

## Bank transfers

# Instant payments are now possible in Switzerland

Par Philipp Fischer le 20 August 2024

On 20 August 2024, Switzerland enters a new era in bank transfers, with the introduction of *Instant Payments*. Around 70 banks (representing more than 98 % of payments in Switzerland) will accept such payments 'in real time'. The technical implementation of instant payments in Switzerland is based on the new 'SIC5' payment platform developed by SIX, the operator of the Swiss stock exchange, and the Swiss National Bank (SNB).

Instant payments are coming late to Switzerland. In fact, this system is already commonplace in a number of countries, particularly in Asia. The EU has also had this service since 2017, although it is currently optional. On 26 February 2024, the Council of the European Union adopted the [regulation on instant payments](#). The payment service providers concerned will have to offer to receive instant payments by 9 January 2025 and to send instant payments by 9 October 2025. The regulation also stipulates that charges for instant payments must not exceed those for standard credit transfers.

It should be noted that in Switzerland, the TWINT application already allows you to transfer money immediately. However, the limit is set at CHF 5,000 per transfer. What's more, in most cases the transaction is not carried out directly. While customers can have the money at their disposal in a matter of seconds, the payments are settled on a deferred basis between the banks via SIC. The TWINT transaction is therefore based on a promise of payment between the banks, which creates a credit risk.

Unlike traditional bank transfers, instant payments allow the originator's account to be debited immediately and the corresponding amount to be permanently credited to the beneficiary's account in a matter of seconds. Bank customers, whether they are the originators or the beneficiaries of the payments, always have an up-to-date balance in their account. Initially, the limit is set at CHF 20,000 per transfer.

In practical terms, instant payments will facilitate transactions with consumers (B2C) that need to be carried out on a '*Zug um Zug*' basis. One example is the purchase of an everyday consumer good on an Internet site, where instant payment enables the supplier to optimise stock management, as the SNB pointed out in a [presentation](#) on the *Swiss Payments Vision*, of which instant payments are a component. In business-to-business (B2B) transactions, instant payments should enable better management of cash flows and a reduction in credit risk.

In Switzerland, the introduction of instant payments raises a number of important legal and

operational issues for banks :

– *From a regulatory perspective*, one of the most interesting aspects of the introduction of instant payments in Switzerland is the approach taken. Unlike other countries where instant payments were initially voluntary, Switzerland has opted directly for a regulatory obligation, at least for incoming payments. This obligation, which has been in force since today, initially concerns around 70 banks, which handle more than 98 % of payment traffic in Switzerland. Smaller financial institutions, which process fewer than half a million payments a year, have until the end of 2026 to implement this new service. On the other hand, unlike the proposed EU regulation, the Swiss regulation does not impose equivalent charges for standard transfers and instant payments.

– *From a technical point of view*, instant payments require significant adjustments. These adjustments concern accounting, risk management and cash management systems, which must now be operational 24 hours a day in order to meet processing deadlines. This requires redundantly designed IT systems, which is why SIC5 offers two independent accesses to its participants to ensure an uninterrupted connection.

– *From a legal point of view*, the introduction of instant payments poses particular challenges in terms of the fight against money laundering and fraud, as well as compliance with sanctions. Banks must therefore adjust their filtering systems to block suspicious transactions effectively within the 10-second time limit. Filtering that is too permissive would expose banks to compliance risks, while filtering that is too strict could block legitimate payments. It seems essential to use electronic filtering tools, particularly those based on artificial intelligence, which will have regulatory (on the EU AI Act, see <https://cdbf.ch/1359/>) and data protection implications.

– *From the customer's point of view*, instant payments present a risk, as the speed of execution prevents the customer from 'stopping' an unwanted transfer. Some banks have chosen to warn customers of this risk in their terms and conditions.

As far as payment services are concerned, the introduction of instant payments does not mark the end of the regulatory work in progress. On 28 June 2023, the European Commission published its proposals for a [revised Payment Services Directive](#) (PSD3) and a [Payment Services Regulation](#) (PSR). The most hotly debated change concerns an obligation on payment service providers to reimburse customers who have fallen victim to undetected identity theft (cf. [art. 59 PSR](#)). The final texts of PSD3 and the RSP are expected by the end of 2024 or early 2025.