Alternatives to Swift: A Vital Tool in Global Banking

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Abstract
The trade of businesses isrun by many countries to make a strong economy. Each country has itsseparate code and network system for transactions that support the security system for confidential information. The society for worldwide interbank financial telecommunication (SWIFT) isthe core foundation of the cross-border fund transactions that ensure security and transparency andis now linked with more than 200 countries and 11000 members institute that are exchanging an average of 44.8 million messages per day. This manuscripthas detailed the list and de-list process of countries from the SWIFT system. How and what delisted countries found their alternative, is also discussed in detail.
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Introduction

In today's times, transferring money over a cross border isn't difficult, it's easy to transfer money from one country to another around the globe with the use of the SWIFT system. Society for worldwide interbank financial telecommunication (SWIFT) is a messaging network that helps banks and other financial institutions to securely, quickly, and accurately send and receive informationand instructions about financialtransactionswith the use of a standardized system of codes.All over the world, SWIFT is the most secure and reliable third-party network that servesmore than 200 countries and11000 banks, financial institutions, and corporate consumers.It's important to emphasize that SWIFT is not a bank or financial institution, it is only a network systemthat doesn't hold funds nor does manage the account on behalf of the customers. SWIFT helps its member institutions to connect and exchange financial information and instructionsthrough networks, standards, products, and servicesthat are provided by the system (Alam, 2022).

In February 2022,the removal of Russian banks from SWIFTwas announced by Ursula Von der Leyen the president of the European Commissionbecause Russia attacked Ukraine that affecting approximately 300 Russian banksand also affecting the world economy with the removal of Russian banks.After the coronavirus pandemic, the recovery of the global economy became difficultbecause this implication affected the European union's natural gas imports, increasing the prices of natural gases and grains. SWIFT stopped Russian banks'worldwide financial transactions but that deci-

sion might not affect theRussian economy as expected because there is an alternative to SWIFT which isthe RussianSPFS, Chinese CPIS, and Indian SFMS, etc. all of these are provided financial message services (SWIFT_ARTICLE, n.d.).

Genesis of SWIFT:

Globalization is the phenomenon that has opened the possible doorsfor countriesto develop the world economy.The flow of trade started happening from one country to another country and as a result between countries flow of resources and financial transactions started.Some rules and regulations were followed by banks when the monetary transaction took place within the specific country that secure the monetary transactions.Monetary transactions over the cross border also neededtechnological infrastructure which would ensure the reliability and securityof transactions and helpthe smooth flow of resources and monetary transactions(-Dasgupta & Grover, 2019).In the 1960s, telex was used for worldwide fund transfers but the problem was theslowspeed and errorsthat occurred in transactions (Scott &Zachariadis, 2012).

SWIFT was the alternative to telex created in 1973 with 15 countries and 239 members. Telex was thepeer-to-peer telephone network that used teleprinters and fax machinesfora messaging systemtoworldwide fundtransfers.Telex senders described the financial information in sentences and then that wasinterpreted by the receivers, it led tomanyhuman errorsthat werefaced by users cause telex didn't have a unified system of codes like SWIFT.(Scott &Zachariadis, 2012).

In 1973, SWIFTwasformed with 239 banks in 15 countrieslocated in Brussels, Belgium.SWIFT thecooperative society was created under Belgium law and it is owned and controlled by its board of directors.It is overseen by agroup of ten (G-10) countries' central bankswhich are Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, the United Kingdom, and the United States. It was based on non-profit organization andunbiased and not linked with anygovernment, the corporate or geographic location so located far away from New York or Londonwith the promise to provide common standards andtechnological infrastructure forworldwide financial transactions.(Scott &Zachariadis, 2013).

The unique code is assigned by SWIFT to each banking organization that has either 8 or 11 characters, known as the bank identifier code (BIC). The code contains not only the bank name but also the country or city name. The terms SWIFT code or BIC are used interchangeably.Like

- First four characters: are the institute code
- Next two characters: are the country code
- Next two characters: are the city code
- Last three characters: are optional, but use to assign the codes to individual branches.

SWIFT provides services to banks, clearing houses, securities dealers, trading houses, exchanges, depositories, asset management companies, corporate business houses, foreign exchange, etc. (How the SWIFT Banking System Works, n.d.) SWIFT payment took 1 to 5 working days to complete the moneytransferring process when it started, banks holidays, weekends, and intermediary banks when sender and recipient banks don't have a direct agreement, etc. madean impact on the speed of transferring process(SWIFT Transfer Explained: What Is It and How Long Does It Take?, n.d.).In 2017, SWIFT global payment innovation (GPI) was launchedtoimprove the speed and transparency of cross-border payment.There were four principles of GPI- enhancing the payment speed, monitoring payment status in real-time, ensuring the transparency of fees,and identifying the underlying payment reasons. Cross-border payment on SWIFT GPIhas increased the speedwith a median processing time is less than two hoursbut their speed varies across end-to-end payment routes (Nilsson et al., 2022).

Now, the SWIFT system is used by more than 200 countries and 11000 banks and financial institutions who are exchanging messages every day. The organization recorded an average of 44.8 million messages per day on a YTD (Year-to-Date) basis in November 2022. As compared to the same period of the previous year traffic grew by 7.1% (Homepage /Swift, n.d.) (SWIFT, 2015).

Table 1: List of Countries that Use the SWIFT System Services

Year	Countries	Customers	Messages (Million-Billion)
1979	15	239	10 M
1989	79	2814	296 M
1999	189	6797	1.06 B
2009	209	9281	3.76 B
2022	>200	11696	11.25 B

Table1 shows the evolution of SWIFT (1979-2022)

Sanctions

SWIFT hasbeenunable toavoidpolitics and hasn'tadopted the international geopolitical position. It is a neutral organization which is worked for the benefit of all its members.SWIFTfollows the European Union (EU) regulations, if the EU imposes the sanction, then SWIFTiscompelled to follow EU guidelines.It is used by the EU to disconnect actors' banks from their systems like Iran and Russia.After America's 9/11terroristattack, SWIFT sent financial data access to US authorities to analyzethe financial flow and identify the terrorists' activitythat help to prevent the terrorist attacks (Dorry et al., 2018).

In 2012,Iranian bankshadbanned from SWIFT networks and never used thesystem for fund transfers, as a sanction against Iran was imposed by the European Union councils. As a result,Iran negotiatedover its nuclear program, then reconnected to the SWIFT network in 2016(Swift and Sanctions | Swift, n.d.).In 2014, European and American councils threatenedto ban Russian banks from the SWIFT system but in 2022 Russian banks were removed from the SWIFT by the US government whenthe Russian militaryinvadedUkraine. According to China and Russia, SWIFT uses as a political

weapon so both China and Russia developedtheir financial messaging systemas an alternative to SWIFT(Dörry et al., 2018).

Alternatives to SWIFT

Some alternatives to SWIFT are as followed:

- SPFS Financial Messaging System of the Bank of Russia(SPFS): The system for the transfer of financial messages (SPFS) is equivalent to SWIFT that was developed by the central bank of Russiawhen the US government bannedthe Russian banksfromthe SWIFT system in 2014 Its headquarteris situated in Moscow, Russia. The Russia SPFS adopted ISO 20020 standard, and the users of SPFS can send financial messages in SWIFT format. In 2015, over 300 Russian banks linked with the SPFS messaging systemwere reported by the Bank of Russia. Russia expand its SPFS messaging system with developing countries like Iran and Turkey and made agreements to link with other countries' payment systems like India and China. Foreign users can connect directly or through the service bureau to the SPFS system. At the end of 2020,23 foreignbanks which are from Armenia, Belarus, Germany, Kazakhstan, Kyrgyzstan, and Switzerland are connected to the SPFS system by Russia. Now, the SPFS network has 399 users and also transfer over 2 million messages in 2020(SPFS - Wikipedia, n.d.).

In December 2017, the first operation started on the SPFS network. Russia's SPFS is not working 24/7 like SWIFT its works on only weekday working hours and its messages are limited in size to 20kb. The charges of SPFS systems are three timeless expensive as compared to SWIFT(Russia's Alternative To SWIFT: What Is SPFS? - ABTC, n.d.).

On 26 February 2022, when the US governmentprevent the authorization ofthe Russian banks from using the SWIFT system for the war on Ukraine Russia used the SPFS system.Thedecision of the US to ban the Russian banks from the SWIFT systemhas not affected Russians' worldwide transactions as much as expected because of the alternative of SWIFT.After the removal of Russian banks from SWIFT,Russia transferred the fund worldwide with the use of the SPFS system and CIPS(SPFS - Russia's Alternative To SWIFT - Russia Briefing News, n.d.).

- Cross-Border Interbank Payment System (CIPS): The cross-border interbank payment system (CIPS) was a Chinese alternative to SWIFT that was created on 8 October 2015 in Shanghai and launched by the People's Bank of China as financial infrastructure to improve trade and investment in RMB (Renminbi) because China wants to promote their currency RMB worldwide. It's adopted the SWIFT code and the ISO 20022 standards.Information and instructions for fund transfers send in both language English and Chinese.

CIPS is used RTGS (REAL TIME GROSS SETTLEMENT) method which means participating banks immediately settle the payment on a gross rather than a net basis which helps to reduce the credit risks that can arise when payments are netted before settlement. In 2021, CIPS connected with 1280 institutions in 103 countries and regions. As of June 2022, there are 1341 participants of which 76 are direct and 1265 are indirect participants. Russian banks might use the CIPS system due to the US disconnecting them fromusing SWIFT(Schachtschneider, 2022)(Cross-Border Interbank Payment System - Wikipedia, n.d.).

- Structured Financial Messaging System (SFMS):On 14 December 2021, the Indian alternative to SWIFT, SFMS was created withthe cooperation of the Institute for Development and Research of Banking Technology (IDRBT) that was established by the Central Bank of India (RBI) in 1996 with Tata Consultancy Services (TCS) that was the software developer. It is secure for intra-bank and inter-bank communication andadopted the ISO 20022 standards. This system is adopted by the RGTS (Real-Time Gross Settlement), electronic fund transfers and centralized funds management systems (CFMS), etc.for messaging and fund transactions(Radha et al., n.d.) (Structured Financial Messaging System - Wikipedia, n.d.). SFMS connected 165 banks and clearing houses through an RGTS that is controlled by the Reserve Bank of India (RBI)(SWIFT_ARTICLE, n.d.).

There are some other equivalentsfor SWIFT such as Ripple and INSTEX (Instrument in Support of Trade Exchanges). Ripple launchedblockchain technology and bitcoin that challenges the traditional cross-border payment system and is a competitor of SWIFT. INSTEX was developed by the EU on 31 January 2019 with the purpose to secure trade and transactions with Iran(Instrument in Support of Trade Exchanges - Wikipedia, n.d.).

There are many alternatives to SWIFT but theycan't affect the SWIFT system because it has a huge network in more than 200 countries. These alternatives do have not huge infrastructure like SWIFT and have limited members but are useful for the banks that were removed

from SWIFT by the EU and the US councils. Banned banks have used these alternatives for worldwide fund transactions(Dörry et al., 2018).

Conclusions

Global trade and fund transactions aren't possible without a payment system. SWIFT is the messaging system for worldwide fund transactions that ensure the security and accuracy of transactions. This article presents the detail of the SWIFT code that is used by the banks as a network system for security purposes. Around more than 200 countries have implemented the SWIFT network in the banks to facilitate worldwide transactions. Various Countries are used the SWIFT code to communicate with each other for global trade. Some existing countries are not using the SWIFT code because the US banned the countries' banks from SWIFT and found an alternative to run their economy globally. SPFS,CIPS, and SFMS are some messaging networks for global trade that are used by the especially Russia, China, and India. The presented messaging system provided a secure protocol for worldwide business.

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