



## Q&amp;A

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## Swift's role as a network of networks is more important now than ever before

The cross-border payments space is evolving rapidly with new players and new technologies. What does this mean for Swift?

There have always been many different ways to move value around the world, and this competition is important to uplifting the experience for end users. Equally, it's encouraging to see so much innovation taking place around the world, including in the digital asset space, and there are many initiatives with which Swift is directly involved.

When Swift was created, it was to standardize cross-border financial communication. That *raison d'être* remains, and as new technologies, networks and forms of value emerge, we're focused on interoperating this increasingly complex ecosystem, mitigating the risks of fragmentation so that the global economy can continue to function securely and efficiently.

Swift has earned the trust of the financial industry over the last half a century. As a co-operative, we are a convener of the industry, but also for the industry. Trust is arguably the most important commodity in global finance – and we're focused on continuing to bring the industry together to solve common challenges and ensure value of any kind can continue to flow securely and seamlessly across borders.

You mention the risks of fragmentation. How real are those risks, and what is Swift's role in overcoming them? What impact will stablecoins and other digital assets have on fragmentation in the global financial ecosystem?

The risks of financial fragmentation, caused by rapid technological advancements as well as geopolitical shifts, are

very real. In this context it's arguable that Swift's role as a trusted network at the heart of the financial ecosystem is more important now than ever before. Research conducted by Economist Impact earlier this year looked at three possible scenarios, depending on what level of action was taken. The reality was that in all cases, there are no winners, but in the worst case scenario financial fragmentation could wipe 6% off of global GDP by 2030. That's equivalent to \$6.5 trillion.

In this scenario, 280 million fewer jobs will be created. Innovation will slow down, risk and uncertainty will increase and efforts around financial inclusion will be hindered. Clearly, there will be no winners.

In the context of cross-border transactions, the ecosystem is complex. New networks and technologies will only add to this complexity, and there is a risk of 'digital islands' emerging – in other words, silo'd operations that exist within a region or between a few countries, but that are not efficient for global trade or finance.

Swift is agnostic to technology, just as it is agnostic to currencies. We're often referred to as a network of networks, and as new networks emerge and scale, we'll continue to seek to ensure they can interoperate with the broader financial ecosystem so that the risks of fragmentation are mitigated as much as possible.

We've been collaborating with the industry for some years and have successfully demonstrated the role that Swift can play in the future financial ecosystem. If a stablecoin or other form of digital asset is used in one market, but another continues to use a fiat currency, then these two countries will need to be able to interact if they are to continue to trade with one another. And if one country uses a digital asset built on one blockchain, and another country uses a different blockchain network, the same applies. We have shown that we can interlink these networks, so that financial institutions and businesses can continue to transact using their secure Swift infrastructure, regardless of the form of value.

## The G20 has a roadmap for improvements to cross-border payments. What role is Swift playing in driving the industry forwards?

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Our strategy is closely aligned to the G20 roadmap, and in fact our processing speed (90% within an hour) is already significantly ahead of the G20's end-to-end settlement target (75% within an hour by 2027). The issue is in the last mile, between a payment arriving at a bank and being credited to the customer, and we're committed to working with both public and private stakeholders to drive improvements in this area.

The roadmap also includes focus on enhancing transparency. Swift GPI enables payments to be tracked every step of the way, just like a package out for delivery. This may sound good, but its impact is significant: during the pandemic, imports of critical medical equipment were sped up because exporters could see that a payment was on its way, the detail was accurate, and so could ship goods before the money arrived. Now, we're extending the benefits. For example, working with the European Payments Council on its One-Leg-Out Instant Credit Transfer scheme (OCT Inst) which enables 24/7 cross-border instant payments, with end-to-end traceability.

Another core solution that all Swift members can utilise is Payments Pre-validation, which checks the accuracy of payment details before a payment is sent. With the European Instant Payments Regulation requiring Verification of Payee (VoP) across the Single European Payments Area, we've been engaging domestic schemes, such as Surepay, CBI and SEPAmail, to extend their reach beyond the SEPA zone and make it easier for banks and Payment Service Providers to expand their service in the cross-border space.

## Swift has earned a reputation for operational excellence. With technology evolving so rapidly, how is the co-operative innovating to make use of the latest developments, such as artificial intelligence (AI)?

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Value equivalent to the world's GDP flows across the Swift network roughly every three days. That's an incredible statistic, which demonstrates the trust that is placed in Swift and our network's resilience. But with it comes huge responsibility. Operational excellence is the reason we have earned the industry's trust: it is always the cornerstone of our strategy, because the trust that our community places in us is hard earned. We're not a commercial organization, and we reinvest much of the money we do make back into the network.

As technology evolves, we strive to continue meeting the highest standards of security, reliability and resilience. We're constantly working to reinforce our sustainable and scalable platform, so that we can continue to deliver more value to our customers while meeting the highest security standards. We're actively preparing, too, for quantum computing, leading a Post-Quantum Readiness initiative which will ensure we continue to uphold the highest level of security in the quantum era.

We also invest to make sure that the ecosystem as a whole is more secure. Earlier this year, we released an AI-enhanced version of our Payment Controls service, which enables financial institutions to identify potentially anomalous or fraudulent transactions. And as a cooperative, we're ideally placed to bring the industry together to solve common challenges, one of which is fraud, which is estimated to have cost the industry more than \$450bn in 2023 alone. We've been innovating with our community to identify how AI and privacy-enhancing technologies can help not just bring these costs down, but also reduce friction from the ecosystem and enhance the customer experience.