Introducing SWIFT

AAOIFI / World Bank Annual Conference on Islamic Banking and Finance

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About SWIFT

• SWIFT is the *Society for Worldwide Interbank Financial Telecommunication*
• A member-owned cooperative
• Established in 1973 – Live in 1977
• Headquarters in Belgium plus 25 offices around the world
• Our role is two-fold...
  – Provide the proprietary communications platform that allows our customers to connect and exchange financial information securely and reliably
  – Act as the catalyst that brings the financial community together to work collaboratively to shape market practice and define standards
• SWIFT enables automated and standardised transaction processing, thereby reducing operational cost and risk, and eliminating operational inefficiencies
• SWIFT is solely a carrier of messages
  – It does not hold funds, manage accounts, or store information
  – SWIFT transports messages between two counterparties, ensuring security, confidentiality and integrity
A customer centric user community

- Banks
- Payment Systems
- Clearing & Settlement Systems
- Broker-Dealers
- Stock Exchanges
- Depositories
- IMI's
- Trustees
- IMI's
- Securities MI’s
- Payments MI's
- Government Institutions
- Insurances Companies
- Corporates
Single Window Connectivity

A single connection to all your counterparties in a common language
SWIFT Governance

- SWIFT is a cooperative society under Belgian law and is owned and controlled by its shareholders - the shareholders elect a Board of 25 independent Directors, which governs the Company and oversees the management of the Company.
- The National Bank of Belgium acts as lead overseer of SWIFT, supported by the G-10 central banks - oversight focuses primarily on ensuring that SWIFT has effective controls and processes to avoid posing a risk to the financial stability and soundness of financial infrastructures.
SWIFT in Figures (July 2011)

- 4 billion messages in 2010
  - Average 17.4 million messages per day
- 9,921 customers
- 209 countries
- 99.999% systems / network availability
- ISO registration authority for financial messaging
  - Variety of message standards supported
    - Proprietary FIN
    - XML
    - FpML
  - SWIFT: ISO registration authority for financial messaging

In 34 years not a single corrupted, misrouted or lost message
SWIFT’S MESSAGING STANDARDS
# SWIFT’s Message Standards Solutions

<table>
<thead>
<tr>
<th>Category</th>
<th>Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - Customer payments &amp; cheques</td>
<td>Instructions for payments</td>
</tr>
<tr>
<td>2 - Financial institution transfers</td>
<td>Instructions for payments</td>
</tr>
<tr>
<td>3 - Treasury markets - FX, money markets &amp; derivatives</td>
<td>Confirmations and allocations</td>
</tr>
<tr>
<td>4 - Collections &amp; cash letters</td>
<td>Trade Finance</td>
</tr>
<tr>
<td>5 - Securities</td>
<td><strong>Instruments</strong>&lt;br&gt;• Equities; Commodities; Fixed Income; Funds&lt;br&gt;<strong>Processes</strong>&lt;br&gt;• Trade order / status / confirm&lt;br&gt;• Settlement instruction / status / confirm&lt;br&gt;• Trade / holdings statements&lt;br&gt;• Treasury Murabaha</td>
</tr>
<tr>
<td>6 - Treasury markets – precious metals, syndications</td>
<td>Commodities trade confirmations</td>
</tr>
<tr>
<td>7 - Documentary credits &amp; guarantees</td>
<td>Trade Finance</td>
</tr>
<tr>
<td>9 - Cash management &amp; customer status</td>
<td>Cash balance statements</td>
</tr>
</tbody>
</table>
What does a message standard look like?

<table>
<thead>
<tr>
<th>M/O</th>
<th>Tag</th>
<th>Field Name</th>
<th>Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>M</td>
<td>20</td>
<td>Sender’s Reference</td>
<td>16x</td>
</tr>
<tr>
<td>O</td>
<td>13C</td>
<td>Time Indication</td>
<td>/8c/4!n1!x4!n</td>
</tr>
<tr>
<td>M</td>
<td>23B</td>
<td>Bank Operation Code</td>
<td>4!c</td>
</tr>
<tr>
<td>O</td>
<td>23E</td>
<td>Instruction Code</td>
<td>4!c[/30x]</td>
</tr>
<tr>
<td>O</td>
<td>26T</td>
<td>Transaction Type Code</td>
<td>3!a</td>
</tr>
<tr>
<td>M</td>
<td>32A</td>
<td>Value Date / Currency / Interbank Settled Amount</td>
<td>6!n3!a15d</td>
</tr>
<tr>
<td>O</td>
<td>33B</td>
<td>Currency / Instructed Amount</td>
<td>3!a15d</td>
</tr>
<tr>
<td>O</td>
<td>36</td>
<td>Exchange Rate</td>
<td>12d</td>
</tr>
<tr>
<td>M</td>
<td>50a</td>
<td>Ordering Customer</td>
<td>A, F or K</td>
</tr>
</tbody>
</table>

*It is a technical construct, meant to be machine readable...therefore, automated and low risk*
SWIFT & ISLAMIC FINANCE
Islamic Finance is NOT new to SWIFT

• 240 Islamic banks are on SWIFT
  – 84% of global Sharia assets
  – 50 million messages in 2010
• Use SWIFT for Conventional solutions:
  – Payments
  – Foreign Exchange
  – Securities
  – Funds
  – Trade Finance
  – Cash Management

Murabaha

• ISO 15022 messages
  – MT 502 / 509 / 515
• MT 202
• Guidelines document
  (explaining how to use the messages for Murabaha)
• AAOIFI certified as compliant
  with Islamic financial standards
What’s Next?

**Continue working with the Islamic financial community**
- AAOIFI, AIBIM and Islamic banks
- Regional + industry conferences
- Sibos session three years in a row
  - *Shaykh Yusuf DeLorenzo*
  - *Dr. Mohamad Nedal Alchaar*
- Establish a Working Group of Islamic banks, organisations and scholars

**New Solutions**
- Identify solutions as required by the Islamic financial community:
  - FX; Money Market Deposit; Derivatives confirmations (e.g. Profit Rate Swap); Sukuk settlement messaging; Corporate Actions; etc.

*Tuesday morning ½ day workshop – tell us what you need from SWIFT*
SHUKRAN