbank Clearing
A Telekurs Group Company

Content

DEAR READER

This issue focuses on the assessment of the Swiss financial center's relationship to the EU. The international network of a country's financial marketplace infrastructure is conditioned in part by the way the economy is interwoven with that of other nations. It is a mandatory part of the success formula that the financial institutions be able to build on solid and market-driven platforms. Payment flows, too, are subject to this fundamental law and must be adapted continually. If this occurs in time and efficiently – by means of a regular situational analysis – it constitutes an essential contribution to a country's development. Since these processes interact with those of other European nations, a permanent and constructive dialogue with those countries must be ensured.

Our country's economic integration with the EU marks the starting point, and several articles in this issue focus on that. What do the numbers tell us? A short three years ago, Switzerland imported 80% of its goods from, and exported 60% to, the EU. The exchange of goods between Switzerland and the EU – which by now includes ten new member states – increased by 3% during the first six months of this year. Germany is Switzerland's most important foreign trade partner, with a total of 33% exports to, and 21% imports from that country. This picture has remained largely unchanged since the introduction of the euro, whereas a transformation occurred at the policy level: Increasingly, rather than dealing with the neighboring countries, the dialogue occurs between Switzerland and various EU bodies. Meanwhile, the three EEA nations' payment traffic systems conform more closely to the EU regulations than the Swiss system. For its part, with its stated goal of a single euro payment area by 2010, the EU is subjected to a steady and highly visible evolutionary process. Is this a call to action for us?

Let's take a precursory look to the immediate east. For 81 years now, the Swiss franc has been the exclusive legal currency of Lichtenstein and the two countries have maintained a very successful monetary cooperation. Now, Lichtenstein has altered its systems to match the changed EU requirements, and, as of July, its payment traffic is EU compliant. While this in no way threatens the monetary union, something has changed for the Swiss partner.

Since 1999, SECB Swiss Euro Clearing Bank in Frankfurt, Germany – in its function as an important element of the Swiss euro financial infrastructure – is responsible for the payment traffic via TARGET to and from the EU. In July of this year, SECB started a link to the German bulk payment traffic and another link to STEP2, both via euroSIC. For now, STEP2 can only be used for EU-compliant payments – in particular by banks in Liechtenstein – as well as by all other SIC participants outside of Switzerland.

What else was undertaken, and what happens next? These specific questions are directly addressed in this edition of the ClearIT interview with Dr. Urs Ph. Roth, as well as in the articles about the financial center and the EU, about the EEA and about the EPC workshop. The intention to implement the EPC IBAN/BIC resolution in Switzerland deserves special mention. Both the Swiss Interbank Clearing Ltd. board of directors and the Swiss Payments Council will focus on these issues in their meetings in September/October.

André Bamat, CEO Swiss Interbank Clearing Ltd.

RIGHT IN THE MIDDLE OF THE ACTION

The effects of EU financial market regulations on Switzerland from the perspective of Dr. Urs Ph. Roth, CEO of the Swiss Bankers Association (SBA) and Delegate of its Board of Directors.

ClearIT: Switzerland's economy is closely interwoven with that of the EU countries. For many years, the national laws have been adjusted to match EU legislation. Why is this adaptation important for the Swiss financial center?

U. Ph. Roth: I wouldn't simply call it an adaptation to EU law. The fact is, however, that financial markets and financial services are getting ever more complex and are increasingly being globalized. That's why it is vitally important for an internationally networked financial center like Switzerland that regulations, too, are approximately the same worldwide. Today, the financial market regulation standards are largely developed by international organizations such as the Basel Committee on Banking Supervision (e.g., equity standards according to «Basel II» or the regulations about the consolidated supervision of banking groups), the International Organization of Securities Commissions (IOSCO), the Financial Task Force on Money Laundering (FATF), the International Accounting Standards Board, etc., and adopted into their national laws by the countries and groups of aligned nations with important financial centers (such as the EU, Switzerland, or the U.S.A.). This leads almost inevitably to similar, if not identical, regulations.
Of course, our special attention is directed at the EU: For decades, the Swiss banks have been represented in the EU by both affiliates and branches as well as doing cross-border business. The business relationships between EU customers – companies, banks, and private customers – and Swiss institutions are very close. Hence, it is logical, and very much in the interests of Switzerland, to adopt regulations that are accepted as equivalent by the EU: This simplifies business, increases legal security and altogether avoids discrimination against Swiss providers.
But once again, Switzerland doesn't adopt EU regulations indiscriminately: As a nation independent of the EU, our country should take advantage of the freedom of action we possess. For that reason, the SBA resists the systematic and complete adoption of those EU laws that do not take into consideration the characteristics of our financial center.

At a minimum then, Switzerland fulfills the majority of the EU laws and regulations. Using the payment traffic example, can you point out what this looks like specifically?

In the area of payment traffic, Swiss law is generally compatible with EU standards. However, that doesn't mean that we adopted these regulations to the letter. Instead, solutions were found that take into consideration the specific interests of Swiss financial institutions and their clients. When it comes to payment traffic, Switzerland is a de facto member of the EU zone via the SECB Swiss Euro Clearing Bank in Frankfurt, Germany. Payments in euro from and to Switzerland among 1,600 Swiss and 36,000 EU and EEA branches can be processed directly and automatically. When measured by the number of euro transactions, Switzerland is in fifth place and is fully competitive in processing and settlement efficiency and transaction fees. Just like all the

INFO

Reference documentation can be found on the web sites of the Swiss Bankers Association (www.swissbanking.org) and the European Banking Federation (www.fbe.be).

Urs Ph. Roth, CEO, Swiss Bankers Association in conversation with ClearIT.

EU and EEA countries, Switzerland is introducing the International Bank Account Number (IBAN) and the Bank Identifier Code (BIC).

Obviously, developments in Europe aren't stagnating. The Single Euro Payments Area (SEPA) for example, is taking shape and creates conditions that couldn't have been predicted a few short years ago. How can the Swiss financial center realize its interests within the framework of Europe's payment traffic?

The primary focus shouldn't necessarily be on the Swiss financial center, but instead in realizing the interests of our clients as ordering parties and payment recipients, and on expediting payments into and from Euroland. Furthermore, the recipients of payments originating in Switzerland are EU citizens, and a considerable number of EU citizens living in Switzerland are ordering these payments.

In order to address these interests appropriately, the Swiss Bankers Association has been an active member of the European Banking Federation (EBF) for many years. Moreover, the Swiss banks were involved in founding the Heathrow Group – an organization that focused on the impact of the euro introduction on payment traffic – back in 1998. The Swiss banks also played an active role at the SEPA workshop in spring of 2002 and at the founding of the European Payments Council (EPC). Another element that shouldn't be forgotten is the contribution Switzerland is making by providing numerous experts to the diverse EPC working groups in addition to the various EBF committees.
This sampling shows how seriously customers' interests are represented and SEPA goals are supported.

SHORT BIOGRAPHY

Dr. iur. Urs P. Roth (born 1947), Attorney-at-Law, Chief Executive Officer of the Swiss Bankers Association (SBA) and Delegate of its Board of Directors.

After finishing his law studies with a doctorate in Zurich and qualifying as an attorney-at-law, Urs Roth joined UBS in 1976 and worked until February 2001 in Zurich as UBS AG's Group General Counsel. As such he was responsible for advising UBS AG globally on legal and compliance issues.

Urs Roth has served for many years on various commissions and working groups of the SBA. He has also written numerous academic papers on banking and stock exchange law.

Where do you see the mid-term call to action for the Swiss financial center in order to both maximize cooperation between Swiss financial institutions and the EU and to secure mutual market access?

Because Switzerland and the EU countries are so tightly interwoven economically, it is especially important for the Swiss market infrastructure to process euro payment traffic at a reasonable cost. Starting from this position ultimately led to implementing efficient TARGET access via SECB using the euroSIC system. It is a very real concern for us that this gateway remains securely in place with TARGET2 for the future – and that it operates with its customary efficiency. We will continually work to obtain the best possible conditions for Switzerland's mass payment traffic and to ensure that Swiss banks can directly or indirectly participate in European clearing systems. One important part of this work consists of continued, active participation by representatives of the Swiss financial center on the pertinent committees in order to contribute and be heard.

The EEA/EFTA-country banks are fully accepted at the EU country financial centers. Which qualitative differences can be discerned in the relationships between the EEA/EFTA countries on one hand and the «EFTA-only» Switzerland in reference to SEPA?

Norway, Iceland, and Liechtenstein – but not Switzerland – are members of the European Economic Area (EEA). This requires these three countries to adopt the EU domestic legislation – including the area of financial services – as their national laws. In return though, they benefit by obtaining the same free market access to the entire euro zone as the providers from EU member states.

Switzerland has chosen a different path in relation to the EU: It has opted for bilateral agreements, specifically for signing bilateral contracts governing particular sectors. Thus, during the years from 1999 to 2004, we were able to sign 15 important agreements with the EU within the framework of the Bilaterals I and II.

However, there is no bilateral agreement in the area of financial services, making Switzerland subject to market access limits with the EU member states. On the other hand, though, Switzerland isn't committed to adopting EU regulations – such as the ones applying to SEPA. Of course, Switzerland is at liberty to implement EU regulations covering specific areas autonomously. A perfect example of this type of development is the voluntary adoption of the SEPA-geared EPC IBAN/BIC resolution by the financial and banking center of Switzerland.

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SWISS FINANCIAL INSTITUTIONS SUPPORT THE EPC IBAN/BIC RESOLUTION

Under the leadership of UBS, the Swiss financial institutions held their second workshop about the Single Euro Payments Area (SEPA) in June 2005. The recently passed SEPA resolutions and the future positioning of Switzerland in its development were at the center of the discussions. The workshop participants agreed uniformly that the EPC IBAN/BIC resolution should be implemented in Switzerland, too.

It is the EU's declared goal to achieve global economic competitive leadership. Unencumbered money flow is one of the important elements toward achieving this end. Within the EU, more than 56 billion commercial payment transactions are executed each year. In order to increase its ability to compete, the EU wants to develop a uniform payment traffic market that is as simple, efficient, and inexpensive as the domestic one. That's the reason it enacted regulation 2560/2001 governing payment traffic and establishing fees for cross-border euro payments within the EU and EEA countries at the level of domestic payments. This regulation applies under the condition that customers include the beneficiary's IBAN and BIC when placing the payment order.

The EPC, which is pursuing the design of a single uniform European payment area, has adopted these EU regulations-based EPC resolutions: «Receiver Capability», «Credeuro», «ICP» and «IBAN/BIC» (see box). The EPC resolutions are implemented within the scope of the EU regulation.

This scope refers to the euro currency and includes all 25 EU nations as well as the EEA countries Norway, Iceland and Liechtenstein.

Since Switzerland is neither an EU nor an EEA member, it really is not required that we adopt the fee regulation or the EPC resolutions. However, due to the fact that the country is tightly interwoven economically and geographically, it cannot ignore the ramifications.

At the Swiss EPC workshop, Ms. Dag-Inge Flatraaker of the Norwegian DnB NOR bank and member of the EPC plenary impressively demonstrated

Regulation/ Resolution	Regulation/Resolution objective	Valid starting[1]	Area of Implementation
EU Regulation 2560/2001 on cross-border payments	Fees for commercial domestic and cross-border payments (in EUR and SEK) within the EU/EEA must be the same.	July 1, 2003 January 1, 2005	EU EEA
EPC Resolution on Receiver Capability	Accessibility of all financial institutions within one country to PEACH (Pan European Automated Clearing House).	January 1, 2004	SEPA
EPC Credeuro Convention	Limiting transaction duration to a maximum three days for non-time-sensitive cross-border payments. Definition of STP payment.	Bank-individual acceptance	SEPA
Interbank Convention on Payments (ICP)	Regulating fee settlement among the financial institutions guaranteeing that the beneficiary was credited the full payment amount.	July 1, 2003 January 1, 2005	EU SEPA
EPC Resolution on Usage of IBAN and BIC	IBAN and BIC as sole beneficiary account/ beneficiary bank identification.	January 1, 2007	SEPA

[1] Always at the end of the transition period

Source: UBS

the effects these EU commission regulating requirements had on the Norwegian financial institutions and with which measures the country chose to react. Ms. Flatraaker's presentation acutely helped to heighten the Swiss financial institutions «representatives» comprehension of the European developments occurring in European payment traffic.

All participants at the Swiss EPC workshop were confirmed in their belief that it is crucial to actively support the SEPA development by participating in and contributing to the EPC working groups. There was also unanimous consent that voluntary implementation of the EPC IBAN/BIC resolution clearly represents the intention of the Swiss financial institutions to support the achievement of the stated SEPA goals.

As an outcome of the workshop, the expert committee «Payment Traffic and Account Management» of the Swiss Commission for Financial Standardization (SCFS) has been given the task to develop a circular about the application of the IBAN/BIC resolution. The circular will be submitted to the Swiss Interbank Clearing Board of Directors for adoption and will be distributed to all SIC participant institutions as well as to all members of the Swiss Bankers Association in the fall of 2005.

In addition, the expert committee «Payment Traffic and Account Management» will look into the other EPC resolutions and develop recommendations for further action. The results provided by the expert committee will be presented for adoption with the further proceedings to the Swiss Payments Council (SPC) in October 2005.

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REDESIGNING THE NATIONAL AND INTERNATIONAL PAYMENT TRAFFIC – A WORKSHOP REPORT

The payment traffic seminar series organized by the Swiss Bankers Association (SBA) and Telekurs Group has received a new title; it is now called the Swiss Banking Operations Forum. The workshop of June 15, 2005 was designed to prove that a) competition can indeed be healthy, and b) that Swiss financial institutions can't turn a blind eye to the technical advancements and the increasing integration of our European neighbors.

The current *modus operandi* is sufficient to meet the needs of private and corporate customers. That notwithstanding, it behooves the banks to further rationalize and organize themselves in such a way that they are compatible with the new norms and infrastructures, both on a national and an international level.

That, specifically, was the goal of the June 15 workshop, as Germain Hennet, SBA, underlined in his opening remarks.

Gerhard Hartsink, the head of the European Payments Council (EPC) and Director at ABN-Amro Bank, Amsterdam, highlighted the progress that has been made in the areas of bulk payments in cooperation with the stakeholders within the Single Euro Payments Area (SEPA). In the financial arena, Switzerland is fully compliant with the European regulations. That doesn't mean that the country is implementing every directive down to the last detail. However, one could say that in the interest of its financial institutions, Switzerland has found appropriate solutions. And thanks to the SECB Swiss Euro Clearing Bank in Frankfurt, Germany, Switzerland has an institution that, with adherence to IBAN and BIC standards, makes straight-through processing (STP) possible. Regulation 2560/2001 of the European Parliament and the Council of December 19, 2001, cannot be applied directly to Switzerland. In Article 3 of this resolution, it says: «With effect from 1 July 2003 at the latest, charges levied by an institution in respect of cross-border credit transfers in euro up to EUR 12,500 shall be the same as the charges levied by the same institution in respect of corresponding credit transfers in euro transacted within the Member State in which the establishment of that institution executing the cross-border transfer is located.»

Based on this resolution, Switzerland is a special case among the 29 member states of the EPC (the 25 EU member states, three EEA states, and Switzerland).

In his presentation, Hans-Jürgen Friederich, Head of the Department of Payment Systems at the Deutsche Bundesbank in Frankfurt, spoke about TARGET2, the new euro payment system. The transition from TARGET to TARGET2 is scheduled to take place in 2007. This is neither a brand new system, nor one that has simply been expanded. TARGET2 is a composite of several modules, including some tried and true ones from its predecessor. Switzerland will participate indirectly via the SECB in Frankfurt.

Walter Widmer, UBS, spoke on the topic of «Risk & Compliance». He pointed out specific risks apt to crop up in payment traffic and reinforced that the Swiss financial center places great emphasis on security. He also introduced various preventive measures. The proof of their effectiveness lies in the decreased number of offenses. One main requirement for successfully combating fraud is a close cooperation between financial institutions and law enforcement authorities.

Roger D. Meyer, UBS, then introduced the entire package of preventive measures in the area of payment traffic. His working group has made an important contribution by authoring and translating a brochure in three languages for all bank and postal services teller windows as well as for the Federal Office for Consumer Information. This pamphlet contains all steps necessary to prevent risks in mass payment traffic.

Philipp Abegg, PostFinance Compliance Commissioner, explained the solutions adapted by and for PostFinance in order to adhere to compliance requirements.

EBPP (Electronic Bill Presentment & Payment) was covered by Knut Bjerke, Executive Vice President, Bankenes Betalingssentral AS (BBS), Oslo. He showed the progress achieved in that area by his country (see article on page 10).

M. Martin Frick, CEO, PayNet (Schweiz) AG, Wallisellen, reported on the continually increasing numbers of e-banking customers participating in EBPP. During the first phase, institutions with a high monthly invoice volume were included. Medium-sized and small clients will be included beginning in 2005.

The approximately 180 workshop participants have been asked to voice their opinions, and the results of this survey will be analyzed by the Swiss Payments Council. According to moderator André Bamat, CEO of Swiss Interbank Clearing, it is already apparent that the participants are truly interested in detailed and comprehensive information about the payment systems; they are hoping for a continuation of the workshop series. As a result, a similar seminar series is already in the works for 2006.

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SWISS BANKING OPERATIONS FORUM

The next seminar will take place on November 11, 2005, in Zurich. Its focus: More Transaction Security, Thanks to Better Standards.

The following topics will be discussed: current status and innovation in Continuous Linked Settlement; Swiss Interbank Clearing; SWX; SegaInterSettle; Basel II; standardization SWIFT (RMG 20022); and an international information segment, most likely covering PayPal and Visa Direct.

Additional information about this seminar will be provided by the SBA via circular and invitations.

EBPP IN SCANDINAVIA

Without a doubt, there is a Nordic identity up to a certain point. For a host of reasons, some of which are now more powerful than ever before, Scandinavians should not be considered a cohesive, let alone uniform, block. The differences among them are what make them most compelling. The electronic billing situation is a prime example.

In regard to the business-to-consumer (B2C) market, Denmark, Finland, Sweden and Norway have very few things in common.

The Danish payments market is highly centralized. The B2C EBPP product «e-faktura» is offered by PBS, the central Danish payments services provider. Denmark is the direct debit country among Nordic countries. Danish banks have decided to implement EBPP as an amendment to its direct debit scheme. Direct debit dominates the private sector and there seems to be little or no existing market for a separate e-billing solution. Information which would normally be presented by an ordinary invoice is included in the monthly direct debit advice and sent from PBS, covering bills to be paid in the following month.

In contrast to Denmark, Finland has no central payments service provider and no centralised PEDD service. Several e-invoice service providers and consolidators operate on the market, reaching their clients via Internet banks. A variety of options exist for billers, creating considerable complexity for customers. However, the number of billers is limited and market penetration leaves room for more. Banks will extend the existing B2B Finvoice service to the B2C sector in 2005.

Sweden started its B2C e-billing activities in 1998. There was no agreement on a joint project, which resulted in two different solutions on the market. A bridge was required between both solutions, which took considerable time to complete. While the market is now taking off, the number off bills presented is less than in Norway. Bill presentment is offered through e-banking. Added value for billers is provided by add-on services. For credit transfers a «click and pay» solution is offered and there is also a channel for presentment of direct debits called «click and stop payment».

Success factors from the Norwegian standpoint

In Norway, bills are presented through e-banking. In 2000, Nor-

MARKET COVERAGE B2C IN NORWAY

Role		Total market	Market coverage
Companies (billers)	221	80,000	Representing 20% + of total volume potential for B2C
Biller banks	140	ca 140	100%
ERP suppliers	28	115	Representing 80% of companies with “modern ERP systems” installed
Integration partners	3	n/a	n/a
Invoice hotels	4 (+BBS)	n/a	n/a
Banks supporting internet banking	140	ca 145	100%
Consumers (recipients)	260,000	2,000,000	13%

Source: BBS, June 2005

wegian banks and BBS (Bankenes Betalingssentral AS), the central clearing house, initiated a joint project to establish an e-billing service. They decided to go for a thin model with a single consolidator. The project is now up and running after a touch start. The service is provided by BBS and agreements exist with nearly all banks in the Norwegian market. Target clients are private customers and SME companies. Market penetration is quite good with 310,000 enlisted users now using the service out of a potential of around 2 million bank customers in Norway. 2.6 million bills were presented through the BBS solution in 2004. The target for 2005 is to double that number.

A single consolidator (BBS) model seems to be the key in a small market with more than one service provider. The strongest competitor in the Norwegian B2C market is «Posten» (the post).
BBS has had great success with its joint enrolment program: Private payers are made aware when they pay a bill through their internet bank that this biller offers EBPP services and that rebates might even be given or the mandatory periodic fee might be reduced if the payer uses EBPP. Brand recognition of BBS in Norway is 80 percent. This has proved extremely helpful, especially in terms of changing people's behaviour by leading them away from paying bills in the conventional way to using the EBPP utility. Banks and billers run therefore direct communication efforts and continuous marketing efforts.

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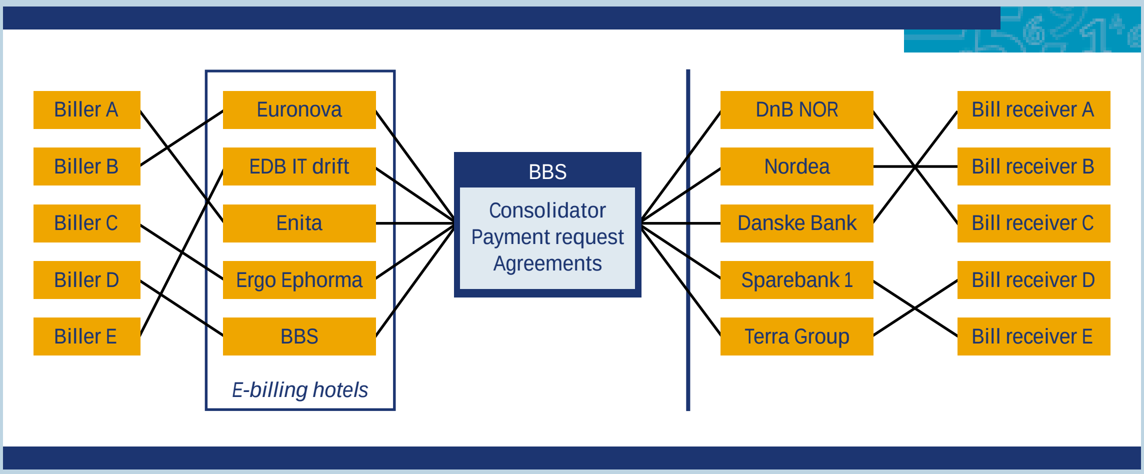
ONE CONSOLIDATOR - COMPETITION BETWEEN BSP'S



Source: BBS, June 2005

PHISHING – VIEWING ELECTRONIC DATA THEFT AS A CHALLENGE

What began cropping up in the U.S.A. around two years ago has now made its way to Europe and Switzerland: criminals are trying to obtain sensitive data from innocent Internet users by a process known as phishing. The first attack in Switzerland that was made public occurred on February 26, 2004. It was directed at the Zürcher Kantonalbank and its customers. In May and June 2005, UBS and the Swiss PostFinance were victims of phishing attacks. Using appropriate measures, such criminal activity can be prevented.

The threat is considerable, due to the fact that over the past years, electronic services and support activities have increased tremendously. In the investment industry alone, approximately 25% of all investors use online banking, according to a study by the Swiss Banking Institute of Zurich University. Somewhere between 5% and 30% of those individuals who receive a phishing e-mail reply to it. According to Gartner, in the past year alone, 1.7 million users became victims worldwide, and in 2003, the resulting damages amounted to 1.2 billion U.S. dollars. Within one year, phishing attacks have increased by 50%. In addition to the immediate financial losses, the resulting damage to each affected organization's image should not be underestimated.

The methods used in phishing are getting increasingly sophisticated. More and more, the fraudulent e-mails and homepages look practically identical to the originals. Even savvy users find it ever more challenging to discern real web sites from fraudulent ones. Note, though, that a financial institution would never send out an e-mail with the instruction to log in via a link contained in the mail.

An extremely smart attack was launched on a German Savings and Loan on June 13th, 2005. The fraudulent web site, located in England, listed as its owner the correct address in Germany of VeriSign, the leading certification authority.

Beyond these organizational improvements, phishing itself is often combined with various other techniques used by digital parasites: viruses, Trojans, spam, domain spoofing, spyware, KeyLogger, etc. It is also designed in an increasingly intelligent fashion. Add to that the new «pharming» technique, which is starting to crop up with increased frequency. One version consists of the following scenario: with the use of a Trojan, the host data on the customer PC is altered in such a way – and before the actual phishing attack is launched – that, upon entering the correct web site address, the customer is immediately re-directed to a fraudulent web site by the browser.

HOW ARE THE INTERNET-BASED SERVICES PROVIDED BY SWISS INTERBANK CLEARING PROTECTED?

For its Internet services payCOM^{web}, payGATE^{web} and remoteGATE, Swiss Interbank Clearing exclusively uses X.509 certificates on SmartCards with a PIN for authentication. The Internet connection to customers is protected by SSL, making these services secure from the methods currently used by attackers. In order to protect against potential new types of attacks, the security provisions are continually evaluated and adapted to the latest developments.

An ounce of prevention...

New attack mechanisms and methods can be foreseen. Without appropriate counter efforts, trust in Internet technology in general will decrease over time. The cost-effective use of Internet technology in new industries and/or the improvement of existing processes through automation, as well as increasing integration using Internet technology, could become questionable, jeopardizing previous investments.

That's why service providers, their customers and Internet Service Providers (ISPs) are called upon to do anything in their power to meet these attacks effectively.

Service providers would be well advised to inform their customers in simple, easily understood terms and to introduce technical and organizational measures to combat potential attacks early on. This includes defense strategies like the ones already jointly developed by some financial institutions and banking committees. Specific measures recommended against phishing attacks include strengthening security measures (e.g., by introducing electronic certificates); using new methods such as personal image backgrounds; or signing exchanged messages.

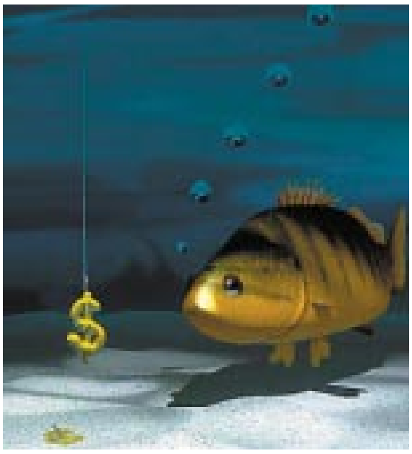
Customers are asked to continually upgrade their computer systems with

INFO

The phishing attacks currently occurring in the financial industry are targeted to obtain static passwords or the personal access codes contained on access code cross-off lists

PHISHING

Phishing is a made-up term derived from «password fishing». By phishing, the attacker tries to obtain sensitive data and information that subsequently enables him to gain access to bank accounts, credit cards, etc. by taking on the victim's (e-) identity (identity theft).



the latest security elements (firewalls, virus scanners, spam filters, etc.) and to heed the security instructions and information submitted by service providers. In general, a customer should never provide any information via the Internet if there is any doubt about the trustworthiness of an activity, or if there is a suspicion that the approach is fraudulent, but instead should immediately notify their service providers' customer service department or representative.

ISPs are called upon to block e-mail abuse by only forwarding correctly authenticated e-mails. In doing so, the use of spam for phishing attacks can be prevented, or at least be made more cumbersome. To this end, a Swiss working group including ISPs Bluewin, Cablecom, Green and Sunrise has recently been founded. The first information about its joint future strategy is expected soon.
These efforts are also supported by the legislature. On May 23, 2005, the US House of Representatives passed the «Securely Protect Yourself Against Cyber Trespass Act», or SpyAct. Hopefully, this measure will be followed by other international activities.

The computer industry is obviously well aware of the danger. Liberty Alliance, for instance, has recently started an initiative against identity theft. In addition to the definition of standards and techniques, this group also wants to provide specific and targeted education.

Only by forming a broadly supported alliance of all parties involved can current and future threats be effectively combated while retaining, pursuing and guaranteeing the myriad opportunities presented by, and the sensible use of, the Internet.

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REPORTING

Any fraudulent occurrences affecting victims in Switzerland should be reported to MELANI, the federal Reporting and Analysis Centre for Information Assurance) (www.melani.admin.ch).

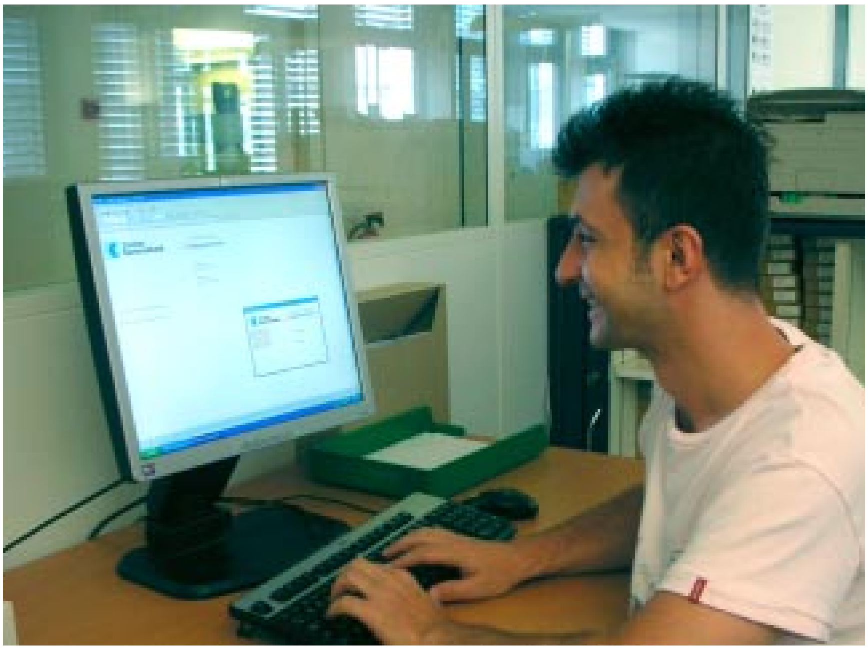
SWISS INTERBANK CLEARING CREATES PKI SERVICE FOR ZÜRCHER KANTONALBANK

Signatures and encryption procedures will enable customers of Zürcher Kantonalbank (ZKB) to handle their electronic payment traffic even more easily and with greater security. Switzerland's third largest bank will use Swiss Interbank Clearing's Public Key Infrastructure to make this possible.

ZKB customers can use the new online «ZKB DataLink» service to manage their accounts and to handle their payment traffic. To be able to guarantee the integrity and confidentiality of the data traffic, ZKB is building in a PKI procedure that has been successfully used with payment traffic services by Swiss Interbank Clearing.

For legitimization of the «ZKB Data-Link» service, Swiss Interbank Clearing will issue ZKB customers a digital identity in the form of a certificate or key on a chip card (smartcard). Along with a card reader and a personal secret code, this technology meets the highest security requirements of contemporary e-banking.

(Excerpt from the Swiss Interbank Clearing media release, issued on 22 July, 2005)



Swiss Interbank Clearing's Ayhan Kabatas is issuing a certificate for ZKB.

PAYMENT GATEWAY FEES TO THE EU ARE GETTING LOWER STILL

LVP-Payments and EUP-Payments, the two new SECB Swiss Euro Clearing Bank products, now enable favorable euro processing of up to EUR 12,500 of non-urgent commercial cross-border payments via euroSIC:

- LVP-Payments – for payments to Germany, forwarded within the domestic German payment traffic
- EUP-Payments (currently only available to euroSIC participants from EU and EEA member states) – for payments to the EU/EEA member states, forwarded via STEP2, the pan-European EBA clearing system for mass payments meeting the EU fee regulation definition

EURO PAYMENT TRAFFIC WITH NEW MEMBER NATIONS

One year after their entry – according to the European Central Bank and the EU Commission – none of the ten new EU countries is meeting the Maastricht Treaty convergence criteria. These criteria address the inflation rate, national debt, and long-term interest rates, as well as various legal norms. In June 2004, Estonia, Lithuania and Slovenia all instituted the exchange rate mechanism (ERM II), which is considered the waiting room for joining the EEA. It is within the ERM II that the central rates are determined, comparing the respective currencies to the euro. These rates may not fluctuate more than 15% during the minimum two-year membership. It follows that the earliest possible time for these ERM II countries to become EEA members is in the summer of 2006.

Independent of joining the European Economic Area, the central banks of the new EU member states are entitled to participate in TARGET. As of March 2005, 37 Polish banks are accessible directly via TARGET, and 17 Slovenian banks became direct RTGS^{plus} members. These direct system accesses can mean a lower-priced alternative to the traditional payment paths and gateways via correspondence banks. Estonia, Latvia, Poland, Slovenia, Hungary and Cyprus are now accessible for mass payments meeting the EU fee regulation for payments within the EU/EEA countries in STEP2.

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