

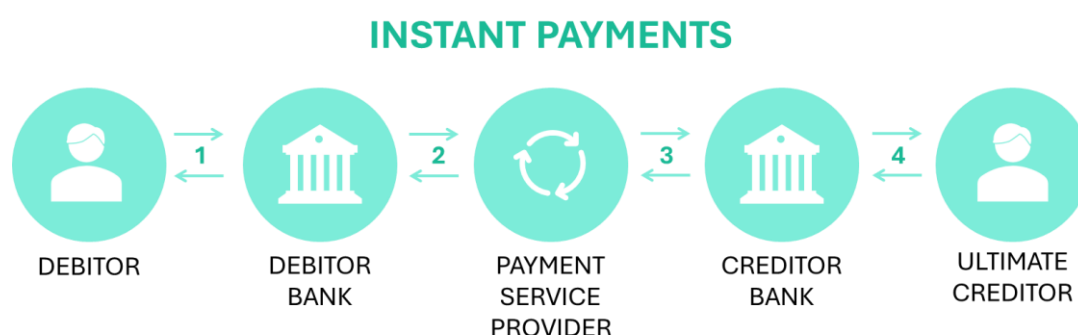


Understanding Instant Payment: Transforming Swiss Banking Transactions

Did you know that traditional bank transfers in Switzerland can take up to 24 hours to process, even for domestic payments?

The banking world is changing faster, and Instant Payment is one of the most important advances in Swiss payment systems. This state-of-the-art technology lets people transfer money in seconds instead of hours or days. Swiss financial transactions are transforming right before our eyes.

Instant payment Switzerland's launch is a vital step to modernize our country's financial system. This piece explores Swiss payment systems' rise and gets into what banks need for their technical setup. You'll learn about when banks plan to join and how this transformation will affect the economy. We'll also see how this system fits with current banking structures and what it means for both businesses and consumers.



Evolution of Swiss Payment Systems

Switzerland's payment landscape has undergone a remarkable transformation in the last decade. The evolution from traditional systems to modern instant payment infrastructure tells an interesting story.

Traditional Payment Processing Methods

Swiss payment systems traditionally operated through several essential methods:

- Swiss Interbank Clearing (SIC) for interbank settlements
- Data media exchange (DTA) for retail payments



- Direct debit (LSV) systems
- Paper-based payment slips

Payment priorities have changed dramatically in recent years. Cash transactions dropped from 70% in 2017 to 36% in 2022 ¹. This decline shows Swiss consumers' changing approach to payments.

European Payment Landscape Analysis

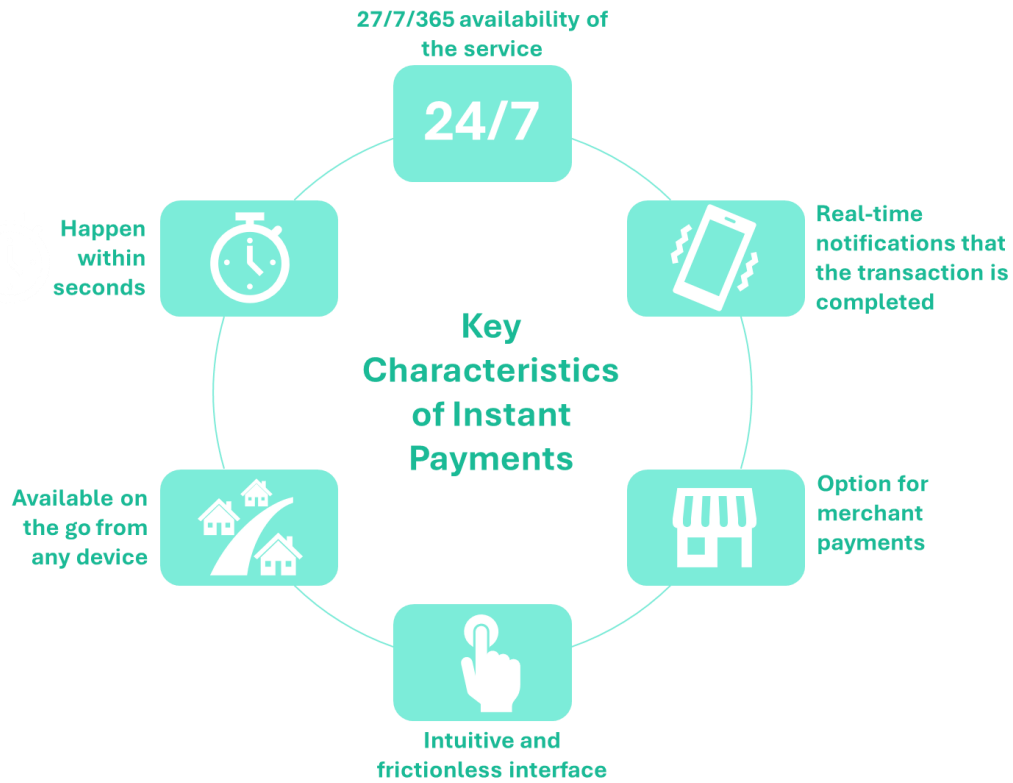
Switzerland holds a unique position in the European context. Our country managed to keep its own payment infrastructure while actively arranging with European standards after becoming a SEPA member in 2015 ². Swiss financial institutions have supported the SEPA Credit Transfer scheme since 2008, reaching almost 100% availability ².

Drive for Instant Payment Implementation

Several factors have accelerated instant payment implementation. Mobile payment apps have seen dramatic growth, with ownership climbing by more than 20 percentage points to 68% ¹. Consumer behavior changes and technological advances created an urgent need to process payments faster.

The Swiss National Bank made a crucial decision in June 2021. Financial institutions must now accept instant payment transactions ³. This requirement means approximately 70 financial institutions will connect to the instant payment service by August 2024, handling most customer payment transactions in Switzerland ⁴.

The banking sector recognizes modernization needs, especially when 84% of transactions in some global markets now use e-wallets ⁵. This change represents more than a technology upgrade - it redefines payment processing in Switzerland.



Technical Infrastructure and Implementation

Let's take a closer look at the technical backbone that powers Switzerland's new instant payment system. Our financial sector has reached a major milestone by implementing the SIC5 platform.

SIC5 System Architecture

The SIC5 platform is at the core of our instant payment infrastructure and processes transactions in just 0.2 seconds ⁶. This system runs non-stop to provide 24/7 payment processing. The platform's architecture has changed the digital world, much like 5G did for mobile communications ⁷.

Integration with Existing Banking Systems

The banking world is going through complex integration changes. The implementation needs:

- Live processing capabilities
- Automated reconciliation systems



- Better payment gateways
- Uninterrupted core banking integration [8](#)

Financial institutions must update their legacy infrastructure while keeping services running smoothly. The system supports both direct and indirect connections, and many banks choose gateway solutions from third-party providers [9](#).

Security Protocols and Risk Management

Strong security measures protect every transaction. The system has:

- Identification and verification procedures for enrollment
- User authentication controls in delivery channels
- Explicit consent requirements for payment initiation [9](#)

The security framework features the innovative Secure Swiss Finance Network (SSFN), which uses SCION routing architecture from ETH Zurich [10](#). This gives maximum protection without slowing down instant payments.

The risk management framework quickly detects and responds to disruptions and prevents unauthorized transactions [9](#). The system runs compliance checks in parallel, including sanctions screening and fraud prevention, all within the 10-second processing window [11](#).

Bank Participation and Adoption Timeline

Swiss banking is going through a revolutionary change in payment processing. A planned timeline guides the new instant payments rollout with key milestones ahead.

Major Bank Implementation Phases

The instant payment adoption follows a two-phase strategy. Phase 1 has seen 60 financial institutions add instant payment features. These cover more than 95% of Swiss retail payment transactions [12](#). Phase 2 will add about 260 more banks by 2026's end [13](#).

Banks must meet these requirements:



- 24/7 operational readiness
- Live fraud detection systems
- Better liquidity management
- Detailed staff training

Cost Structures and Fee Models

Banks have different approaches to their fee structures. Private customers will pay nothing to 5.30 francs for outgoing instant payment transfers [14](#). All but one of these Swiss banks say incoming instant payment transfers will cost nothing [14](#).

Regulatory Requirements and Compliance

The Swiss National Bank (SNB) oversees our regulatory framework with strict compliance standards. Banks must prove their compliance yearly through independent body checks [15](#). The system needs a complete change of IT systems and processes, including:

The SNB checks how well our system matches EU rules to help European transactions work smoothly [15](#). Our strong security framework checks everything within two-tenths of a second, running all day and night [7](#).

Banks that want to opt out should know they won't be able to make customer payments through the SIC system, including RTGS [16](#). This makes bank participation vital to stay competitive in our changing banking world.

Economic Impact and Business Transformation

Instant payments have altered the map of Switzerland's economic world. Let's get into how this innovation affects our financial markets and business operations.



Effects on Swiss Financial Markets

Participating institutions now handle 95% of Swiss retail payment transactions through instant payment systems [17](#). Money transfers happen right away and are final, which reduces settlement risk and helps both parties track their account balances live [12](#). This improved transparency plays a vital role in our financial markets where precise timing matters most.

Business Process Optimization

Instant payments bring notable improvements to business operations. Key benefits include:

- Better cash flow management with immediate fund access
- More chances to automate processes
- Lower cash reserves needed
- Easier liquidity management [3](#)

Companies save money by a lot through faster payment cycles, especially when you have payment-on-delivery in B2B transactions [18](#). Companies can move smaller amounts of cash more efficiently now. This has changed how treasury operations work and businesses can keep their cash reserves precise [18](#).

Cross-border Transaction Implications

Switzerland holds a strategic position in the European payments landscape as cross-border compatibility grows more important [11](#). The Swiss financial center believes instant payment will become standard practice in electronic payment traffic soon [3](#). This change matters even more as we match European standards while keeping our unique spot in global finance.

These changes mean more than just faster transactions. Businesses can reinvest money faster [12](#), and shorter settlement chains have made our financial system safer [17](#). This progress shows how Switzerland's digital economy works differently now, beyond just upgrading technology.



FORFIRM's Approach

FORFIRM's approach to implement instant payment focuses on ensuring compliance, building technical infrastructure, enhancing user experience, and providing ongoing support.

1. Facilitate Compliance - ensure all regulatory requirements related to instant payments are met, through:

- **Regulatory Research:** Conduct an in-depth analysis of local and international regulations, including PSD2 (Payment Services Directive), AML (Anti-Money Laundering), and KYC (Know Your Customer) rules.
- **Integration with Compliance Systems:** Ensure instant payment systems are integrated with compliance tools for real-time monitoring and reporting.
- **Data Security:** Adhere to data protection regulations such as GDPR and ensure secure data handling, including encryption and secure authentication protocols.
- **Audit & Reporting:** Set up a framework for continuous auditing and reporting to ensure ongoing compliance with changing regulations.

2. Drive Technical Infrastructure Development - build and support the technical infrastructure required for real-time payments, through:

- **Platform Selection:** Choose the right payment platforms or frameworks (e.g., RTGS, SEPA Instant) that align with the bank's infrastructure and regulatory needs.
- **System Integration:** Integrate payment systems with core banking platforms, customer-facing apps, and external payment networks to ensure seamless real-time transactions.
- **APIs & Protocols:** Implement APIs and payment protocols (e.g., ISO20022) to facilitate interoperability between systems and partners.
- **Transaction Processing Capacity:** Build scalable infrastructure to handle large volumes of transactions with minimal latency.
- **Security Measures:** Implement robust security measures such as encryption, two-factor authentication, and fraud detection systems to ensure the safety of payments.

3. Enhance User Experience - create a seamless, user-friendly interface for customers to easily access and use instant payment services, through:



- **User Interface Design:** Develop intuitive user interfaces (UI) for mobile apps, online banking, and other payment channels, ensuring easy access to instant payment options.
- **Ease of Use:** Optimize the process to reduce friction for users, ensuring that sending and receiving payments is simple and quick.
- **Instant Notifications:** Provide real-time notifications for successful or failed transactions, along with tracking features.
- **Support for Multiple Payment Methods:** Enable customers to pay instantly using various methods, such as bank transfers, mobile wallets, or QR codes.
- **Accessibility:** Ensure the service is accessible across devices and platforms to reach a broader customer base.

4. Provide Ongoing Support - establish a framework for continuous improvement and ensure ongoing support for instant payment systems, through:

- **Monitoring & Maintenance:** Set up continuous monitoring systems to track transaction performance, system uptime, and transaction failures.
- **Fraud Detection & Risk Management:** Regularly update fraud detection tools to prevent fraudulent activities and manage risks associated with instant payments.
- **Customer Support:** Provide dedicated customer support channels for handling issues related to instant payments, including failed transactions, refunds, and dispute resolution.
- **System Updates & Improvements:** Continuously update the technical infrastructure and user interfaces to incorporate new features, enhance security, and improve overall functionality.
- **User Education:** Educate customers about the benefits and usage of instant payments, including security practices and how to resolve issues if they arise.

Conclusion

Switzerland is at the forefront of payment system modernization with its instant payment platform, setting a global benchmark. What was once a 24-hour processing time is now a rapid 0.2-second transaction. The SIC5 platform powers this system, providing continuous 24/7 service and maintaining the highest security standards through cutting-edge features like the Secure Swiss Finance Network.



The system now processes 95% of Swiss retail payment transactions, showcasing its effectiveness in improving cash flow management, reducing settlement risks, and enhancing overall efficiency. Swiss banks have wholeheartedly embraced this transformation, with major institutions already offering the service and more expected to join by 2026. This shift not only aligns with European standards but also preserves Switzerland's unique financial identity, positioning it for further growth in the digital payments sector.

This transformation reflects more than just a technical upgrade; it signifies Switzerland's commitment to creating an efficient, secure, and competitive financial future. The country's instant payment system balances the legacy of banking excellence with the modern demand for speed and reliability.

FORFIRM can support banking clients in implementing instant payment systems by ensuring:

- A fully compliant system that meets all relevant regulations and data security standards.
- A robust, scalable, and secure technical foundation for processing instant payments.
- A seamless and intuitive interface that allows customers to make instant payments with ease.
- A comprehensive support framework for continuous system updates, monitoring, and customer assistance.

With FORFIRM's expertise, banks can harness the power of instant payments, ensuring they are well-positioned to meet the growing demand for fast, secure, and efficient payment solutions.

References

[1] - https://www.snb.ch/dam/jcr:ca671e5a-d0ff-48ca-bf08-f4c5cc57c9d8/paytrans_survey_report_2022.en.pdf

[2] - <https://www.atlar.com/guides/bank-payments-in-switzerland>

[3] - <https://www.six-group.com/en/products-services/banking-services/billing-and-payments/instant-payments.html>

[4] - <https://www.six-group.com/en/products-services/banking-services/billing-and-payments/instant-payments.html>

[5] - <https://www.six-group.com/en/newsroom/media-releases/2024/20240116-six-instant-payment.html>

[6] - <https://www.fintechfutures.com/2023/11/a-glance-ahead-the-european-payments-landscape-in-2024/>

[7] - <https://www.six-group.com/en/blog/swiss-instant-payments.html>

[8] - <https://www.six-group.com/dam/download/banking-services/pay-magazine/pay-02-en.pdf>



- [8] - <https://www.finstar.ch/en/insights/blog/instant-payment/>
- [9] - https://fastpayments.worldbank.org/sites/default/files/2021-10/Oversight_Final_0.pdf
- [10] - <https://www.snb.ch/public/publication/en/www-snb-ch/publications/sicsystem-disclosure/sicsystem-disclosure-all/sicsystem-disclosure-2023/0-en/sicsystem-disclosure-2023.en.pdf>
- [11] - <https://www.bottomline.com/resources/blog/swiss-banks-face-hurdles-sic-instant-payments-gain-traction>
- [12] - <https://www.reuters.com/business/finance/swiss-launch-instant-payments-scheme-2024-08-21/>
- [13] - <https://fintechnews.ch/fintech-events-switzerland-europe/event/sic-instant-payments-impact-and-lessons-learned-from-phase-1-implementation/>
- [14] - <https://www.moneyland.ch/en/instant-payment-bank-transfers-july-2024>
- [15] - <https://www.infoguard.ch/en/blog/sic5-what-you-need-to-know-about-banks-instant-payments>
- [16] - <https://fintechnews.ch/payments/exploring-sic-instant-payments-in-switzerland-challenges-solutions-and-future-prospects/69586/>
- [17] - <https://www.snb.ch/public/publication/en/www-snb-ch/publications/communication/press-releases/2024/pre-20240821/0-en/pre-20240821.en.pdf>
- [18] - <https://www.bottomline.com/resources/blog/business-case-sic-ip-switzerland-and-how-solve-key-pain-point>