

Society for Worldwide Interbank Financial Telecommunication (SWIFT)

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In news- As part of ongoing tensions over Ukraine, the US has threatened Russia to exclude it from the SWIFT banking system.

About SWIFT-

- It is a global member-owned **cooperative** that is **headquartered in Brussels, Belgium.**
- It **enables financial entities to send and receive information about financial transactions** in a secure, standardized and reliable environment.
- It was **founded in 1973 by a group of 239 banks from 15 countries** which formed a co-operative utility to develop a secure electronic messaging service and common standards to facilitate cross-border payments.
- **In order to use its messaging services, customers need to connect to the SWIFT environment.**
- It **also sells software and services to financial institutions**, mostly for use on its proprietary "SWIFTNet", and ISO 9362 Business Identifier Codes (BICs), popularly known as "**SWIFT codes**".
- Swift Transfer is also called International Money Transfer.
- It **does not facilitate funds transfer, rather, it sends payment orders**, which must be settled by correspondent accounts that the institutions have with each other.
- To exchange banking transactions, each financial institution must have a banking relationship by either being legally organized as a bank or through its affiliation with at least one bank.

- While SWIFT transports financial messages in a secure manner, **it does not hold accounts for its members nor performs any form of clearing or settlement.**
- **There are several ways of connecting to it:** directly through permanent leased lines, the Internet, or SWIFT's cloud service (Lite2); or indirectly through appointed partners.
- Messages sent by SWIFT's customers are authenticated using its specialized security and identification technology and Encryption is added as the messages leave the customer environment and enter the SWIFT Environment.
- SWIFT **hosts an annual conference, called Sibos,** specifically aimed at the financial services industry.

Impact of excluding Russia from SWIFT-

- **Russia will not receive foreign currency,** and European countries dependent on Russia, will not receive oil, gas, metals, and other important components.
- The exclusion from SWIFT will make it nearly impossible for financial institutions to send money in or out of Russia.
- The move will also shrink the Russian economy.
- Research shows Iran has lost half of its oil export revenue and close to one-third of its foreign trade following the SWIFT disconnection.