



Introducing SWIFT

*AAOIFI / World Bank Annual
Conference on Islamic Banking and
Finance*

Peter Ware

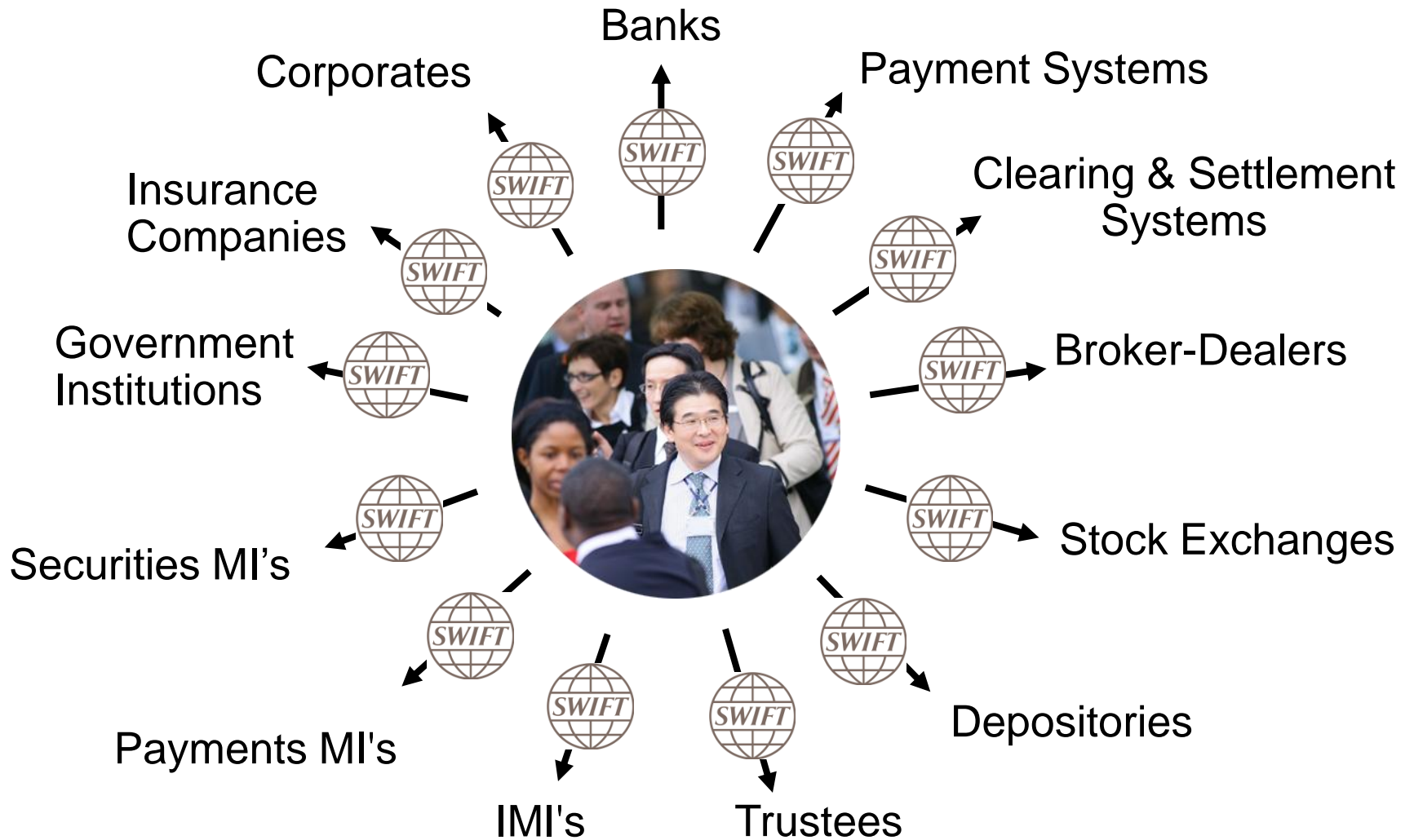
23 October 2011

About SWIFT

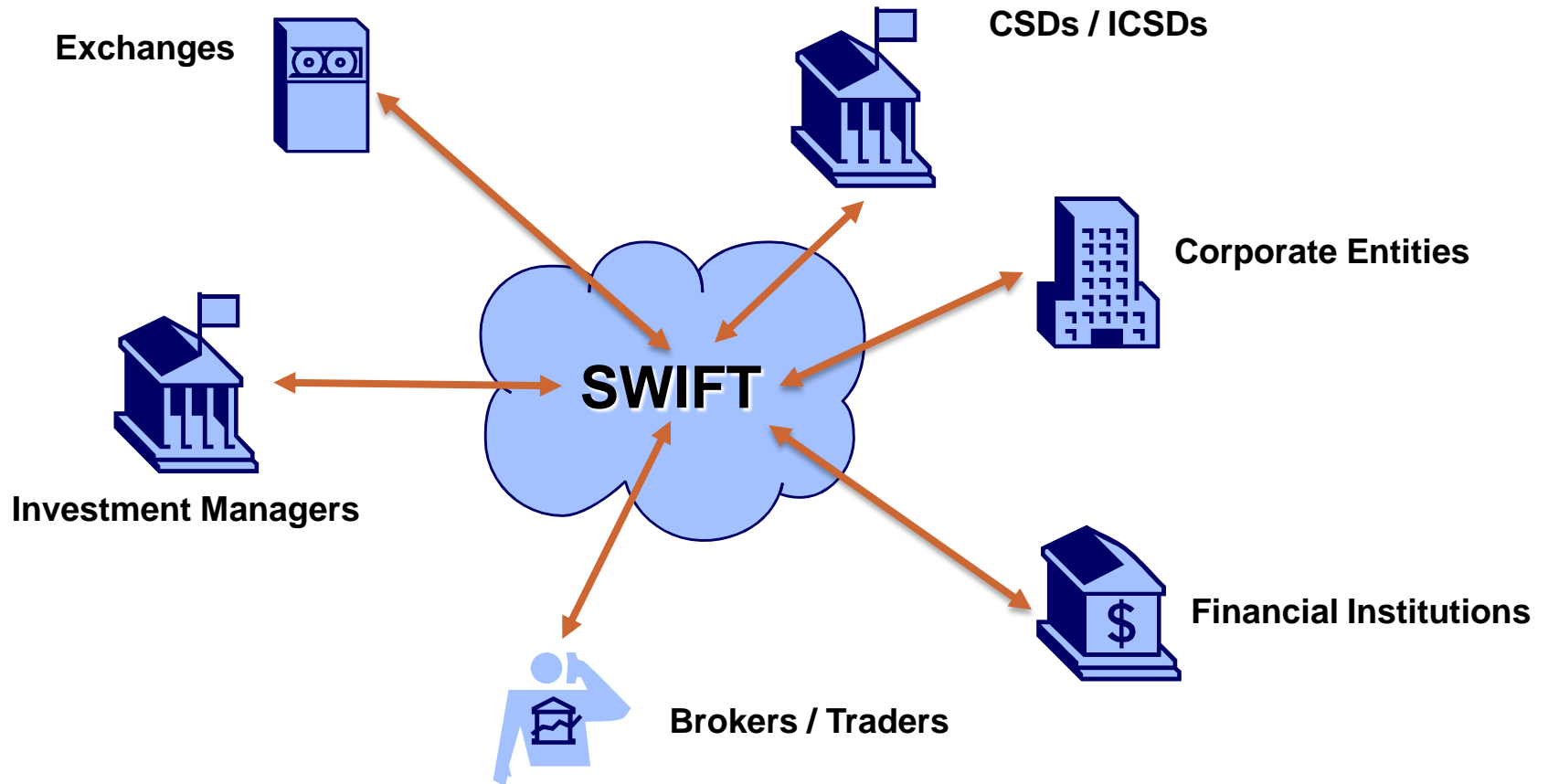
- SWIFT is the *Society for Worldwide Interbank Financial Telecommunication*
- A member-owned cooperative
- Established in 1973 – Live in 1977
- Headquarters in Belgium plus 25 offices around the world
- Our role is two-fold...
 - Provide the proprietary communications platform that allows our customers 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



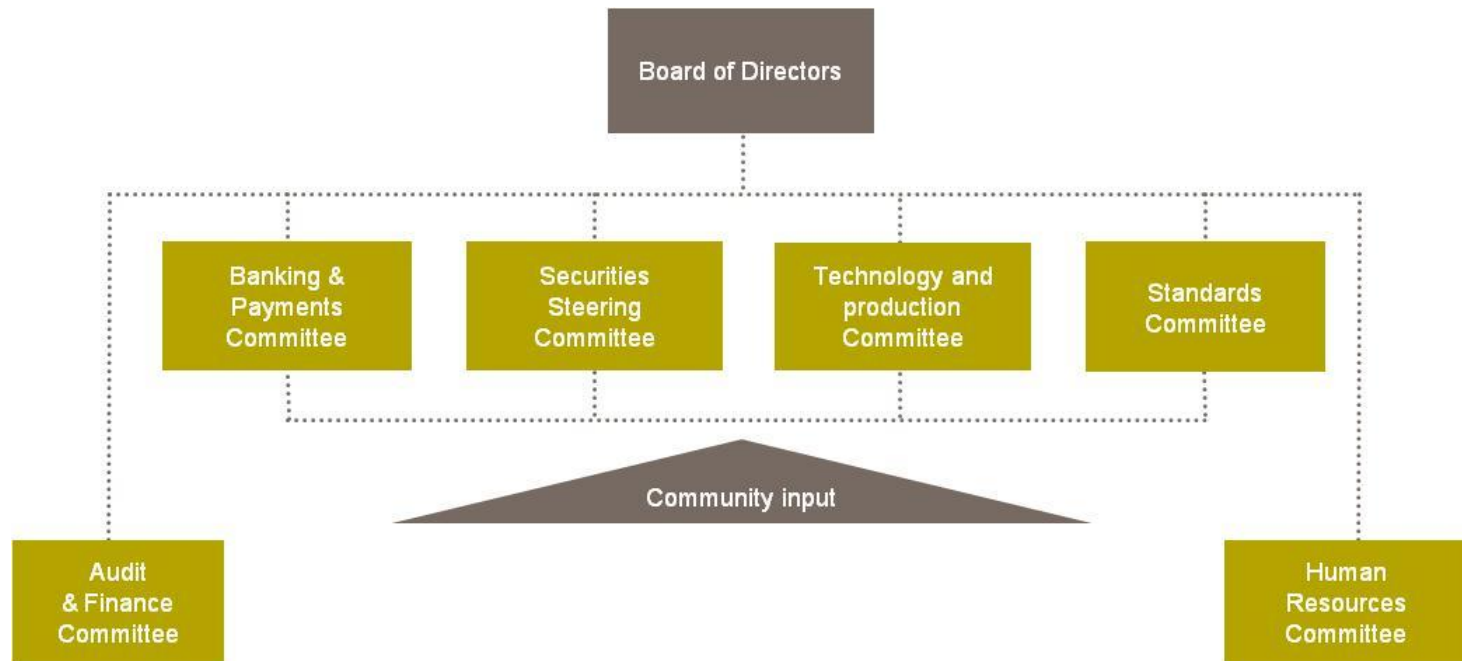
Single Window Connectivity



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 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

| Category | Use |
|--|--|
| 1 - Customer payments & cheques | Instructions for payments |
| 2 - Financial institution transfers | Instructions for payments |
| 3 - Treasury markets - FX, money markets & derivatives | Confirmations and allocations |
| 4 - Collections & cash letters | Trade Finance |
| 5 – Securities | <p><i>Instruments</i></p> <ul style="list-style-type: none"> • Equities; Commodities; Fixed Income; Funds <p><i>Processes</i></p> <ul style="list-style-type: none"> • Trade order / status / confirm • Settlement instruction / status / confirm • Trade / holdings statements • <i>Treasury Murabaha</i> |
| 6 - Treasury markets – precious metals, syndications | Commodities trade confirmations |
| 7 - Documentary credits & guarantees | Trade Finance |
| 9 - Cash management & customer status | Cash balance statements |



What does a message standard look like?

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

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

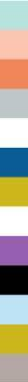
- AAOIFI, AIBIM and Islamic banks
- Regional + industry conferences
- Sibos session three years in a row
 - *Shaykh Yusuf DeLorenzo*
 - *Dr. Mohamad Nedal Alchaar*
- Establish a Working Group of Islamic banks, organisations and scholars

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

