

RBI sees int'l use case for domestic alternative to 'Swift' fin messaging

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MUMBAI: The Reserve Bank of India (RBI) proposes to take Structured Financial Messaging System (SFMS) — the Indian standard for domestic financial messaging for centralised payment systems — global. This could be a regional alternative to the international financial messaging system Swift, which has been the subject of Western sanctions.

“Backed by the communication medium of INFINET, SFMS is the Indian standard for domestic financial messaging for centralised payment systems (NEFT & RTGS). The feasibility of providing membership/technology of INFINET to other jurisdictions shall be explored,” the RBI said in its vision document. INFINET is short for Indian Financial Network — a closed user group for the Indian banking and financial sector.

In the wake of the sanctions blocking the use of Swift for transactions with Russia, RBI’s former executive director G Padmanabhan had told TOI that the objective of the SFMS ensures non-repudiation and security in messaging, enabling financial transactions of large value. This messaging technology has a use case that is similar to Swift. The challenge would be in getting many countries to participate.

The RBI on Friday released its payment vision document for 2025 where it outlined activities to be taken up during the period up to 2025. A key goalpost for these activities is internationalisation, besides integrity, inclusion, innovation and institutionalisation.

Among other things, the vision document calls for the introduction of additional-factor authentication (AFA) for cross-border transactions. The RBI requires all card payments to be authorised by an additional factor, which can be a one-time password or any other input. Internationally, transactions are concluded using only card credentials. “AFA has been a predominant factor in safeguarding domestic payments and giving confidence to users in digital payments. To give a similar experience and increase the safety of international transactions done using cards issued in India, implementing AFA for cross-border transactions shall be explored,” the RBI said.

The central bank said it would pursue membership of Continuous Linked Settlement (CLS) — an institution enabling simultaneous settlement of both legs of cross-currency transactions for global currencies. CLS was set up to prevent losses should a bank fail before the second leg of the transaction is concluded. “Internationalisation of domestic currency is gaining importance in recent times with many countries pursuing efforts in this direction. With the excellent financial market infrastructure and deepening of forex and financial markets, A mechanism for international Indian rupee settlement through CLS Bank would help increase global acceptance of the domestic currency,” the RBI said.