Consultation Report "SIC Instant Payments Bridge" for the SIC IP Service

12.12.2024

Change history

The following is a list of all the changes made to this manual, with the version number, date of change, a brief description of the change and an indication of the chapters affected.

Version	Date	Change Description	Chapter
1.0	12.12.2024	First edition Consultation Report "SIC Instant Payments Bridge" for the SIC IP Service	all

Table 1: Change history

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General information

SIX Interbank Clearing Ltd ("**SIC Ltd**") reserves the right to adapt or change this document at any time as required within the framework of the contractual conditions and in compliance with the formal requirements of the contract with SIC Ltd.

This document has been prepared with utmost care, but errors and inaccuracies cannot be completely ruled out. SIC Ltd cannot assume any legal responsibility or any liability for errors in this document or their consequences.

All changes made to this document are listed in the change history with the revision history, the change date, a brief description of the change and an indication of the chapters affected.

If you notice any errors in this document or have any suggestions for improvements, we would be grateful to receive your feedback by email to consultation-ipb@six-group.com.

1 Introduction

This Consultation Report summarises the feedback received from 20 parties as part of the market consultation on the rough concept *Design Principles of a "SIC Instant Payments Bridge" for the SIC IP Service* (hereafter referred to as the *Rough Concept*). The following points should be taken into account:

- The Consultation Report was drawn up with the aim of being as neutral as possible. Any comments made by SIX are explicitly indicated.
- The Consultation Report cannot be used or fully understood in isolation from the IPB rough concept (document: *Design Principles for a "SIC Instant Payments Bridge" for the SIC IP Service*).
- Statements have been consolidated – wherever possible – without however disregarding any relevant individual statements.
- Overall redundancies have been eliminated as far as possible.
- The Consultation Report does not fulfil the requirements of a finished concept. Rather, it forms the basis for the further refinement of the rough concept and raises further outstanding questions.

After some introductory remarks on the background and objective of the consultation (1.1) and a brief overview of the participating organisations (1.2), the second chapter of this document summarises the key findings (2.1) and the next steps planned (2.2). After that, the various feedback is considered in greater detail, and feedback relating to the concept as a whole is summarised (3). This is followed by a detailed review of the feedback on individual chapters in the *Rough Concept*, including an analysis of the answers to the questions posed in the consultation (4).

ACKNOWLEDGMENTS: We would like to thank all the feedback providers for their valuable and extensive feedback. It is clear that the early conceptual involvement of key stakeholders in such a complex project as the IPB resulted in the rapid securing of high-quality knowledge. This will significantly facilitate the further development of the concept towards achieving practical market maturity for the Instant Payments Bridge.

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1.1 Starting point, background and goals

The SIC system is the central payment system for the Swiss franc and is operated by SIX Interbank Clearing Ltd (SIC Ltd) on behalf of the Swiss National Bank (SNB). The SIC IP service has been enabling instant payments (IP) in less than ten seconds since November 2023. The market launch of IP in Switzerland took place on 20 August 2024. Since then, more than 60 financial institutions (FI) have been able to receive and process instant payments.

SIC Ltd and the SNB have jointly developed a *Rough Concept* for a so-called "SIC Instant Payments Bridge" (IPB) ("interaction phase" from December 2023 through May 2024). This is intended to show how market players, like providers of payment solutions (payment schemes), process payments on an account-to-account (A2A) basis via the SIC IP service.

The IPB is intended to promote the use of instant payments in Switzerland and to strengthen the financial centre. Interoperability and economies of scale are to be achieved through standardised infrastructures to enable quick and cost-efficient implementation. Counterparty risks in the market are to be reduced through real-time clearing and settlement in central bank money. In addition, the IPB is intended to promote innovation. Benefits include immediate money transfer, new use cases, reduced temporary storage of funds and reduced counterparty risks.

The *Rough Concep*t for the IPB describes the key design principles, i.e. the framework conditions as well as possible requirements for the functional design area for connecting other market participants to instant payments in Switzerland. The most important framework condition is the ability of all financial institutions to process IP client payments 24/7. The functional design area includes some principles as well as requirements devised during the interaction phase, such as the clear identification of payment schemes, the definition of an E2E reference, a confirmation API, the introduction of an API market standard for the payment scheme/FI interface, the definition of authorisation criteria, the settlement and pricing model as well as the contractual aspects.

The consultation concerning the IPB took place from 15 August to 30 September 2024 with the aim of making the *Rough Concept* known on the market and verifying its content or obtaining feedback from as many different market participants as possible. Interested parties, in particular providers of payment solutions, software and technology providers as well as financial institutions, were therefore called on to provide feedback. Feedback should enable SIC Ltd and the SNB to establish a basis for decision-making for the purpose of taking further action and for refining the concept further in line with the market.

1.2 Overview of participating organisations

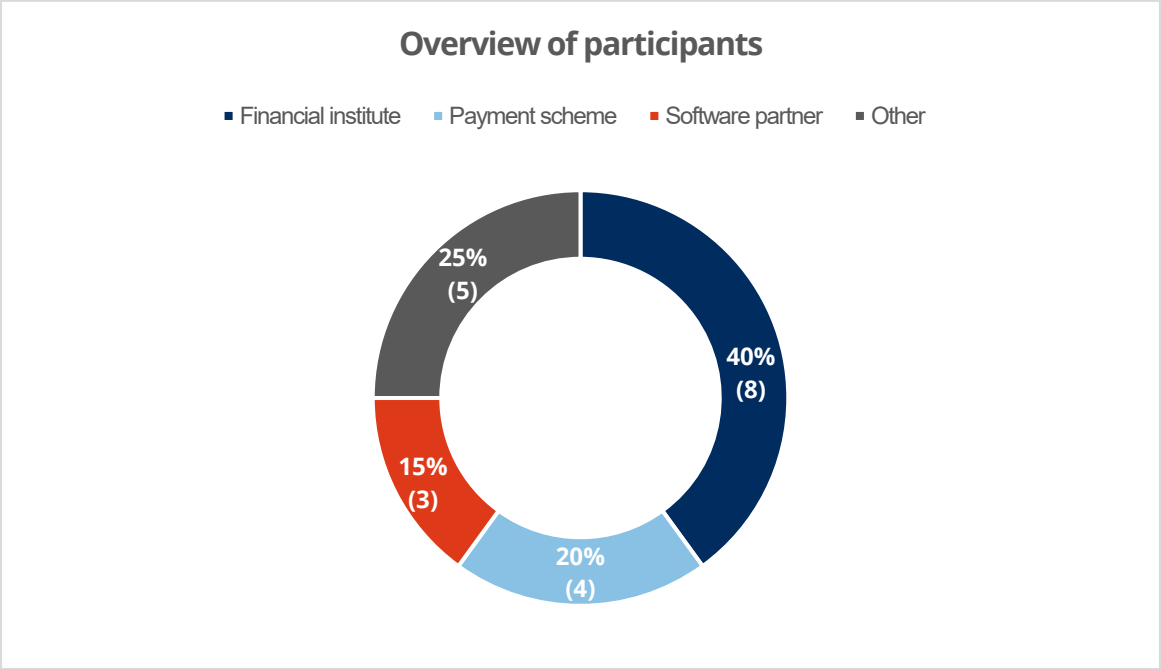

Figure 1: Overview of participants

A total of 20 companies/organisations participated in the consultation process and provided feedback. Five of these were already involved in the interaction phase.

Alongside eight financial institutions (SIC participants), four payment schemes and three banking software providers, five other companies/organisations that cannot be specifically assigned to any of these categories also provided input.

2 Conclusions and next steps

2.1 Summary and key takeaways

The consultation feedback on the concept of the IPB shows a large variety of opinions and suggestions from the market participants involved. A few important examples are summarised briefly here:

General approval and concerns:

- All participants welcome the project in principle.
- The *Rough Concept* is rather vague and a lot of details still need to be clarified in order to be able to make decisions.
- The basic principle of triggering payment via the FI (indirect access for payment schemes) is generally considered to be sensible.
- Some participants would like the requirements/functions described to be implemented earlier than indicated in the concept.
- There were concerns about technical and procedural challenges, particularly in the areas of fraud and sanction checks.

Technical requirements and infrastructure:

- A centralised confirmation API was considered by many to be sensible or even necessary in order to confirm the payment status in real time.
- The performance requirement of a maximum of ten seconds for the settlement of instant payments was considered to be insufficient for point-of-sale (POS) systems.

Standardisation and interoperability:

- Standardisation of the interface between the FI and the payment schemes (referred to as the "API market standard" in the *Rough Concept*) was considered to be necessary in order to facilitate integration and interoperability.
- Various effects of requirements (E2E reference, scheme identification) and additional ideas (separate payment method) must be examined in more detail in the area of the existing implementation guidelines (ISO 20022).
- Cross-border payments are considered important for increasing attractiveness and usability.

Regulatory and legal aspects:

- The governance structure and legal framework conditions must be clearly defined.
- Access criteria need to be defined more precisely and made available to the public.

Fees and settlement models:

- The proposed settlement model is deemed to be insufficiently transparent and fair and is largely rejected.

Security and data protection concerns:

- Payer anonymity in P2M payments is regarded as an important issue.
- Security requirements are generally classified as high; a critical balance needs to be struck between establishing a low access threshold and maintaining security and trust.

Overall, feedback shows that market participants see the introduction of the IPB as an important step, although there are still numerous outstanding questions and challenges that will need to be addressed in order to ensure successful implementation.

2.2 Planned next steps

Several areas for action have been identified for further engaging with the issue of the IPB, although without any claim as to completeness. The aim is in the first instance to create a basis for in-depth discussions and, if necessary, also decisions regarding the further course of action within the relevant committees (Board of Directors of SIC Ltd and/or Governing Board of the SNB).

Establishment of access criteria

Access criteria are to be developed under the leadership of the SNB and in cooperation with SIC Ltd. If appropriate, a new market consultation should be carried out.

Development of a new pricing and settlement model

Under the leadership of the SNB and in cooperation with SIC Ltd, a proposal for the settlement model should be drawn up for discussion by the Board of Directors of SIC Ltd in Q1 2025. The exact prices will be set once a decision on the fee model has been made.

IPB message standards (ISO 20022)

Under the leadership of SIC Ltd in cooperation with the SNB, various requirements for message standards (E2E reference, identification of the schemes) will be analysed; if necessary, discussions will be held with individual feedback providers in order to clarify queries concerning the feedback received. It should also be analysed whether a new payment method would be advantageous, and which costs would be incurred for which parties as a result. These analyses should enable decisions to be taken on how to proceed (on whether to set up a project or working group if appropriate) by the end of Q1 2025.

Confirmation API

An initial outline draft for a confirmation API including cost estimates (for SIC IT) will be drawn up under the leadership of SIC Ltd in cooperation with the SNB. This information should enable decisions to be taken on how to proceed (on whether to set up a project if appropriate).

Initiation API, market standard

Under the leadership of SIC Ltd in cooperation with the SNB, and as the case may be through discussions with individual feedback providers (queries concerning the feedback received), possible scenarios for establishing a standardised interface should be discussed.

3 Summary of general feedback

This chapter presents feedback on the *Rough Concept* as a whole, as well as comments that cannot be specifically assigned to any individual chapter. These are essentially the comments mentioned in the consultation form in the tab "General Comments on the *Rough Concept*" and on chapters 2 ("Executive summary"), 3 ("Introduction"), 4.1 ("Objectives and function of the IPB") and 4.2 ("Roles and responsibilities"), as well as inputs that have been mentioned in more than one chapter and that are therefore general in nature.

General comments and feedback:

The objective of enabling payment schemes to process payments via the SIC IP service is generally welcomed by all participants. In some cases, the concept of an IPB is regarded as being "strategically necessary" to enable the wider use of IP in Switzerland. The open exchange approach at this stage of the design is valued.

Many responses concerned the degree of maturity of the concept, which was regarded as being rather vague, and the need for more detailed information was voiced by various participants.

From the perspective of SIC Ltd, the uncertainties and ambiguities mentioned are by all means understandable. The concept was intentionally referred for consultation at an early stage with initial ideas and without firm requirements in order to collect as broad feedback and other ideas as possible. However, this approach also led to various requests for clarification and queries that cannot be fully answered in this Consultation Report, as some of these questions are still open or cannot be answered clearly from the perspective of the authors of the *Rough Concept*.

The participants assessed the content and structure of the *Rough Concept* to be transparent and good. However, it was emphasised that various issues have not yet been sufficiently addressed and further analysis is required. Some respondents criticised the fact that key aspects for the efficiency of the system are not taken into account in the *Rough Concept*. A more comprehensive overview (strategy) was required in order to realise the full potential of the system. Some participants pointed out that the needs of end clients should always be a priority. One participant stressed that the current view is presented too heavily from an interbank perspective and that the views of schemes and the overall payment process should be given greater consideration. One participant requested that a new consultation be conducted as soon as further details would be available. Another participant recommended an analysis by an independent body to illustrate the opportunities and dangers of an IPB for existing business areas.

Moreover, according to the participants numerous concerns and outstanding questions need to be addressed in order to ensure successful implementation. The following concerns, ideas and general feedback, which cannot be clearly assigned to any particular chapter or function, were mentioned:

Concerns regarding effects on the market:

Some participants voiced concerns about market shifts and/or a redistribution of traditional payment transactions. It is feared that the introduction of an IPB could compromise end-to-end processes and that competition from other payment systems would result in high investment costs.

In some cases, it was pointed out that the indirect structure would entail a risk of the loss of the client interface for some stakeholders, which could make it difficult for some participants to set themselves apart on the market or could weaken their market position (accordingly, in some cases it was stressed that touchpoints with the client should be offered directly by the account provider). One participant pointed out that a balance between standardisation and client proximity was crucial in ensuring the long-term attractiveness of the IPB.

It was also noted that simplified access would make it easier to switch provider, which could change competitive dynamics over the long term. One participant was concerned about the cannibalisation of available revenue streams.

Another participant called for the macroeconomic impacts on payment transactions as a whole to be considered, along with the potential impact on different stakeholders. Targeted consideration of these points could further strengthen the concept.

In part, it was criticised that the benefits of the IPB for various stakeholders and a sustainable business model have not been sufficiently addressed. It was pointed out in various cases that building an IPB could require significant investment in infrastructure, which would be a challenge especially for the smaller financial institutions.

Ambiguity regarding targets and use cases:

Some participants need to have clarity about the IPB targets and use cases. Outstanding questions concern the specific use cases of instant payments from the perspective of SIC Ltd. Solutions for in-person, ATM, e-commerce, P2P as well as B2B card transactions were regarded as potential use cases. Questions were also raised about the specific processing of repayment requests.

Uncertainties regarding governance as well as regulatory and legal requirements:

In part, the IPB initiative is perceived to be insufficiently regulated, in particular with regard to governance and involvement of smaller financial intermediaries. There are concerns about whether the IPB will fulfil technical, legal and regulatory requirements in Switzerland and Europe, and how other payment initiatives will be linked to the IPB. It is necessary to clarify the governance of both the IPB as a whole as well as its individual components. One participant noted that an additional role or responsibility may need to be defined if the interface does not fall within the jurisdiction of one of the parties involved. Another participant would like to have more clarity about the role of the SNB in the governance of the IPB.

Yet another participant mentions the lack of clarity as to whether further definition of the IPB will be provided solely by SIC Ltd based on market feedback or whether there will be a working group in which relevant stakeholders can participate interactively. One participant called on SIX Group to shoulder its responsibility as a neutral infrastructure provider and take the interests of all market participants into account. Another participant suggested that acquirers and merchants which play a central role in scheme-based payment transactions should be involved.

There were some calls for an overarching set of rules to ensure an open market. As some smaller financial intermediaries could have difficulties asserting themselves against larger market participants, there needs to be greater involvement of these stakeholders.

Legal uncertainties were mentioned: first of all, it is unclear which points will need to be taken into account in the contracts concluded between the payment schemes and the financial institutions (in particular with regard to SNB requirements or future mandates), whilst there are also concerns about liability in the context of the IPB. One participant commented that the counterparty risk relates only to the payer and the payee, while other parties involved would have to manage their own risks independently. Another participant pointed out that regulatory requirements for payment schemes should also include risk minimisation and fraud prevention measures and comply with the requirements of FINMA.

Interoperability and cross-border payment transactions:

Some participants welcomed the rough concept of the Instant Payments Bridge in its present form, while others criticised that it only explains the greenfield approach and not why other market practices are unsuitable.

There were various calls for interoperability with other markets to be explained more effectively. Accordingly, several questions were raised concerning the interoperability of the IPB with other payment systems, both national and international.

Several participants saw potential for currencies other than CHF (EUR, USD, GBP). Cross-border payments are considered to be important, in particular for businesses with foreign clients.

4 Detailed summary of feedback

This chapter contains a consolidated summary of the feedback received on chapters 4.3 ("Process flow"), 4.4 ("Gradual implementation and further development") as well as chapter 5 as a whole ("Key design principles"), all of chapter 6 ("Legal framework and access criteria") and all of chapter 7 ("Billing and pricing model") including the answers to the specific questions raised by SIC Ltd in the consultation.

4.1 Feedback concerning the process flow and timeline

4.1.1 Feedback concerning the process flow

Chapter 4.3 of the *Rough Concept* sketched out and graphically presented a possible high-level process flow (figure 1 "IPB process flow ('Happy Case')", p. 13 of the *Rough Concept*) on the basis of initial findings from the interaction phase.

Feedback from the participants can be summarised as follows:

As regards the IPB process flow, various feedback highlighted the need to ensure that the introduction of an additional system component would not occur at the expense of latency or throughput time. There were some calls for rules to be established to promote interoperability between the payment schemes and open participation. There were questions about the use of the same or simplified message types of IP or limit verification, authentication and authorisation, and also about whether existing processes might become obsolete. It was noted that steps A-D (see *Rough Concept*, chapter 4.3, figure 1 on page 13) should be described further in greater detail, including the impact of possible variations on the process flow.

The absence of any description of "Non-Happy Cases" was criticised by some, as complexity is often revealed by such cases. Some participants voiced concerns that the drafts for steps A-D do not allow for any separation of PSP for payers/payment recipients and debtor/creditor agents, which could restrict interoperability for a participant.

One payment scheme expressed concerns about the positioning and function of the IPB and suggested that central access to payment initiation through the IPB should be a prerequisite for the functioning of the model. It is regretted that payment instructions cannot be submitted directly by the payment scheme into the SIC IP service, which leads to a multiplicity of individual connections and relationships with each FI. A better solution would be a centralised hub for initiating payments ("payment initiation hub").

Another participant criticised that the *Rough Concept* does not take a holistic perspective and does not shed sufficient light on important topics such as fees, counterparty risks and audits. It was proposed that process steps 2 and 4 (see *Rough Concept*, chapter 4.3, figure 1 on p. 13) should also be accessible to third-party providers in order to effectively incorporate central market facilities such as fraud control services.

Other participants asked for the process flow to be displayed with reference to specific examples (application case) in order to facilitate more detailed feedback. The flow of data between the SIC IP service and the payment schemes must be coordinated with the respective data protection officers in order to maintain the purpose of data usage and bank-client confidentiality. The IPB

architecture is a structured, standardised process for processing instant payments and, according to one participant, is essentially comparable with four-party systems. One key benefit of the IPB is the ability to process payments in real time and in central bank money, which reduces counterparty risk and increases speed and transparency.

4.1.2 Feedback concerning the timeline

This chapter contains the feedback on chapter 4.4 ("Gradual implementation and further development") of the *Rough Concept*. This mentioned that the existing release management and the corresponding process of SIC Ltd should be used for the IPB whilst also presenting the gradual implementation of functions in different phases from 2025 to 2030.

Feedback concerning release management:

The integration of the IPB into the release management of the SIC system was generally considered to be appropriate by some participants in order to plan and implement all changes and extensions sufficiently in advance. However, many participants have expressed concerns that an annual release cycle is no longer in keeping with the times, especially on account of the dependencies and long lead times for change requests. More agile action along with more frequent updates are considered necessary in order to respond more quickly to changes and needs. It was also noted that the annual release management of the SIC system requires regular software updates, which could involve adjustments to the connected systems and result in high costs for merchants.

As regards the release management, various questions were submitted, such as how release management standards should be developed and regulated in the IPB, how the test process works and how ad hoc releases or hotfixes could be handled outside of the standard release process. Other questions concerned an "exception process" for short-term changes, stakeholder involvement in the development process, as well as the communication of progress and the availability of sandboxes for individual integration tests.

Feedback concerning the planned phases:

Several participants considered the proposed timeline to be too long and suggested speeding up the processes to make the IPB operational at an earlier stage. It is proposed that SIC Ltd ensure that the IPB can be used by the end of 2026. One participant emphasised in particular that the "confirmation API" must be available by the end of 2026, as participation by the payment schemes cannot be expected without this interface, and the market for instant payments in the retail sector might be occupied by other participants. Also as regards the amendment of implementation guidelines (especially for QR bills), one participant asked that they be made available in 2025, if possible.

A minority of feedback providers objected to this assessment and considered the timing of an IPB to be premature. One participant recommended using the ongoing start-up phase for instant payments primarily in order to gain valuable experience that could be helpful in designing and implementing the IPB.

In addition, some participants considered IPB targets to be ambitious, as the concept is still too imprecise and a lot of things need to be clarified: it was stated that there was no clarity regarding objectives, planned volume shifts, ownership and governance structures, or product and market

adjustments. However, these points are essential to ensure that the initiative can be scrutinised and evaluated comprehensively. There are no specific delivery results and no clear vision for the IPB, including planned use cases.

Some suggestions were made by individual participants. For example, the idea of introducing annual phases with a small, defined scope after phase 1 in order to better cater to market needs, or of establishing a coordinated body that actively participates in prioritising functions in order to provide greater clarity and transparency for all parties involved.

4.2 Feedback concerning framework conditions

This chapter summarises feedback on the framework conditions described in chapter 5.1 ("Framework conditions") of the *Rough Concept*.

The framework conditions are defined as requirements that are necessary from the perspective of payment schemes in order to ensure that payment flows can be processed through the SIC IP service. These requirements lie beyond the direct control of SIC Ltd.

The feedback received from participants concerning the framework conditions highlighted some key issues and concerns regarding:

Timeline and obligations for sending and receiving IP payments from SIC participants:

Some participants have suggested specifying a mandatory timeline for all financial institutions that do not yet offer the option of sending IP payments in order to ensure widespread implementation. The timeline presented by the IPB is considered to be challenging, especially if not all FI are able to send and receive IP payments. The mandatory acceptance of IP payments as of November 2026 is considered to be challenging, and a binding roadmap for the involvement of all participants is considered to be necessary in order to successfully implement the concept.

Note by SIC Ltd: the obligation to receive IP will apply to all SIC participants that process client payments through the SIC system as of November 2026. A requirement to send IP is not envisaged by the regulators, as this would involve interfering with client-bank relationships.

Availability and performance of IP:

The availability of the service 24/7 is considered to be crucial. Instant payments should in principle be available around the clock. However, payment processing within ten seconds is considered too slow, especially for point-of-sale (POS) payments. One participant asked for different performance requirements to be enabled for each scheme, as time-out mechanisms for POS can result in cancellation, even though the payment is still being executed.

4.3 Feedback concerning the functional design area

This chapter presents feedback on chapter 5.2 ("Functional design area"). This also includes the consolidated presentation of answers to specific questions numbers 1 to 5 from the consultation.

4.3.1 Basic principles

This chapter summarises feedback on the principles described in chapter 5.2.1 of the *Rough Concept*. The principles established by the project team are not specific requirements for the IPB, but rather operate as principles underpinning the IPB.

The principles described ("A2A processing of IP customer payments", "submission of IP customer payments by FI" and "authorisation and authentication" outside the SIC system) were largely not called into question. Most feedback was received in the form of questions, clarifications or also requests for more detailed description.

As regards the principle that **processing should always occur on an account-to-account basis between two accounts of FI end clients**, there are in particular uncertainties as to the extent to which the accounts involved must always be the final accounts to be credited or debited. According to one participant, the concept lacks a complete end-to-end overview of the payment flow, which is why the A2A principle is not fully understood. One participating financial institution would like to have the term "accounts" defined more clearly and recommended focusing on payment accounts. Another FI asked about the need for classification in order to differentiate, so that consolidated payments such as bulk payments can also be efficiently processed.

One participating payment scheme mentioned the chargeback process and the chargeback right of end clients, whilst another payment scheme raised the possibility of account tokenisation, which is not taken into account in the *Rough Concept*.

Note by SIC Ltd: chargeback processes are not considered in the Rough Concept *because they are scheme-specific and cannot be adopted by the SIC system. These (and other scheme-specific processes) can be supported at most by definitions in ISO messages, but cannot be depicted 1:1.*

The principle **of submitting IP client payments via the FI** was explicitly welcomed by several participants. In particular, the financial institutions see this as providing a clear structure for settlement and cash flow between accounts and take the view that this will ensure compliance with established processes and regulatory standards. One participant emphasised that this principle must apply not only to the sender but also to the recipient, as this will ensure that the IPB operates as a central platform without unnecessary intermediaries on both sides.

One participant feared that merchants would be highly dependent on financial institutions and their implementation of instant payments. Merchants may be forced to accept these restrictions with inefficient processes or slow infrastructure for processing payments at FI, without any ability to influence payment processing themselves. This dependence would make it difficult to respond flexibly to inefficiencies or high fees, which could lead to additional costs and lower competitiveness. As a result, it is crucial for financial institutions to offer their business clients efficient and cost-effective IP structures.

The principle that **authorisations and authentications should take place outside the SIC system** is generally understood and accepted, but is considered to be problematic by some feedback providers. Two out of seven feedback providers feared that authorisation and authentication outside the SIC system could pose challenges in terms of fraud prevention and risk management. They point out that authorisation and authentication always comply with the latest security standards and that clients should ideally use familiar methods. One FI raised the question as to whether, in this case, standardisation would not also be possible and mentioned (along with one participating payment scheme) the possibility of account tokenisation.

One participant explicitly mentioned that, because of the design of the SIC system, authorisations and authentications must accordingly take place outside the framework of the "clearing and settlement mechanism", and emphasised that the SIC system only carries out authentication of SIC participants without providing additional functionalities for the processing of individual transactions.

4.3.2 Requirements

This chapter summarises feedback concerning the specific requirements and ideas described in chapter 5.2.2.

4.3.2.1 Feedback on the clear identification of payment schemes

As described in chapter 5.2.2.1 of the *Rough Concept*, payment schemes that are licensed by the SNB will receive a payment scheme code through which they can be identified in every transaction.

Feedback providers welcomed the introduction of a clear payment scheme. One participating financial institution suggested clarifying the necessary validations in a working group (validation at SIC/FI, complexity, etc.). Another FI indicated that classification of transaction type (e.g. salary, pension, commerce, eCommerce, POS, treasury payments) would make sense, so that transactions can be allocated correctly.

4.3.2.2 Feedback concerning the end-to-end reference (question 1)

IP client payments triggered by payment schemes must be capable of being identified and allocated throughout the entire value chain using an end-to-end reference (E2E reference). There is already scope for the E2E reference in the current ISO 20022 messages, e.g. the QR reference.

Feedback providers agreed that IP payments initiated by payment schemes must be clearly indicated using an E2E reference in order to ensure automated reconciliation.

However, feedback on the suitability of the QR reference as an E2E reference for payment scheme IP payments was mixed. In principle, 50% of feedback providers considered the QR reference in general terms to be a suitable E2E reference, whereas 40% rejected or doubted the suitability of the QR reference as an E2E reference.

Question (1): Do you consider the QR reference to be suitable for labelling use cases of payment schemes with an E2E reference?

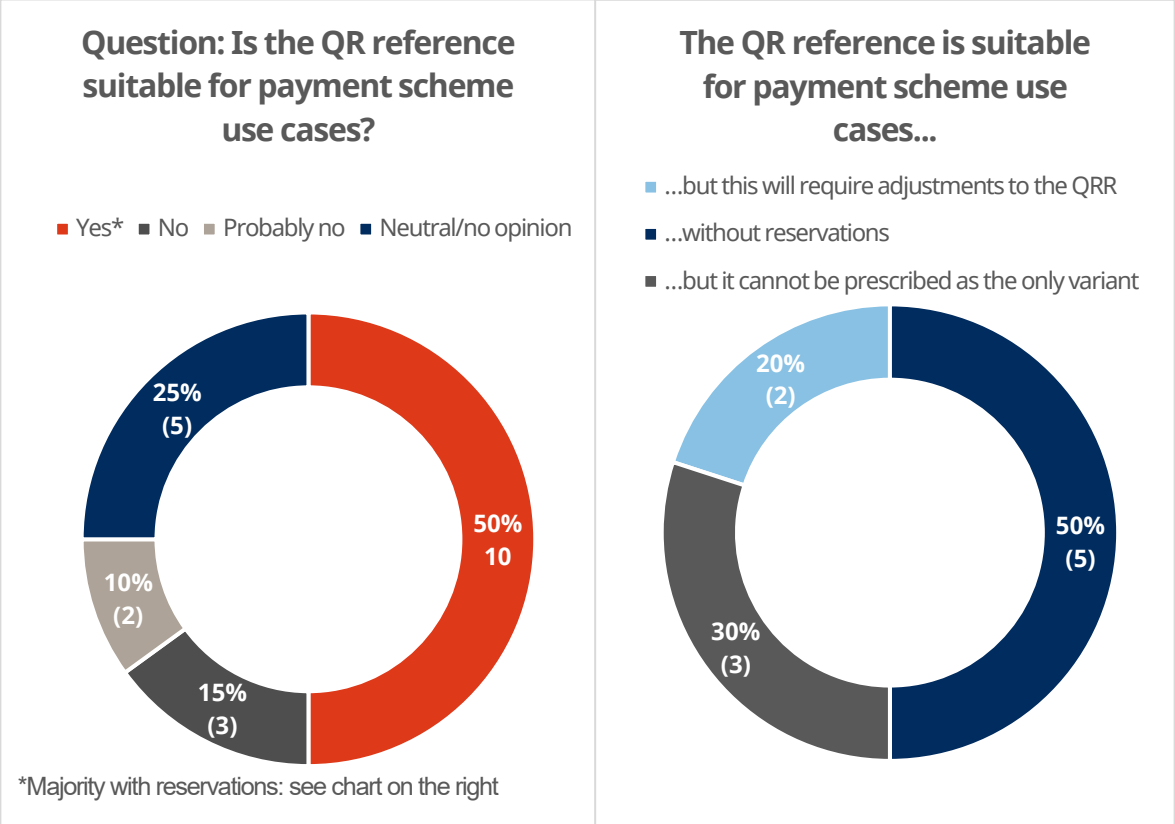

Figure 2: The QR reference as an E2E reference for use cases of payment schemes

Analysis of "yes" answers (50%)

As a first step, the QR/SCOR reference is considered to be useful in the sense of a standardised, universal and unique payment identifier which is established and known. A combination of QR reference and further transaction information may be necessary to reflect more in-depth requirements of schemes, for example:

- a new identifier alongside [SPC] Swiss Payments Code; such as [SIPC]
- an end-to-end identifier from the ISO 20022 standard

It should therefore be possible to distinguish between an IPB and another IP client payment. This will also enable the FI to address the issue of notification (camt.054) of incoming payments by the FI.

However, the vast majority of participants that answered "yes" expressed reservations: several emphasised that, although the QR reference may be suitable, other options should also be permitted; moreover, half of those answering "yes" pointed out that this would only be possible if adjustments were made to the implementation guidelines for the QR-bill.

One participant explicitly stated that A2A POS payments were possible on the basis of QR bills.

Analysis of "no" and "probably no" answers (40%)

The QR reference is deemed by some participants to be unsuitable because it is inherently related to the QR bill procedure/product and is linked to a QR IBAN. Payment scheme IP payments must not refer to QR IBANs, but must refer to normal IBANs. The QR reference should not be used for other purposes and should not be mixed with other use cases. From the perspective of these

participants, the use of the QR reference in payment scheme use cases will lead to difficulties in the following areas:

- the collection of QR credits by the financial institution (cumulative credits)
- the allocation of QR credits by the payment recipient in the accounting solutions

For these reasons, the participants support the use of their own E2E reference for IP payments use cases of payment schemes. The creditor reference in accordance with ISO 11649 or the UETR were mentioned as possible alternatives.

Note by SIC Ltd: the advantages and disadvantages of the suitability of the QR reference as an E2E reference for payment scheme IP payments must be considered further. As a general rule, changes to the implementation guidelines (whether for QR bills or for other ISO messages) can be implemented in phase 1.

4.3.2.3 Feedback concerning a centralised confirmation API (questions 2 & 3)

A central confirmation API is intended to send status messages from the SIC IP service to payment schemes, in particular to confirm payment entries and final payment confirmation or rejection. This interface enables prompt notifications, security and an independent message flow.

A majority of 70% of feedback providers considered such an interface to be useful, and half even regarded it as necessary. 25% of participants were neutral to critical and 15% of participants regarded the interface as unnecessary.

Question (2): To what extent do you consider the functionalities envisaged with a confirmation API to be useful/meaningful?

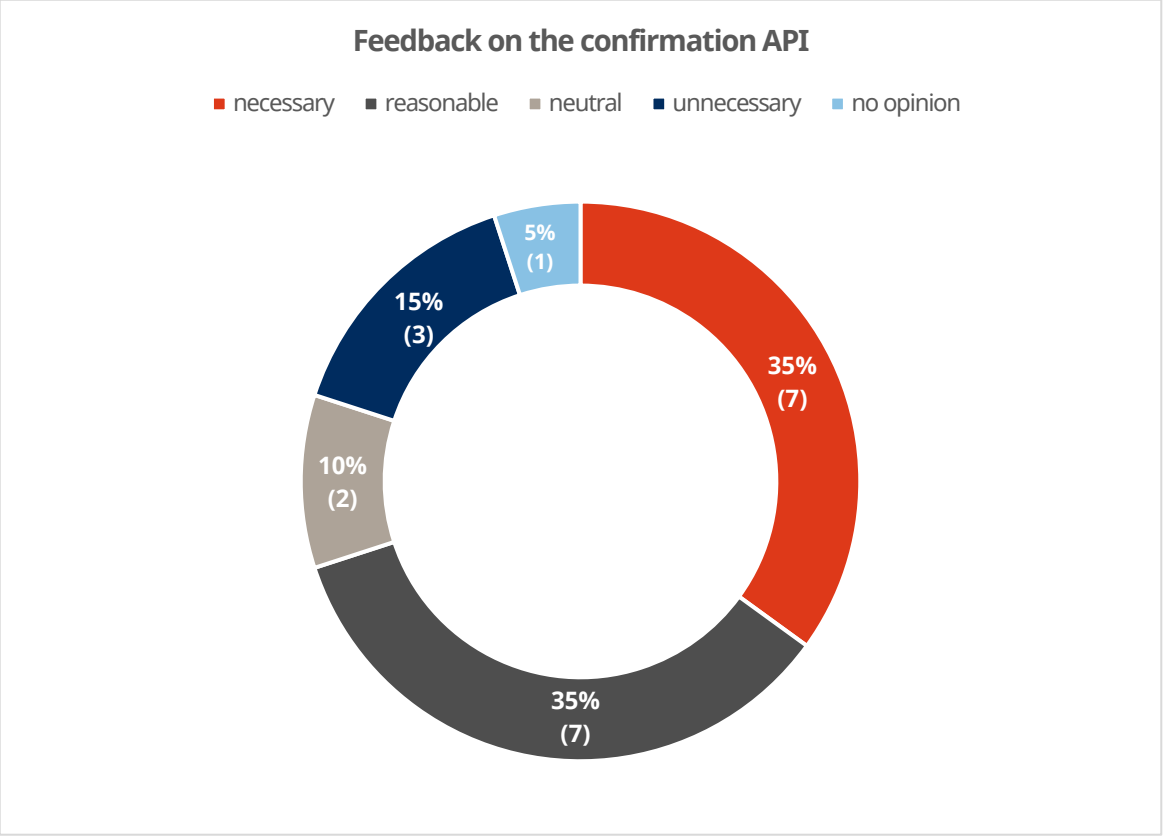

Figure 3: Feedback on the confirmation API

Analysis of "necessary"/"sensible" answers (70%)

The introduction of a central confirmation API for payment schemes was considered to be sensible and beneficial by a majority of participants, as it offers the payment schemes and the end clients (payers and payees) a standardised, efficient and, above all, direct and fast way of tracking the status of transactions. In particular, the importance of direct and fast information was considered to be necessary for settlement at the POS, where the receipt of confirmation triggers further processes. It increases transparency, improves security and boosts trust among the payment schemes, the financial institutions and the end-users. The central interface enables prompt notifications and immediate status transparency for payers and payees. Despite possible challenges related to technical integration and security, from the perspective of most participants the benefits significantly outweigh any drawbacks.

Analysis of responses "neutral"/"necessary" answers (25%)

A centralised confirmation API and thus a direct connection between the payment schemes and the SIC system was deemed not to be necessary by a minority of participants, as the existing pain.002 messages are sufficient as confirmation from the perspective of these participants. Several participants emphasised that the introduction of such an API could give rise to additional costs for the financial institutions and, in principle, would entail investment and operational costs for all parties. FI already have similar interfaces for corporate clients and current payment systems operate without this interface.

Question (3): Are there specific requirements for such a centralised API?

The following requirements were mentioned in the context of this further question:

- **High security standard:** it was mentioned by several participants that the interface must comply with high security standards.
- **Performance:** most respondents mentioned that the notification speed was a critical requirement and that this must occur in real time (with some mentioning periods of between a couple of seconds to a few milliseconds).
- **Availability/reliability:** some participants mentioned that the interface would have to be reliable and available around the clock.
- **Regulatory compliance:** some participants pointed out that any compliance requirements must be fulfilled and that the interfaces must meet with requirements imposed by regulators.
- **Capacity/throughput:** some participants stated that the interface must be capable of sending a large volume of messages in a short period of time.
- **Data protection:** some participants noted that all data protection requirements must be complied with.
- **Push notifications**: one participant emphasised that the SIC system interface should send push notifications in order to prevent constant pulling.
- **Messaging of content/use cases:** some participants pointed out that various cases would need to be covered. In addition to normal confirmations, cancellations must also be communicated and the payment schemes must be able to request specific messages or to

reverse transactions in the event of cancellation by a payment scheme. One participant pointed out that the payment schemes should define the exact content.

- **Governance**: some participants pointed out that governance should be regulated separately in relation to the interface, which must guarantee non-discriminatory access and a "level playing field" for all competitors. One participating financial institution called for the interface of SIC Ltd to be defined, while another financial institution acknowledged that specifications would have to be adopted by the payment schemes.
- **Integration**: one participant emphasised the importance of the possibility of the simple, cost-effective integration of the API into the existing payment systems.
- **Forwarding to merchants:** one participant stressed that, in addition to the interface that sends the confirmation, the rules must also ensure that it is forwarded to the merchant.

Several participants emphasised that more information would be necessary in order to formulate requirements.

4.3.2.4 Feedback concerning an API market standard (questions 4 & 5)

During the interaction phase, it became clear that the market was interested in developing an API market standard for the interface between the payment schemes and the FI in order to standardise communication. A corresponding standard would be recommended to all participants for implementation.

All feedback providers supported standardisation of the interface between payment schemes and FI, as this would create clarity and efficiency, as well as lower entry barriers for new payment schemes. Standardisation would enable economies of scale to be achieved across various payment schemes and FI. It was also pointed out by some participants that standardised and harmonised rules must ensure a level playing field for all market participants.

Several parties mentioned that central administration of the standard by SIC Ltd should be welcomed. It was also emphasised by several participants that international standards should be taken into account and that (national and international) interoperability is an important issue in the development of this standard.

One participating financial institution took the view that SIX should provide a minimum standard by the end of 2026 and considered it to be the task of SIX to ensure that a standard is established unilaterally in the event of disagreement among market participants.

Another participant stated that it would make sense for the interface between the payment schemes and the FI to be provided by (multiple) central operators. It is only in such an eventuality involving a uniform and standardised interface that scale effects could be guaranteed, which would significantly increase the integration of and interoperability among different payment systems.

Questions 4 & 5 in the consultation feedback form also concerned the API market standard:

Question (4): Would you be interested in being a part of a working group to develop this market standard?

The standardisation of the interface between payment schemes and FI aroused a great deal of interest: 13 participants stated their willingness to assist in developing a uniform API market standard for the corresponding interface.

Question (5): Do you think that the relevant interface between payment schemes and financial institutions should be provided by a central operator?

Most feedback providers supported the central operation of the interface. Some parties did not consider central operation to be relevant, but rather the obligation of market participants to use a defined standard.

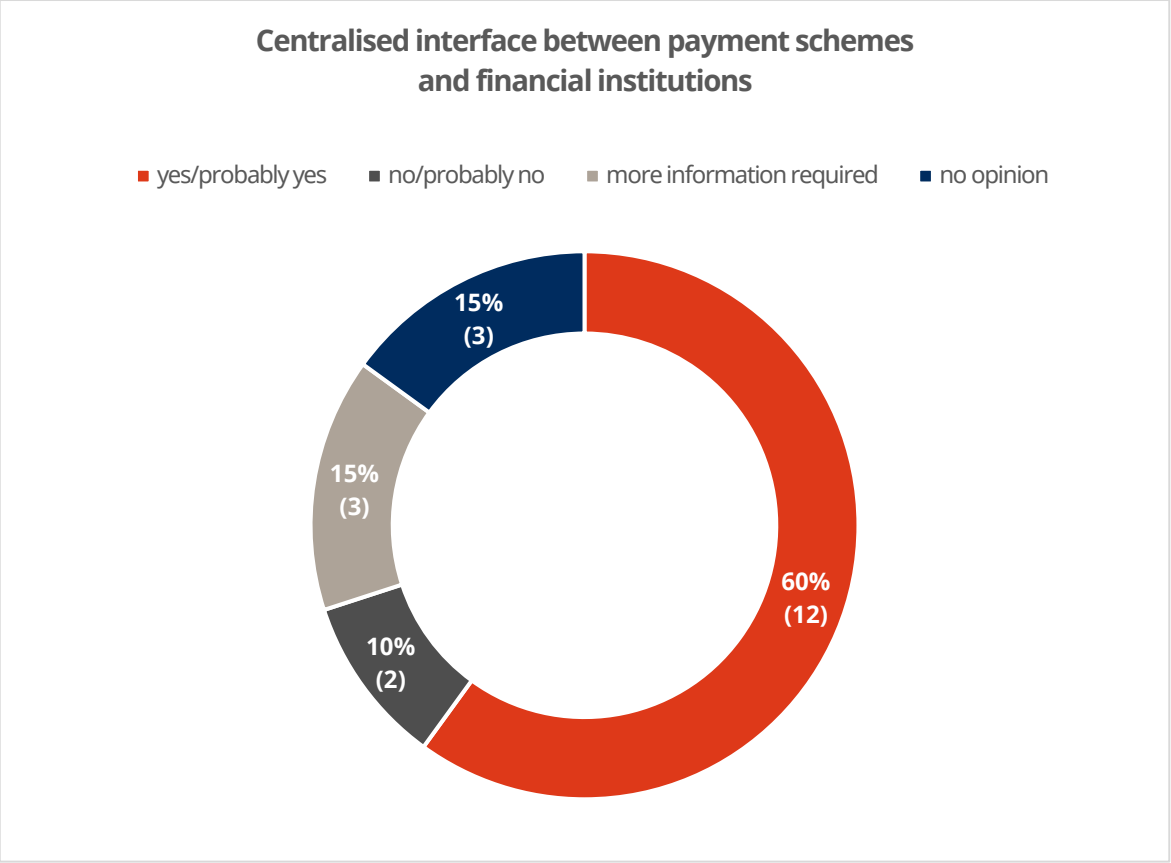

Figure 4: Central operation of an interface between payment schemes and financial institutions

Analysis of the 12 "Yes/probably yes" answers

Most respondents took the view that standardisation in the Swiss financial centre is important for efficiency, security and integration. A central solution would offer benefits such as better standardisation, easier integration between financial institutions, increased efficiency through scaling and reduced implementation costs, as well as higher security standards.

A central operator could implement requirements neutrally and break down barriers. One participant took the view that SIC Ltd should assume this role as the central operator. One participant asked whether the existing eBill platform could be used for this purpose.

However, for some responses classified as "probably yes" in the statistics it was not always clear as to whether this referred to actual operation of a technical interface or to the central management of the standard.

As mentioned in chapter 4.1.1, one payment scheme has proposed setting up a "payment initiation hub" so that the payment instructions can be submitted directly by the payment scheme to the SIC IP service. From the perspective of SIC Ltd, there is a question as to the extent to which this would be equivalent to a very broadly framed API market standard including a central operator ("hub").

Analysis of the five "No/probably no/more information required" answers

For some participants, it was still unclear whether a central solution was the best option, as this would hinge upon process analyses and a more granular target image. The disadvantages would be the dependency of the financial institutions and the payment schemes on the central operator and less flexibility to cater to specific requirements. More information is needed to decide on this question from the perspective of these participants.

One participant mentioned that, for technical reasons, it would be useful for the interface between the payment schemes and the financial institutions to be made available to multiple operators in order to ensure economies of scale and interoperability. However, governance is necessary in order to ensure standardisation – administration of the standard could by all means be centralised. One participant took the view that, for reasons of innovation and competition, operation of this interface should be left to the market or to the participants/payment schemes.

4.4 Feedback concerning distinct requirements

As part of the project, the requirements specified in the *Rough Concept* in chapter 5.3 were discussed. This chapter summarises participants' feedback on these specific issues.

4.4.1 Scheme fees figure

The mapping of fees in E2E messages during the interaction phase in order to simplify reconciliation processes and create transparency was only called for by a few participants. As this is already possible in the existing ISO 20022 messages, the *Rough Concept* proposes that the issue not be discussed further as part of the IPB.

The mapping of any fees in existing elements within ISO messages was not objected to.

Some participants advocated a guarantee of transparency concerning fees, as a lack of transparency regarding fee structures is a major disadvantage within existing cashless payment systems. One participant asked that elements used in existing messages (specifically: <*Instructed Amount*>) that are necessary for payment reconciliation and transparency should be mandatory within the SIC guidelines.

One participant stated that the mapping of fees in the SIC should be actively promoted, otherwise there was a risk that this would not be done on a voluntary basis. This would lead to uncertainty in terms of mapping to the end client and render the collection process unclear.

One payment scheme considered the mapping of scheme fees to be unnecessary and also not desirable and one financial institution emphasised that the mapping of scheme fees should not under any circumstances entail any additional FI costs.

4.4.2 Performance for point-of-sale or similar use cases

As described in chapter 5.3.2 in the *Rough Concept*, the performance specification of up to ten seconds defined in the SIC IP service is not sufficient for some specific use cases (e.g. at POS). Stricter rules are not envisaged in the short term, as this would have a significant impact on all IP client payments and financial institutions' infrastructure. However, the payment schemes can set higher performance requirements in their rules. This topic may be reassessed in the longer term (from phase 3), but with respect to the overall SIC IP service and not in isolation for the IPB.

The feedback from a majority of participants shows that the performance requirements specified in the SIC IP service of a maximum of ten seconds for processing IP client payments for POS use cases are regarded as insufficient. In settings such as restaurants, cafés and stores, fast processing of payments is especially important in order to minimise waiting times and to avoid impeding the flow of customers. Particularly during peak times or events where numerous transactions need to be processed in a short space of time, a delay of up to ten seconds per payment could compromise efficiency and lead to longer queues.

Therefore, some participants require stricter performance targets to be implemented for specific use cases, ideally within a time frame shorter than three seconds. Several participants called for these issues to be considered as quickly as possible and not only in phase 3, as otherwise any POS payment solutions are unlikely to be widely accepted. One participant asked that pro scheme configurations such as time-out parameters be possible so that the IP payment flow can be kept in sync with the client transaction at the POS.

A minority of participants objected to these statements: two parties mentioned that initial experiences with IP showed that, in the vast majority of cases, they were executed in less than three seconds. One participant considered ten seconds to be acceptable for "most applications".

One participant stressed that performance requirements for instant payments should be aligned exclusively with the rules and regulations of the SIC system. One participant thought that shorter processing times would be "difficult to implement" and emphasised that SIC could not issue any binding requirements for E2E processing as many systems fall outside the sphere of influence of SIC Ltd or of the SIC system.

4.4.3 Anonymity of debtor for P2M use cases

Chapter 5.3.3 of the *Rough Concept* mentions that, for many person-to-merchant (P2M) use cases, the payer remains anonymous and, due to compliance requirements (e.g. AML and sanction screening), this is not acceptable for the payee's FI where IP client payments are processed through the SIC system because this information must be available. The *Rough Concept* limits the requirement and proposes that the payment schemes and the FI can define anonymity bilaterally within the scheme rules so that the FI does not forward the relevant data to the recipients (normally merchants).

Feedback concerning this specific requirement focused primarily on the issue of data disclosure and anonymity in relation to payment transactions. It was discussed whether bilateral scheme

rules between the payment schemes and FI would be sufficient to comply with data protection requirements. It was emphasised that this topic needs to be addressed in greater depth before a legally correct statement can be made. Bilateral agreements are considered to be complex and difficult to enforce, meaning that centralised solutions under scheme rules are preferred. The full integration of P2M transactions into the A2A system of the SIC IP service was critically scrutinised as this could compromise payer anonymity.

Some participants pointed out the importance of payer anonymity in Switzerland and that anonymised payments would be worth checking more closely. However, the practical enforceability of such measures, especially where multiple FI are involved, was called into question by some participants.

One participant suggested that the payer provide a token that can be used to identify the payer, in a manner similar to existing debit/credit card numbers.

One participant raised the question as to whether the payee does not in any case learn from the payment transaction who is making the payment, and whether the cost required to avoid data transfer is justified.

Some participants called for a clearer presentation of the data standards and the specific information that should or should not be shared. One participant pointed out that, under FINMA regulation, smaller data sets may be used for some transactions. It was proposed to introduce a separate payment method for scheme payments into the ISO 20022 message guidelines in order to ensure payer anonymity.

4.4.4 Direct access to settlement accounts by the payment schemes

The input of IP client payments into the SIC system always occurs via an FI (SIC participant). As described in chapters 5.2.1.2 and 5.3.4 of the *Rough concept*, there is no provision for direct payment input by the payment schemes, as responsibility lies with the FI where the account is held. The issue should not be pursued further for the time being. If a market need is identified in future, the issue could be returned to in phase 3 at the earliest.

Most feedback providers agree with the *Rough Concept* on this point. It was confirmed that, for the reasons described above, direct access by the payment schemes to settlement accounts of the FI in the SIC system should not be pursued for the time being. One financial institution referred to such access as "non-negotiable/unacceptable" and one participant indicated that this would complicate the governance and further development of the SIC system and/or the IPB. One participant agreed to direct access because, in their view, this could lead to a scenario involving the four-party model, although they pointed to the fact that this would in any case be innovative. One participant took the view that indirect access ("localised access criteria") would entail efficiency and scalability.

As mentioned in chapter 4.1.1, one participant took the view that central access for initiating payments by all FI via the IPB is a precondition for a functioning IPB model. This participant said it was a pity that payments could not be triggered by the payment scheme directly in the SIC system (e.g. as a technical agent of the FI) and, as an alternative, they proposed a centralised "payment initiation hub".

Various questions were raised, such as whether the complexity of direct access for payment schemes was also relevant for non-bank PCPs or whether they could be admitted as direct

participants. It was emphasised that a coherent and sustainable concept would be required in order to better answer the question of access and to make the IPB successful in the long term.

4.4.5 IP customer payments in different currencies

As described in chapter 5.3.5 in the *Rough Concept*, only payments in CHF are processed via the SIC system. Therefore, transactions in other currencies are not part of the *Rough Concept*.

Various feedback concerning this different requirement shows that the internationalisation of IP client payments is generally considered to be desirable. Some participants took the view that financial institutions should decide for themselves whether to process payments in other currencies. One participant pointed out that the QR bills already supported payments in CHF, EUR and CHW [WIR], and that these currencies should also be displayed for IP client payments. One participant emphasised that settlement in CHF only might be problematic for businesses with foreign clients and suggested increasing exchanges with foreign countries in order to ensure compatibility with foreign systems.

Another issue is the role of the payment schemes in creating interoperability between the payment systems. It was stressed that data requirements to facilitate AML and sanction checks were important in enabling the use of SIC for cross-border payments.

Nevertheless, the clear restriction of the SIC system to CHF payments is generally considered to be useful in maintaining stability in national payment transactions. Expansion to foreign currencies might compromise the competence and control of the SNB and of SIC Ltd.

In summary, while participants understood that extending the SIC system to other currencies might not be sensible, they often emphasised the need to ensure international interoperability and to use existing technical and professional standards in order to facilitate the future development of the interfaces.

4.4.6 Fraud detection and prevention

During the interaction phase, a centralised fraud detection and prevention solution was regarded as helpful. However, as mentioned in chapter 5.3.6 of the *Rough Concept*, decisions must take into account the overall SIC system, which is why this issue is not considered in isolation for the IPB.

Feedback from some participants emphasised that a central fraud solution was considered to be preferable or even necessary. It was emphasised that fraud detection and prevention must occur at network level, as it is not sufficient for individual FI to carry out monitoring to detect fraudulent accounts. However, one participant took the view that there were various decentralised fraud detection systems on the market and that there was no need for a central system.

Various participants saw responsibility for preventing fraud as being incumbent upon the FI, whereas one participant thought that the payment schemes should perform this role, and another participant thought that both the FI and the payment schemes should do so.

One participant mentioned that the payment systems should be obliged to share information about abuses with a central body so that all participants would benefit from it. Pooling forces and cooperation as well as an exchange of knowledge and information are considered to be advantageous in order to strengthen the Swiss financial centre. Another participant suggested

that the SIC platform should receive risk information in order to be able to react quickly in the event of an attack.

Some feedback emphasised that cooperation between the FI, the payment systems and SIC Ltd should be clearly defined (in particular with regard to the liability model) and that there should be greater clarity on possible central solutions in order to make decisions in this area.

Overall, it was objected that the concept excluded aspects of fraud management and cybersecurity, although feedback also indicated that a corresponding solution should not be considered in isolation for the IPB, but must rather remain focused on payment transactions as a whole.

4.4.7 Sanction screening

Since sanction regulations do not fall within the jurisdiction of the SNB or of SIC Ltd, as established in chapter 5.3.7 of the *Rough Concept*, the relevant financial institutions must submit any such requests to the regulator. As such, the topic of sanction screening should not be pursued any further with respect to the IPB.

Feedback from some participants emphasised that sanction screening was the responsibility of the FI. However, one financial institution took the view that the overall P2M market must be considered and regulated separately and that it was not possible to delegate responsibility to the respective FI, as occurs for existing A2A transactions. One participant asked whether the payment schemes would need to be presented to the regulator.

Two participants referred to the possibility of addressing the issue via the ISO 20022 messages, especially since different rules could apply to different payment methods. As pointed out by one participant, FINMA allows a smaller data set to be used for certain transactions (where applicable, a separately defined payment method for scheme payments).

Two other participants noted that this would have to be regulated under contract between the FI and the payment schemes. It should then be agreed bilaterally what would need to be checked and reported. One participant called for the necessary requirements as regards fraud and sanction screening to be included in a model agreement between the FI and the payment schemes.

One participant emphasised that the development of competence in this area was absolutely essential and that the issue could not be easily resolved through outsourcing. Another participant noted that any requirements extending beyond the SIC standard should not be supported.

4.5 Feedback concerning the legal framework, access criteria and pricing model

This chapter provides a summary of the feedback on chapters 6 ("Legal framework and access criteria") and 7 ("Billing and pricing model") of the *Rough Concept*.

4.5.1 Access process and criteria and legal framework (question 6)

Chapter 6.1 of the *Rough Concept* describes a possible access process divided into two phases and chapter 6.2 provides an overview of possible contractual frameworks. This chapter summarises

feedback concerning chapter 6 and analyses the answers to question 6 on the access process described, which was contained in the consultation.

The feedback concerning the access process for the payment schemes and the contractual frameworks contains several important points:

Most feedback providers pointed out that more information was needed and that the access criteria would have to be clearly defined and made publicly accessible in advance to create transparency and promote acceptance. This also reflects the general requirement that the term "payment scheme" must be defined more clearly so that it is clear who qualifies as such and can accordingly apply for indirect access. Various participants consider the SNB to be responsible for this.

Some participants, in particular payment schemes, identified a need for regulations to ensure that an approved payment scheme would also have access to one or more FI. If a payment scheme fulfils the authorisation criteria, it should not be permissible for an FI to reject it.

Disputing this view, some participating financial institutions emphasised that each FI must always be able to decide for itself whether or not it would like to work with a payment scheme. Mutual contractual freedom was considered extremely important by these parties.

Some participants called on approved payment schemes to be reviewed annually or for them to provide evidence that they are technically able to make instant payments and continue to fulfil the access criteria. One participant mentioned that the access criteria would have to ensure that only payment schemes with adequate regulatory measures to prevent money laundering should be admitted.

One participant mentioned that barriers for direct participants in the SIC system (banking or fintech licence) should remain high, pointing to the fact that a critical balance needed to be struck between maintaining security and confidence in the system on the one hand and demand for low entry barriers.

One participant called for interested parties to be involved in defining the authorisation process and access criteria.

As regards contractual frameworks, feedback providers were able to understand the proposed contract design, and several participants agreed to this in general terms. One participant thought that contracts between SIC Ltd and the payment schemes as well as between the SNB and the payment schemes should be a mandatory requirement. One participant proposed a multilateral agreement in order to reduce the number of contracts and facilitate access, and that the SNB could take over management of the agreement if appropriate. Some participants said that a contractual framework between the FI and the payment schemes should be standardised; binding contractual templates could cut costs and ensure that the high security requirements are set out in uniform terms within contracts.

Specific questions or concerns were raised concerning various issues such as liability regulations, incident management, service level and data protection.

One question raised in the consultation by SIC Ltd also concerned the authorisation process:

Question (6): What do you think about the listed access process, especially regarding the written proof of an agreement with an FI?

Several responses questioned the sequencing of phases 1 and 2 of the authorisation process:

- Some parties took the view that a payment scheme should first provide evidence that it fulfilled the authorisation criteria before concluding agreements with one or more FI of its choosing.
- Some parties took the view that testing should be possible even before an agreement with an FI was in place and they would like clear and efficient rules for testing. If a payment scheme has successfully completed testing and onboarding with an FI, it must be easier to connect that payment scheme to other FI. Testing, including the required test cases, should be uniformly defined and standardised. It must also be specified whether the tests must be renewed periodically. Here, SIC Ltd could play a leading role in creating efficiency gains for all parties. A central SIC5 test bank, including a test hub and acceptance procedure defined by SIC, could offer the best solution.

4.5.2 Billing and pricing model

Chapter 7 of the *Rough Concept* states that settlement within the SIC system of the IP client payments submitted by the payment schemes via the financial institutions should be made as simple and cost-effective as possible. This should also use the existing settlement principles.

Most feedback providers think that the proposed pricing model, which only focuses on the pricing of the SIC IP transaction, is not ideal:

Some participating financial institutions expressed concerns that, under the pricing model described, big banks could make more attractive offers to payment schemes due to their high volumes, which would lead to market inequality. One participant therefore proposed to introduce a separate scale for payment schemes and that these transactions be charged directly to payment schemes by SIC Ltd. From the FI perspective, the IPB will only be of interest for payment schemes if the banks also participate in the IPB, and hence that the pricing model should also create incentives for the FI.

The participating payment schemes and other market participants emphasised in particular the importance of a transparent and comprehensible cost structure that takes into account all price components for a payment scheme. A bilateral price agreement between the payment scheme and the FI would make it difficult to plan and would be time-consuming. A moderate pricing and fee model would be decisive for market acceptance by both end clients and merchants.

The following additional feedback was received from individual participants:

- The use of individual technical components such as the confirmation API should be priced separately, suggesting that there should be no cost for payment schemes, in order to reduce overall costs.
- One payment scheme emphasised that the introduction of instant settlement would increase transaction costs, which could prevent market participants from switching soon.
- One payment scheme highlighted that the cost of SIC payments should be lowered or replaced with a lump sum in order to generate a significant portion of transactions for the SIC IP service over the long term.

Overall, the proposed settlement and pricing model is considered to be unsuitable by the financial institutions as well as by the payment schemes and by other participants.