

New SWIFT architecture proves productive

With the opening of the SWIFT computer center in Switzerland at the end of 2009, payment messages from Switzerland are no longer stored in the USA unless the counterpart account is in the USA.

After the 9/11 terror attacks in 2001 on New York and Washington, SWIFT found itself at the center of the fight against terrorism. In selected cases, US government agencies gained access to SWIFT data. However, this fact only became public in mid-2006, and it triggered discussions in Europe and Switzerland. The Swiss Bankers Association, parliament and banking working groups focused on the topic for reasons of data privacy protection and banking secrecy. Ultimately, it became apparent that messages that pertain to customer transactions leaving the bank, and in particular the Swiss territory, cannot be protected from agency access. Additionally, the ordering and the benefiting party are to be clearly declared in international payment traffic today. Thus, this past year, banking customers were informed about these potential "information risks."

Data storage in the USA, the Netherlands and...

Until now, SWIFT has pursued a dual computer center strategy: Processing – in particular, data storage – occurred in parallel in the USA and the Netherlands. Between 2000 and 2009, SWIFT experienced a massive increase in volume from approximately 5 million to 15 million messages per day due to growth in the financial sector, increasing standardization, and because various diverse national clearing and settlements systems switched over to SWIFT. This growth brought with it a need for heightened security, which, in turn, led to an upgrade to three computer centers. At the same time, problems with data storage in the US were defused. It's conceivable to install a fourth computer center in the Far East at some time in the future.

...in Switzerland

Appropriately, SWIFT created a transatlantic zone with participants predominately from the USA, as well as a European zone with those from Europe and Asia (see chart). The SWIFT Board decided in 2007 to install a third computer center in Switzerland. This decision is not related to the data protection issue or to the national privacy philosophy, but instead is the result of a compromise and proof of the value of Switzerland's central location. The press was informed thereafter – a tad prematurely, as it turns out – that SWIFT was planning to settle in the canton of Thurgau. In the face of the current unfavorable business and economic

climate, SWIFT hasn't quite made the actual decision; for the time being, the space is just rented. Contrary to what some believed, nothing changes in terms of data protection for the Swiss financial center: All data stored at the local computer center are stored symmetrically in the Netherlands. All SWIFT participants migrated to the new architecture by the end of 2009, and the system is operating flawlessly.

The USA/Europe agreement

In November 2009, the USA and the EU signed an agreement covering the exchange of SWIFT data for the suppression of terrorism. This exchange occurs only in very specifically defined cases and processes and in no way signifies automatic and open access for the authorities. As a result of this international agreement, SWIFT will not find itself caught between the different sets of laws (US subpoena versus EU data protection) – a big advantage indeed. <

Daniel Wettstein, Chairman S.W.I.F.T. Switzerland
(National Member and User Group)
daniel.wettstein@snb.ch

