Focus on Switzerland: Harmonising Payment Formats


The harmonisation of payments offers great potential for achieving more efficiency, better data security and significant cost reductions. This was the reason not only for the recent introduction of standardised single euro payments area (SEPA) payment formats across Europe, but also provided the rationale for Switzerland to harmonise its many different national payment formats.

Over the coming years, Switzerland’s companies will have to switch to the internationally recognised ISO 20022 eXtensible markup language (XML) formats - even in case of national payments in Swiss francs (CHF). This article considers what the key challenges will be and how companies can best approach this significant migration project.

Switzerland and European Payments

Switzerland is one of the 34 member states of the single euro payments area (SEPA). Although Switzerland is neither part of the eurozone nor the European Economic Area (EEA), it is an equal member of SEPA and can therefore make full use of the standardised SEPA formats.

As from 2016, Swiss companies that receive or make payments in euros will be obliged, under the SEPA regulation, to deploy the SEPA formats and provide international bank account numbers (IBAN) instead of legacy bank account numbers. Those companies that will be affected by it, will thus have to act to ensure they adapt their systems accordingly and in time.

Harmonising Swiss Domestic Payments

Additionally, national payments within Switzerland will be harmonised in future in order to ensure cost-efficient straight-through processing (STP) of domestic payments and to reduce manual processes. Currently, there are more than 10 different payment formats and standards around seven different document types, which will be replaced by the standardised ISO 20022 XML format and a single new document type in the coming years.

For the migration to the new formats, deadlines were fixed at an early stage to allow sufficient preparation time for banks and companies. For example, for credit transfers a deadline has been fixed for the second quarter of 2018. The legacy direct debit schemes will no longer be supported as from the fourth quarter of 2016, and for document types the new type will become mandatory as of the third quarter of 2020. The currently-used payment slips Einzahlungsschein (ES) and Einzahlungsschein mit Referenznummer (ESR) will be replaced by this single new type. The new document will only process IBAN, and the new integrated data code will contain all relevant payment information.

With this harmonisation process, Switzerland will generate key requisites for a further automation of domestic payments once the European payments become available.

Need for Action

Those companies that already effect payments in the SEPA XML format - or even the internationally recognised ISO 20022 XML format - are well prepared for the future migration of the Swiss payment formats to XML. They should, therefore, be able to adapt the formats comparatively quickly to meet the Swiss regulations.

Companies, however, that have so far focused mainly on the domestic market will probably have to acquaint themselves for the first time with IBAN and XML. Similar to the SEPA migration it will be paramount for them to analyse which corporate departments will be affected by the changes. The task should not be underestimated, as such migration projects are often quite comprehensive and time consuming - as evidenced by the Hanse Orga Group’s own experience in the numerous migration projects it supported in the run-up to the SEPA deadline. It is therefore recommended that companies prepare in good time for such a migration project and start the necessary project steps as early as possible.

Key Steps for a Successful XML Migration:

- **Analysis of the status quo:** Which corporate departments will be affected by changing formats (accounting, sales and contract management for example).? When will my bank(s) provide the new formats? Is my software capable of processing the new formats and standards or might it be advisable to switch to a new solution that already incorporates the new formats? Is there an opportunity to optimise my payments further, if the software can operate independently of banks and enter resource planning (ERP) systems and if it delivers features to help tap the full automation potential of ISO 20022 XML formats?
- **Get in touch with your bank(s) and software vendors.**
- **Develop a catalogue of measures and milestones.**
- **Migrate the systems and carry out tests.**

In contrast to SEPA, Switzerland set clear deadlines early on to allow for a longer transition period and to provide banks and companies with clear orientation right from the start. Around one or two years prior to the respective deadlines, the new formats can be used in parallel to legacy formats and systems. This is a highly sensible approach, as it will provide sufficient time for the migration and also for testing the new formats.

Conclusion

The harmonisation of payment formats and standards delivers significant advantages, as real STP is enabled and as it also helps simplify the setting up of payment factories. As a great variety of payment formats still prevail in Switzerland, the migration of these national formats to the internationally recognized ISO 20022 XML formats will deliver significant rises in terms of automation and efficiency. In order to conduct and complete the necessary migration projects, it is advisable for companies to resort to experienced consultants who can contribute best-practice expertise and thus help speed up the migration project.

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