SWIFT SYSTEM IN BANKING

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Abstract

In today's world , transferring money overseas is not difficult. Today it is easy to walk into a bank and transfer money anywhere around the globe , but how does this happen . Behind most international money and security transfers is the SWIFT system . SWIFT (Society for Worldwide Interbank Financial Telecommunication) is a vast messaging network used by banks and other financial institutions to quickly , accurately , and securely send and receive information , such as money transfer instructions . More than 11,000 SWIFT member institutions sent over 35 million transactions per day through the network in 2020 . The organization recorded an average of 42,5 million messages per day on a year-to-date (YTD) basis in March 2021 . Traffic grew by 9,8% compared to the same period of the previous year . Also there are alternatives to continue International transaction .

KEY WORDS: International transaction , SWIFT users, competitors .

INTRODUCTION

As mentioned early , SWIFT (Society for Worldwide Interbank Financial Telecommunication) is a vast messaging network used by banks and other financial institutions to quickly , accurately , and securely send and receive information , such as money transfer instruction . It is important for commercial bankers , central bank authority , as well as the government to have clear idea about SWIFT . Different aspects relating to SWIFT have been discussed below.

THREE IMPORTANT DIMENSIONS OF SWIFT ARE:

1. Society for Worldwide Interbank Financial Telecommunications (SWIFT) is a member-owned cooperative that provides safe and secure financial transactions for its members.

2. This payment network allows individuals and businesses to take electronic or card payments even if the customer or vendor uses a different bank than the payee

3.   SWIFT works by assigning each member institutions a unique ID code that identifies not only the bank name but country , city , and branch.

WHO USES SWIFT:

In the beginning ,SWIFT founders designed the network to facilitate communication about Treasury and correspondent transactions only . The robustness of the message format design allowed huge scalability through which SWIFT gradually expanded to provide services to the following:

- Banks
- Brokerage institutes and Trading houses
- Securities dealers
- Asset management companies
- Clearing houses
- Depositories
- Exchanges
- Corporate Business houses
- Treasure Market Participants and service providers
- Foreign Exchange and Money Brokers

Competitors of SWIFT:

Alternatives to the SWIFT system include :

1.   INSTEX- sponsored by the EU
2.   CIPS – sponsored by China
3.   SPFS – sponsored by Russia
4.   Ripple (payment protocol) – sponsored by Ripple Labs Inc
5.   Stellar (payment network) – sponsored by Stellar Development

CONCLUSION

SWIFT has retained its dominant position in the global processing of transactional message. It has recently forayed into other areas , such as offering reporting utilities and data for business intelligence , which indicates its willingness to remain innovative. In the short term to mid term , SWIFT seems poised to continue dominating the market.

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