

LSV⁺/BDD – FIRST OPERATIONAL EXPERIENCES

By November 1, 2006 the approximately one-year migration phase of the Swiss banks' direct debit procedure to the new LSV⁺ and BDD (Business Direct Debit) products was successfully completed. Credit Suisse takes stock.

LSV SPECIFICATIONS: EXPECTED AMENDMENTS

	T-3	T-2	T-1	T	T+1	T+2
current	sub.: 10.00/12.00 del.: ca. 17.00			Payment	Payment	Payment
planned			sub.: 15.00/16.00 del.: ca. 17.00	Payment	Payment	(Payment)

← Payment within three to five business days (from T-3 to T+2)
← Payment within one to two (three respectively) business days (from T-1 to T+1)

sub.: = submission / del.: = delivery

Source: CS

Even though all creditors had repeatedly been informed about the planned migration starting as far back as 2004, at four months before the discontinuation of the LSV platform, only 10% had completed the transition to LSV⁺/BDD. Apparently lulled into complacency by the existing direct debit processing, which had – for all intents and purposes – run without any need of maintenance ever since 1977, many organizations didn't pay much attention to the impending changeover.

ORGANIZATIONAL BOTTLE NECKS

Only after viewing the specifications, did many companies become aware that adapting and upgrading software and business processes would be necessary. In some cases, the migration date could only be met by bringing in outside help.

As a result, a significant number of creditors did not transition to LSV⁺/BDD until October 2006. This led to above-average utilization of our advisor and consultant teams along with the IT, project, and product management and the support and service centers.

Additional effort for all parties involved was needed for the introduction of BDD-IDs (without right of objection); particularly since the creditors needed to obtain new debit authorizations from their debtors for the change to BDD. The financial institutions offered companies with large accounts receivable master files mass mutations of «LSV without right to object» to BDD. »

BUSINESS & PARTNERS

All intensive customer support notwithstanding, a very few participants were unable to complete the transition to LSV⁺/BDD on time. In some cases this was a result of outside influences (dependence on software providers, etc.). These organizations had to pursue a short-notice conversion solution in order to be able to participate in the new process by November 1, 2006.

LSV⁺/BDD SPECIFICATIONS

Shortly after start up of the new procedures, the service consultants were faced with diverse problems:

Collection orders must be submitted for processing in LSV⁺/BDD by 10 am three business days before value date. Based on the additional two-day waiting period after value date, payments can be carried out up to five business days after being submitted. For many clients, this extension is less than ideal and is worse than within the frame of the

«The waiting period should be reduced to one day past value date.»

old direct debit procedure, in which submission was possible until 2 pm on the day preceding value date. This change creates a problem in some situations:

- Purchase of securities and investment funds which have a predetermined value date which cannot be met if collection occurs using LSV⁺/BDD.
- Business transactions «goods-for-money», where the period between ordering and delivering increases (especially BDD).
- Increased credit risk for transactions with higher amounts (e.g. crude oil suppliers), since new payment demands are created before deliveries are paid, due to a high and repeating delivery frequency.

These customer concerns – affecting small and medium sized-businesses as well as major international corporations – have prompted Credit Suisse to initiate product improvements at the interbank level. Since most financial institutions had similar experiences, an interbank task-force comprised of CS, RBA, SVRB, UBS, ZKB and TKB representatives in close cooperation with Swiss Interbank Clearing has developed the following product criteria:

- Shortening the delivery period for debit orders to one business day before value date (like the original LSV) and moving of the cutoff time from 10 am to 3 pm for the beneficiary, representing an actual improvement over the original LSV.
- The waiting period, which is purely a regulatory period, should be reduced to one day past value date, thus granting the financial institutions enough time for intervention, should the need arise.

What's next?

We at Credit Suisse see a potential merging of the direct debit and EBPP (Electronic Bill Presentment and Payment) services. In that case, the electronic debit authorization (e.g. in online banking) could be an interesting add-on feature; guaranteed to soon be a topic for innovative debtor banks!

Telekurs PayNet currently implements a new interface for the financial institutions offering debtors an «automatic permanent authorization» function. This allows the debtor to automatically authorize payment of the invoices of selected EBPP billers up to a self-determined maximum amount – a kind of direct debit procedure with payment on ESR basis. Credit Suisse is planning the introduction of automatic permanent authorization by the end of 2007. ■

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DIRECT DEBIT PROCEDURE SERVICES GO TO PAYNET

As of January 1, 2007, Swiss Interbank Clearing Ltd. has transferred the direct debit business field LSV to Telekurs PayNet Ltd. The consolidation of the two companies' related electronic payment business fields, LSV and EBPP, facilitates product design synergies.

LSV+/BDD – A QUICK OVERVIEW

Both procedures are ideal for those companies collecting repeat amounts in Swiss francs or euro and wishing to offer their clients a simple, comfortable payment method. LSV+ and BDD differ in that LSV+

was developed for collection with right to object and BDD for collection in the B2B area and specifically without right of objection. The debit authorization still serves as the contractual basis between creditor and debtor, just as it did in the original LSV. For more info, visit www.lsv.ch.

The screenshot shows the LSV+ BDD website. At the top left is the logo 'LSV+ BDD'. To the right are navigation links: 'DE FR', 'SITEMAP', 'HOME', 'SEARCH' followed by a search input field and a '>>' button. Below the logo is a horizontal menu with links: 'FINANCIAL INSTITUTIONS', 'COMPANIES', 'ONLINE SERVICES', 'STATISTICS', 'CONTACT'. The main content area is divided into several sections:

- FORM CENTER**: A box containing links for '>> LSV+ (16)', '>> BDD (8)', and 'Advanced search'.
- LSV+/BDD – EFFICIENT PROCESSING OF DIRECT DEBITS**: A central heading.
- LSV+ and BDD are Swiss direct debit procedures for the processing of domestic and cross-border payments in francs and euros.**: A descriptive paragraph.
- With right to objection**: A box describing LSV+ as suitable for companies that regularly collect direct debits from both corporate and private customers, with a '>>' link and an LSV+ logo image.
- Without right to objection**: A box describing BDD as suitable for companies that predominantly collect larger direct debit amounts from corporate customers, with a '>>' link and a BDD logo image.
- Data transfer**: A box describing payCOM^{web} as an Internet-based solution for the transmission of payments in DTA format and direct debits, with a '>>' link and a payCOM^{web} logo image.
- Payment transfers**: A box describing that banks without own e-banking interfaces may submit their payment transfers in DTA format via payROUTE, with a '>>' link and a payROUTE logo image.
- Extranet**: A login form with a dropdown menu for 'Extranet', input fields for 'Client' (containing 'sic'), 'Username', and 'Password', and a 'LOGIN >>' button.
- NEWS**: A list of news items:
 - 13.02.2007**: January figures for LSV+/BDD and payROUTE [more](#)
 - 09.02.2007**: payCOM^{web}: new version "Certification Guidelines" [more](#)
 - 12.01.2007**: payROUTE transaction record in December 2006 [more](#)

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www.lsv.ch, the new website all around direct debit services.