

## **SWIFT Overview**

The Society for Worldwide Interbank Financial Telecommunication (SWIFT) system enables banks and other financial institutions worldwide to exchange financial transactions safely and securely. While SWIFT offers multiple services, its most popular offering enables banks to send and receive funds transfer messages.

### **How Does it Work?**

Here's an example transaction that demonstrates SWIFT's role in enabling funds transfer transactions:

1. A person in San Francisco tells their bank they would like to transfer funds to a family member in London and provides the bank account number of the recipient.
2. The San Francisco bank sends a message through the SWIFT system with the details of the funds transfer request. The message uses SWIFT's standardized format and includes the recipient's account number and a SWIFT code that uniquely identifies the London bank.
3. SWIFT instructs the Clearing House Interbank Payments System (CHIPS) to transfer the funds from the San Francisco bank to the London bank. Notably, it is the CHIPS system, not SWIFT, that performs the actual funds transfer.
4. The San Francisco bank debits the sender's account.
5. The London bank credits the recipient's account.

### **Who Manages it?**

SWIFT is a non-profit cooperative society, headquartered in Brussels, Belgium, and owned by over 11,000 member financial institutions. The organization makes money by charging fees to its members for use of the system.

### **How Secure is it?**

SWIFT encrypts messages using best-in-class encryption technology, which provides a high level of security. However, in recent years hackers have stolen the security credentials of a few SWIFT member banks in developing countries and used them to create fraudulent transactions resulting in multi-million-dollar losses for the compromised banks. SWIFT has taken a variety of steps to shore up security to prevent these attacks, but the verdict is still out on whether these measures will adequately bolster their security.