The Basics of SWIFT

Swift and Swift Code

1. The 'Society for Worldwide Interbank Financial Telecommunication' or SWIFT was established to build a common messaging system among banks and businesses. It is a private and secure network which only members can access to communicate within themselves.
2. SWIFTNet is SWIFT's secure IP network, which connects all these financial institutions and corporations around the world.
3. Not only banks or financial institutions but corporates can also become a member of SWIFT to communicate their instructions with financial institutions directly. SWIFT provides a separate product for corporations called the SWIFT Score.
4. The members identify each other in the network using an unique id called the SWIFT code or Business Identifier Code (BIC)
5. Swift Codes-
    a. 8 to 11 characters in length
    b. Separate characters present to identify -
        i. The organisation as a whole
        ii. The country where the branch is located
        iii. The particular location of the branch

Types of SWIFT Messages

1. Communication between SWIFT members happens using standardised message formats. The two members communicating with each other must understand/support the messaging format to decode the message sent, just like the usage of human languages.
2. The two standardardized messages which are supported by SWIFT are MT and MX messages.

3. MT messages are structured according to the specifications of the ISO 15022 standard and the newer MX messages according to the ISO 20022 standard.
4. MT messages are exchanged under SWIFTNet FIN (financial messaging application) service
5. FIN service comprises of -
    a. the financial messaging application (FIN) for the actual exchange of financial messages
    b. General Purpose Application (GPA) - function is administration, access, and control of FIN.

Structure and Categories of MT Messages

1. SWIFT MT messages consist of five blocks.
2. Block 1 - Basic header block is the only mandatory block.
3. Block 4 - Text block contains the main contents of the message
4. An input SWIFT message and an output SWIFT message are not identical. The output message is longer than the corresponding input message due to addition of various technical information as the message passes through the Swift system.
5. MT messages - there are a total of 9 categories and a separate category for common messages which can be used under any category.
6. Under each category there are several messages. For example, under Category 1 messages - MT 101, MT 103 etc
7. To use these different types of messages correctly, SWIFT also provides some rules and guidelines to structure the messages -
    a. MT Network Validated Rules - has predefined error codes
    b. MT Usage Rules - rules for which no error code is defined, but are still mandatory for the correct usage of the message
    c. MT Guidelines - neither validated on the network nor are mandatory for the correct usage of the message, provide good practices about how to populate fields in a message
    d. MT market practice rules - are a set of rules which are usually in practice or prevalent in the market