

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES
LOK SABHA
UNSTARRED QUESTION NO. 3002

ANSWERED ON MONDAY, 20th MARCH, 2023/ PHALGUNA 29, 1944 (SAKA)

Transactions through SWIFT

3002. SHRI VELUSAMY P.:

Will the Minister of FINANCE be pleased to state:

- a) whether the Government is aware of the fact that the sanctions blocking the use of Society for Worldwide Interbank Financial Telecommunications (SWIFT) for transactions with Russia has created lot of problems in transferring of funds through SWIFT system and if so, the details thereof;
- b) whether the RBI (Reserve Bank of India) is taking any steps for domestic financial messaging for centralized payment system globally;
- c) if so, the details thereof;
- d) whether the objective of the Structured Financial Messaging Solution (SFMS) is to ensure non-repudiation and security in messaging, enabling large value of financial transaction and this messaging technology can be used as an alternative to SWIFT; and
- e) if so, the details thereof along with the steps taken by the RBI to invite more countries to participate in this process?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(DR. BHAGWAT KARAD)

(a) to (e): Any messaging system which facilitates transfer of financial messages culminating in financial transactions must conform to commonly and widely accepted standards, apart from being robust, safe and secure. Society for Worldwide Interbank Financial Telecommunication (SWIFT) is a globally accepted and used messaging system for transfer of funds across borders and is used for transfer of financial messages. As per available information, since February 2022, a number of Russian Banks have been disconnected from SWIFT messaging system.

In India, the Structured Financial Messaging System (SFMS) is the domestically developed financial messaging system used for Centralised Payment System (CPS) applications i.e., NEFT and RTGS. SFMS was launched on 14.12.2001 at the Institute for Development and Research in Banking Technology (IDRBT), and is currently operated by Indian Financial Technology & Allied Services (IFTAS), a wholly-owned subsidiary of the Reserve Bank of India (RBI). SFMS rides over the Indian Financial Network (INFINET), which is a membership-only Closed User Group network that comprises RBI, CPS member banks and financial institutions, and provides financial messaging services through its Member Interface application to all RTGS participants. SFMS is backed by the communication medium of INFINET and supports ISO 20022 standard message format for payment systems.

SFMS has many utilities to offer. Its major advantage is that it can be used practically for all purposes of secure communication within the bank and between banks. RTGS and NEFT messages are routed through SFMS, and Letters of Credit, Bank Guarantees, etc are also communicated through SFMS. The PKI based security feature of SFMS ensures authentication, confidentiality and non-repudiation of the messages exchanged between banks.

The Payments Vision 2025 published by RBI has envisaged feasibility of providing membership / technology of INFINET to other jurisdictions and expansion of the framework of SFMS to provide a domestic payment system platform to other jurisdictions, so as to provide faster, convenient and cost-effective direct payment channels with other jurisdictions.
