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What Is Swift Messaging?

by <u>K. Lynn Wallace</u> Published on 26 Sep 2017

> Banks transmit millions of messages per day, many of which contain highly sensitive information. It is important that they have access to a highly reliable, and highly secure network through which they can communicate without fear of intercepted or lost messages. SWIFT provides that service to banks. Developed in 1973 by bankers in need of a more secure and reliable way to communicate with each other, SWIFT has now grown into a worldwide network of banks, and is the standard method of communication among banks.

WHAT IS SWIFT?

SWIFT stands for the "Society for Worldwide Interbank Financial Telecommunication." SWIFT is a network of over 8,300 banks, securities, and corporations located in over 208 countries. SWIFT allows for the exchange of millions of standardized financial messages between financial institutions throughout the world. SWIFT was created in 1973 by bankers who were in need of a more efficient and secure system for interbank communications and transfer of funds and securities. Prior to SWIFT, all communication between banks was done by telephone, telex, courier or mail. Prior to SWIFT messages between banks contained no instructions past the basic funds transfer itself, however SWIFT allows the banks to attach messages and conditions to fund transfers. Each SWIFT message is a condition of wire transfer.

WHAT DOES SWIFT DO?

SWIFT provides a platform for banks, corporations and other financial institutions to exchange messages, enabling banks to work cooperatively with other banks located across the street, and across the globe. The standardization of such messages allows both banks and their customers to enjoy uniform policies and practices across many different banks. SWIFT is not a bank, and does not hold money or maintain accounts, it merely facilitates the communication between banks. SWIFT provides banks with a centralized data base which allows Bank A to send a message to Bank B securely, without the vulnerability inherent in using email, phone or fax, and without the need for humans to facilitate the process. The communication network created by SWIFT is extremely secure and reliable.

IS SWIFT A PROFIT-SEEKING COMPANY?

SWIFT is a non-profit organization of member banks, controlled by its shareholders. Its goal is to create a streamlined, efficient portal for communication among banks. On average, over 2.4 million messages, concerning transactions totaling \$2 trillion, are processed by SWIFT in any given day.

WHAT DO THE MESSAGES LOOK LIKE?

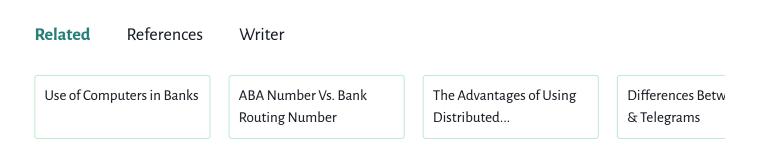
SWIFT messages are a brief document providing the name and code of the originating bank, the name and code of the receiving bank, the amount of the transfer, and one of several preset codes that provide a message to the receiving bank. SWIFT messages are preset and provide standardized conditions for the transfer of funds between banks. Certain phrases are permitted, but they must be short and to the point, and are limited to a certain number of characters. This allows for a highly effecient banking system, since there are a limited number of messages that can be processed under the system.

WHERE IS SWIFT?

SWIFT is currently run by two data centers, one in the U.S. and one in the Netherlands. These centers communicate with each other electronically in real time, and in the event that one experiences a failure, the other can cover the communications of both. SWIFT is working on a third data center, which will be located in Switzerland, which is expected to be fully operational before the end of 2009. Once the Swiss data center comes online, European banks will no longer be monitored by the U.S. center.

WHAT'S NEXT FOR SWIFT?

SWIFT also provides its members with a secure email messaging system. Clients can use the current technology, known for its security and reliability, to pass email messages between member institutions. This provides member banks with a highly secure system through which they can send highly sensitive business documents, without the vulnerability associated with using the open Internet. SWIFT is also developing software to make the messaging language more accessible, and other technology to further develop its communications network.



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