

SWIFT

SOCIETY FOR WORLDWIDE INTERBANK FINANCIAL TELECOMMUNICATION

WHAT IS SWIFT

SWIFT, acronym of Society for Worldwide Interbank Financial Telecommunication, is a cooperative company founded in 1973 with headquarters in Brussels. Managed by the Belgian central bank together with representatives of the Federal Reserve, ECB, Bank of Japan and others, it offers its members various services to facilitate international banking transactions: first of all, it provides a secure, certified and standardized messaging system for international payments, connecting affiliated banks through a network (SWIFTnet) which allows the transmission of payment orders in a secure and almost immediate way. It also provides its members with software and services for accessing the SWIFT network, and certifies that the messages sent (on the SWIFT network or others) respond to a universally accepted standard format: messages formatted according to the SWIFT standards can be read and processed in many different financial processing systems, even if they have not traveled on the SWIFT network.

HOW DOES IT WORK

SWIFT is therefore NOT a bank, but a company that provides a messaging system; it does not own funds and does not conduct physical money transactions, but transfers payment orders between banks in different countries. Banks that are part of the SWIFT circuit are assigned a code that uniquely identifies them, consisting of 8-11 characters, called the SWIFT code (or bank identification code -BIC, or even ISO 9362 code); a customer of a bank wishing to credit a sum of money to an account of a foreign bank should simply go to his bank with the IBAN of the foreign bank account and the SWIFT code of the bank concerned: it will be transmitted immediately via the SWIFT network a payment order to the other bank, which will proceed with the transaction.

WHY ARE WE TALKING ABOUT IT?

Because there is talk of ousting Russia from the SWIFT messaging circuit, basically preventing inbound and outbound transactions with Russian banks using the SWIFT system. It may seem like a very harsh sanction, but in reality there is no obligation that leads to a preference for the SWIFT system over other existing but less widespread ones, including the CIPS, sponsored by

China. Excluding Russia from SWIFT does not mean excluding Russia from international trade, but handling payments will be more complex and costly for Russian banks. In summary, excluding Russia from SWIFT could prove to be a double-edged sword, because it would harm SWIFT itself to the advantage of other foreign competitors, and could also harm non-Russian banks.