



Business challenge

All financial institutions participating in the Swiss interbank payment systems must adopt the global ISO 20022 message standard by 2021. How could Banque Cantonale Vaudoise (BCV) get its systems ready for the switchover in time?

Transformation

Since 2016, Switzerland's banking and financial services sector has been undergoing major changes. As part of its efforts to comply with the adoption of the ISO 20022 standard for payments processing, BCV selected IBM® Financial Transaction Manager software—helping manage compliance while laying the groundwork for in-demand real-time payment services.

Results

Supports compliance
with the ISO 20022 standard

Streamlines payments processing
to allow real-time transactions and rule-based routing

Unlocks potential
to deliver new customer services and create new revenue streams

Banque Cantonale Vaudoise

Payment processing operations get an upgrade with IBM Financial Transaction Manager software

Banque Cantonale Vaudoise (BCV) is one of Switzerland's biggest banks with more than 60 branches and 230 ATMs across the canton of Vaud. BCV offers a full range of services, including personal banking, corporate banking, private banking, asset management and trading activities.

“Thanks to IBM Financial Transaction Manager, we can be confident of delivering compliant, competitive services to our customers now and in the future.”

—Serge Messin, Head of IT Solutions, Banque Cantonale Vaudoise

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Adopting a new standard

The rapid rise of digital payments and the emergence of fintech disruptors are putting pressure on established banks and financial service providers. With more and more people now paying for goods and services digitally, their expectations surrounding payment processing are changing fast.

Serge Messin, Head of IT Solutions at BCV, begins: “Customers expect payments and transfers to go through instantly. What they don’t often realize is that financial institutions use different payment transaction processing standards and systems—an obstacle to real-time processing.”

To improve interoperability, industry leaders are advocating the universal adoption of ISO 20022—the emerging global standard for electronic data interchange (EDI) between financial institutions.

In 2015, SIX Interbank Clearing Ltd, the organization that performs all domestic and international payment processing on behalf of the Swiss National Bank, committed to bringing its payment transfer system in line with ISO 20022, a major overhaul of the 30-year-old national standard. This will establish a uniform payment system for all payment types and parties involved in Switzerland. Banks and financial institutions

across the country must complete the move to the new payment system by mid-2021 at the latest.

This posed a significant challenge for BCV, as Lars Kermode, the bank’s Head of IT Architecture, explains: “Our existing payment processing system was not equipped to handle the new ISO 20022 message format, which is written in XML. To comply with regulations, we knew we would need to make significant changes to our payment processing infrastructure.”

Teaming up with IBM

After evaluating its options, BCV decided to front its legacy payment processing system with Financial Transaction Manager software—converging its payment operations on to a single platform compatible with the ISO 20022 standard.

Messin recalls: “The main reason for implementing IBM Financial Transaction Manager was to support the adoption of ISO 20022. But when we looked at solutions on the market, we realized that IBM Financial Transaction Manager had more to offer. We saw that there was great potential to build on the platform to enable new payment features and services in the future.

“We also have a strong relationship with IBM: we’ve been running our core banking system on IBM Z® for

many years now. IBM Financial Transaction Manager was the right choice in our eyes.”

BCV worked with IBM to adapt the Financial Transaction Manager platform to meet the bank’s specific requirements, taking advantage of the solution’s prebuilt industry-standard capabilities and extensive toolset to develop its own unique payment processing application, which is designed to support full compliance with both domestic and international regulations.

Kermode comments: “We chose to do most of the development work in-house, but the help and support we received from IBM was invaluable. We worked directly with a team of experts from the IBM Software Group who were very knowledgeable and always able to answer our questions.”

The new solution runs on the bank’s new IBM z14® server, which is hosted by IBM Services™ in a local IBM data center. Messin notes: “IBM Z has proven to be extremely reliable over the years, so it’s the right foundation to support our new payments processing application.”

Laying the foundations for future success

With the Financial Transaction Manager solution, BCV is converging

payments processing to comply with ISO 20022—in line with the phased implementation schedule set by SIX Interbank Clearing Ltd and Swiss National Bank. The bank now processes all domestic payments using the new XML message format.

Messin states: “Many Swiss banks are still working to prepare for the next wave of changes in payments, such as the unified invoice with QR code. Converging payments messages and systems is typically a complex, time-consuming process, and we know that several banks have had to outsource that work. Thanks to IBM Financial Transaction Manager, we were able to transform our payments operations on time, enabling us to hit the ground running before the switchover.”

This is only just the beginning of BCV’s journey with the Financial Transaction Manager solution. The bank has plans to move functions that are currently executed in its core banking system to the platform.

Kermode elaborates: “In the long term, we want to extract legacy functionalities off our core banking platform and move them to peripheral systems. For example, we are looking at moving more transactions, such as liquidity checks and internal account transfers, to IBM Financial Transaction Manager. This will streamline our core banking system, make it more efficient and modernize our architecture.”

BCV may also adjust transaction routing in the platform to accelerate payment processing. This would enable the bank to offer new customer services based on transaction speed, such as premium real-time payments. Not only would this generate additional revenue, BCV expects that it would also increase customer satisfaction.

Messin concludes: “After decades of relative stability, the banking sector is undergoing major upheaval. With more people choosing digital payments over cash and governing bodies changing regulations to keep pace with that change, it can be difficult to keep up. Thanks to IBM Financial Transaction Manager, we

can be confident of delivering compliant, competitive services to our customers now and in the future.

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—Lars Kermode, Head of IT Architecture, Banque Cantonale Vaudoise

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Solution components

- IBM® Financial Transaction Manager
- IBM Services™
- IBM z14®

Take the next step

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To learn more about IBM payments solutions, visit: <https://www.ibm.com/industries/banking-financial-markets/banking-payments-transactions> and follow us on Twitter @IBMFintech

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