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Europe's Digital Invoices Bearing the Swiss Hallmarks of eBill — Future Talk with Rino Borini — A Cryptopolitan in the Museum — The Magic of Request to Pay

Digital Invoices in Europe Bearing the Swiss Hallmarks of eBill

TEXT
STEFAN SCHÜTT AND RAIK BORKOWSKI,
BEARINGPOINT

Imagine that you took your car in for repair work a few weeks ago. To settle the repair costs, you opted for the payment by invoice option. You receive the invoice in the usual form in one of two ways: by letter mail or by e-mail. Regardless of which way the car repair shop sends the payment request, you run a risk of encountering irregularities in the invoicing process. If, on one hand, you find the invoice in your mailbox, there's a likelihood that you will put off paying the invoice, will forget about it over time and, usually three weeks later, will receive an overdue notice with an additional late fee. If, on the other hand, you receive the payment request by e-mail, there's a risk of falling victim to fraud because invoices can be intercepted by a third party that can alter the payee's account details. Your payment in this instance of fraud would not go to the actual invoice issuer, the car repair shop, but would instead go to an unknown scammer. Both scenarios occur with regularity in the invoicing process.

Now imagine that the car repair shop sends a digital payment request directly to your online bank account next time instead of mailing a paper invoice or e-mailing the bill. You could conveniently make the payment with just one click on your smartphone without having to type in the account details. Or if you wish to settle the invoice later or want to decline payment due to an incorrect invoicing amount, you can conveniently do that as well with just one click. And this example can be applied to any other everyday invoicing situation such as paying electricity, insurance, cell phone, handyman bills, traffic tickets, etc. What sounds futuristic is already possible today in Switzerland. But first things first.

The innovative payment procedure described above already exists. It is called Request to Pay (R2P) in technical jargon and has been the subject of detailed

reports here in the past. In short, R2P enables payments with a single click, whereby a payment request is sent to an end customer's online banking app, where he or she can immediately approve or decline payment or can opt to pay later. The end customer additionally receives a digital invoice that can be retrieved and viewed at any time with the banking app.

The European Market Is Still in its Infancy

A pan-European framework for R2P has been in place since the middle of last year. June 2021 marked the official launch of the SEPA Request-to-Pay (SRTP) Scheme. The European Payments Council released the STRP Scheme Rulebook, which defines, for example, what relevant information (e.g., IBAN, name, amount) is needed for a transaction and serves as a regulatory basis for SRTP providers.

R2P is a prominent subject of discussion in public technical discourse and in the media and is viewed by many as a potential game changer in European payments, but it is still rarely implemented in practice. European financial services providers are hesitating to implement corresponding products, often citing insufficient demand and economic or technical obstacles as the reason. For example, in most EU member states there is no central directory providing information on who holds an account with which bank. Extensive enhancements are needed in financial institution systems, and perhaps most critically, various elements relating to user-friendly design have not yet been defined.

Despite the rudimentariness of the European payment procedure, initial movement in the market is already visible.

Digital invoices are becoming increasingly regulated in Europe and will be mandatory in the future for businesses for B2B and B2C transactions. While this has already been the standard practice in Italy since 2019, Norway, Poland, Spain, and France also intend to introduce corresponding regulations in the years ahead. France, for example, plans to introduce compulsory, fully digital invoice exchange between businesses by 2026.

Exploratory discussions about establishing a body of rules headed in this direction have also been initiated in Germany, where the government has already announced plans to introduce a nationwide electronic messaging system for generating, verifying, and forwarding invoices for the entire private-sector economy. This heralds what is known as a clearance model, which includes a centralized platform for electronic invoices as a core element. This means that invoices in the future will be processed in electronic form via the government and will no longer be sent in paper form.

However, providing digital invoicing is just one aspect of the SRTP scheme. Its centerpiece is convenient, fast payment with just one click. Despite the huge market potential in Europe and the SRTP infrastructure that has been set up by the pan-European clearing house EBA CLEARING, thus far there are only a few known providers that offer a comprehensive R2P solution.

Hand in Hand in a Single Ecosystem

The eBill initiative by SIX is a showcase example of just how successful such an R2P solution can be. Practically every financial institution participating in the Swiss payment transactions system uses

"The interplay between all aspects of invoicing and payment must bring benefits for companies and their customers as well as for financial institutions."

eBill, with the result that it already reaches more than half of Swiss households today. All large regionally and nationally active companies are involved. But what are the success factors for the high acceptance of eBill in Switzerland? Thinking from the perspective of an ecosystem and broad support among all relevant players are key. The interplay between all aspects of invoicing and payment must bring benefits for companies and their customers as well as for financial institutions.

Companies can assume, for example, that no invoices will be lost or forgotten by their customers. This increases the reliability of incoming payments and makes it easier to plan liquidity. End customers, for their part, can pay their invoices digitally and from any location while at the same time relying on payments being processed in the secure channels of the financial institutions with which they are familiar. Finally, banks may experience an enhancement of their e- and m-banking channels and thus stronger customer loyalty through the high level of interaction that the receipt and initiation of eBill invoices involves.

eBill Is Setting Course for Europe

The field-tested Swiss-made model is now setting out to conquer the European market too in a bid to rank among the first SRTP providers. SIX is cooperating with management and technology consultancy BearingPoint to accelerate its entrance. The objective of the partnership is to develop a fully integrated invoice-to-payment service for the European market. The completely digitalized solution is aimed at major banks, invoice issuers, and retail customers, and enables an SRTP-based one-click payment process coupled with

the dispatch of a digital invoice. Regulatory developments in the European Union area toward mandatory electronic invoicing obviously play into eBill's hands.

In the first step, SIX and BearingPoint are concentrating on the DACH market. eBill is scheduled to go live in Europe next year. Starting with a pilot phase in Germany and Austria, the two companies will initially concentrate on B2C payments and afterwards will also activate B2B payments in the next stage. Once it has successfully been implemented for invoicing use cases, the solution will also be made available for e-commerce and POS payments. The first banks have already signed on for the pilot phase. Promising demand exists particularly on the part of invoice issuers, including those outside the German-speaking market.

The collaboration between SIX and BearingPoint aims to accelerate market acceptance of R2P in Europe so that you and every other citizen in Europe can pay the car repair, electricity, insurance, cell phone costs and so on with just one click. 🖥

"Simplicity and standardization are the key to success."

**RINO BORINI
CEO OF SCAROSSA AND PROGRAM DIRECTOR
AT THE UNIVERSITY OF APPLIED SCIENCES
IN BUSINESS ADMINISTRATION ZURICH**

How do you estimate the market potential for Request to Pay (RTP) in Europe? Gigantic! Especially from a Swiss perspective. Think of the billions of transactions every month, the many open invoices that are often forgotten.

What expectations do companies have? Simplicity and standardization are the key to success. After all, entrepreneurs want the money immediately and don't want to wait up to two weeks for it, as is the case today with certain payment service providers. Let's not forget that instant payments don't really work yet. The important thing is for the payments sector to bring the added value to companies.

Speaking of standardization, what else needs to happen for RTP to evolve? The standard must be easily accessible to all and integrable into companies' own systems. Otherwise, we will be wasting too much time until we achieve high market penetration. Ultimately, the payment information sent must allow automatic allocation to the underlying business – without manual intervention. The payments community should be able to make

it as easy as possible to import the data into any accounts receivable software. As so often is the case, it's the classic "chicken or egg" problem: How can as many merchants as possible, and also consumers, be included in the RTP process?

This is probably why RTP-based electronic invoicing models aren't very widespread in Europe – even though the EPC is promoting them with its SEPA Request-to-Pay framework. How do you assess possible regulatory measures to promote competition? Regulation is always the second-best option. The sector must work together and leave its ego at the door for once so that things can move forward. But each bank or financial services provider has its own priorities. For successful implementation, it is important that everyone agrees and pulls together. And what's more, you have to approach the companies, show them the benefits and make them aware of the advantages and opportunities – provided that the simple data integration works. So the community needs to invest quite a bit more pretty quickly to get it ready for the market, rather than hoping that the ball will start rolling all by itself. If that doesn't happen, the regulator will undoubtedly strike. That would be troublesome for everyone.

**TEXT
GABRIEL JURI**

Insights into the Payment Habits of Mr and Mrs Swiss.

Read the
whole story

Mixed Payer
Cash ratio* of
40%–59%

5%

15.2%

Cash Payer
Cash ratio* of
96%–100%

Mixed Card Payer
Cash ratio* of
5%–39%

13.5%

Mixed Cash Payer
Cash ratio* of
60%–95%

51.2%

Segmentation of consumers' payment behavior

The breakdown by amount of cash withdrawals as a proportion of total card spending shows that most consumers use their debit cards mainly for POS payments.

Card Payer
Cash ratio* of
0%–4%

15.1%

*The cash ratio shows a user's preference for cash payments in percent. It is defined as the total sum of ATM withdrawal amounts divided by the total sum of payment amounts for a unique card. A cash ratio of 0% implies that all payments were made at the POS using cards. A cash ratio of 1% indicates that the card was exclusively used to make ATM withdrawals.
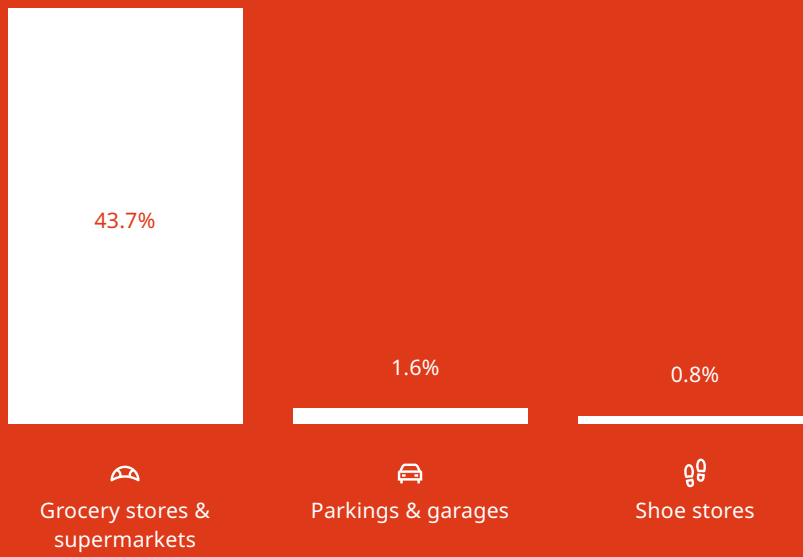
Card usage at the POS

Grocery stores/supermarkets dominate debit card payments with just under 44% of all transactions. Just under 90% of all transactions fall into the 20 most common categories of everyday consumption.

43.7%

1.6%

0.8%

Grocery stores & supermarkets

Parkings & garages

Shoe stores
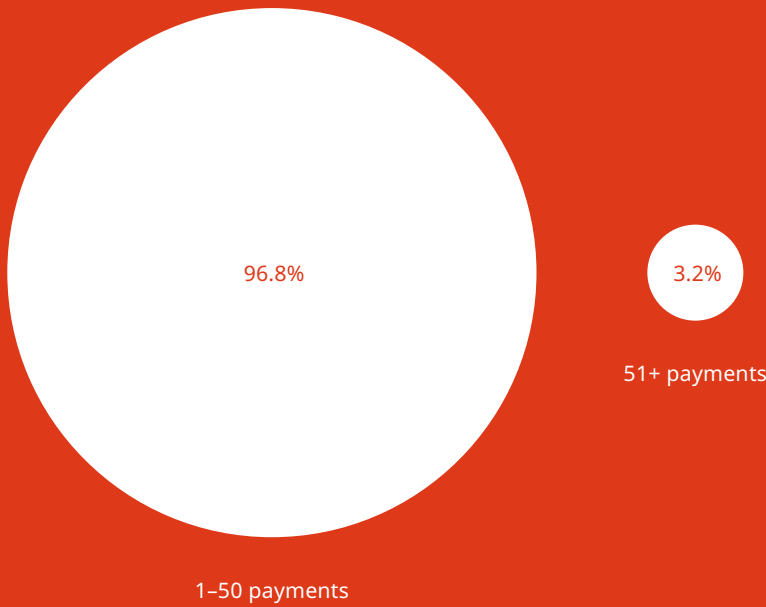
Average number of payments per card per month at the POS

96.8%

3.2%

51+ payments

1–50 payments
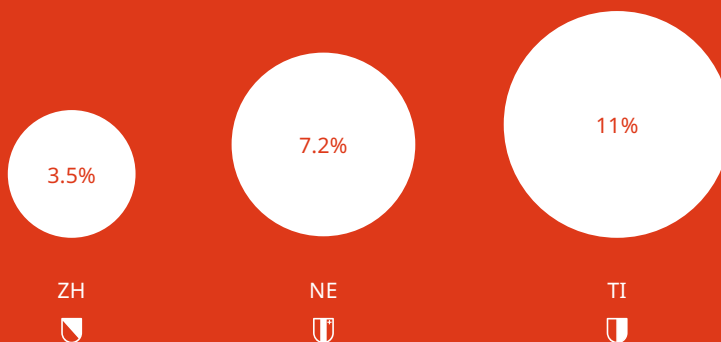
Share of cash payers by selected cantons

Zurich stands out with the lowest proportion of cash payers (cash ratio of up to 4%), while Ticino has the highest proportion.

3.5%

7.2%

11%

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Everything and Nothing – When Money Casts Off its Shackles

TEXT
SIMON BRUNNER

Money – what is it really? An exhibition by the Bern Historical Museum and the Swiss National Bank ventures some answers to that question. PAY catches up with the exhibition curators for a chat over a Cryptopolitan.

We walk up the stately ramp that leads to the entrance of the Bern Historical Museum and meet David Iselin and Nicole Steiner on the building's second floor. They are the curators of the exhibition "Money Unleashed", which came about in collaboration with the Swiss National Bank.

David Iselin says that the war in Ukraine exemplifies how money has cast off its shackles. "After the war broke out, the West tried to freeze Russian assets, but there were evasive moves into new assets like cryptocurrencies." Cryptocurrencies in general are playing an increasingly important role. This form of money is the best example of "how detached, abstract, and invisible money is today," as Nicole Steiner says.

Women Had Little Say

By now we have ambled into the main room of the exhibition, which is kept pitch-dark. Zeroes and ones flicker across the walls, a stock-exchange trading floor ring stands in the middle of the room, and video screens above it show scenes from the financial world. Loud electro music pumping from the speakers falls silent as we slip headphones over our ears. A voice from the headphones explains the fundamental principles of today's monetary system.

Four booths, one in each corner of the room, are dedicated to four men who made instrumental contributions to our
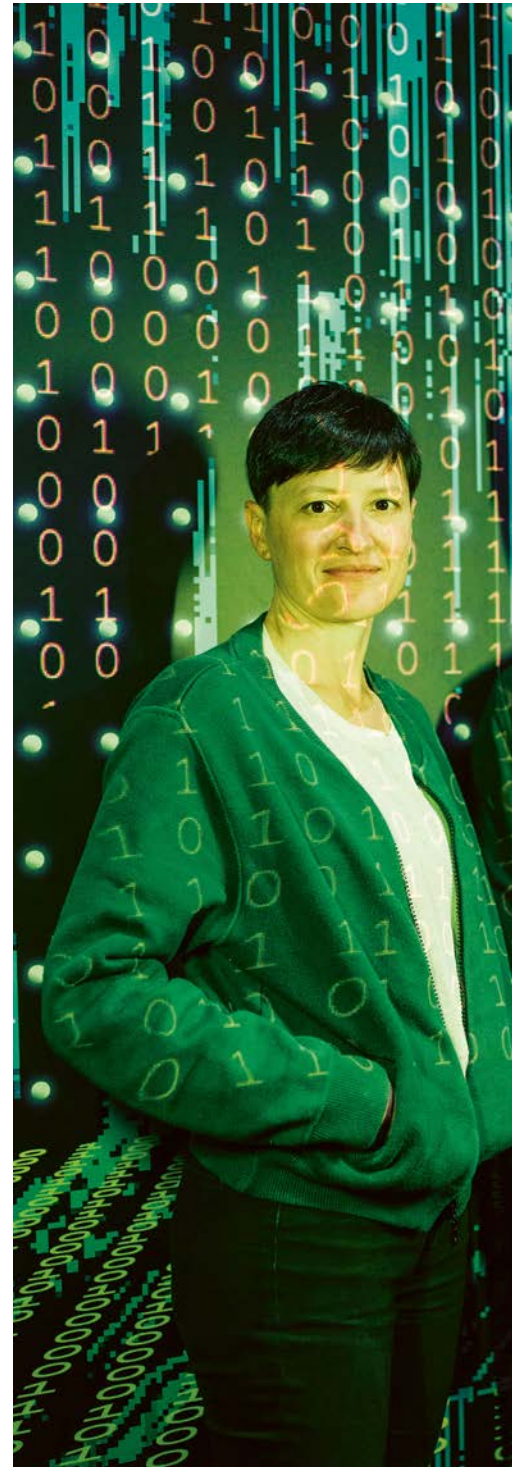
present monetary system. "The history of money is also a story about male power," Iselin writes in an essay penned for the exhibition. Women had little say, he contends, especially with regard to the visibility of their work.

The story of the unleashing of money begins with Croesus (c. 590–541 BC), the last king of Lydia in Asia Minor. The expression "as rich as Croesus" and the invention of coins is often traced back to him. The latter assertion isn't entirely true, though, because the very first coins were already in circulation a bit earlier, but Croesus standardized coins and, by doing so, made them popular.

Law: A Swindler and a Prophet

The second money "maker" is the one least known to the public. In 18th-century France, John Law introduced paper money not backed by a precious metal, and his financial speculations went on to cause the first monetary policy catastrophe in history, the consequences of which even drove a bank in Bern into insolvency. The banker was a colorful character who was considered at times to be the world's wealthiest man, but was also a gambler and a murderer sentenced to death.

The story continues with Richard Nixon, who definitively ended the US dollar's peg to gold in 1971, and finally there's the legendary Satoshi Nakamoto. No one to date has ever set eyes on him although he (or the collective that hides behind his name) is the inventor of the greatest monetary innovation of the 21st century: Bitcoin.

"False Happiness"

The second part of the exhibition begins with a collection of money jars featuring objects mainly with animal motifs from a variety of different cultures. Afterwards experts expound on money on six video screens. A professor of economics from Lausanne succinctly summarizes how the unleashed monetary system works: "Value is ascribed to money by the trust that people have that someone in a shop will accept it as an equivalent value in exchange for a good or service."

The Bern Historical Museum has served up a banquet of intellectually challenging fare. Luckily, just outside the exit of the exhibition there's a bar bearing the fitting name of Chez Dagobert (Dagobert Duck is the German name for the Disney cartoon character Scrooge McDuck). The curators, both dressed in black and sporting green jackets, invite us to have a drink. We each order a Cryptopolitan, a cocktail that bears the description: "Nobody knows what goes into it, but it goes through the roof."

Naturally, we talk about money and the museum's cooperation with the Swiss National Bank. "The SNB gave us free rein," Iselin says. "Afterwards," adds Steiner, "there are plans for a permanent exhibition about money in the center of Bern from 2024 onward."

Their goal is to have every visitor take away something different from the exhibition. "We view ourselves as thought instigators," Steiner explains, "not as preachers of truth." The yellow post-it notes left behind by a class of high school students are a testament to how well that works. The students jotted down what money means to them, leaving an array of connotations including "shopping", "false friends", "freedom", "power", "reward", "collective forced trust", "false happiness", "stress", "vacation", "trouble", "a means to an end", "sugar daddy", "upward social mobility", "everything", and "nothing".

FURTHER INFORMATION

Nicole Steiner and David Iselin give new impetus to the perception of money.

Will Version 2.0 Give a Boost to Request-to-Pay?

Version 2.0 of the SEPA Request-to-Pay scheme was unveiled at the end of last year. The rulebook published by the European Payments Council enters into force on 1 June 2022. Will it spur willingness on the part of European financial institutions to roll out corresponding products for customers?

Further details
🌐 www.europeanpaymentscouncil.eu

Cutting CO_2 Emissions with eBill

With more than 50 million transactions in 2021, eBill has established itself as the standard for digital invoicing in Switzerland. This also has an impact on our climate: a study commissioned by SIX revealed that eBill reduces CO_2 emissions by no less than 44% compared to email invoicing and by at least 80% compared to paper invoicing.

Further details
🌐 six-group.com/ebill-co2

Fridays at the Hairdresser and Saturdays in Clothing Stores

Mr and Mrs Swiss certainly have their habits. They use cards more often than cash when paying for cigars, and vice versa when buying shoes. They spend an average of 18 Swiss francs for a fast-food and 31 francs in restaurants. There are many more surprising and interesting facts to read in the white paper "Understanding Swiss Payment Preferences: Cash, Cards, and Other Patterns."

Further details
🌐 six-group.com/swiss-payment-preferences

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The manilla (derived from the Spanish word *manella*, meaning bracelet) was used as an early means of payment and was the first generally exchangeable currency in West Africa. Made of bronze, copper, or brass, it was used by the Portuguese, Dutch, and British, primarily in the slave trade. The manilla did not become obsolete as a currency until 1949, after the British bought up 32 million pieces and used them as scrap metal.

Data Analytics in Theory and Practice

Required knowledge
— Basics of data management and
   evaluation

As digitalization progresses, the volume of industrially available data is constantly increasing. Most companies have also recognized this trend and are developing their own data strategies as a basis for forward-looking decisions.

Financial institutions are also looking for informative data in order to identify growth potential in their business areas or to improve customer experiences. Together with the University of St.Gallen, SIX recently published a white paper on the payment habits of the Swiss population (see p. 8 and 12). Its findings enable banks to promote data-driven enhancement of their card products. To this end, more than a billion anonymized transactions by nine million cards over a period of 14 months were analyzed by data analysts at SIX. This resulted in a comprehensive insight into Swiss payment habits with regard to the use of debit cards and cash.

The Four Vs

However, accumulating and analyzing such large quantities of data involves many challenges. The authors of the study had to go a long way to reach that point. The complexity of very large quantities of data is characterized by the four Vs: volume, variety, velocity and veracity. A large volume of data requires the use of suitable hardware and software in order to store and process it. The greater the variety of types of data, the more complex this process is. In the best case, structured data occur in the form of tables and have clear relationships with each other. For example, this is the case for the data elements in the QR-bill and the master data of the SIC system. However, the data generated at companies nowadays is mostly unstructured, for example in text, images, or videos. The data analysts first have to prepare these in a suitable form before they can be interpreted. For time-related data, velocity further increases complexity. This relates to processing real-time data in the SIC system's new instant payments service, for example, or payment systems with millions of transactions each day. And last but not least, data veracity is another key element. Validating data for completeness and accuracy and rectifying missing or incorrect data points often represents a large part of the analytical work.

Iterative and Specific

A systematic data analytics process (see Figure 1) applying the scientific method can help with tackling these challenges. To ensure correct understanding of the data and their interpretation, it is important to involve experts at all stages of the process. The individual steps are closely intertwined and the process itself is arranged iteratively. This means that the data analysts move steadily closer to the solution with regular new information and results.

Each data analysis is based on the formulation of a specific goal in the business environment. In order for an analytics project to be successful, all stakeholders must have a shared understanding of this goal as well as the underlying assumptions and possible limitations. The question of whether data sources already exist or still need to be developed is also key. During longer projects in particular, new findings or changes in the market environment should be incorporated into the analytical work and compared against the original goal.

Realization

Once the goal has been clearly formulated, the data required for the analysis from internal and external sources must be identified and obtained. Structured data from internal sources such as curated databases must also undergo a data quality check and may need to be further

Figure 1: The iterative analytics process

aggregated or transformed. Regulatory requirements such as the European General Data Protection Regulation also stipulate that compliance with data protection must be ensured when saving and processing data. A good understanding of the data and transparent documentation are crucial for this step. As a rule of thumb, 80% of the project work relates to understanding, processing, and transforming the data.

The data analysts attempt on an exploratory basis to extract relevant features and relationships from the available data. Statistical methods, visualizations, and machine learning are all used for this purpose. Ideally, there will be clear metrics or benchmarks for the goal to be achieved so that the internal analyses can be validated.

Finally, communication with stakeholders plays a very important role throughout the entire data analytics process. From the interim results to the final result of the analysis, the stakeholders need to understand the findings in order to use them in the business environment. That applies whether it is about conveying certain messages to selected target groups or even identifying potential growth areas in relation to geographical and demgraphic criteria.

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NOR JAAFARI, DATA SCIENTIST, SIX
JULINDA GLLAVATA, HEAD DATA SCIENCE, SIX

FURTHER INFORMATION

The Magic Formula for Replacing Pull Payments

Required knowledge
— Knowledge of the functionalities of direct debit procedures
— Basic features of the Request to Pay scheme

Experts are always telling us that Request to Pay (R2P) could replace pull payments. While they're not wrong, they're not completely right either.

The party that initiates a payment process can be either a debtor or creditor. When a debtor initiates a payment, this is known as a "push transaction": The debtor sends the money to the other party, the beneficiary. When a creditor initiates a payment, this is known as a "pull transaction": The creditor receives the money from the other party, the debtor. In e-banking, therefore, a payment instruction is a push payment and a direct debit is a pull payment.

Push Payments
Push payments enable only the debtor to initiate a transaction. The customer is required to actively send – or "push" – money to the creditor. This means that the creditor has to request the payment before the customer can pay the money owed. Examples of push payments in Switzerland include cash payments, bank transfers, standing orders, and invoice payments (including eBill).

Pull Payments
With a pull payment instrument, and in contrast to a push process, the creditor is the initiating party; in other words, the creditor gets the money from the debtor – provided, that is, that an agreement already exists between the parties involved and sufficient funds are available on the account. This gives creditors greater control over their payment receipts, which makes cash flows easier to predict and cash management more efficient.

Pull payments are suitable for recurring and one-time direct debits, but they are especially useful for companies that rely on regular customer payments of different amounts over different periods (e.g. insurance premiums, subscriptions). Examples of common pull payment instruments in Switzerland include the direct debit procedure (LSV), CH-DD direct debit, SEPA Direct Debit, credit cards ("card on file") and TWINT ("user on file").

LSV
With the LSV of Swiss banks, claims from an invoice issuer in Swiss francs and euros are submitted for collection. These are based on the debit authorization of the direct debit debtor as well as the bank account of each party (direct debit debtor and invoice issuer). Under the generic term LSV, the banks offer invoice issuers a direct debit service with sometimes different participation types – namely LSV[+] and BDD (Business Direct Debit).
— *LSV*[+] denotes the direct debit procedure with right to objection. It is used for business with companies and private customers and offers maximum consumer protection. A key feature is that the direct debit debtor always has the right of objection within 30 calendar days from the date of notification by their bank.
— *BDD* is a direct debit procedure designed exclusively for business customers. It is aimed at a clearly defined customer segment with close contractual relations and generally high collection amounts. With BDD, and in contrast to LSV[+], the direct debit debtor does not have the right of objection.

CH-DD Direct Debit
CH-DD is the electronic direct debit procedure developed by PostFinance AG. This service, which is based on payment authorizations, enables business customers to automatically debit the Swiss Post accounts of their direct debit debtors in Swiss francs or euros. Like LSV, the CH-DD direct debit is also available in two forms:
— *Core direct debit* with the right of objection for processing direct debits on consumers' accounts (private and business customers). The debited amount is refunded to the direct debit debtor

if the latter lodges an objection with PostFinance within 30 days of the account document being sent.
— *B2B direct debit* without the right of objection for processing direct debits on the accounts of business customers.

SDD

SEPA Direct Debit (SDD) is the direct debit procedure within SEPA and involves 36 participating countries – including Switzerland. SDD is suitable for companies that regularly collect amounts in euros within SEPA (i.e. also from different countries). Debtors and creditors must each hold an account with a SEPA Direct Debit participant and a direct debit authorization (or "mandate") must exist.
— *SEPA Direct Debit Core* is the direct debit procedure with right to objection. With SEPA Direct Debit Core, customers are entitled to revoke the debiting of their account within eight weeks. If no mandate is in place or the mandate is invalid, the period of revocation can be extended to as long as 13 months.
— *SEPA Direct Debit B2B* is the SEPA company direct debit procedure without any entitlement to a direct debit return.

Card on File

Card-on-file transactions (also known as "credential-on-file payments") are credit card transactions in which the card holder authorizes the merchant to store the payment details on their credit card and use these for future debits.

These transactions can be initiated as push payments (e.g. in e-commerce transactions). They take the form of pull payments when the card holder authorizes the merchant permanently and without the specification of an end date to debit the card account (e.g. for installment payments or monthly subscription fees). The individual payments here can include varying or fixed amounts.

User on File

As with card-on-file credit cards, TWINT's user-on-file solution stores details of the payment means for future/recurring transactions, provided that the user of the TWINT app authorizes the merchant to do so.

The Magic Formula

The R2P scheme alone cannot replace pull payments. The magic formula for replacing the often highly complex, non-transparent, and, in many cases, still paper-based pull payments lies in a combination of procedures: R2P plus automatic execution of push payments (bank transfers) plus chargeback, which enables transactions to be reversed and the relevant amount to be credited back to the customer account. The magic formula, which combines the functions of a direct debit procedure with direct debit authorization and right of objection, emerges only in the sum of its parts.

Since the R2P formula is based on simple, established procedures and both onboarding and transaction processing are perfect for fully automatic and transparent end-to-end digitalization, it will likely not be long before we see on the market the first serious competition to traditional pull procedures.

PETER RUOSS,
PRODUCT OWNER, PAYMENT SOFTWARE PARTNERSHIPS, UBS SWITZERLAND AG

Phase-Out of IS and ISR – Potential Impact on Invoice Issuers

Required knowledge
— Basic aspects of the standing order

The QR-bill replaces the traditional payment slips (IS/ISR) and modernizes Swiss payment transactions. The switchover is a complex undertaking and requires coordination at national level among invoice-issuing companies, invoice recipients, and the tools for entering and transmitting invoice details. In addition to the technical aspects, invoice issuers also have to deal with a number of financial aspects. They have to tell their customers quickly and

the step toward digitalization. With the eBill, the switch from the ISR to the QR-bill would not have any major impact on invoice recipients. The only thing that will change is the medium supporting the eBill invoice – and this change will be imperceptible.

By providing all those who still receive the ISR with comprehensive information about the situation, we as banks and invoice issuers can save everyone involved a lot of problems.

Good communication is critical to the success of this transition.

PIERRE-MICHEL GICOT,
HEAD OF PAYMENTS
BANQUE CANTONALE VAUDOISE

clearly that they have to change payment instructions that might have been set up as standing orders. This form of payment instruction is highly practical because it does not involve any additional action as long as the amount or regular execution date does not change or the order is not revoked. When the invoice issuer transmits the QR-bill instead of the ISR, however, it is essential that the person receiving the invoice be informed about the next steps. Any standing order that has been set up must be amended accordingly, otherwise the bank with which the standing order was set up will, from 1 October 2022, be unable to execute it. It will then no longer be possible to make payments via a Swiss Post account or ISR.

If an IS/ISR-based invoice is not paid by 30 September 2022, a number of problems arise:

— Private customers will flood the call centers of the banks asking why orders that always used to be executed without any problems are now no longer being executed at all.
— The call centers of the invoice issuers,

too, will be asked similar questions.
— Invoice issuers will take the necessary action and almost certainly be forced to send reminders.
— In the worst case, the liquidity of the invoice issuers could be impacted. Outstanding payments from just a few parties would likely not have any major impact. If a significant number do not make the switch, however, this could have a major impact and potentially affect liquidity.

Time passes very quickly. After decades of stability, payment traffic in Switzerland is currently undergoing major upheaval and will continue to do so in the future.

Against this background, invoice issuers must not be content with simply changing the way they process invoices; they also have to send clear messages to their customers when dispatching invoices, give them a sense of safety and security in the face of these innovations, and educate them accordingly. The days of the ISR are over – make way for the QR-bill! Maybe it's also high time for invoice issuers to introduce the eBill to all those yet to take

Does the European Payments Initiative Have a Future?

Handling payment transactions was once simply a duty for banks, but has since come to be considered a strategic challenge for them today. Word of this has gotten around, at least ever since contact with customers moved primarily to digital channels and non-traditional suppliers began to provide cool customer experiences.

But the payment transactions business is also strategic on an entirely different plane, as the war in Ukraine suddenly made clear when Russian financial institutions were banished from SWIFT. Three decades after the end of the Cold War in the early 1990s, today it is becoming apparent that the world is thinking and acting in blocs again.

What this means for Europe is to reduce dependencies, and not just with regard to imports of energy and other natural resources. Dependencies also exist in the payment transactions sector – dependencies on Visa and Mastercard, the market dominators in card payments, or on Apple and Google, to name but a few.

And the dependencies are multifarious. Banks are forced to accept constantly rising fees and new charges due to a lack of alternative offerings. Data and processes flow through infrastructures that reside outside Europe. And large corporations are swallowing up companies focused on promising future themes and technologies. Visa, for example, recently acquired the Scandinavian open banking platform Tink, and Mastercard took over UK-based Vocalink, the company behind the P27 real-time payments system in use in the Nordic countries.

In an effort to reduce Europe's dependence, EU authorities are endorsing the European Payments Initiative (EPI), which aims to induce European banks to build a unified pan-European payments system. The initial verve has dwindled, as has the number of participating banks. In the meantime, it has become clear that banks will not reach an agreement on a concerted joint approach without explicit guidelines from public policymakers. The war in Ukraine, though, will presumably give the initiative new impetus.

TEXT
DIETER GOERDTEN, HEAD PRODUCTS & SOLUTIONS, BANKING SERVICES, SIX
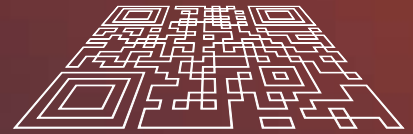
QR Codes for Mobile Initiated SEPA (Instant) Credit Transfers

The world is going contactless. As smartphones spread and our economy becomes more and more digital, the uptake of contactless payments has accelerated – including mobile account-based payments using QR codes. On 16 February 2022, the European Payments Council (EPC) launched an eight-week public consultation on a new draft document on the Standardisation of QR-codes for mobile-initiated SEPA (instant) credit transfers (MSCTs), with the aim of facilitating the interoperability of this type of payment. It is the outcome of multi-stakeholder work facilitated by the EPC.

The document standardizes a payee- and a payer-presented QR-code for all types of MSCTs, i.e. all payment contexts: person-to-person, consumer-to-business, business-to-business, business-to-consumer and invoices, while covering both SEPA Instant Credit Transfer (SCT Inst) and SCT payments. In addition, the document contains a chapter devoted to the security aspects of the data contained in the QR codes.

Use Cases

The standardization of QR codes for MSCTs is one of the cornerstones towards interoperability of MSCTs across Europe. Today, multiple European countries already have their own "domestic" solutions for mobile payments in place, relying on QR codes. However, most of these local solutions stop at national borders, creating a fragmented European landscape.

The usage of the standardized payee-presented QR codes for MSCTs will enable a consumer to pay in a shop abroad, using their own domestic mobile payment solution with which they are familiar, while scanning the QR code from the merchant's payment terminal. Likewise, the usage of the standardized payer-presented QR codes for MSCTs will enable a merchant to scan this QR code while the foreign consumer authenticates the transaction through their domestic mobile payment solution. In this way, the standardized QR codes contribute to the increasingly mobile lifestyle of consumers, while enabling the transaction authentication directly on their mobile device. To merchants, it will open possibilities to enlarge their customer base and offer value added services, while also leading to a reduction in investment costs needed to accept mobile payments. At the same time, for person-to-person payments, the use of standardized QR codes enables the uptake of new services, such as the ability to split bills amongst friends.

In a nutshell, the standardization of QR codes for MSCTs will contribute to the harmonization and enhance the efficiency of mobile account-based payments across Europe, thereby reducing fragmentation of the European payment landscape. Furthermore, it may accelerate the take-up of instant payments, in particular for retail payments made at the point of interaction.

TEXT
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FURTHER INFORMATION

Cryptocurrencies Gain Despite Setbacks

2021 was an extraordinary year for cryptocurrencies. According to news portal CoinDesk, total crypto market capitalization increased by a whopping 185% from USD 773 billion to USD 2.2 trillion year-on-year. With a market capitalization of around USD 769 billion at the end of April 2022, Bitcoin remains the most widely known and valuable cryptocurrency, says CoinMarketCap, followed by Ethereum (around USD 362 billion) and Tether (around USD 83 billion). In addition to these three leading cryptocurrencies, it is estimated that another around 17,000 cryptocurrencies exist, although many of them have little to zero trading volume. In 2013, there were only around 50. So as you can see, cryptocurrencies are becoming increasingly popular, evidence of which can also be seen in the number of crypto trading venues. In March 2022, there were around 476 crypto stock exchanges, whereby Binance – with a daily trading volume of more than USD 19 billion – is the world's biggest trading platform, followed by Coinbase (daily trading volume of around USD 3 billion) and FTX (around USD 2 billion). The World Bank put the number of crypto owners in June 2021 at around 221 million. Blockchain.com, in turn, reports that more than 270,000 confirmed bitcoin payments are transacted every day. So despite lots of negative press and isolated setbacks in the form of short-term price drops, volumes in the crypto market are still growing strongly.

TEXT
PASCAL SCHOCH, BILLING SOLUTIONS, SIX

A bank is a place that will lend you money
if you can prove that you don't need it.

Bob Hope (1903–2003)