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In Search of the Right Strategy in the Digital

TEXT
JACQUELINE GOOD ZILTENER
BUSINESS DEVELOPMENT CONSULTANT,
WORLDLINE SWITZERLAND

In an increasingly digitalized, networked, and complex world, it is becoming more and more important to look at future developments. Thinktanks try to make predictions, anticipate promising trends, and derive strategies from them. Where will customer needs go? What technological developments have the potential to permanently change the payment process? And how can the need for sustainability and environmental compatibility best be met?

In today's fast-paced world, consumers are looking for convenience and simplicity in all aspects of their lives, preferably in real time. Payments are no exception. Retailers, on the other hand, are under increasing cost pressure and expect low fees, not least because few are aware that there are costs associated with cash management. The demand for a seamless payment experience has put pressure on payment service providers to develop new and innovative payment methods. In most cases, however, this has come at the cost of increased complexity and expense, making it difficult for them to deliver the fee reductions that merchants expect. Ultimately, the developments that best resolve this paradox are likely to prevail. All the studies on payment behavior and, more tellingly, on payment preferences in a variety of contexts paint a clear picture: simple, fast, and secure payments are becoming increasingly important to consumers, banks, and merchants.

However, despite all the optimism, it is often underestimated that while technological innovation is accelerating, consumers are still clinging to old habits. Reaching critical mass therefore depends on a number of factors that are not always directly controllable. A typical example is contactless payment, which began to take off in many European countries during the COVID-19 pandemic. The external circumstances meant that even people who had no liking for cards immediately recognized the simplicity and convenience of this payment method. Although the trend has leveled off somewhat, we can assume that it is sustainable. Contactless payment, whether by card, mobile phone, or smartwatch, has become the standard. A clear sign of this is the fact that this trend can now be observed across all generations, i.e., by no means only among digital natives. Only the medium used still depends on the generation – wearables are currently much more common among the trendsetters of the younger generation.

However, the further away from established patterns of behavior and the more futuristic the scenario, the greater the differences in acceptance between age groups or different cultural backgrounds. In some cultures, for example, the idea of leaving a store without visibly paying

> “The biggest challenge is putting the necessary technologies at the service of a positive customer experience.”

causes discomfort and is almost perceived as stealing. Sharing a bill among friends, as has become common in Switzerland with TWINT, is still seen as breaking a social norm in southern Europe.

The Triumph of the Digital Payment

More and more customer groups prefer to pay digitally. However, some people – especially the elderly – are not prepared to give up cash. The trend varies greatly from country to country: in Scandinavia, the proportion of cash fans is less than 5%, and legislators and the central bank have already had to take measures to ensure the supply of cash. Discussions in the media show that the “battle of faith" is still in full swing – for example, when festival organizers insist on allowing only cash. We also refer to this development as the “digital divide”: the gap between those who have enthusiastically or out of necessity embraced the digitalization of the world and those who, for various reasons, do not want to or cannot embrace this development. In both cases, this development must not lead to the exclusion of certain groups. The payment industry also has a social responsibility in this regard.

The biggest challenge is putting the necessary technologies at the service of a positive customer experience: Authentication solutions must be easy and intuitive to use, while the technology should be as invisible as possible. The most promising approach is the intelligent use of biometrics. From fingerprints to voice and facial recognition, what seemed futuristic just a few years ago is now standard practice. Well-integrated multi-factor authentication processes can also help

to serve user groups that have been excluded or even disadvantaged by digitalization by making the cumbersome entry of 16-digit card numbers and the memorization and entry of PINs a thing of the past.

Digitization has not stopped on the acceptance side either: Solutions such as "Tap on Mobile" turn Android smartphones into mobile terminals for card payments with PIN entry for higher amounts, including a digital receipt with a QR code. Development is well underway for further use for payments in cars, hotels, self-service kiosks, and ticket machines.

New Payment Methods on the Rise

There are many mobile payment solutions around the world. However, when we cross national borders, we find that interoperability between solutions is not yet a given; it is a challenge that we have to meet.

Account-based payment methods and real-time payments are becoming increasingly important and are developing into an alternative to card payments, at least for e-commerce or domestic payments. For international payments in face-to-face business, the major systems still have a market advantage that should not be underestimated, thanks to their global network optimized over decades. Last but not least, card-based payments, with their proven fraud management, offer a high level of consumer protection. Nevertheless, we can expect an increasing convergence of payment methods, supported by the appropriate technologies.

Examples from large markets such as China (WeChat Pay and Alipay), Southeast Asia (proprietary systems), and India show that QR code-based solutions have a great chance of success for broad market penetration. Although their use is still largely limited to domestic payments, the superapps in particular have already gained significant market share in some cases. In Southeast Asia, players are already working on the interoperability of these country solutions. Smartphones are now widely used in emerging markets, the payment experience is simple, they can be set up quickly, and they can be used for both distance and retail transactions.

The examples of TWINT in Switzerland, SWISH in Sweden, and IDEAL in the Netherlands show that such solutions, with a high level of acceptance in stores, restaurants and online shops, can develop relatively quickly into an indispensable tool for cashless payment transactions and significantly support the trend towards mobile payments. European payment service provider Worldline, for example, predicts that 10% of all payments worldwide will be account-to-account payments within the next five years.

Autonomous Payments in Everyday Life

As the Internet of Things becomes more widespread, we can expect to see more and more payment solutions where the payment is triggered by a device or software solution. Such payments are called autonomous payments. While these may be cheaper to operate, they add a great deal of complexity to the payment infrastructure. Payment service providers must continually invest in technology and infrastructure to effectively manage the complexity associated with autonomous payments. This is the only way to ensure the efficient and smooth operation of their payment systems and provide the highest level of service to their customers.

Today, the payment process itself is often completely invisible because it

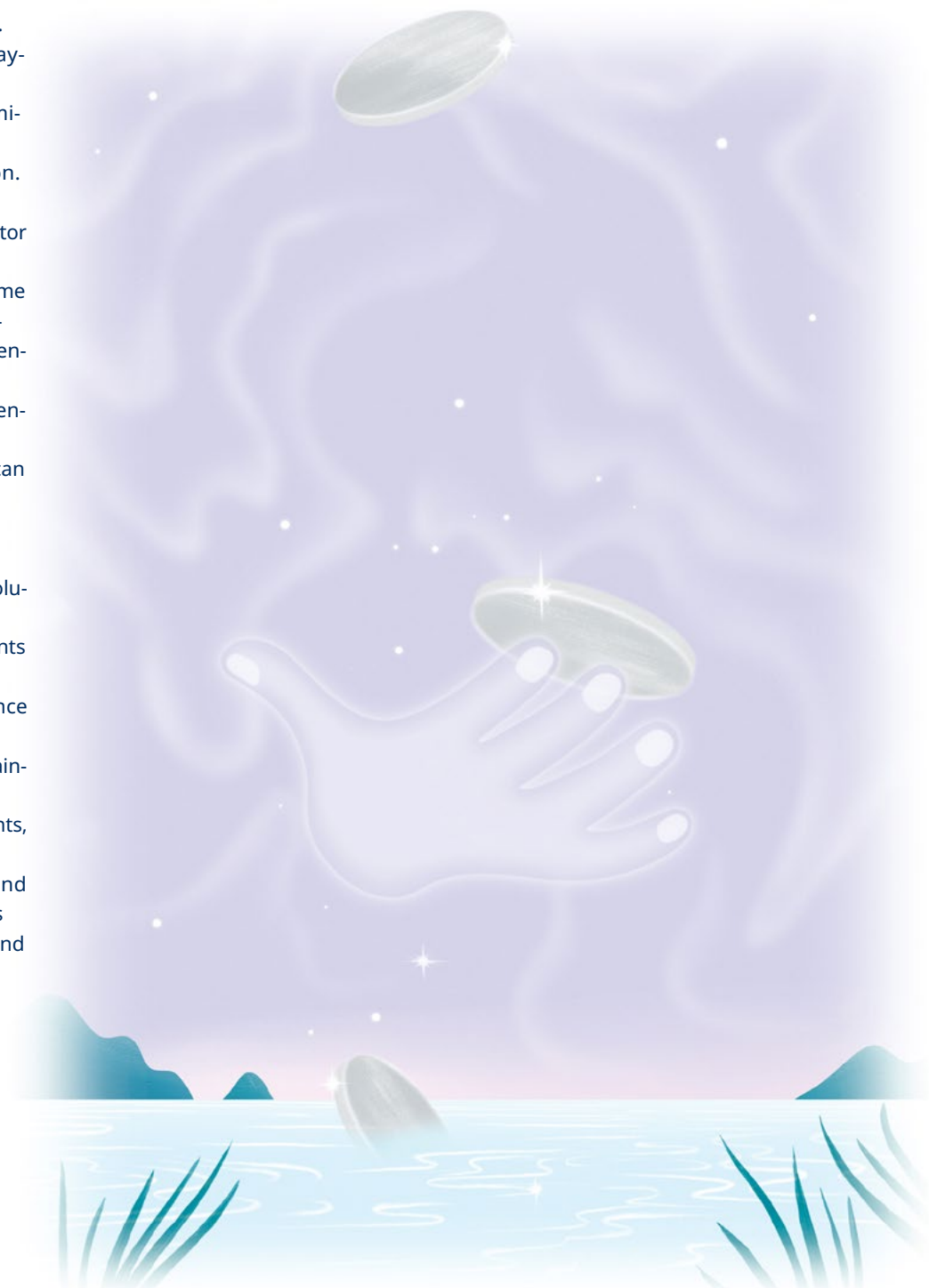
runs in the background and is therefore invisible to the consumer. We see this in everyday life, for example when we pay regularly for subscribed services (e.g., Netflix, Amazon, LinkedIn). Autonomous payments will accelerate this trend, creating new challenges for both merchants and banks. This trend is already evident in superapps.

Benefits and Incentives Are Key

Emerging payment trends seek to address the challenges of today's payment system. They aim to increase convenience for consumers, reduce the complexity of the payment infrastructure, and lower costs for merchants.

Against this backdrop, instant payments will inevitably grow in importance. They are not yet ready to dominate global payments, but much is being done to drive their adoption. This includes several factors, such as ease of use, which is an important factor in the adoption of digital payments, but not sufficient on its own. The same is true for central bank digital currencies (CBDCs), which more than 100 central banks are actively researching and working on. For the European Central Bank, Worldline is developing a prototype to ensure that individuals can make offline transactions using the digital euro.

Whether CBDC, card, or account-based, the success of any payment solution depends on the benefits and incentives that consumers and merchants perceive. Understanding the needs and preferences of the target audience and offering a compelling value proposition can drive adoption and sustainable usage. Technology is equally important: it must enable digital payments, but remain seamless and invisible. The focus must be on the security and reliability of transactions. This builds trust and leads to greater adoption and usage.



"Payment experiences that merge the physical, digital, and biological"

FUTURE TALK WITH JOCELYNE MWILU, CHIEF EXECUTIVE OFFICER, PPI FRANCE.

TEXT
GABRIEL JURI

When will it be possible to pay with a wink or a smile? Very soon. In China, Alipay already allows you to pay with on-screen facial recognition. Amazon's cashierless stores in the US, where purchases are made by scanning the palm of the customer's hand, caused quite a stir in 2019. A similar experiment by a French player is about to launch.

In these examples, however, hardware still plays a role. Truly new payment experiences will be enabled by Web.3 and Metaverse – technologies that merge the physical, digital, and biological. The processes involved – i.e., without a card, smartphone, or display – are only possible if two fundamental factors are in place: the acceleration of biometric recognition methods and regulation that limits usage and thus protects the freedom of the individual. After all, we are talking about the processing of personal data and money.

How can the risk of deepfakes be mitigated? Blockchain combined with artificial intelligence would be a big step forward not only in terms of speed and smooth processes, but especially in terms of payment security.

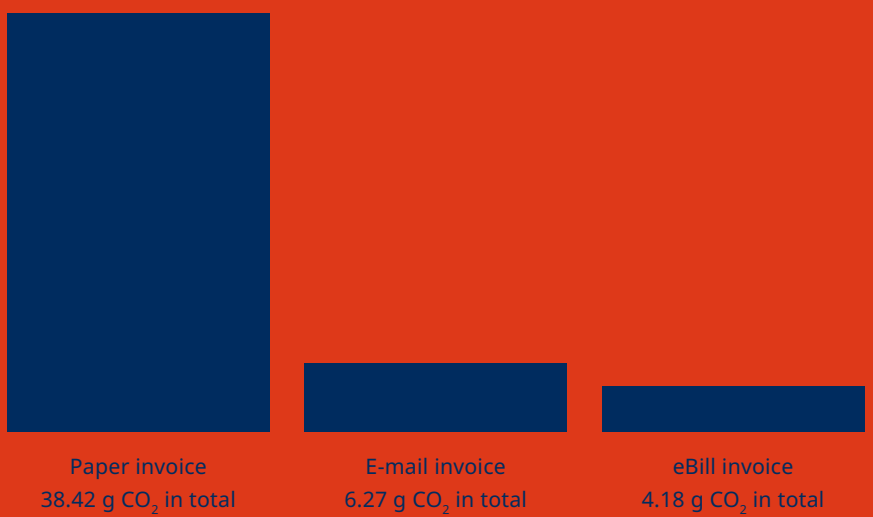
These technologies are ready. What else is needed for a product to really take off and be widely accepted? To create truly new customer experiences, the various players need to come together and work on reliable technology solutions and smooth, innovative payment methods that solve their customers' problems and do not create new ones for them.

New problems? Whether it's an individual or a business, ease of use, ergonomics, simplicity, and availability are paramount to widespread adoption. It must not be possible for a system to go down for maintenance, for example. Today's customers simply won't accept that, no matter how complex a technical solution may be.

What is the most promising strategy for a bank or payment service provider today? Players who break through the aforementioned technological barriers have the best chance of customer acceptance and true commercial success. Payment systems need to be more resilient and agile than they are today, and they need to implement innovations more quickly. This is because customers demand convenience, availability, and security at all times. Instant payments are indeed an opportunity. However, it is imperative that players modernize their systems to integrate new technologies quickly and without a lot of coding and custom development. This is the only way to be more agile and avoid latency, even during maintenance or high transaction volumes. The challenge is to reduce time to market and realize return on investment.

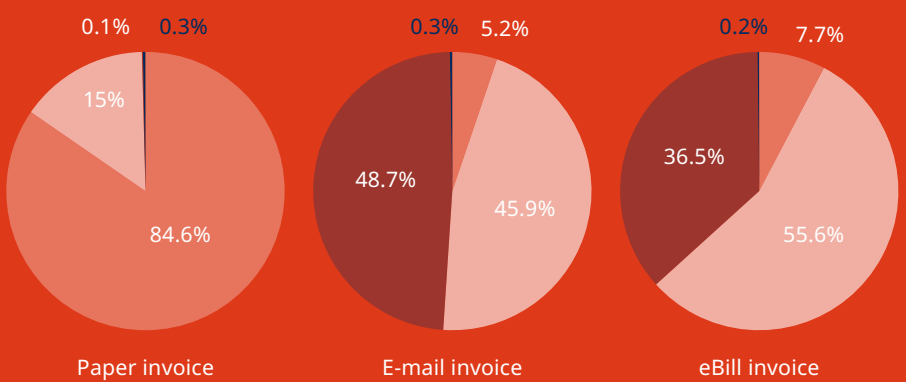
No matter how you look at it, eBill is not only the most efficient, but also the most sustainable invoicing option. This is shown by the latest study on the CO_2 footprint of Swiss invoicing.

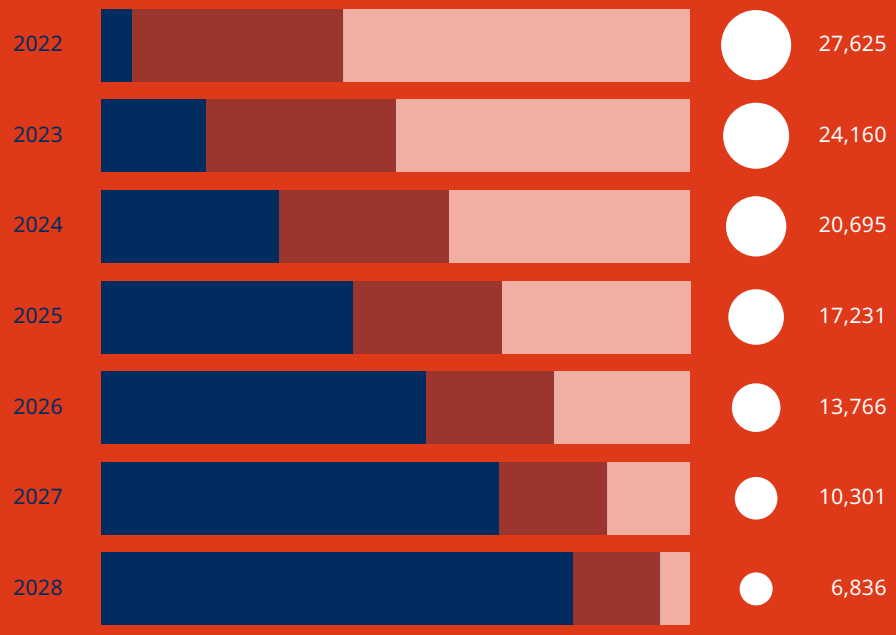
Comparison of emissions by type of invoicing



Proportion of total emissions from different types of invoicing

- Disposal
- Archiving
- Invoice payment
- Invoicing

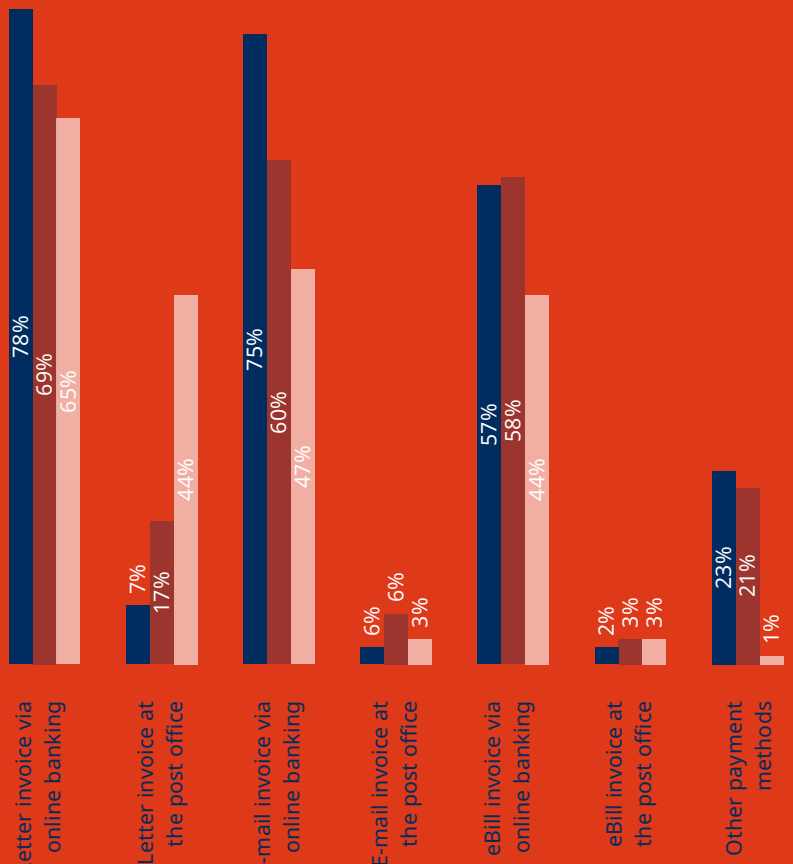




Forecast of total emissions until 2028

assuming a target share of eBill of 80% of all invoicing in Switzerland

- eBill invoice
- E-mail invoice
- Paper invoice
- Total emissions [t CO_2-eq]



Payment methods by language region

- German-speaking Switzerland
- French-speaking Switzerland
- Italian-speaking Switzerland

Sources Nachhaltigkeit im Rechnungswesen (carbon-connect AG, 2023) and e-Bill – Bevölkerungsbefragung (gfs.bern, 2023)

“Without eBill, You’re Definitely Missing Out”

A VISIT WITH ASTRID STRØMNES, INTERIM HEAD OF DATA & PERSONALIZATION MARKETING, SBB

TEXT
SIMON BRUNNER

“Are you lost?” asks Astrid Strømnes, greeting us. But before we can answer, she has already disappeared into the building. We’re at the SBB in Bern Wankdorf, and it's immediately clear: Federal enterprise or not, there’s no dawdling here. (By the way, we didn’t get lost, we just walked here at a rather leisurely pace.)

Astrid Strømnes (45) works in marketing for SBB Passenger Traffic, currently as a maternity replacement for a team leader. On top of that, “there’s still some of my actual work,” she says. She has a lot going on, but she doesn’t seem fazed at all.

So we hurry behind Strømnes into a new SBB building – lots of glass, lots of concrete – and enter a windowless meeting room where “the customer” is already waiting for us: On the back of a chair hangs a sash with a face and the inscription, “As-tu pensé à moi?” (“Have you thought of me?”). “This spirit customer helps us a lot,” says Strømnes. “In meetings, we regularly look at her and ask ourselves if we are doing what is best for her.”

Today we’re discussing eBill. Fortunately, “the customer is very happy about this,” laughs Strømnes, “because this way of paying is by far the quickest and most convenient, secure, and sustainable.” Like the customers, invoice issuers are delighted, she says. Why? “Paper invoices are expensive, unsustainable, and prone to errors. E-mail invoicing fixes only a few of those drawbacks; for example, it’s not much better in terms of being a source of errors: Many customers print their invoices out, type them up, or take them to the post office.”

Per eBill invoice, SBB saves 30 centimes compared to a paper invoice, according to an internal study. “But it's probably a lot more,” says Strømnes, because in addition to the direct costs of an invoice, such as paper, envelopes, and shipping, eBill generates fewer reminders and virtually eliminates errors. These two points are enormously important, because “every time an employee has to intervene, it gets expensive”. By the way: Most reminders are issued for e-mail invoices, because they often get lost in the mailbox.

SBB is an eBill pioneer: It has been using digital invoicing since 2007, making it one of the very first companies to do so. It is also one of the largest invoice issuers in Switzerland: “Every year, we send out more than six million invoices

to Half-Fare and GA Travelcard holders, the latter often paying in monthly installments," says Strømnes. "With this volume, we have a great interest in making our invoicing as efficient as possible."

Although SBB still sends 2.67 million invoices – just over 60% – on paper, efforts to persuade customers to switch are having an impact: While only 6% of SBB customers paid their invoices with eBill in 2021, 22.5% do so today. By comparison, the average for all companies that use eBill is 5%. How did SBB achieve this?

Nicole Tschanz joins us at exactly the right time. She was there when SBB signed the contracts for eBill with SIX. She explains: "Our team developed three measures to persuade our customers to switch." First, just before customers receive their print invoice, they are sent an e-mail asking them to switch. "This helped us convince 5% to switch," Tschanz says. Second, with the invoice itself, SBB sends an insert that provides information about eBill, and a contest. Some 8% were successfully converted in this way. Third, "eBill now offers the possibility of automatically finding and adding invoice issuers," Tschanz explains. "Thanks to this 'look-up function', around 20,000 customers convert to eBill every month."

Nicole Tschanz excuses herself as she has to attend her next meeting. The measures she mentions fall into the "carrot" category. Charging a fee for paper invoices, as many telecom companies, banks or insurance companies do, is currently out of the question for SBB. "The 'stick' does not suit us as a federally owned company," says Strømnes.

Many who impose such a "penalty fee" argue that they are protecting the environment. "It's true, of course, that an electronic invoice has a much smaller impact on the environment. That's why we have to get rid of paper invoices at some point," says Strømnes. But an SBB customer survey has shown that this argument is less important to customers than convenience. "That's why we're trying to show that paying with eBill is much easier. And it's true: without eBill, you're definitely missing out," says Strømnes.

Time is up, the meeting room is needed, and Strømnes has to get to her next appointment. For the future, she hopes that as many companies as possible will use eBill, because "it makes the cake bigger for everyone. SBB is also considering making its invoices TWINT-compatible in the future.

We head for the exit. "Those were good questions," says Strømnes – and off she goes.

Fed Launches Instant Payments

In July 2023, the US Federal Reserve launched its FedNow Service. Financial institutions can use a new RTGS system to process customer payments in the United States as instant payments.

More information

Swiss National Bank launches pilot project with genuine digital Swiss franc central bank money for interbank payment transactions.

More information

BIS Draws Lessons from Cryptocurrencies

In its recently published blueprint for the future monetary system, the bank of central banks BIS speaks plainly. The decentralized world of cryptocurrencies is a flawed system, it says. According to the BIS, this is evidenced by the "collapse of cryptocurrencies" and the stalled progress of other tokenization projects. It argues for a new type of financial market infrastructure: a unified ledger that captures central bank money, tokenized deposits, and assets on a single programmable platform.

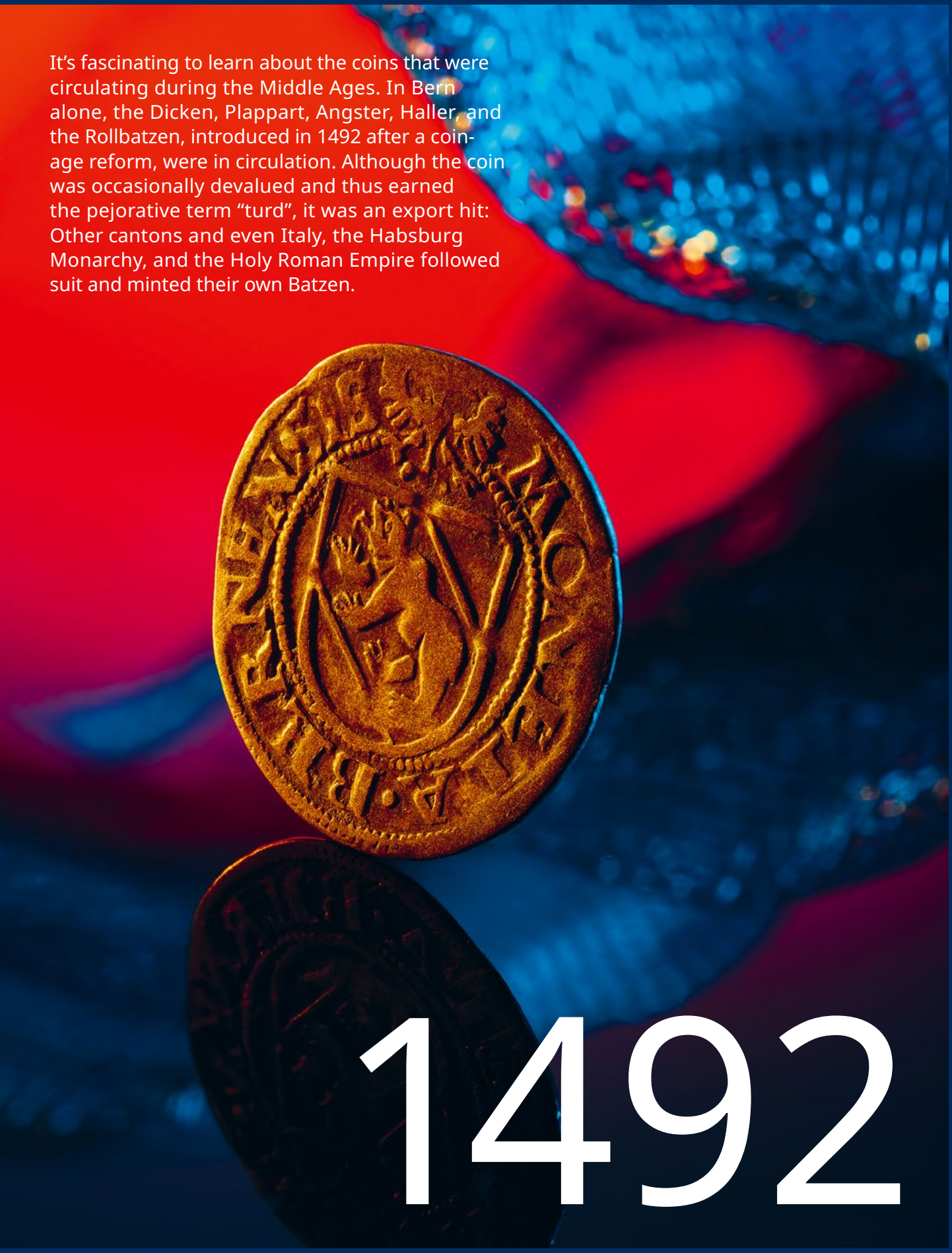
More information

The CBDC Connector Works

Central banks and major banks, including UBS, successfully tested a new API-based solution from Swift. It enables digital central bank currencies to be seamlessly deployed on existing financial infrastructures and to process cross-border transactions in more than 200 countries.

More information

It’s fascinating to learn about the coins that were circulating during the Middle Ages. In Bern alone, the Dicken, Plappart, Angster, Haller, and the Rollbatzen, introduced in 1492 after a coinage reform, were in circulation. Although the coin was occasionally devalued and thus earned the pejorative term “turd”, it was an export hit: Other cantons and even Italy, the Habsburg Monarchy, and the Holy Roman Empire followed suit and minted their own Batzen.



1492

Harmonization – a Continuous Process

Required knowledge
— Familiarity with ISO 20022 standardization
— In-depth knowledge of the organization

An important topic related to ISO 20022 harmonization concerns several major central banks in their role as operators of clearing and settlement systems. The question is how they can coordinate developments after the conversion of networks and infrastructures to ISO 20022, and avoid a drift in concrete implementations. The proliferation of ISO 20022 messages enables simpler, more efficient order routing and the interconnection of market infrastructures, also known as "interlinking". It is important to preserve these benefits, and not to undermine them with the next round of changes.

Swift has chosen the version 2019 of the message standard as the basis for migration to ISO 20022. Many market infrastructure operators – such as SIX in Switzerland – have also taken the opportunity to migrate their systems to this version, or at least are planning to do so. SEPA, with one of the largest schemes, has also decided to migrate the SEPA Clearing and Settlement Mechanisms to this message version in November this year. The transition within the Swift network has also prompted other providers to make adaptations.

Three Types of Adjustments

The requirements for market infrastructures and systems are constantly evolving, driven by the new needs of participants, such as banks or third-party systems, their clients, such as corporates or business solutions, and new regulations or technical developments. As a result, stakeholders may need to adapt their implementations or regulatory frameworks. If message content or validation needs to be changed or extended, there are three main options.

The simplest and, at least in Switzerland, most common way is to adapt the guidelines without adjusting the ISO 20022 basic message. Often it is sufficient to use a new code, to make a field mandatory, or to adapt a validation. Adapting the length, the allowed characters or the rules for the use of the message itself can also be done without a new version.

The situation becomes more complex when a newer version of the base message is required. While it is often possible to make the change in a single release for centralized infrastructures, in our country, with the Swiss Payment Standards we allow a transition period of three years for the change from pain.001.001.03 (version 2009) to pain.001.001.09 (version 2019). Regardless of how the transition is carried out, all system participants must adapt and test their systems.

If the desired adaptation is not possible with the message version currently in use, market participants must first request an adaptation of the base message or an entirely new ISO 20022 message from the Registration Authority. Such adaptations are published and made available to users in the second quarter of each year. This is particularly necessary when an infrastructure, a scheme, or a business case is migrating to ISO 20022 or is completely new. The Swiss community also regularly captures such changes in order to benefit from them in future version changes. This was done for the first time during the transition to the new .08 versions of camt.05x.

The Search for Authority

Central banks, as operators or supervisors, are well aware that once migration to the Swift network is complete, i.e., after 2025, the question of coordinated and concerted development will become increasingly important. It would be a great pity if, for example, the UK were to introduce a new version of pacs.008 to support a new offering, while other infrastructures do not. If this service is also of interest to internationally oriented market players, it would be difficult or impossible for them to take advantage of it.

Ideas on how to avoid such undesirable scenarios vary. For example, one central bank would like to see the current basic messages adjusted as quickly and regularly as possible, while other market participants would prefer to move towards the Swift network. It is also unclear who has the authority and capacity to undertake such coordination. Currently, there are several industry bodies and working groups that could play a role: the High Value Payments Systems Plus – a Swift initiative, the Registration Management Group – the ISO 20022 higher-level registration body, the regular Operator Meetings, industry associations such as the European Automated Clearing House Association, or the Bank for International Settlements' Committee on Payments and Market Infrastructures. However, the discussion is still at an early stage. In cooperation with the Swiss National Bank and in exchange with the bodies of the Swiss financial center, we as standardization specialists are actively committed to a procedure that is as pragmatic as possible, taking into account the limited capacity for change, but not neglecting the possible opportunities that result from a version change.

An ISO 20022 Basic Message

A basic message describes one or more transactions and consists of Message Definition Reports (MDR) and, for XML messages, a corresponding XML Schema Definition (XSD). In some cases, a Message Usage Guideline (MUG) is also published, explaining basic use cases. The actual use of such a message is described in the Implementation Guidelines (IG) and the respective regulations for the specific market, scheme, or network. In Switzerland, these are the Swiss Payment Standards for the customer bank interface and the SIC IG for RTGS and instant payments.

MARTIN WALDER, HEAD BILLING & PAYMENTS STANDARDS, SIX

Four Basic Use Cases of eBill Invoicing

Required knowledge
— Knowledge of the participants in the eBill process

The four use cases illustrate the benefits of electronic bill presentment and payment. The automated invoicing process results in faster payments, fewer errors, and improved cash flow. As a result, it contributes to overall payment efficiency. In addition, the entire process promotes sustainability in accounting by cutting the CO_2 emissions associated with producing, printing, mailing, and paying a paper invoice.

Electronic Invoicing

Electronic invoicing is the process by which invoices are created, sent, validated, and received digitally. With eBill, the invoice is sent to SIX via a network partner and then delivered to the invoice recipient via the recipient's bank.

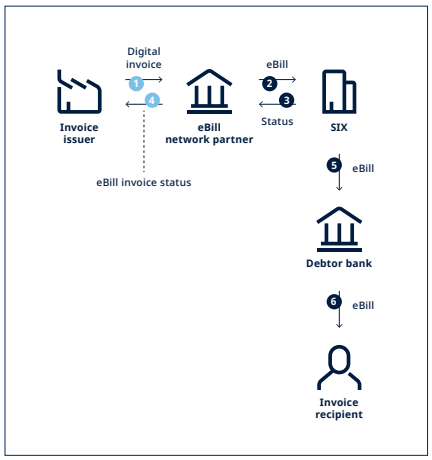


Figure 1:

1 The invoice issuer creates the electronic invoice with its invoicing software in a format supported by its eBill network partner and sends it to the network partner via one of the supported secure channels.

2 The network partner validates the electronic invoice. If it appears that the invoice can be successfully delivered, the network partner converts it into the SIX eBill format and sends it to the SIX eBill infrastructure.

3 SIX accepts and validates the eBill invoice. If the invoice can be successfully delivered, a positive invoice status is reported back to the network partner.

4 The eBill network partner reports the positive invoice status of SIX back to the invoice issuer.

5 The eBill infrastructure of SIX identifies the debtor bank and forwards the eBill invoice accordingly.

6 The debtor bank makes the eBill invoice available to the invoice recipient in its online banking and informs it of its receipt.

Paying an Electronic Invoice

Electronic invoice payment is the process of paying digital invoices through digital payment methods. With eBill, an invoice is paid via the online banking of the invoice recipient's bank. They can check the eBill invoice with just a few clicks and then approve the payment. The entire invoicing process is therefore secure and encrypted to ensure the protection of sensitive invoicing and payment data.

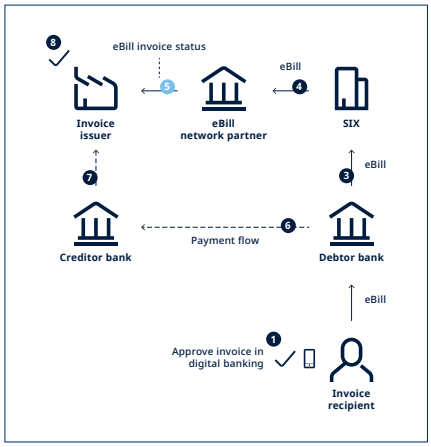


Figure 2:

1 The eBill invoice is approved for payment in digital banking by the invoice recipient.

2 The approval of the invoice by the invoice recipient triggers a payment order to his bank to settle the invoice by value date.

3 The debtor bank informs SIX that the invoice has been approved for payment.

4 SIX informs the eBill network partner that the invoice has been approved for payment.

5 The eBill network partner provides the invoice issuer with the invoice status. This is continuously updated and can have the following values: open, approved, rejected, completed.

6 The debtor bank debits the invoice recipient's account and forwards the amount due to the invoice issuer's bank via the SIC system. This credits the amount to the invoice issuer's account.

7 The invoice issuer will be informed of the incoming payment by an account statement or a credit notification.

8 The invoice issuer closes the open item in his accounts receivable on the basis of the incoming payment information received.

Register for an Electronic Invoice

The registration of invoice recipients for electronic invoices with the invoice issuer is an important step in the transition to digital invoice processing. This process typically involves supplying contact information and selecting preferences for receiving electronic invoices. With eBill, the invoice recipient can contact the invoice issuer directly via the eBill function in his digital banking and express his wish to switch to electronic eBill invoices. Through the sign-up function, the recipient supplies their e-mail address or other relevant contact information to ensure that the electronic invoices are properly delivered. After registration, the invoice issuer sends the invoices electronically to the recipient as eBill.

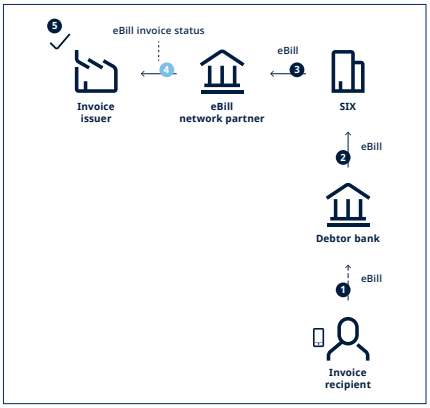


Figure 3:

1 The invoice recipient registers with the invoice issuer via the eBill function in its digital banking system.

2 The bank of the invoice issuer informs SIX that someone has registered with an eBill invoice issuer for the eBill procedure.

3 SIX informs the eBill network partner that an invoice recipient has registered with an eBill invoice issuer for the eBill procedure.

4 The eBill network partner informs the invoice issuer that someone has registered with it for the eBill procedure.

5 The invoice issuer switches the new invoice recipient in its accounts receivable system for future invoices with eBill.

Search for Invoice Recipients

The invoice issuer's search for invoices recipients in an electronic directory is an important part of the digital invoicing process. These directories, often referred to as electronic address books or lookup services, allow invoice issuers to find the necessary details of their customers to facilitate the e-invoicing process. The invoice issuer accesses the electronic directory and enters relevant information, such as the e-mail address or company identification of the invoice recipient. The system then searches the directory to find the information it is looking for and makes it available to the invoice issuer. This practice makes it easier for invoice issuers to transition to fully digital invoicing and contributes to improved customer relationships. With eBill, the invoice issuer can search for potential eBill invoice recipients in the SIX eBill directory via network partners.

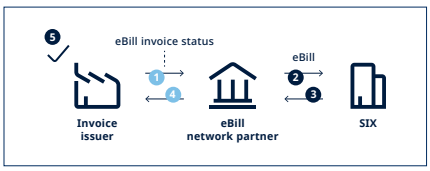


Figure 4:

1 The invoice issuer creates a list of invoice recipients in a format supported by the eBill network partner and sends it to the network partner via one of the supported secure channels.

2 The network partner validates the list. If the format is correct, the network partner converts it into the SIX eBill format for the search and sends it to the eBill infrastructure

3 SIX accepts and validates the search query. SIX returns yes or no as an answer as to whether the invoice issuer can send an eBill invoice to the invoice recipient. If so, SIX supplements the answer with further information about the invoice recipient.

4 The eBill network partner provides the invoice issuer with the SIX search result.

5 The invoice issuer switches the customers for whom SIX has provided a positive response to eBill invoices for future invoices in its accounts receivable system.

PETER RUOSS
PRODUCT OWNER PAYMENT SOFTWARE PARTNERSHIPS, UBS SWITZERLAND AG

SASFS – Swiss Association for Swift & Financial Standards

Required knowledge
— Knowledge of (inter)national standards bodies

"When it comes to developing standards, only the best experts will do." An apt and timeless statement by Professor Max Engeli, who in 1973 designed the message standards architecture for the Swift network, the structure of which is still in use 50 years later.

Yes, we are dealing with standards at SASFS. However, they are not only Swift standards, but also ISO standards for the financial sector, more specifically for the ISO 68 "Financial Services" technical committee and its subcommittees and various working groups. SASFS is the Swiss and Liechtenstein financial markets' link to Swift and ISO. It maintains specialized and Transversal Committees that mirror the ISO committees in their respective areas of expertise. These specialists prepare assessments and requests for amendments to proposals for all financial issues raised in Swift and ISO. The aim is to provide our markets with what we believe is needed for the development or refinement of standards, always taking into account global developments. As we regularly hear from the "outside world", constructive and technically sound input from the Swiss and Liechtenstein community is highly appreciated and accepted by other communities. The SASFS is the body to which you too can address your concerns regarding standards relevant to our financial center.

But SASFS is much more than that. It is the result of the merger of the Swiss Commission for Financial Standardization and the National Member & User Group of Swift in Switzerland, under the auspices of the Swiss Bankers Association. We are organized as an association. Membership is designed to be open, as it is in our interest to represent and integrate as many different interested and affected stakeholders as possible. After all, standardization only works if it is implemented, and therefore experienced. For years, technological progress in the financial sector has been rapid, highly complex, and challenging, as have the legal issues that accompany the efforts at standardization efforts. In this way, IT can look forward to pre-checking data between the sender and recipient of messages, enabling automated, error-free, efficient, and equally cost-effective processing. On the other hand, such intentions may also be associated with legal issues. Often, these challenges result from differing conditions or interpretations in the various jurisdictions that apply these standards.

Global Best Practices

Next, it's a matter of best practices that need to be coordinated and agreed upon at a global level. This is also the role of the SASFS and its committees: to coordinate and formulate opinions on topics related to the application and development of standards. And from time to time, we are contacted by Swiss members of international committees, such as the Payments Market Practice Group, to discuss specific issues from our community's point of view. These are all areas of tension that require solutions. And everywhere, our voice counts and our contribution is valued.

The SASFS Board is made up of delegates from large, medium, and small institutions. There are also representatives from various sectors, such as Swift Corporate Group Switzerland and Swiss Fintech Innovations. SIX as an infrastructure service provider with its various business areas is also represented, as are national and international bodies such as swissSPTC and PMPG. The committee's permanent guests are the two Swiss board members of Swift and Swift Switzerland.

The current focus is on payments. But as the markets around us evolve, we want and need to address securities and post-trade issues more intensively in the future. Just think of the harmonization efforts within the EU and the desire to shorten settlement cycles.

What's In for Me?

I've had the pleasure of leading the SASFS as President since 2022, and I'm always fascinated by the variety of topics that are dealt with in the committees or that are submitted to me. I also see even more clearly how useful our work is for the financial center and its development. You may think that none of this concerns me, that a service provider will do it for me and implement all the necessary changes. In many cases that is true. But before a service provider implements anything, there has to be specialist work, coordination (national and international), and consensus building. Not everything is "handed down from on high". No, there's a lot more to it than that, which is rarely seen, but very important. And all of you are involved in one way or another (actively or passively) through your work. But you can also have your say and participate in the organization.

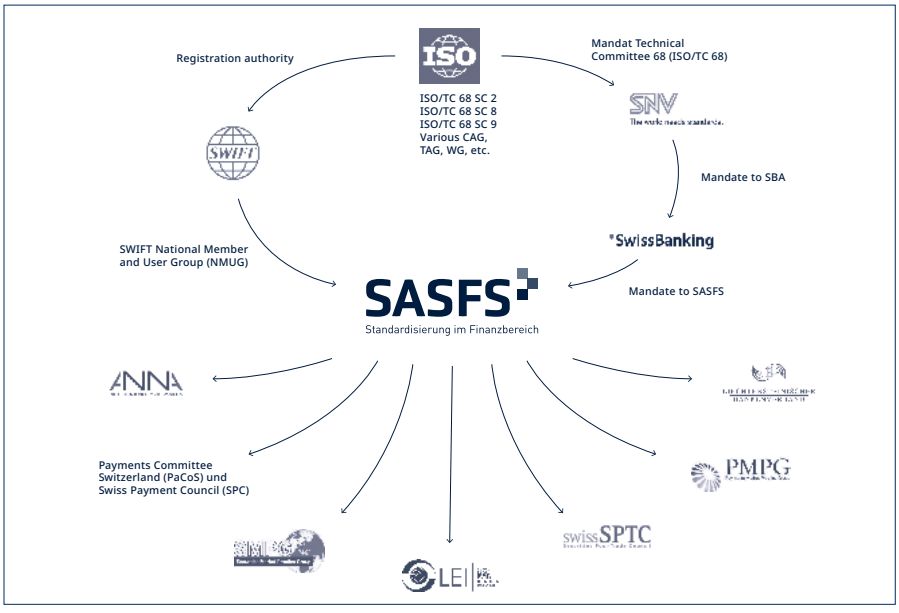
Our members regularly receive Swift meeting materials and board papers. So you're on the front line of information. And we plan to extend that frontline even further in the future to get closer to our members and gather their feedback. Towards the end of 2023, we plan to host regular webinars for our members, where Swift will provide updates on current developments and trends, as well as a forum for discussion and other topics.

For more in-depth information about the SASFS, I encourage you to visit our website. In addition to technical articles, our bylaws, a presentation of our network, and an overview of our commissions and members, you will also be able to register for the upcoming webinars.

If you or your institution is already a member of the SASFS, please take advantage of this unique opportunity to learn more about us. This also applies to current non-members. Please contact our office or me directly.

DENISE TISCHHAUSER, PRESIDENT, SASFS

SWISS ASSOCIATION FOR SWIFT & FINANCIAL STANDARDS



Consigning Payment Errors to the Past

Millions of messages travel over the Swift network every day, carrying important payment instructions that deliver funds to keep the worlds' economies running smoothly. In each message, details of the beneficiary party – like their name, account number, and the currency – must be correct for the payment to reach its destination safely.

But mistakes do sometimes happen, and even small errors can cause big problems. A misspelt name, one zero too few or too many, and incorrect currencies are among the most common causes of cross-border payment delays.

But what if it was possible to use data from past transactions to ensure that future payments flow smoothly? This principle underpins the latest feature of Swift's Payment Pre-validation service – central beneficiary account verification. Using aggregated and pseudonymized data, the new service compares data inputted into new transactions with ones that have already been successfully completed, making sure the transactions are free of errors that could cause delays later down the line.

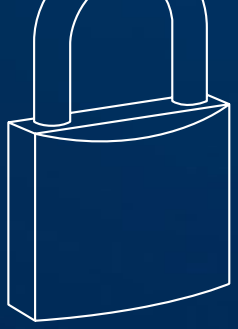
Frictionless Processing

By centralizing the verification of transaction data, no single bank is limited by its past transactions. On the contrary, they can cross-check payment information with all transfers made by the rest of the financial community through the Swift network – over nine billion transaction messages and four billion accounts every year. With the ability to pre-validate payments in real time, banks around the world can ensure that transaction details are correct the first time a message is sent and eliminate friction that causes delays.

ROGER INDERBITZIN, HEAD OF SWIFT SWITZERLAND & LIECHTENSTEIN

FURTHER INFORMATION:

PAYMENT PRE-VALIDATION



IBAN-Name Check: the New Must in the Fight Against Fraud

The fight against fraud is one of the most pressing issues in Europe, and checking the IBAN and the name of the beneficiary party will soon be a must. This verification was already included in the EU Commission's proposal for a regulation on instant payments last fall. It is also at the heart of the proposed regulation on payment services (PSR) published in June 2023 as part of the PSD2 legislative package. With this proposal, the Commission aims to extend the verification to all EU credit transfers in all EU currencies.

In detail, the IBAN-name check should work as follows: The paying party's payment service provider (PSP) must offer its customers a service to verify that the IBAN matches the name of the beneficiary party as provided by the paying party. The PSP can request this verification free of charge from the beneficiary party's PSP. If the IBAN and the name do not match, the PSP must notify the paying party of the discrepancy and indicate the level of the discrepancy. The paying party can then decide whether or not they want to authorize the payment; the paying party also has the right to completely opt out of this service.

The aim of the IBAN-name check is to create an additional level of trust and security in payment transactions. But how successful will such a mandatory check

be in fighting fraud? The Euro Banking Association (EBA) tried to answer this question in a recent study prepared in cooperation with the Austrian and German central banks and Strategy&.

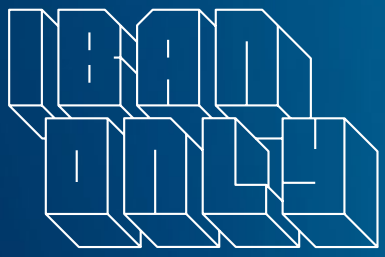
Together with members of its anti-fraud expert group, the EBA concluded that such a check could address some types of authorized push payment fraud, but it is far from being a silver bullet. The check would be most effective in cases where a fraudster tricks a victim into authorizing a payment to a beneficiary party that is known to the payer, but where the IBAN belongs to an account under the fraudster's control. However, there are quite a few fraud types where the victim is likely to initiate a payment despite a mismatch between the IBAN and the name. Victims are especially prone to proceed with the transaction if the fraudster is able to continuously pressure or manipulate them, possibly even during the payment process.

The above-mentioned study further takes stock of the IBAN-name check solutions available or under development in the European payments market and highlights their different approaches. Although there is currently no uniform approach, the ongoing legislative process – which could lead to the publication of the Instant Payments Regulation before the end of 2023 and the Payment Services Regulation by mid-2024 – could act as an accelerator. At a pan-European level, EBA CLEARING is already working on an IBAN-name check solution for SEPA credit transfers and SEPA instant credit transfers, which should be available by the end of this year.

ANNICK MOES
EURO BANKING ASSOCIATION (EBA)
HEAD OF INDUSTRY ISSUES
AND COOPERATION INITIATIVES

FURTHER INFORMATION:

IBAN-NAME CHECK: CURRENT DEVELOPMENTS AND CONCEPTS



IBAN, What Else?

Payments are an essential part of global commerce. It is therefore important to simplify and standardize them as much as possible. The IBAN mandate is designed to make payment processing more efficient, secure, and transparent.

Since October 2016, under the EU's SEPA regulation, banks are only allowed to process payments with an IBAN. This allows payments to be identified and matched more quickly and accurately in straight-through processing, i.e., without manual intervention. Banks can rely on a uniform IBAN structure. In addition, IBAN has a check digit so that typos and transposed numbers can be identified and corrected at the time of entry. This in turn means that transactions are significantly cheaper and banks and companies can use their resources more efficiently.

In addition, the use of the IBAN provides enhanced security measures. Because it uniquely identifies accounts, banks can more accurately match payments, making it easier to detect fraudulent transactions and prevent money laundering. This makes money flows more transparent, helps track payments and eases compliance management. Banks can provide more accurate information about the origin and destination of transactions. The result is better monitoring and analysis of payment transactions.

With the introduction of the IBAN requirement, companies and individuals may be challenged to adapt their existing payment processes and accounting and payment systems to make the IBAN the sole identifier. It is particularly important to clean up standing orders or data for recurring orders such as payroll. The "IBAN-only" system is based on automated processing. A temporary disruption or failure of the electronic infrastructure can interrupt payment transactions. It is therefore important to implement appropriate back-up measures. However, the advantages of mandatory IBAN far outweigh the disadvantages.

For Switzerland, too, IBAN-only is an important step toward improved, standardized national and cross-border payment processing with all the benefits mentioned. The QR Bill has once again accelerated the use of IBAN. Under the leadership of SIX, a team of experts from various Swiss banks is developing a proposal for the further procedure for the exclusive use of IBAN by the fall of 2023.

STEFAN SCHNEIDER, POSTFINANCE,
"IBAN-ONLY" TASKFORCE MEMBER

Friendship is like money,
easier made than kept.

Samuel Butler (1835–1902)