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1. Introduction

Euro notes and coins were put into circulation in the European economic and monetary union on 1 January 2002. The introduction of notes and coins is just one of many steps that are intended to contribute to a united, common economic area comprising the EU Member States.

One of the many aims of the official bodies of the European Parliament is to create a market for consumers that will offer a broader range of goods and services at more transparent prices than was the case with the old, narrower markets that were protected by national borders and varying regulatory systems.

The launch of the single currency makes it much easier to compare the price of a cup of coffee in Madrid, Marseilles, Munich and Milan. Price differences may well continue to exist, but now consumers should be able to relate them to the quality or quantity of the coffee and will not be confused by factors such as exchange rates.

For citizens of the euro member states it will be just as easy to draw euros from the ATM near their rented villa in Spain as from the one round the corner at home. They will be able to transfer funds from one bank to another or pay the rental deposit for the villa by transferring funds from their home bank to the Banca Bilbao in Barcelona.

Unfortunately, however, means of payment and especially credit transfer systems still differ in individual countries, and transfers from one euro member state to another are disproportionately expensive, complex and slow.

Along with the launch of euro cash, the EU Parliament has adopted a regulation which aims, among other things, to reduce bank charges for international payments to the same level as those paid for domestic credit transfers without restricting market mechanisms and the opportunity for banks to compete on price.

Uniform standards accepted and applied by all EU states are a precondition for more efficient and economical processing of payments. For this reason, the principal European banking associations such as the FBE (Fédération Bancaire de l'Union Européenne) and the ECBS (European Committee for Banking Standards) have joined forces to define important standards, in which Switzerland participates as an external but directly affected party.

The most important of these standards is the IBAN (International Bank Account Number), which is briefly introduced in the sections that follow.

2. What is an IBAN?

IBAN stands for **I**nternational **B**ank **A**ccount **N**umber. It is a standard developed by ISO (International Organization for Standardization) and the ECBS (European Committee for Banking Standards) for the presentation of bank identification systems and account numbers.

The main purpose of an IBAN is to promote straight-through processing of international financial transactions, thereby making the transfer of funds between different countries more efficient. To this end, each country has defined a uniform IBAN standard which is known to banks and providers of payment systems in other countries and which can be used when the data is captured to electronically check the key elements needed to decide the route a payment should take.

The IBAN is made up of the following elements:

- ★ a two-letter country code (CC)
- ★ a two-number check digit (CD) for the entire IBAN
- ★ a Basic Bank Account Number (BBAN), no more than 30 characters long, comprising Institution Identification (IID) and Bank Account Number (BAN)

The organizations in charge of Swiss credit transfers have defined a 21-character IBAN for Switzerland (see example below).

When printed on paper, the IBAN is split into blocks of four characters as this is easier to read.

Example of an IBAN:

BC number **762** and account number **1162-3852.957** produce the following IBAN:

CH9300762011623852957

country code | check digit | IID (= BC number) | account number

On paper, this appears as:

CH93 0076 2011 6238 5295 7

IBANs may only be generated and allocated to customers by banks. They may not be calculated by payment software; however, verifying the check digit should be part of all good payment software.

3. Position in Switzerland and the Principality of Liechtenstein

The IBAN standard for Switzerland was officially released on 3 January 2000.

At its meeting on 15 April 2000, the Executive Board of the Liechtenstein Bankers' Association decided to adopt the IBAN standard used by Switzerland, with the exception of the country code («LI» rather than «CH»). Further references in this and other documents to the IBAN or IPI standard for Switzerland (or CH standard) therefore also apply to the Principality of Liechtenstein.

The Swiss credit transfer systems (SIC/euroSIC and DTA/LSV) were expanded to take account of the IBAN on 17 November 2000. This means that banks are able to accept IBANs. However, each bank is free to decide for itself when to allocate IBANs to its customers. Banks will modify other applications and services as necessary.

There is little or no effect on all services related to securities account management, stock market trading (except for interfaces to the credit transfer systems) or the administration of safe deposit boxes.

4. Advantages for banks and their customers

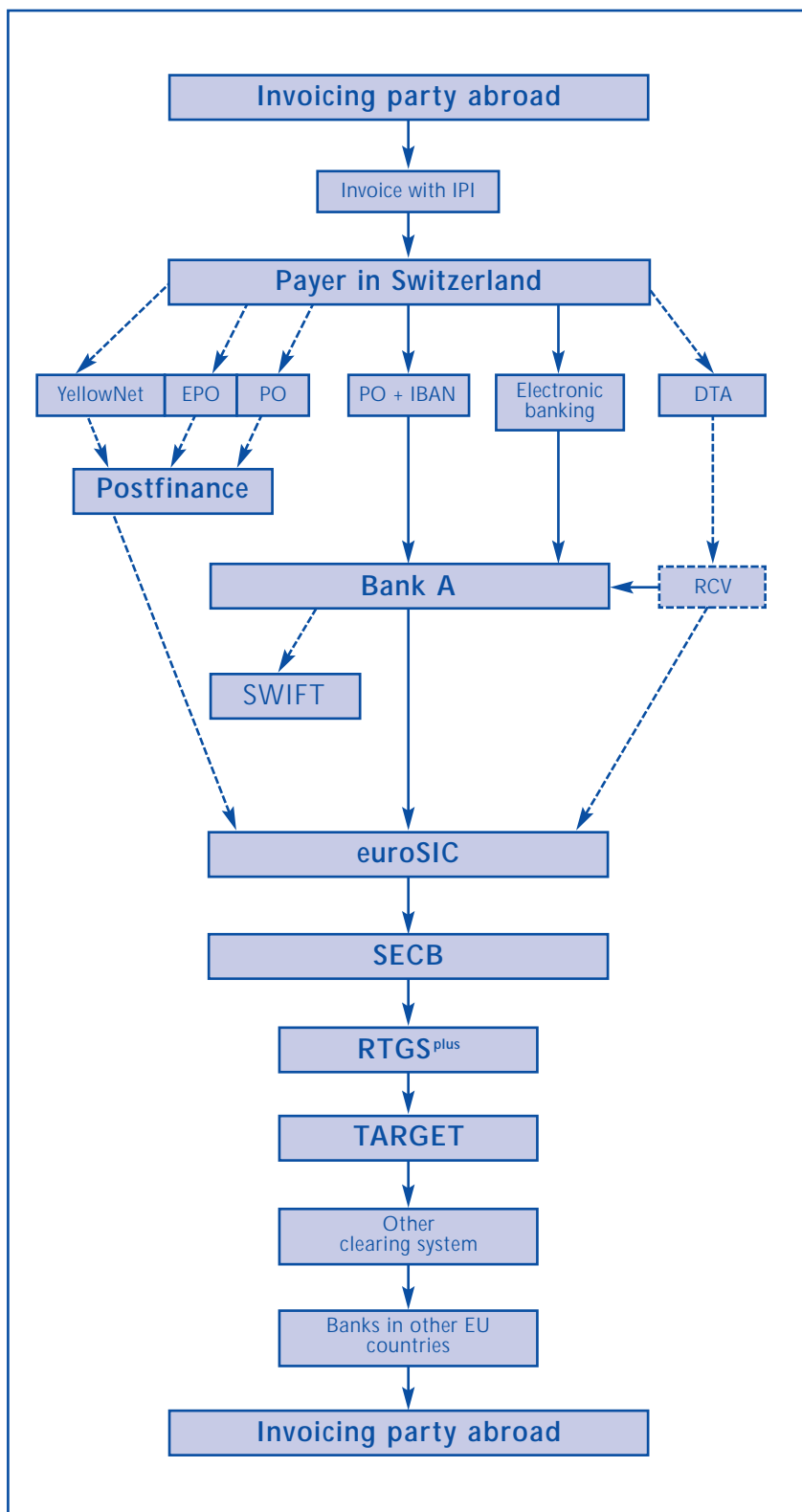
Banks and their customers will be able to benefit from the considerable potential for rationalization and cost-cutting offered by the IBAN and IPI standards. As international credit transfers become increasingly important, straight-through processing will be almost completely automatic.

- ★ Fees and costs are allowed to fall as a result of the IBAN, and international credit transfers can be processed more efficiently and much faster than before.
- ★ IBANs contain all the information needed to transfer a payment released by the ordering customer to the beneficiary, with no need for any further manual intervention, irrespective of the number of banks involved in various European countries (straight-through processing).
- ★ IBANs practically eliminate erroneous payments – which are quite common in the present system of international credit transfers – thanks to the validation of the check digit. Check digits can be verified as early as in the ordering customer's payment software, or at the very latest at the bank.
- ★ IBANs are an integral part of other new European standards such as the IPIs.

5. What happens when a payment is made using IBAN

IBANs contain all the relevant routing information needed to electronically transfer a payment from the ordering customer via all banks and credit transfer systems to the beneficiary.

5.1. PARTY ABROAD ISSUING AN INVOICE TO A PAYER IN SWITZERLAND (cross-border outgoing payment)



Notes

Invoicing parties abroad can incorporate the IBAN into their invoice, giving them an international standard.

Payers in Switzerland can use the following methods of payment depending on the accounts they hold and their individual preferences:

- ★ payment order (PO) and IBAN via their bank;
- ★ DTA;
- ★ electronic banking;
- ★ Postfinance via PO, EPO, YellowNet or cash over the counter.

The information contained in the IBAN enables the payer to create a full record of the payment and process it automatically via electronic banking or DTA.

The paying bank (Bank A) can also process the payment order almost entirely automatically after scanning it.

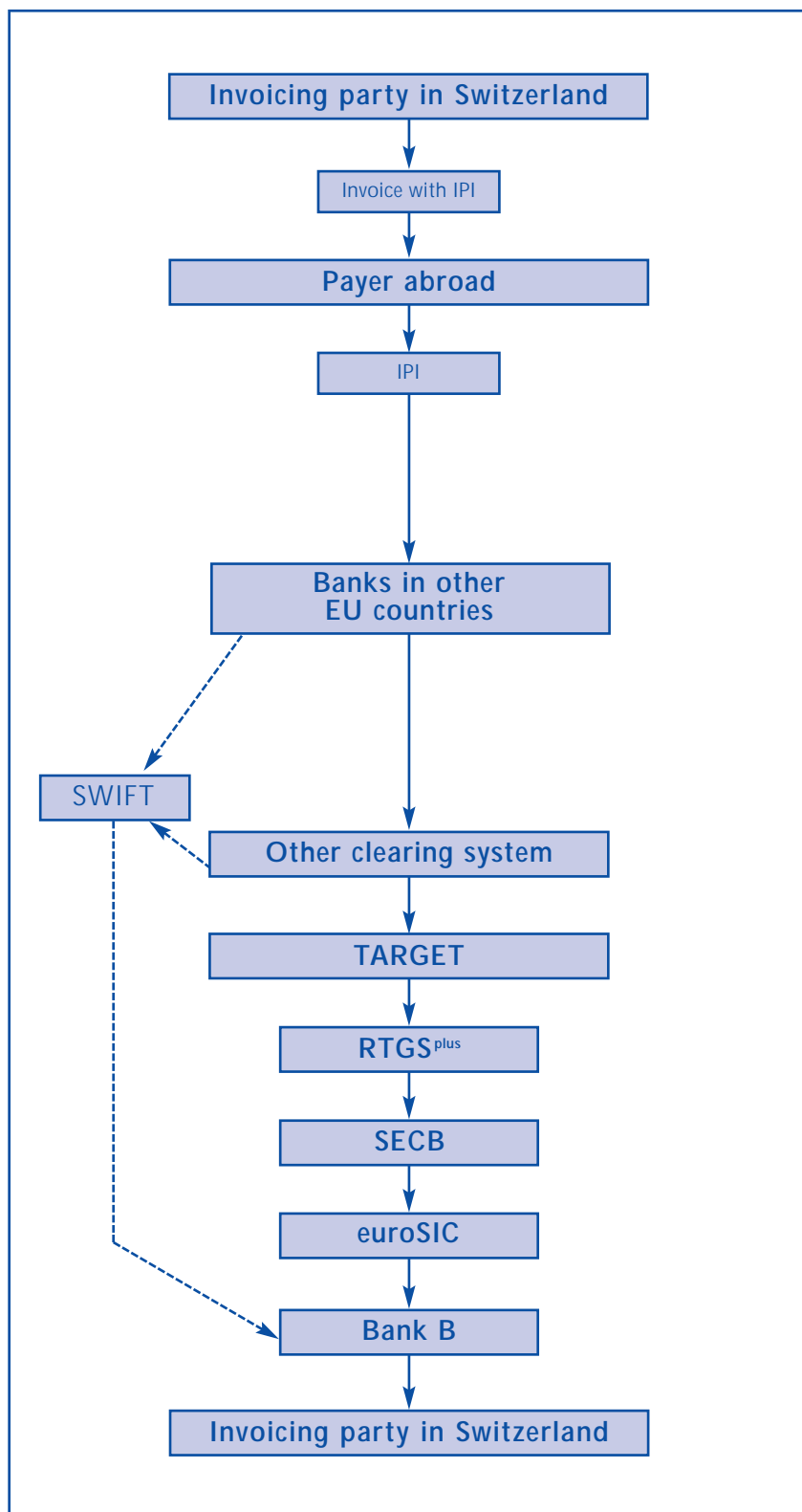
Payments in euros can go through the euroSIC system, or they can be processed in the SWIFT system like payments in all other currencies.

The SECB passes the payment on to the foreign bank indicated by the IID via RTGS^{plus} and TARGET; the exact route taken will depend on the recipient bank.

The foreign bank credits the incoming payment to the invoicing party's account on the basis of the IBAN.

5.2. PARTY IN SWITZERLAND ISSUING AN INVOICE TO A PAYER ABROAD (cross-border incoming payment)

In this example we assume that the invoice contains an IPI as well as an IBAN.



Notes

Invoicing parties in Switzerland can use IPIs as standardized payment slips accepted throughout Europe which they can enclose with their invoices.

Payers abroad submit the IPI to their bank.

The bank forwards the payment to a clearing or SWIFT system.

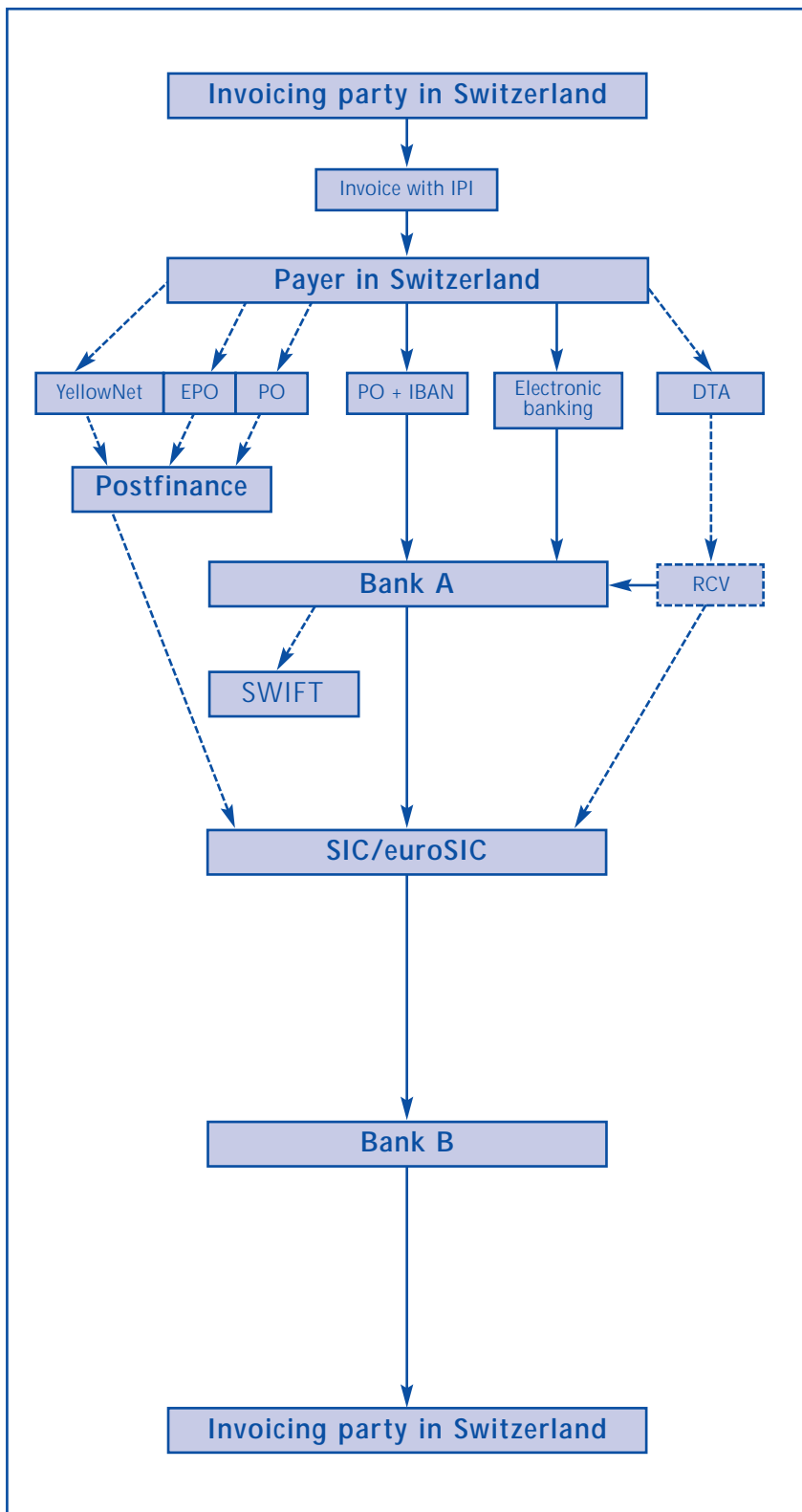
In euroSIC the payment is credited to the recipient bank on the basis of the IID in the IBAN and automatically transferred to it.

The domestic bank (Bank B) posts the incoming payment from euroSIC or SWIFT to the invoicing party's account on the basis of the IBAN, and creates a paper or electronic credit advice with the payment reference given by the invoicing party, depending on the type of connection.

The invoicing party in Switzerland posts the incoming payment to its accounts receivable records (manually or on the basis of the electronic credit advice).

5.3. PARTY IN SWITZERLAND ISSUING AN INVOICE TO A PAYER IN SWITZERLAND (domestic payment)

In this example we assume that the invoice contains an IPI as well as an IBAN.



Notes

Invoicing parties in Switzerland can use IPIs as standardized payment slips that are also accepted for domestic credit transfers. They can enclose IPIs with their invoices.

Payers in Switzerland can use the following methods of payment depending on the accounts they hold and their individual preferences:

- ★ payment order (PO) and IBAN via their bank;
- ★ DTA;
- ★ electronic banking;
- ★ Postfinance via PO, EPO, YellowNet or cash over the counter.

The information contained in the IPI and IBAN enables the payer to create a full record of the payment and process it automatically via electronic banking or DTA.

The paying bank (Bank A) can also process the payment order almost entirely automatically after scanning it.

Payments in CHF and euros normally go through the SIC/euroSIC systems, while other currencies are processed in the SWIFT system.

SIC/euroSIC passes the payment on to the invoicing party's bank on the basis of the IID.

The beneficiary's bank (Bank B) posts the incoming payment to the invoicing party's account on the basis of the IBAN, and creates a paper or electronic credit advice with the payment reference given by the invoicing party, depending on the type of account the invoicing party operates.

The invoicing party in Switzerland posts the incoming payment to its accounts receivable records (manually or on the basis of the electronic credit advice).

6. Documentation

Please consult the following websites for information about IBANs and further documentation on IPIs and standardization issues:

www.sic.ch

- ★ Basic information IPI
- ★ The IPI
- ★ IPI instructions for invoicing parties

International requirements for IBANs can be consulted at www.ecbs.org

Swiss Interbank Clearing AG
Product management
Hardturmstrasse 201
P.O. Box
8021 Zurich
Switzerland

Tel. +41 1 279 47 47
Fax +41 1 279 42 42
E-mail: pm@sic.ch
www.sic.ch

