

Document 2: Types of Clearing Networks in Banking

Clearing networks are critical to the flow of interbank payments. Each network has its own protocols, timelines, and cost structures.

1. SWIFT:

- Used for international wire transfers.
- Provides messaging layer but relies on correspondent banks.

2. Fedwire:

- Real-time gross settlement system operated by the US Federal Reserve.
- Ideal for large-value domestic transfers.

3. ACH:

- Automated Clearing House for low-value batch transfers.
- Used for payroll, vendor payments, and direct deposits.

4. RTP (Real-Time Payments):

- Operated by The Clearing House in the US.
- Enables instant payment settlement 24/7.

5. Differences:

- SWIFT = global + slow
- Fedwire = domestic + fast + expensive
- ACH = domestic + batch + economical
- RTP = domestic + real-time + API-ready