Summary

The Society for Worldwide Interbank Financial Telecommunication (SWIFT) is on track to establish a WFOE in Beijing to service clients from the Chinese Mainland, reported Yicai Global on January 17. SWIFT is currently the most widely used service for messaging & cross-border payments by global financial institutions. PBoC will oversee the WFOE as it will become part of the China Payment and Clearing Association. The company has also signed a letter of intent to deepen cooperation with the country’s equivalent RMB based system, China International Payment Service (CIPS).

Analysis

The implementation of SWIFT in the country’s financial system is a step towards opening-up both its services industry and the economy as a whole. The company has agreed to cooperate with regulators to help create strategies that will further the Belt and Road Initiative. Despite this, some critiques are surrounding SWIFT suggesting it will soon be outdated and might not be the best fit for China. The biggest criticism is the disproportionate control the US has over the system, as most transactions are routed through US Banks which can withhold funds.