

VOLUME 26 | December 2005

ClearIT

Information about the Swiss Payment Traffic Systems

26

Swiss payment systems in international comparison

Birth of a new payment traffic committee

The end of the data carrier exchange process

EDITORIAL 3

SWISS PAYMENT SYSTEMS IN A WORLD-WIDE COMPARISON 4

The Committee on Payment and Settlement Systems (CPSS) at the Bank for International Settlements (BIS) highlights in its report the latest developments in real-time gross settlement systems. An interview with *Daniel Heller*, Swiss National Bank.

ANOTHER MILESTONE ON THE ROAD TO THE SINGLE EURO PAYMENTS AREA (SEPA) 7

The European Payments Council (EPC) wants to develop a uniform set of rules for the European payment traffic. To that end, one of its task forces has published SEPA Credit Transfer Scheme Rulebook.

IBAN IMPLEMENTATION IN SWITZERLAND 9

The introduction of the new, Europe-wide standard for the representation of account numbers is increasingly taking shape in Switzerland. Starting in March 2006, the new red deposit slips with the imprinted IBAN will be released.

SWISS PAYMENT TRAFFIC COMMITTEES REORGANIZE 10

The tasks and responsibilities of two of the most important Swiss payment traffic committees will be combined into one new body on January 1, 2006 – the «Payments Committee Switzerland».

SWISS BANKING OPERATIONS FORUM 13

More transaction security thanks to better standards: The overall theme of the symposium held within the Swiss Banking Operations Forum of November 11, 2005, highlighted current developments in payment traffic.

THE DATA CARRIER EXCHANGE (DTA) PROCESS HAS BECOME OBSOLETE 15

The end of 2005 also means the end of an era: The DTA process and the data carriers are retired. All transfers between Swiss banks that have been settled via the DTA process will in future be settled via SIC or euroSIC.



DEAR READER

«To inform efficiently and timely about the payment traffic in order to make the best use possible of existing options.» Thus was the stated goal of the quarterly ClearT in its first issue back in April 1999. We reported, among other topics, about CLS, IBAN, RTGS systems, and committee work.

Glancing over the index of this current ClearT issue, you might wonder about the lineup of articles informing – again – about IBAN, RTGS systems, and payment traffic committees. Are there really no new subjects to focus on, you might ask yourself. Are the developments in payment traffic at a standstill?

Our reporting in fact reflects the evolutionary continuity in the payment traffic landscape: After all these years, these same topics are still of interest, are still newsworthy. Today, though, they are presented within a much different context. These conditions are also an indicator of the time frame required for the implementation of transformation in our industry. This comes as no surprise when taking into consideration the complexity of nationally imprinted systems, their international networking, and the considerable number of parties involved. Yet, the changes do occur, and on various levels: Products and services are adapted to shifting needs, new standard are introduced, and new platforms evolve.

It is in this sense that we are reporting in this issue about the end of central processing of DTA (data carrier exchange) – an era that lasted for about 28 years – and about the Swiss Banking Operations Forum, which concerns itself with improved and new standards in payment traffic. Beyond that, we are offering you a glimpse into the workings of national and international committees dealing with the further definition of a single euro payments area. Since the time of our latest ClearT issue, the Swiss Interbank Clearing Ltd. Board of Directors adopted the Swiss follow-up implementation of the IBAN/BIC resolution issued by the European Payments Council. Technically, the IBAN has been implemented into our systems for around five years and is mandatory in the new LSV¹ direct debit system. The early preparation paid off indeed, otherwise the Swiss financial center might have come under pressure. Carrying the news out to the users and the customers will still take some more effort, though.

The interview with Daniel Heller highlights the international influence the central banks are having on the real time gross settlement systems. Changes are both fostered and required through information exchange, reports and assessments. While the regulating cycle isn't specifically mentioned, the path to an indispensable, stability oriented financial system over several years of international committee activities to the actual implementation in our own country can easily be deduced. Thus, the BIS Core Principles find themselves reflected in the National Bank Ordinance. This confirms the quality of a system such as SIC without limiting the potential for renewal: The market will continue to imprint the evolution of such systems; however, future changes will be examined within an official framework. This process is now also applied to the bulk payment traffic systems, as is apparent from the report published in August by the European Central Bank¹. From today's perspective, it is impossible to predict how much Switzerland will be affected.

Conclusion: The contributions to this edition represent a rather accurate reflection of the market dynamics and the plethora of changes. Information about the payment traffic is – while available – scattered. It must be collected, analyzed and edited. That's exactly what the ClearT team has set out to do for you, and we do hope that this issue meets your expectations.

Sincerely,

A handwritten signature in black ink, appearing to read 'André Bamat', written over a white background.

André Bamat, CEO Swiss Interbank Clearing Ltd.

¹ Assessment of Euro Retail Payment Systems against the applicable Core Principles

SWISS PAYMENT SYSTEMS IN A WORLD-WIDE COMPARISON

A report on 24 large-value payment systems published in May 2005 was met with significant world-wide interest. In it, the Committee on Payment and Settlement Systems (CPSS) at the Bank for International Settlements (BIS) addressed the latest developments around that topic. ClearIT spoke with Daniel Heller of the Swiss National Bank, Head of the CPSS working group, who had authored the report.

ClearIT: Mr. Heller, you were the Swiss representative while at the same time heading up the working group that supported the CPSS commission in the formulation of the BIS report. Is that the reason the Swiss payment systems SIC and euroSIC play such a prominent role there?

Daniel Heller: (chuckles) I assure you that I didn't have my own agenda. Our work was mainly focused on fact finding. Occasional controversies about weighing various content elements cannot be avoided. At times, it is the chair's responsibility to provide a balance. Other than that, the working group – as is customary for the BIS – was organized very democratically. In the end, everyone agreed to the text, it wouldn't have been published otherwise. The content wouldn't vary significantly had it been chaired by another person. Fact is that SIC, with its interesting features, and especially euroSIC, as a kind of cross-border payment traffic

system, are truly unique. That's also why the latter was dealt with separately.

Does the report have purposes other than collecting the facts?

Yes, the report is particularly of a practical significance for those countries looking to modernize their payment systems. These are primarily non-G10 countries – not among the ten most important industrial nations. The report is supposed to provide these countries best practices and contribute to the transfer of knowledge. The actual copy of the paper is also translated into Chinese, among other languages, in order to reach a large readership.

Which were the most significant changes in large amount payment systems of the past few years?

There are two points in particular worth mentioning here. On the one

SHORT BIOGRAPHY

Daniel Heller is the head of the Financial Stability and Oversight section at the Swiss National Bank (SNB). This section is responsible for the economic analyses of financial stability issues as well as oversight of payment and settlement systems. Mr. Heller represents the SNB in the Committee on Payment and Settlement Systems (CPSS) and the Committee on the Global Financial System (CGFS) at the Bank for International Settlements (BIS). Until May 2005, he was also chairing the working group on New Developments in Large Value Payment Systems of the CPSS. He consults regularly to the International Monetary Fund and the World Bank. Mr. Heller holds a Ph.D. in economics from the University of Berne, Switzerland. Before joining the SNB in 1994, he spent two years as a visiting scholar at Stanford University in California. He is also a lecturer in monetary economics at the University of Basel in Switzerland.

Swiss Interbank Clearing



Daniel Heller: «The decision at that time by the Swiss financial center to go with the SIC concept was future oriented and far sighted and has paid off.»

hand, thanks to the use of modern technology, new algorithms were introduced to settle pending payments resulting in shorter wait queues and faster processing. On the other hand, new systems were implemented that enable us to process cross-border payments (e.g. euroSIC, CLS, EBA). These developments certainly had the most impact over the past few years.

The role of central bank money seems to have taken on an entirely new significance. In the old BIS report of 1997, the term was mentioned but five times almost as an afterthought. The new report, how-

ever, makes repeated and prominent mention of it – especially in connection with trade-offs between achieving lower risks and achieving lower costs while using this payment instrument. Could you explain to us what's behind that, and what consequences the financial institutions can derive?

You have observed very closely! Over the past few years central bank money has become increasingly important because it is absolutely secure and therefore contains no credit risk whatsoever. However, central bank money isn't free, either, since the banks must provide appropriate

securing. In order to keep costs low, the best systems are those where participants' liquidity needs are as low as possible. In the end, this is all about the financial institutions being able to optimize their liquidity management.

In your opinion, how do the Swiss payment systems SIC and euroSIC compare internationally in cost-risk-consideration?

The Swiss payment systems offer two considerable advantages. Since first starting operation, they have worked exceptionally well in terms of risk containment. I don't really see a need

GLOSSARY

Bank for International Settlement (BIS):
The BIS was founded in 1930. Today it has three main tasks: First, it fosters cooperation between national central banks and international organizations. To this end, the presidents of the G10 central banks meet regularly to exchange information. The BIS provides administrative services for various committees and groups of experts. For several years now, it coordinates the technical help and support of the former Eastern European communist countries and the Soviet Union together with the IMF. Second, numerous bilateral currency aid credits were negotiated within the BIS framework. In certain cases, the BIS granted such credits with the guarantees of the affected central banks. Third, the BIS manages a part of certain individual central banks' currency reserves.

Committee on Payment and Settlement Systems (CPSS):
The CPSS is a forum of the G10 central banks and since 1990 concerns itself with the efficiency and stability of national and international payment and settlement systems.

G10:
The Group of Ten is made up of eleven industrial countries (Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, the United Kingdom and the United States) which consult and co-operate on economic, monetary and financial matters.

Sources: BIS, SNB

for improvement here. Furthermore, SIC distinguishes itself through its incredible continuity. Ever since 1987, we are benefiting from one and the same system, a system that has for all intents and purposes remained unchanged in its basic characteristics. Only the US Fedwire system has comparable longevity. The decision at that time by the Swiss financial center to go with the SIC concept was future oriented and far sighted and has paid off: While the original investment was high, it remained a one-time effort. The Swiss payment systems look very good in international comparisons, even if they are no longer as unique in their functionality spectrum.

The BIS paper makes special mention of one function implemented in the SIC system many years ago, that no other system has implemented except for CLS: the splitting of large payments into smaller tranches. Can you explain why the Swiss National Bank had this process introduced in the SIC system, while other central banks apparently didn't consider it necessary?

At the time of the SIC start-up, banks weren't yet able to receive intraday liquidity from the SNB. Gridlocks – caused by pending payments – blocking the system could mostly be prevented by splitting large payments. Thanks to today's high-end algorithms the splitting functionality is more or less pointless, which is

why it wasn't included in newer systems. Basically, it would probably be dispensable in the SIC system, too.

Based on the conclusions of the BIS report, where do you see a need for streamlining the Swiss payment systems?

As I mentioned, I don't see any obvious shortcomings in the system designs. Although that doesn't mean that changes are unthinkable. What is really of importance is that our payment systems fit in with the Swiss banking system. Should our financial institutions, for instance, wish to change the first-in-first-out principle, it is up to them to take the initiative for such modifications. There is, however, a need of action and investment for enhancing system availability in emergency situations. That's why the current activities of the Swiss financial center in the area of Business Continuity Planning (BCP) are extremely important. They are targeted to take appropriate measures to ensure the systemic stability of our central market infrastructures – based on the right balance of cost and benefit.

Interview: Gabriel Juri,
Swiss Interbank Clearing Ltd.,
gabriel.juri@sic.ch

André Gsponer,
EPS AG,
andre.gsponer@eps-ag.ch

FURTHER MILESTONE ON THE ROUTE TO A SINGLE EURO PAYMENTS AREA

The European Payments Council (EPC) wants to create a uniform set of rules for the European payment traffic. One of its working groups has published the SEPA Credit Transfer Scheme Rulebook to that end.

The working group «Electronic Credit Transfer Working Group» (ECT WG) is one of the central EPC pillars in view of the creation of a Single Euro Payments Area (SEPA). It was responsible for preparing the EPC resolutions «Receiver Capability», «Credeuro», «ICP» and «IBAN/BIC», which were introduced in the previous ClearIT edition.

Now, the EPC is taking another step and wants to pass a comprehensive rule book for payments (SEPA Credit Transfer Scheme Rulebook) and debits (SEPA Direct Debit Scheme Rulebook) by the end of 2005. Both are intended to define rules, processes and standards from ordering parties to beneficiaries in the interbank transactions business. The books integrate those rules contained within the already existing EPC resolutions and will ultimately replace the latter by January 1, 2008.

During the past months, the ECT WG has developed a draft for the SEPA Credit Transfer Scheme Rulebook. Last September, it was sent to the national committees for consultation. In the meantime, the working group has developed and completed the

final version based on the responses of the individual countries and submitted it to the EPC plenary for adoption. A data model is to be created by the first half of 2006 permitting the European banks to subsequently plan and implement the necessary updates to their IT systems. This rulebook will be binding as of January 1, 2008, together with the rulebook for debits (SEPA Direct Debit Scheme Rulebook).

Through the Swiss Commission for Financial Standardisation's (SCFS) expert commission on Payment Traffic and Account Management, Switzerland has given a statement about the two rulebooks. While there are a couple of issues at discussion, from the Swiss perspective there is nothing that would make participation impossible.

Ilona Marder, UBS AG,
Swiss Representative to the ECT WG
ilona.marder@ubs.com

Boris Brunner,
UBS AG,
boris.brunner@ubs.com

SEPA CREDIT TRANSFER SCHEME RULEBOOK

Among other things, the Rulebook determines that:

- The maximum runtime of a payment may not exceed three business days after delivery acceptance.
- A payment is to be made without a fee deduction from the transfer amount.
- The countries must guarantee the connectivity to the financial institutions within the SEPA.
- The liabilities of ordering party, ordering party bank, beneficiary bank, and beneficiary are to be regulated, including, among other things, that the IBAN and BIC must be included.
- The entire processes of the payment as well as the rejection and reversal must also be described.
- Finally, the rulebook also includes information about the legal requirements.

IBAN AND BIC ARE BECOMING MANDATORY TO THE CROSS-BORDER TRAFFIC

On September 23, 2005, the Swiss Interbank Clearing Ltd. Board of Directors has decided to join the EPC resolution governing the IBAN and BIC use.

The resolution maintains:

- Starting January 1, 2006, the IBAN and BIC will be viewed as unique identification criteria for payments within the EU/EEA countries, regardless of the amount.
- During the transition phase until the end of 2006, payments without IBAN and BIC will be accepted, but treated as value added service. This means that for these payments a higher non-STP fee may be charged.
- Starting on January 1, 2007, the banks are entitled to reject or reverse payments submitted without the IBAN or BIC.

The Swiss financial institutions have been notified by SIC circular and Swiss Bankers Association newsletter about the decision. The financial institutions are requested to inform their customers as quickly as possible about the mandatory introduction of the IBAN and BIC to the Euro cross-border payment traffic and to adapt their payment traffic applications accordingly.

NON-STP FEES FOR swisseuroGATE (CROSS-BORDER PAYMENTS VIA euroSIC)

Starting on January 1, 2006, a differentiation between STP and non-STP payments will be made within the EU/EEA, regardless of payment amount. The IBAN and BIC will henceforth be considered the sole identifiers of the beneficiary's and the beneficiary's bank. This was determined by the IBAN/BIC Resolution passed by the European Payments Council this year.

Payments without an IBAN/BIC are still accepted during a transition phase until the end of December 2006. However, the beneficiary bank is entitled to charge the sender the corresponding non-STP fee for processing non-STP payments.

Starting in January 2006, cross-border payments will therefore undergo an STP format check in euroSIC. For those payments not meeting the STP criteria, a non-STP fee will be charged.

The «LVP-Payments» in euroSIC is an available alternative for payments to Germany containing the bank identifying code and a national account number.

Susanne Eis,
SECB Swiss Euro Clearing Bank GmbH,
susanne.eis@secb.de

IBAN IMPLEMENTATION IN SWITZERLAND MOVING FORWARD

The introduction of the new, Europe-wide standard for the representation of account numbers is increasingly taking shape in Switzerland. Starting in March 2006, the red deposit slips imprinted with the IBAN will be released. The migration of approximately 30 million proprietary account numbers to the new standard is expected to begin during the fourth quarter of 2006.

The Swiss Payments Council (SPC), Switzerland's governance committee for payment traffic, launched the project Conversion from Proprietary Account Number Formats to IBAN back in March 2004. The Product and Marketing Committee (PAM), has started taking the appropriate, required actions on behalf of the SPC.

New payment deposit slip with IBAN

Some financial institutions will start to use the new payment deposit slip beginning in March 2006. During the preliminary phase, the entry mask needs to be adapted accordingly for e-banking, and the IBAN (International Bank Account Number) checked for format and accuracy. For technical reasons, (OCR-B font, no letters, etc.) the coding line remains unchanged.

The imprinted IBAN will help reduce repair costs (manual post-processing due to inaccurate account number) significantly.

Technical migration

The technical migration from proprietary account numbers to the IBAN standard is one step on the way to entirely automated payment processing, the Straight Through Processing

The image shows a sample of a Swiss payment deposit slip (Einzahlung Giro) with an IBAN. The slip is divided into three columns: 'Empfangsschein / Recépissé / Ricevuto', 'Einzahlung Giro', and 'Versament Versament'. The IBAN CH38 0888 8123 4567 8901 2 is printed in red. The amount is 303 CHF. The coding line at the bottom is 000000000000001234567890128+ 070888854> 800009393>.

The new payment deposit slip replete with IBAN.

(STP). Only then can the high STP rates be achieved at the payment release. Approximately 30 million data entries are affected in all of Switzerland. These include the DTA/LSV (data carrier exchange/direct debit) databases at the debtor and beneficiary ends, and also standing orders, automatic transfer orders and EPO (Electronic Payment Order) at the debtors' financial institutions.

It is for that purpose that the SPC decided in October 2005 to support this migration with the help of an

IBAN tool. This conversion software will be developed by Swiss Interbank Clearing once the required algorithms and structures of the proprietary account numbers of the financial institutions are available. The tool is intended to be made available to the software providers, major customers, and financial institutions for the master data migration starting during the fourth quarter of 2006.

Pricing of non-STP payments

The SPC has ordered the PAM to develop an interbank pricing concept

for domestic payments submitted without an IBAN. Assuming the concept is approved, the start date is scheduled for 2008.

All financial institutions, software houses, and printing companies are continually updated about the required measures by Swiss Interbank Clearing.

Hanspeter Kissling, Chair of the PAM, Credit Suisse, hanspeter.kissling@credit-suisse.com

SWISS PAYMENT TRAFFIC COMMITTEES ARE RE-ORGANIZING

The tasks and responsibilities of two important committees in the Swiss payment traffic area have been combined into one with the new name of Payments Committee Switzerland. Start-up is scheduled for January 1, 2006.

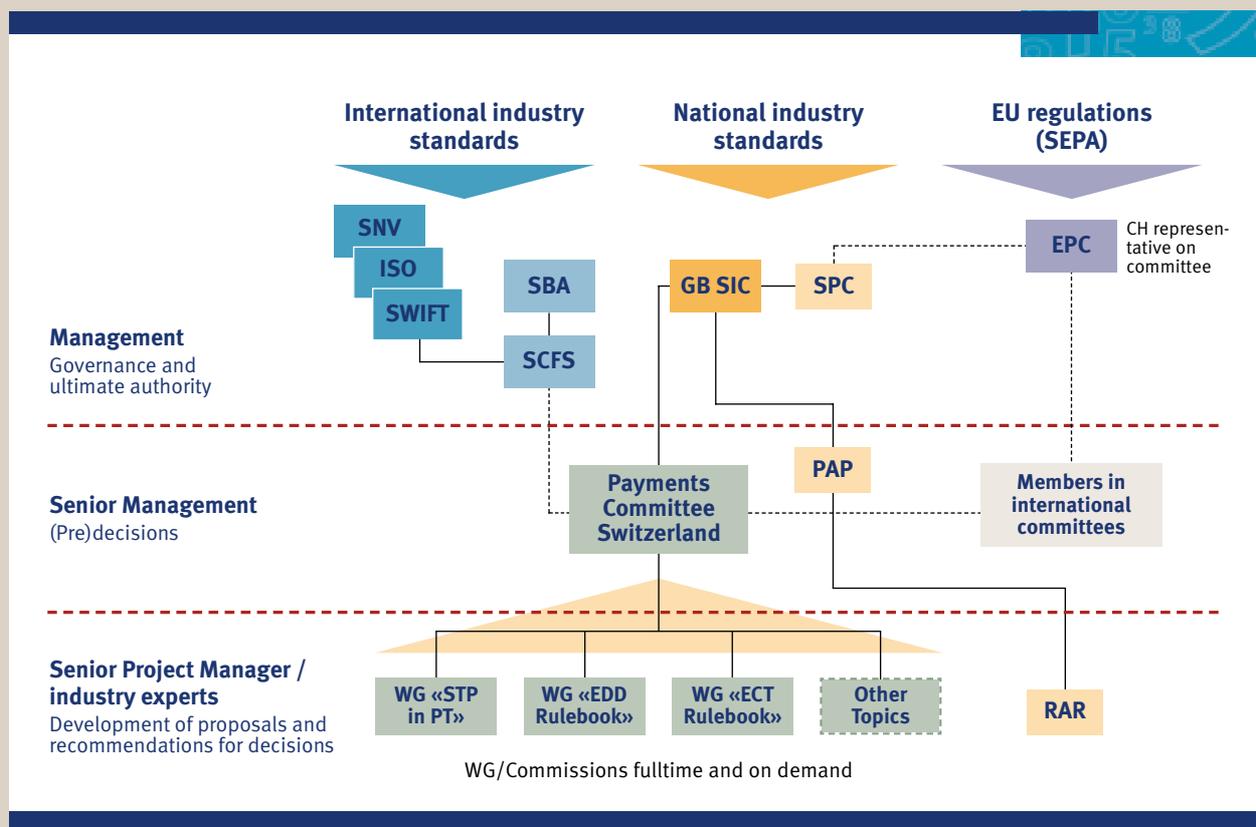
On the one hand, the new committee takes over the ongoing activities and business of PAM (Product and Marketing Committee) which was primarily responsible for consulting and supporting financial institutions and Swiss Interbank Clearing Ltd. (SIC Ltd.) regarding product and market

design and for communication with all affected entities. On the other hand, the new committee takes over the functions of the Expert Committee for Payment Traffic and Account Management (FK ZVKF) of the Swiss Commission for Financial Standardisation (SCFS), which dealt with the

coordination and interest representation in national and international committees.

With the expansion of the Single Euro Payments Area (SEPA), more and more cross-industry and regulatory themes begin affecting the domestic

SWISS COMMITTEES OVERVIEW



Source: CS

Swiss payment traffic. To more effectively deal with these challenges, it is sensible to combine the business-side payment traffic expertise in Switzerland into a single entity. As a result, the Swiss Payments Council (SPC) has decided in early October 2005 to reorganize the two existing committees PAM and ZVKF into a new organization under the name Pay-

ments Committee Switzerland. The committee reports to the Board of Directors of SIC Ltd. and consists of representatives from the financial institutions and their Service Providers. The initiators are the Board of Directors of SIC Ltd., the SPC as well as the Swiss Commission for Financial Standardisation (SCFS). Additionally, the financial institutions have

the option to approach the new committee directly with orders and inquiries. The head of the Payments Committee Switzerland is a member of the SCFS management, thereby also ensuring the two-way connection and communication with other national and international standards committees.

It is the Payments Committee Switzerland's main responsibility to raise strategic questions pertaining payment traffic and account management, analyze them from a complete business perspective and develop and introduce solutions. It lies within the new committee's competence to form project-related working groups which will develop recommendations, analysis, and proposals.

The SIC Ltd. Board of Directors passes the necessary decisions for the Swiss financial center based on the proposals submitted by Payments

Committee Switzerland. Generally speaking, the new committee is also responsible for the implementation of the adopted decisions. Members of international committees representing Switzerland will be informing the SPC and the new committee directly.

Currently, a sub-committee under the auspices of both the PAM and the FK ZVKF (Expert Committee Payment Traffic Account Management) chairs is developing the specifications for the Payments Committee Switzerland. Once accepted by the SIC Ltd. Board of Directors, they are sche-

duled for adoption in early 2006 by signature in a constituent meeting. With the new Payments Committee Switzerland, for the first time, Switzerland will have a single entity responsible for all aspects of domestic and cross-border payment traffic representing a uniform voice to the international organization.

Angelo Bulato, designated Chair, Payments Committee Switzerland, Credit Suisse,
angelo.bulato@credit-suisse.com

GLOSSARY

ISO (International Standardization Organization): ISO is an international organization that coordinates the development of world-wide norms in all fields and the publication thereof.

PAP (Project and IT-Process Steering Committee): PAP – directly responsible to the Swiss Interbank Clearing Board of Directors – is active in the area of project and process management. It ensures that the payment systems are further developed according to the financial institutions' requirements and supports Swiss Interbank Clearing during implementation of the strategy for collaborative projects.

RAR (Rules and Regulations Committee): RAR is an administrative and editorial committee responsible to the PAP. It is in charge of creating, editing and updating the documentation needed for the payment systems. In particular, it supports Swiss Interbank Clearing during the production of handbooks, contracts, instructions and circulars to the financial institutions.

SNV (Swiss Association for Standardization): The SNV promotes the development and harmonization of norms and standards. It is a hub within national and international standardization networks and has a bridging function between standardization experts and users.

Sources: SNV, Swiss Interbank Clearing, ISO

SWISS BANKING OPERATIONS FORUM

More transaction security thanks to better standards: The overall theme of the symposium held within the Swiss Banking Operations Forum of November 11, 2005, highlighted current developments in payment traffic.

The well attended conference was opened by Dr. Urs Ph. Roth of the Swiss Bankers Association. He sketched out the various aspects of security and standards in payment traffic under the heading «Trust and Banking». He further illustrated the Swiss financial center's interest in reliable cross-border payment traffic and the significance of SEPA and TARGET2. Compatibility with other processing systems requires international standards. As the main platform, euroSIC with an appropriate interface offers connectivity to more than 1,600 bank branches in Switzerland and 36,000 banks in Europe.

During the second presentation of the symposium, André Bamat discussed developments at Swiss Interbank Clearing Ltd. After a short introduction to the SIC and euroSIC systems, he illustrated the interconnectivity of applications by using the example of the new direct debit process. During the transition phase, the old and new standards must be operating in parallel. This coexistence also occurs in remoteGATE (access to SIC via SWIFT): Today, 78 banks outside of Switzerland are connected with SIC and euroSIC via SWIFT. The SWIFT standards also enable the euro payment

traffic via swisseuroGATE (cross-border payments through euroSIC). Finally, André Bamat spoke about how the SIC evolution variations will need to incorporate the future SWIFT features.

SWIFT Brussels' Jean-Marie Eloy showed in great detail the development of ISO 20022 (UNIFI) in his presentation. He commented extensively about the SWIFT initiative to introduce the UNiversal Financial Industry (UNIFI) message scheme under the motto «Convergence and Coexistence». The syntax neutral method to depict business models (UML) and the orientation toward XML provide many advantages. The speaker explained the responsibilities of the Registration Management Group (RMG), the Standards Evaluation Groups (SEGs) and the Registration Authority (RA). In the end, Jean-Marie Eloy reported the introduction of the ISO 20022 standards in payment traffic and with respect to securities. Extensive information about UNIFI is available at www.ISO20022.org.

Hanspeter Kissling, head of the Product and Marketing Committee (PAM), discussed the IBAN implementation in the Swiss payment traf-

fic. The decision by the banks to facilitate the use of the IBAN as a replacement for proprietary account numbers brings with it considerable cost reductions. Approximately 30 Million payment beneficiary data records are affected. Clients and financial institutions are offered technical support. A conversion tool and possibly a converter for the code line on the red payment deposit slips are necessary for the migration. The implementation is scheduled to be completed by 2007.

Robert Caplehorn talked about the PayPal success story under the heading «Competition is Good for Business». The development of the Internet application in the person-to-person segment is noteworthy. Security for the seller, protection for the consumer and trust in the payment system remain the basic requirements for the further expansion of the service.

Another innovation in international payment traffic was presented by Henrik Parl of Eurogiro. Visa Direct is based on the Eurogiro network with 51 partners in 43 countries. As was aptly demonstrated during the talk, the existing service could be expan-

ded by Visa Direct thanks to international standards, and new card organizations could be added.

Olaf Ransome, CS, reported the experiences at CLS with respect to the infrastructure. As the experience proves, CLS has significantly streamlined the operations process at the banks. As a further course of action, CLS plans to expand the number of participating members. Two of the scheduled new products are non-deliverable forwards (NDFs) and settlement of option premiums.

Control and monitoring are part and parcel of the entire security topic. It

was under those aspects that Dr. Markus Staub from the Swiss Bankers Association addressed the forthcoming capital adequacy requirements according to Basel II. The consultation for the national implementation occurred under the auspices of the Swiss Federal Banking Commission SFBC. The results can be expected by the end of 2005.

Michael Jaeggi, SWX, and Max Dähler, SIS, were the closing speakers of the conference, presenting the new services at Swiss Exchange and SIS. The opportunities and framework conditions for an international opening are demonstrated in the interaction of

SWX, virt-X, SECOM and SIC. As both speeches made clear, the further standardization of process sequences should be driven to reach an effective STP capability.

The very last item on the conference schedule was a synopsis by Matthias Kälin, SCFS, of the most important results, along with a short preview about the topics for the next events.

Bernhard von Rochow,
SCFS Secretariat,
bernhard.vonrochow@sic.ch

Participating Institutions at the Swiss Banking Operations Forum



THE DTA PROCESS HAS BECOME OBSOLETE

Data carrier exchange (DTA) – the process was considered the quantum leap of Swiss domestic payment traffic in the late 70s and was highly successful for more than a quarter century in the market. Now, at the end of 2005, the DTA process and the data carriers themselves are being retired. All transfers that have previously been settled within the payment traffic between Swiss banks via the DTA process will henceforth be settled using either the SIC or the euroSIC system.

Banks benefit in several ways

With this latest development, banks only need to maintain one interface for all transfers. They now have the option to work with SIC or SWIFT standards exclusively in future.

The parallel maintenance of different processes (file transfer, individual transactions) is no longer necessary. Banks can henceforth opt for individual transactions for any kind of interbank transfers, which will result in reduced costs. Banks' costs and efforts are also lowered by concentrating all transactions on a single Swiss Interbank Clearing technical platform.

Retiring the DTA process also sets another milestone: All interbank transfers are settled, as is customary with the SIC system, by RTGS (Real Time Gross Settlement) process. This process is still considered the safest in payment traffic. While in most other countries, only large amount payments are settled in real time and irrevocably, in Switzerland the processing of all interbank transfers occurs via this RTGS process, regard-

less of their amounts. This improves the systemic security in Swiss interbank payment traffic and – beyond that – reduces the associated risk costs.

Customers' direct delivery to Swiss Interbank Clearing

Over the past 18 months, the financial institutions successively converted their customers to in-house home banking and/or electronic banking platforms. At the same time, Swiss Interbank Clearing filled a request expressed by numerous banks by providing the payROUTE service: Because an appropriate electronic banking solution is missing, these banks still need an opportunity for their clients to submit payment orders in a DTA format in future. payROUTE, an affordable and expedient solution, acts as a go-between between the client and the bank. Submission is possible in electronic format exclusively, e.g. via the payCOM^{web} service. As of January 1, 2006, Swiss Interbank Clearing will generally no longer support the delivery on data carriers.

The DTA standard remains in effect

The DTA standard is still the one standard having achieved the highest popularity among payment traffic standards of Switzerland's corporate clients. For that reason, it will be maintained in the future. This will continue in the tradition of joint venture projects managed by working groups with representatives from selected banks. Swiss Interbank Clearing will take on the administration function. In all likelihood, the DTA standard will outlive the DTA process by many years. As a result, banks can continue to offer their clients products for the payment traffic that are based on the DTA standard.

Christian Schwinghammer,
Swiss Interbank Clearing Ltd.,
christian.schwinghammer@sic.ch



Swiss Plus Apéro at Sibos, the annual SWIFT conference this past September in Copenhagen (l.to r.): Jürg Bucher, CEO PostFinance, Stephan Zimmermann, Member of the Group Managing Board at UBS AG and Chairman of the Telekurs Group Board of Directors, and Leonard Schrank, CEO SWIFT.

MASTHEAD

PUBLISHER

Swiss Interbank Clearing Ltd., Hardturmstrasse 201,
CH-8021 Zürich, Switzerland

ORDERING/FEEDBACK – ClearIT@sic.ch

EDITION – No. 26 – December 2005

Published regularly,
Circulation German (1300 copies), French (400 copies),
English (available in electronic format only on www.ClearIT.ch)

COUNCIL

André Bamat, CEO, Swiss Interbank Clearing Ltd., Christian Bieri, RBA, Armin Brun, PostFinance, Susanne Eis, SECB, Andreas Galle, Swiss Interbank Clearing Ltd., André Gsponer (Leader), Enterprise Services AG, Gabriel Juri, Swiss Interbank Clearing Ltd., Peter Kunz, Credit Suisse, Boris Brunner, UBS AG, Ueli Strüby, BCV, Robert Fluri, SNB

EDITORIAL TEAM

André Gsponer, Enterprise Services AG, Andreas Galle, Gabriel Juri (Leader) and Christian Schwinghammer, Swiss Interbank Clearing Ltd.

TRANSLATION

French: Word + Image, English: HTS

LAYOUT – Mirjam Steiner Advertisement Agency

PRINTER – Binkert Druck AG

CONTACTS

SIC Operation Center +41 44 279 4200,
euroSIC Operation Center +41 44 279 4700,
Product Management +41 44 279 4747,
SECB Operation Center +49 69 97 98 98 0,
Customer Service SECB +49 69 97 98 98 35

Additional information about the Swiss payment traffic systems can be found on the Internet at www.sic.ch.