



**Welcome
folks!**

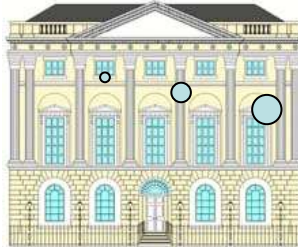
**Today, let us
understand
SWIFT
using Fund
Transfer**



Paying or Remitting Bank



Need to send money to Subs, else!



SWIFT



Beneficiary Bank



Let me see if Uday sent the Money



Let us see who are generally involved in banking communication

- Remitter – Uday who is sending money
- Remitting Bank, sends payment
- SWIFT, helps in flow
- Beneficiary – Subs who is to get money
- Beneficiary Bank – Receives money from Remitting Bank



Uday goes to
the Bank



Uda deposits money and provides instructions to the Bank to send remittance

Now, let me tell you about SWIFT, a medium used for Communication





Brussels

*SWIFT was born in 1973
It is Head Quartered at Brussels in Belgium
It started of in 15 Countries with 239 Financial
Institutions*

*What does it do?
It helps in connecting Banks and keeps
transactions secure*



20 seconds is the average time for a message to reach

Brussels

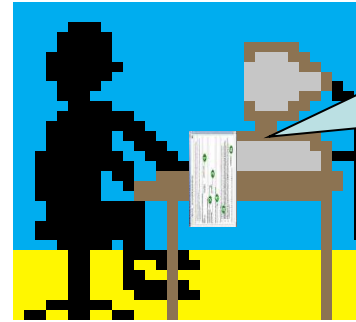


Today!
It is spread across 208 Countries with
around 10800 Institutions part of it.
You have Banks, Corporate and NBFCs





Hi Swams
checking the
instructions



AJ,
Capturi
ng the
transac
tions



Anu,
Authori
sing!



Instruction is processed further....

*How does the money go out?
Electronically! Through SWIFT*

*Let me tell you more above features of
SWIFT, later would tell you more about above
3 guys and what they are doing*

How are Banks Identified in SWIFT Network?
BICs

What is BIC?
Bank Identifier Code

How does a BIC look like?
It is a 11 character code for e.g. BANKDEFFXXX

What does BANKDEFF symbolize?
First 4 characters (BANK) stands for X Bank
The 5th&6th characters (DE) are Country code
7th&8th characters are the Area code or City code
Last 3 are for Branch code or represented as XXX
for main branch in the Country



What are the kinds of BICs we have in SWIFT Network?

Connected & Unconnected

What is connected BICs?

Institutions with BICs and have connectivity to SWIFT Network

Then what is unconnected BIC?

BICs valid but not directly connected to SWIFT Network

How we can distinguish BICs?

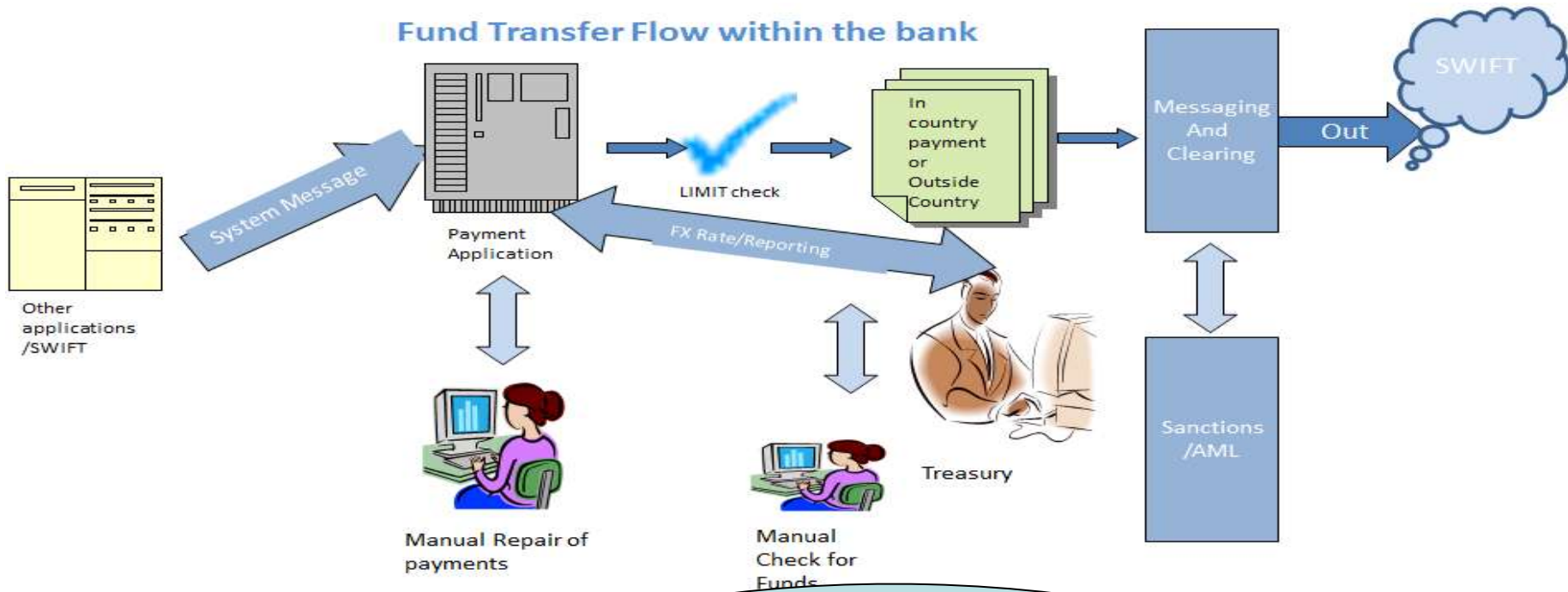
Unconnected will have 8th digit as "1" rest remains the same

e.g. BBHCUS31

I am sure by now you have learnt something about SWIFT, I'll now tell you how it is connected.



Fund Transfer Flow within the bank

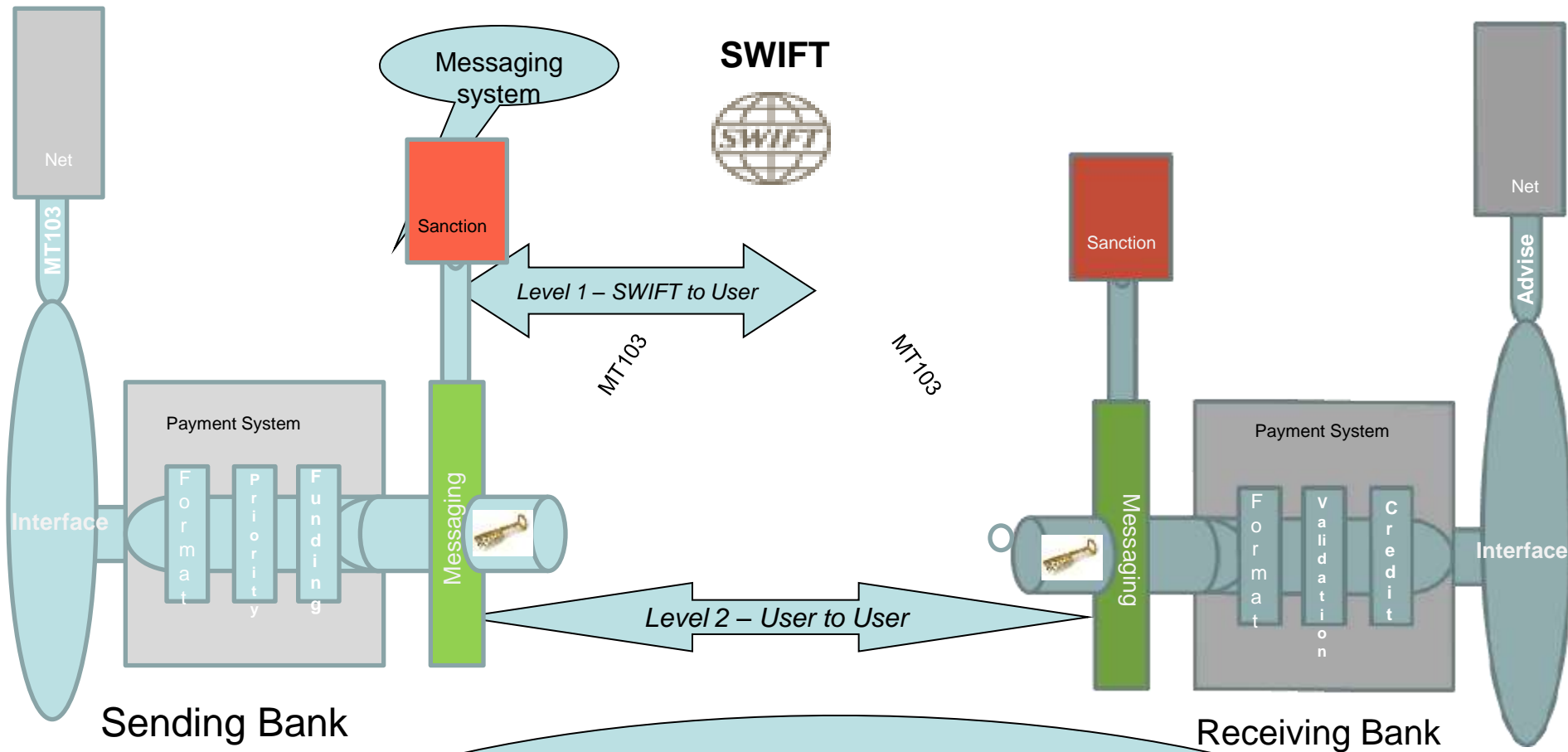


In a Bank, internally all core applications mainly Payment, Trade, Securities, Treasury, Reconciliation etc. are connected to Messaging system (MS)

MS is then generally connected to 3 gateways, one directly to local clearing system, second one to SWIFT, where majority of messages go through and the third connects the internal bank network, mainly messages within the bank flow through this channel.

Apart from this MS is also connected to AML solution to check for Bad guys as per regulator needs





As we see above, all internal applications are connected to SA, SA is then connected to SWIFT Network, which in-turn connects to other financial institutions' "Messaging Applications", which in-turn connect to internal applications of the respective banks.

It has 2 levels of security, one between Banks and SWIFT and the other between 2 Banks. IP protocol is used for connecting to SWIFT and the security feature between Banks is called Relationship Management (RMA) and earlier known as BKE.

Message Type - Category Description

Basic categories

➤ System Messages

e.g. MT 094 – Broadcast Message from SWIFT

➤ User to User Messages

e.g. MT 103 – Customer Transfer



Let me tell you about message type (MT) used in SWIFT Communication, in general made up of 3 digits

➤ Broadly, we have 2 categories,

➤ one between SWIFT and User, they start with 0 and

➤ The other is between user to user, this is used for communication between 2 Banks, MT range between 1 to 9

Apart from the above, SWIFT helps in transfer of Bulk Files like for domestic payments or between 2 users

Message Type - User to User Category Description

- 1xx - Customer Payments and Cheques
- 2xx - Payments, Cash Management and Customer Status
- 3xx - Financial Trading
- 4xx - Collections and Cash Letters
- 5xx - Securities
- 6xx - Precious Metals and Syndications
- 7xx - Documentary Credits and Guarantees
- 8xx - Travellers Cheques
- 9xx - Cash Management and Customer Status



- User to User is again broadly classified as Authentic and un-authentic message type.
- MT 1 series to 8 series are generally authentic and MT 9 series is un-authentic



That is all folks for now, more about SWIFT in next session

In the next session, will tell you about

- Blocks in a message type
- Acknowledgement between Bank and SWIFT

Thank you and will meet you in the next module.