The New Normal

Annual Review
2011
The financial world has changed – and changed for good. Turbulence and transformation have become the new normal for our industry. We have been active in helping our community navigate this new world. We maintain stability, creating deeper relevance at a time of deep change, broadening the space for collaboration, and making the global community more relevant locally as the pattern of growth in our world shifts.
Achievements and highlights

**210**
countries and territories, 16 more than the United Nations, emphasising that SWIFT is a truly global organisation.

**5**
new market infrastructures in Latin America joined SWIFT.

**10,000+**
institutions are now connected to SWIFT – 413 new institutions connected in 2011.

**7**
peak days in 2011 reflected turbulence in the markets, SWIFT takes these peak days in its stride.

**5**
corporates registered by year-end.

**20,000+**
3SKey tokens distributed to banks worldwide, allowing corporates to sign financial messages and files sent to their banks using this single signing device.

**7,142**
consulting days delivered globally, covering technical and business processes and practices.

**7,600+**
attendees from 140 countries at Sibos in Toronto.

**9,700+**
tweets during Sibos week with a Sibos-related hashtag.

**200+**
delegates attended the first ever stand alone Innotribe event held in India to discuss how collaborative innovation could unlock the power of mobile to reach the ‘unbanked.’
It would be fair to describe 2011 as an exceptional year for SWIFT – one in which the community was able to share the benefits. Outside of those events, SWIFT’s core role, as we know, is to blend seamlessly into the operational background of its customers delivering secure financial messaging and meeting expectations for consistently excellent performance – five ‘9’s across all areas. In its core franchises of payments, securities, treasury and trade, SWIFT will continue to deepen its expertise, extend its outreach and services and bolster its smooth collaboration with other market infrastructures and banking utilities, such as DTCC and CLS. Above all, SWIFT will remain what the community expects: a trusted third party with integrity and neutrality that serves the global financial community regardless of external challenges.

Extending our commitment

The regulatory environment in financial services globally has been undergoing a series of reforms to which all SWIFT members have been devoting significant attention and resources. Given its role in the functioning of the global economy, SWIFT too has had to respond to regulatory actions. The principle that SWIFT has always followed is that it acts upon appropriate regulations and cannot take arbitrary or voluntary actions, however well intentioned, based on particular or voluntary actions, however well intentioned, based on particular interests at any moment in time. These regulations, coupled with SWIFT’s neutrality and third-party integrity, have earned the community well since SWIFT’s inception. It is the role of the Board and the community together to ensure that they continue to do so.

We continue to benefit from a Board that can apply diverse expertise in securities, payments, finance and technology and that represents the full spectrum of SWIFT’s core franchises, allowing the community to grow and mature and respond to today’s rapidly evolving world. In 2012, for the first time, we will be welcoming a new Board member from China. The confidence with which SWIFT is approaching the challenges of the year ahead is testament to the guidance the Board provides and the strength and capabilities of the Executive whose collective performance is to be commended.

SWIFT takes its role as a member-owned cooperative very seriously. We recognise as bankers and practitioners that the financial services industry faces continued challenges with pressure on profitability and with increasing demands for compliance with global regulations. In addition to easing the financial pressures on messaging costs, SWIFT is being asked to see if there is an opportunity to apply its shared services model to help the community comply with global regulations where there is no competitive advantage created by such compliance. SWIFT’s role will be in the standardisation of those activities, in the elaboration of market practices or indeed in the execution.

SWIFT continues to apply serious attention to those requests. In so doing, the cooperative will reinforce the expertise within its Board and its Executive in the area of regulation and manage the development of any such services through appropriate governance processes. As a potential new practice area, SWIFT will be approaching the community for further input over the coming months.

I thank you for your support. SWIFT is your global neutral financial services cooperative.

Yawar Shah
Chairman
May 2012
Fostering innovative collaboration

Perspectives from our CEO

In turbulent times, the role of SWIFT at the heart of the financial community has never been more relevant.

Before I get to the business highlights of 2011, I must mention an unprecedented step that SWIFT was required to take in early 2012: the disconnection of Iranian financial institutions subject to European sanctions. The move was necessitated by multilateral governmental action to intensify financial sanctions against Iran. The extension of international financial sanctions to include financial messaging services such as SWIFT is clearly a concern for the community. The success and value of our network to our members has been based for almost 40 years on multilateral and politically neutral governance, with our member banks (rather than the message infrastructure) being held fully responsible both for the legality of their transactions and compliance with applicable regulatory requirements. Our member banks are well aware of their responsibilities and pay continuing and close attention to the increasingly complex requirements of international financial compliance.

In this particular case, SWIFT acted as obliged under Belgian law in accordance with an EU Council decision. We continue to work closely and transparently with our supervising authorities regarding sanctions regulations. SWIFT has always obeyed the laws and regulations of the multiple jurisdictions in which we operate.

Maintaining our core services

While global economic news was mixed at best, 2011 was undoubtedly a good year for SWIFT. Our Chairman has already highlighted the 20 percent cost reduction we were able to bring to our community in addition to a 16 percent rebate. At the same time, we continued to invest in security and reliability, sustaining excellent operational performance. In fact, more than 90 percent of our budget was committed to strengthening our core services. Traffic growth was healthy with seven new peak days recorded during the year, which we closed in impressive financial shape.

SWIFT2015 delivering strong results

Our SWIFT2015 strategy is now in its second year of implementation and is yielding tangible results for our community. Over the past year, notable progress was made in several areas:

Early in 2012, SWIFT was selected to provide connectivity services to TARGET2 (Securities) (T2S), following a public procurement process conducted in 2011. We will design, implement, deliver and operate a highly cost-effective connectivity solution for the secure exchange of business information in ISO 20022 format between T2S participants and the T2S platform.

‘Go local’, an integral part of our SWIFT2015 strategy, recognises that while working to support our whole community, we must remain sensitive to regional and national needs. When we ‘go local’ across the globe, we are not simply selling our existing services, but are actively supporting the development of tailored services for individual communities.

In 2011, SWIFT began discussions on the process of creating SWIFT for India, a new organisation co-owned with Indian financial institutions, to provide financial messaging infrastructure in support of India’s domestic markets. The services it delivers will be defined together with the local community.

We have been helping our customers capitalise on the opportunities arising from the internationalisation of the Chinese renminbi (RMB) and have active projects in many areas of Latin America and Africa. We aim to be the financial infrastructure of choice, supporting both the domestic and international messaging needs of our members, wherever they choose to do business.

The evolution of our Alliance Lite platform will combine the simplicity of cloud-based connectivity with our world-class security and reliability. It will support all SWIFT message formats and more automation options, and will meet the message volume needs of most SWIFT customers.

Aliance Lite2 is the first deliverable in our 2015 strategy to provide cloud-based access to the SWIFT network and related services and business applications from members, selected partners and SWIFT. Cloud services hold great potential for the industry because they can reduce capital expenditures and total cost of ownership (TCO) and shorten time to market for new applications.

Developing the future framework for collaborative innovation

In the last five years the financial industry has changed profoundly. We cannot suspend our daily business activities as we wait for things to return to ‘normal’ and it is no longer possible to ‘go it alone’. We can achieve much more when we cooperate and work together and SWIFT has always understood the value of collaboration.

From our earliest days, we have worked together with customers to find solutions to common problems. We have created many environments for debate and the exchange of ideas – working groups, pilot schemes, newsletters, regional events, business forums and Sibos. Through Innotribe, we have provided a framework for exploring new trends and their impacts on our industry, and the Innotribe incubator has offered funding and practical help for bringing new ideas to market. The new cloud infrastructure we are creating promises to take collaborative innovation in our industry to the next level. The SWIFT community will drive the content, based on what it needs, for the benefit of all.

Lázaro Campos
Chief Executive Officer
May 2012
The financial industry is constantly changing. How is SWIFT helping the community to meet the challenges brought about by the uncertainty?

We have listened, we have learned, we have adapted to the needs of the community. Through collaborative innovation and shared solutions, we are helping customers to enhance their capabilities.
2011 in context

SWIFT traffic is closely associated with and impacted by the economic environment. Sometimes it shows a reaction to events, sometimes it is an indication of what is going to happen.

Monthly evolution of average daily live FIN messages (millions)

In January and February, we observed the first two consecutive double-digit growth rates since October 2008.

FIN traffic reached two peak days in March, on the 1st and on the 31st. The latter reached the 19 million messages mark with 19,035,420 messages.

On 31 May, we recorded the third peak day of the year with 19,072,099 messages.

In June, we again recorded two peak days, on the 1st and on the 20th, with 19,240,947 messages for the latter. These were mainly driven by the payments market, showing the ongoing economic recovery.

The turmoil in the financial markets has driven August traffic to record volumes. On 10 August, we had the sixth peak day of the year with 19,919,04 messages.

December 2011 was the best month ever in terms of traffic volumes. On 1 December, SWIFT recorded a new peak day very close to the 20 billion mark with 19,992,265 messages, driven by a combination of high payments and securities volumes.

The International Monetary Fund (IMF) said that the global economy would grow by 4.4 percent in 2011, but warned of a two-speed recovery as advanced economies grew slower than emerging ones.

Japan was the first country to be hit by the cascade of credit rating downgrades observed during the year.

Concluding earthquake and tsunami hit Japan on 11 March. This had huge knock-on effects for business and world markets.

The unrest in the Middle East region and the surge in global food and oil prices marked the economic outlook.

EU leaders agreed on EUR 120 billion of support to Greece. The money would come from the 17 Eurozone countries and the International Monetary Fund (IMF).

The Federal Reserve cut its growth forecast for the US economy from 3.2 percent to 2.8 percent in the face of the impact of higher energy prices.

The sovereign debt crisis continued to unfold in Europe with every country appearing to get dragged down. Italy became the latest to feel the domino effect of the markets when its debt rating was lowered, the latest in a series of downgrades.

The market volatility was the result of a combination of factors including the intense debate over rating the US debt ceiling, the downgrade of the US by Standard & Poor’s, the government debt of some European countries and growing indication of global economic growth deceleration.

The International Monetary Fund (IMF) warned that the global economy had entered a ‘dangerous new phase’ with a renewed risk of recession in Europe and America.

The Greek parliament prepared to vote on the latest round of austerity measures. But there were concerns that the measures would not be sufficient to enable Greece to pay back its debts. European banks agreed to write off about 21 percent of the debt so far.

26 of the 27 members of the European Union backed new fiscal rules, with only the UK abstaining. But many feared that the budget pact would still not be enough to prevent more countries from seeking a bail-out. European and US stock markets fell and major indices were impacted.

EU leaders were under pressure to tackle the debt crisis, amid concern about the survival of the euro.

German Chancellor Angela Merkel said Europe was working towards setting up a ‘fiscal union’, in a bid to rescue the Eurozone’s debt crisis.

Commentary on SWIFT FIN message volume evolution

Commentary on relevant 2011 market events
2011 in context

Payments

A new daily record of over 9.5 million messages was reached. The peak was magnified by the end of the month and end of the quarter reporting.

There were two peak days in the payments market in April. The second was on the 28th with 9.7 million messages.

On 31 May, for the first time, the total volume of 10 million payment messages on one day was passed. The high payment traffic was a sign of solid economic growth.

30 November was a peak day for the payments market, which for the second time in SWIFT’s history, reached over 10 million messages with 10.164,937 payment messages.

End of quarter and end of year traffic pushed December payment volumes to the best level ever, with an average of 9.36 million messages per day.

5,000
4,500
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0

January February March April May June July August September October November December

2011 in context

January February March April May June July August September October November December

Securities

Account for Securities progressed well, with a peak in March reaching almost 300,000 confirmations processed during the month.

The securities market had two consecutive peaks, on 9 and 10 August, with 9.7 million messages for the second one, due to high market volatility.

According to the IMF, upward pressure on oil and non-oil commodities prices was expected to persist in 2011, due to continued robust demand and a sluggish supply response to tightening market conditions.

Securities messages exchanged on the market on 4 August with 1.69 million messages.

The Commodities matching feature went live in December 2010. During this first full quarter of activity, over 45,000 MT600 messages were matched on Account, though some of the data was pilot activity.

The gold price tumbled amid fears about the Eurozone debt crisis and the US economic recovery. The gold price weakened.

Rating agency Standard & Poor’s (S&P) downgraded Japan’s credit rating from AA to A-. Japan’s worsening debt situation for the move.

Credit rating agency Moody’s cut Greece’s rating from A3 to B1-. Greece’s borrowing term up to 30 years.

By the end of 2011, the Japanese yen hit its record high as US dollar weakened. The dollar fell below 1.30 yen.

The European Central Bank (ECB) raised interest rates to 1.25 percent from the record low of 0.5 percent set in March 2009.

The Eurozone debt crisis continued and at the same time Asia was experiencing a long term growth phase.

Eurozone interest rates were of accelerating inflation, following the move.

The Bank of England, however, kept UK rates at 0.5 percent, unchanged for more than two years.

In response to the risk of accelerating inflation, Eurozone interest rates were raised to 0.75 percent from the record low of 0.5 percent.

On 4 August, Wall Street had hit its worst day for almost three years as shares tumbled after news about the Eurozone debt crisis and the US economic recession.

Commodity prices generally declined in 2011, in response to weaker global demand. Oil prices, however, held up in the last months, largely because of supply developments and geopolitical risks.

Average daily number of InterAct messages

August was the best month ever: High volatility on the stock and foreign exchange markets drove the increase in CLS and securities market infrastructure volumes.

December traffic decreased in all business areas due to lower activity on the foreign exchange and securities markets.

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Traffic increased again mainly driven by corporates which increased their traffic by 77 percent in one year.

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Traffic growth remains strong despite downside risks on the economic recovery

**SWIFT Payments and GDP evolution**
Given the universal nature of SWIFT payment traffic, the analysis of traffic flows provides a reliable barometer of the Gross Domestic Product (GDP) evolution of the OECD countries. 2011 was an excellent year for SWIFT traffic and FIN payment traffic volumes increased by 8.3 percent compared to 2010.

Figure 1 confirms the International Monetary Fund (IMF) comments in its January 2012 World Economic Outlook Update: “Activity remained relatively robust throughout the third quarter of 2011. Growth in the advanced economies surprised on the upside, as consumers in the United States unexpectedly lowered their saving rates and business fixed investment stayed strong.” The economic recovery then began to slow down in the fourth quarter as the Eurozone crisis entered a perilous new phase. Specifically, concerns about the banking sector losses and fiscal sustainability widened sovereign spreads for many Eurozone countries.

**Payments regional traffic flows**
Figure 2 compares year-on-year growth rates for regional payment flows. Growth is observed in all regions and for all routes, except for traffic from EMEA to Asia Pacific that tends to stabilise. Whereas 2010 was characterised by a strong growth in payment traffic from and to Asia Pacific, 2011 is marked by double digit growth in the Americas. Intra-American payments grow by 13.1 percent and payments received by the Americas grow by 11.0 percent mainly driven by payments received from EMEA.

EMEA shows better payment traffic growth rates than last year, with close to 8.0 percent for traffic sent, received and intra-EMEA traffic (compared to around 5.0 percent growth rates last year). Asia Pacific slows down slightly but continues to show a strong payment traffic growth, with 9.5 percent for traffic sent and 8.8 percent for intra-Asian traffic, driven in part by the emergence of the Chinese renminbi (RMB) for trade settlement.
With highly competitive organisations chasing the same business, what is the continuing value of the SWIFT community?

We know that the strongest solutions to common problems are those we develop together. The necessity for intelligent cooperation is more important than ever. In times of rapid change, we need to exchange, collaborate and join forces creatively. SWIFT is at the heart of the global financial community and is uniquely positioned to address the challenges we all face.
Innovating in a world of fast-paced change.

In recent years, turbulence in our industry has become the ‘new normal’ and 2011 was no exception. Signs of recovery in Western economies stalled, while Asia continued to power ahead. The financial industry is adapting to this ‘new normal’. It is unlikely we will see a return to the pre-crisis business environment, but nevertheless the financial industry is resilient and innovative and there is still business advantage to be won. Our focus at SWIFT is to help our customers and the wider SWIFT community navigate the ‘new normal’ and be ready to capture the opportunities.

In 2011, we continued building on initiatives put in place over the past few years to make everything we do make a positive difference to our customers. We are focusing on being more relevant to each of our different communities in the new business world:

- Understanding our customers’ priorities and developing core services in line with evolving needs – in speed, simplicity, changes in technology and customer focus
- Increasing our relevance at a time when structural change in the market and regulatory pressure are raising the cost of doing business
- Reducing the total cost of SWIFT ownership
- Increasing the opportunities for collaboration, dialogue and the co-creation of solutions
- Adapting our global model to meet local needs as the pattern of growth in the financial world shifts

Our traffic reflected the vigorous activity in the market with a 10.7 percent growth in daily FIN traffic – 3.6 percent higher than budgeted. On our seventh peak day of the year, in December, traffic reached just short of 20 million messages.

Getting ahead with better intelligence

In times of turbulence, market intelligence is more important than ever. Intelligence products and services, such as our Watch tools that allow customers to monitor their SWIFT messaging, track market evolution and benchmark against the industry, produced strong revenues in 2011.

We want further with the launch of the Global SWIFT Index, a significant new tool to help customers improve decision-making, at Sibos in Toronto. It uses SWIFT bank-to-bank payment traffic as a mirror of economic activity to anticipate official GDP at global, regional and, in some cases, national level, and as such it provides the kind of indicator that supports decision-making by investors, analysts, economists, national banks and policy makers.

Greater ease, smarter security, new opportunities

Making life simpler and more secure for our customers was a continuing theme in 2011.

Simpler solution for digital identity

A year on from its launch, our 3SKey digital identity solution, which makes it simpler to manage multiple accounts securely, extended globally. To date, more than 20,000 3SKey tokens have been distributed and there are 25 banking groups live, with many more in the pipeline. Some 40 application providers have integrated 3SKey into their solutions.

Smarter settlement

Settlement errors and payment rejections cost the industry millions of dollars every year. Several new initiatives launched during the year were designed to reduce costly settlement errors and improve the rates of automation of Standing Settlement Instructions (SSI). We launched a global SSI repository, designed to be the most accurate such resource available to the financial industry. The multiple sources and sophisticated selection strategies used will ensure that an institution’s SSIs are complete, accurate and able to be replicated with ease. We created a standard messaging format for distribution of cash SSI updates and we also offer a diagnostics service that both informs customers when counterparty SSIs held in their payment applications are incorrect and details corrective measures.

Cost-effective outsourcing

At times of economic volatility, many businesses want to avoid significant upfront investment and lengthy implementation projects. In September, we announced the launch by Arkells of the Outsourced Messaging Service for major global financial institutions. It provides a complete outsourcing of financial messaging infrastructure using cloud technology, freeing customers from the need to install and manage hardware and software themselves.

Platform to open up growth

Poor interoperability and inconsistent quality standards in existing systems have held back growth in the workers’ remittances market. In 2011, SWIFTRemit became the first truly global platform for person-to-person payments, building on our earlier initiatives to open up opportunities in this area. It provides a business and operational framework that helps banks cut their implementation and go-live costs, reduce time to market, and maximise the business value of their remittances activities.

Straightforward standards management

To help the SWIFT community adapt standards to their local needs, we began the pilot phase of a collaborative web-based tool for managing standards and market practices, MyStandards. It was enthusiastically received by pilot users. MyStandards is expected to enable more efficient implementation of standards and to foster market practice harmonisation.

Greater value year-on-year

Underpinning all our initiatives to improve and introduce new products and services is a commitment to deliver greater value year-on-year.

We announced a 16 percent rebate on 2011 messaging in September in addition to the 20 percent structural price reduction introduced at the beginning of the year. This amounted to a cumulative reduction of 36 percent in a single year, a total of EUR 120 million given back to the community.

Our fixed fee arrangements for large customers have provided them with greater certainty and greater value. The Fixed Fee Programme, introduced in 2008, has been widely adopted and it now covers 70 percent of FIN traffic. The programme has been very effective in encouraging volume growth and it generates economies of scale that benefit the entire community.

The new normal
The past few years have taught us that while we cannot predict the future with certainty, we can meet challenges with greater confidence when we work together.

We have been more active than ever in widening the scope of that cooperation and collaboration:

- Bringing the industry together to debate and find solutions to common problems
- Fostering innovation in SWIFT and with members of our community
- Collaborating with others to provide better, future-proof frameworks within which the industry can operate
- At the same time, making sure that the heart of our services is fully resilient so that our community can operate with confidence

Engaging and exchanging with the community

Sibos in Toronto saw the highest attendance for an Americas venue. More than 7,600 delegates from 140 countries came to Toronto to be challenged by new industry perspectives and explore the way forward as a community.

Inspiring innovation

Innotribe was once again a key feature of the Sibos conference, with a programme of highly interactive sessions for participants. We revealed the winner of the second year of our competition to find the most promising innovation in financial services: GuardTime, a digital fingerprint technology to make data validation faster, easier and less costly.

In 2011, we extended involvement by taking Innotribe to Mumbai where some 200 delegates explored the specific issue of the future of mobile banking for the ‘unbanked’.

Outside the global forums, we brought the community together at many regional and local events targeted at covering issues of relevance to our different communities.

We have also contributed to industry debate on key topics through the issue of white papers, for example on SEPA, straight-through processing and managing liquidity risk.

Cooperation on common challenges

As an organisation we have been energetic and active in cooperating with leading global institutions to address the common challenges that affect the industry and create a stronger, simpler, more secure environment for doing business:

- Working in partnership with the International Organisation for Standardisation and the Depository Trust and Clearing Corporation to develop a Legal Entity Identifier
- Collaborating with the International Chamber of Commerce Banking Commission on enhanced rules and tools for international trade finance
- Working with the Bank of England to pilot a business continuity service for Real Time Gross Settlement payment systems operations. The Market Infrastructure Resiliency Service (MIRS) will be operated by SWIFT while the central bank or payment market infrastructure will handle the business management of the service

Cutting the cost of compliance

We know that the cost of compliance with regulations is growing and we have been working both to help the financial community meet its obligations and to contribute to the debate on the shape of regulation to come. One key development is our sanctions screening service, a shared utility that will help small and medium-sized financial institutions in need of a cost-effective, easy route to compliance with sanctions regulations. We also published, in June, a White Paper looking at ways of reducing the cost of compliance in the wake of the G20 agreement on harmonising regulation in the industry.

Resilience: the foundation of community needs

When the community is facing rapid change, a robust financial infrastructure is a source of strength. The SWIFT network has absorbed peaks of traffic, delivering 99.999 percent availability, and our track record in business continuity has been recognised as second to none. In 2011, we won the Excellence in Infrastructure Management category at the Business Continuity Awards run by Continuity, Insurance & Risk magazine, and were highly commended for our business continuity strategy.

Financially, too, our organisation remains robust with no debt and the capacity to make investments to ensure we maintain this resilience in the future.

A strong infrastructure for the future

The biggest of these investments is under the Distributed Architecture programme. The ground-breaking ceremony for our new operating centre in Switzerland took place at the beginning of the year and construction is on track to be completed in 2012. We finished work on the expansion of our centre in the Netherlands and are carrying out major renovation work on our US operating centre.

The FIN renewal programme is progressing to schedule with the communications infrastructure completed in 2011. All work is being carried out behind the scenes with services to customers unaffected.

We have been energetic and active in cooperating with leading global institutions to address the common challenges that affect the industry.
A new direction

Our focus is on supporting our community in finding business advantage, helping them be ready for a world of fast-paced and perpetual change.

There has been a fundamental shift in our industry. The centre of growth has shifted from advanced to emerging economies, from West to East. It is no longer simply about smoothing the operations of trade between West and East. It is about being part of the network that acts as the link to these new and emerging powerhouses of growth.

Nor is it simply a question of geography. Changes in technology are revolutionising consumer and business expectations and forcing changes on old business models.

For SWIFT in 2011, this has meant:

- A new strategy for Asia to strengthen both our presence and our relevance in Asia Pacific
- Increasing impetus behind our Go Local initiatives
- Making sure that our services are relevant to and taking advantage of the leaps in technology

We already know the role that we can play in globalising the financial industry in emerging markets and our strategy is to increase our involvement at a faster pace.

A strategy for growth in Asian domestic markets

Over the past five years, we have strengthened our commercial focus and resources in Asia Pacific, but the increase in our business has not kept pace with growth in the markets. In 2011, we set out our approach for redressing the imbalance.

This will involve adding new resources in the region and establishing a strong position in domestic markets, using technology to process messages locally and establishing the right partnerships and alliances to serve our domestic communities.

Just one example was our announcement in 2011 that we are taking the first steps to create a SWIFT for India, in collaboration with the Indian financial community. It will provide the messaging infrastructure for the next generation Indian RTGS and deliver localised messaging services at a low cost reflecting the high potential volumes.

Going Local across the world

As domestic business and trade between emerging economies becomes more important, we have been focusing not just on Asia, but across the emerging economies. We have supported the development of markets with active projects in Latin America and Africa, too, in collaboration with the local financial communities.

Linking to global opportunity

Our activities under the Go Local strategy are also benefiting the wider SWIFT global community.

We have worked with customers to create up-to-date business intelligence and define best practices in the market to help financial institutions capitalise on the opportunities arising from the internationalisation of the Chinese renminbi (RMB). This was shared with the community through three initiatives:

- A White Paper exploring the progress of RMB internationalisation so far and looking at the opportunities and threats for banks
- A new Business Insights report that provided data never before accessible to the community to help banks decide where, when and how to pursue business opportunities related to the RMB
- We have defined and documented best practices for the use of SWIFT MT and ISO 15022 messages for offshore Chinese currency transactions

Harnessing emerging technology

Our markets are affected by more than geographical shift – technology continues to change the way we do business. Social media and new technologies are increasingly part of business life.

Security in the cloud

We aim to be at the forefront of these developments – grasping the potential of new technology, while ensuring the resilience and security that customers expect from us. During 2011 we upgraded Alliance Lite, which already has more than 500 customers and is the fastest-growing way of connecting directly to SWIFT. In 2012 we will launch Alliance Lite2, which will further expand on Alliance Lite to support all SWIFT message formats and more automation options while meeting the message volume needs of most SWIFT customers.

Virtual community

We are using the power of social media to link to members of our community and allow them to debate and innovate with each other.

Sibos, our annual conference, made extensive use of technology to link events in the conference hall with the world beyond its walls. We introduced Sibos TV and posted interviews and analysis clips on sibos.com. Twitter feeds provided updates throughout the event and we made good use of other social media such as YouTube, Flickr and LinkedIn. Our Sibos app kept delegates up-to-date with essential information about the conference programme, session details and publications. Those not able to be at the event, and participants who wanted to look back or catch up on key sessions, were able to experience a virtual conference after Sibos ended. Visitors to the virtual conference were also able to interact with exhibitors, view demonstrations and access marketing material.

A new landscape emerging

As the new landscape of the financial world emerged, 2011 for SWIFT was a year for building on the initiatives set out in our 2015 strategy. Our focus was, and will continue to be, supporting our community in finding business advantage, helping them be ready for a world of fast-paced and perpetual change – in geographical focus and technological possibility – while ensuring continued operational excellence, security and resilience.
We were awarded the Solidaritest Award for Business by the Belgian Red Cross in recognition of our social initiatives.

We moved our Netherlands operating centre to green electricity and we are investigating similar solutions for our US centre. In our HQ buildings, we identified savings of some 770 tonnes of CO2 emissions following an energy audit of our computer rooms. We implemented a cogeneration system for our daycare centre in La Hulpe, one of the first in Belgium. The system uses rapeseed oil to produce electricity, and the excess energy is captured and reused to heat the building. We are investigating the possibility of extending this to other facilities in the future.

Engaging local communities
In each of our regions, our local teams have been getting involved with initiatives that make a difference to their communities.

Asia Pacific
Some 40 percent of our staff in Asia Pacific were engaged in CSR activity and 16 organisations and projects were funded, including the Vatsalya Trust in Mumbai which provides facilities for children and empowerment programmes for women to allow them to become economically self-sufficient and the Sriphong Pukukduan Foundation and Krabi Relief Fund to help the community devastated by the 2004 tsunami. We are also working to Leadership in Energy and Environmental Design certification standards for the Singapore office relocation.

EMEA
We were awarded the Solidaritest Award for Business by the Belgian Red Cross in recognition of our social initiatives in Belgium and were active participants in an initiative led by the financial industry group TransConstellation to look at best practice in embedding CSR within business strategy. Across the region, we supported the Sun Sparrows Nursery in Pretoria, South Africa and the Little Havens Children’s Hospice outside London. Numerous employees cycled and ran in support of multiple sclerosis patients and daycare centres for children with delayed development.

US
We have partnered for several years with United Way, a charitable foundation sponsoring a range of charities. In 2011, our links were strengthened with two employees joining the Board of Directors of the Piedmont United Way in Virginia. Our people gave time and raised funds for a wide range of projects, supporting children and families in need, the American Cancer Society, and Habitat for Humanity that ensures every New Yorker has a decent and affordable home.

We are integrating aspects of CSR directly into our products and services as a key enabler for our 2015 strategy. A review of our portfolio demonstrated we already propose products with a social component and we will also develop new sustainable products and services that help address social, environmental and economic sustainability.

As part of the ‘Banks for a Better World’ initiative, we are looking at opportunities to cooperate with our community where we can create real value. We continue to gauge the appetite for collaborative possibilities within the financial industry. This helps us leverage the strength of our community to foster economic growth in a sustainable manner.

Future role

As part of the ‘Banks for a Better World’ initiative, we are looking at opportunities to cooperate with our community where we can create real value. We continue to gauge the appetite for collaborative possibilities within the financial industry. This helps us leverage the strength of our community to foster economic growth in a sustainable manner.

We are integrating aspects of CSR directly into our products and services as a key enabler for our 2015 strategy. A review of our portfolio demonstrated we already propose products with a social component and we will also develop new sustainable products and services that help address social, environmental and economic sustainability.

Corporate Social Responsibility is more than just a programme at SWIFT; it is a fundamental aspect of our corporate life.

The big green goal
In 2008, we set a target to reduce our global emissions by 60 percent by 2012. In 2011 we took firm actions to help achieve this and to reduce our impact on the environment.

We moved our Netherlands operating centre to green electricity and we are investigating similar solutions for our US centre. In our HQ buildings, we identified savings of some 770 tonnes of CO2 emissions following an energy audit of our computer rooms. We implemented a cogeneration system for our daycare centre in La Hulpe, one of the first in Belgium. The system uses rapeseed oil to produce electricity, and the excess energy is captured and reused to heat the building. We are investigating the possibility of extending this to other facilities in the future.

The greener Sibos
In Toronto, we continued to cut our carbon impact to the minimum at the conference, working with the International Polar Foundation to raise awareness among delegates and exhibitors. Our choice of conference centre, SWIFT stand design and manufacture, and use of catering and paper at the event all contributed to minimising the environmental impact of the event and to giving back to the local community.

We engaged delegates in helping to reduce the overall environmental impact of bringing the community together. Our partners, MyClimate, offered delegates the chance to offset their travel, as well as covering emissions generated by our own staff and event organisers. Contributions went to a project in Peru introducing locally-made efficient stoves to improve the conditions of local people in a sustainable way.

The social perspective
At a global level, we continued to support the One Laptop Per Child Organisation, helping them in their initiatives to organise TEDx and TEDxKids events in Brussels. We strengthened our partnership with the Red Cross, mobilising staff to donate following the tsunami in Japan and drought in the Horn of Africa.

Increasing focus on CSR
Eco-driving pilot project
Improve the conditions of local people
Strengthened our partnership with the Red Cross
We are extending our reach and influence by developing new services and capabilities to support our communities. Our regional approach supports the development of new localised business solutions, wherever you are in the world.

SWIFT has a proud heritage delivering secure global financial messaging services. This has been core, but in changing conditions, how will you get closer to the emerging centres of growth and the issues they face?
**Facts and figures**

For pages 28 to 31 inclusive, all percentages have been calculated using unrounded figures. Totals may not add up due to rounding.

### InterAct

Financial institutions use InterAct to send structured financial messages and short reports. It supports real-time messaging, store-and-forward messaging and real-time query and response between two customers. Drawn down from continuous linked settlements (CLS) and securities traffic, InterAct grew by 9.8 percent. Amongst the various business areas using InterAct, Funds-related messages recorded the strongest growth at 10 percent.

**InterAct traffic evolution**

<table>
<thead>
<tr>
<th>Message (trillions)</th>
<th>Annual growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>2008</td>
</tr>
<tr>
<td>3%</td>
<td>5%</td>
</tr>
</tbody>
</table>

### FileAct

Financial institutions use FileAct to send batches of structured financial messages and large reports. It is primarily tailored for the reliable transmission of large volumes of low critical information. Powered by a strong increase of low value payments and corporate traffic, the average number of daily FileAct character increased by 41 percent. The number of Services increased by 21 and 230 additional FileAct users were registered.

**FileAct traffic evolution**

<table>
<thead>
<tr>
<th>Message (billion characters)</th>
<th>Annual growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>2008</td>
</tr>
<tr>
<td>3%</td>
<td>5%</td>
</tr>
</tbody>
</table>

### Top 25 InterAct countries

<table>
<thead>
<tr>
<th>Number of messages</th>
<th>SWIFT SWIF</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 United Kingdom</td>
<td>234,055</td>
<td>12.8%</td>
</tr>
<tr>
<td>2 United States</td>
<td>49,472</td>
<td>2.5%</td>
</tr>
<tr>
<td>3 Germany</td>
<td>33,435</td>
<td>1.7%</td>
</tr>
<tr>
<td>4 Switzerland</td>
<td>28,863</td>
<td>1.6%</td>
</tr>
<tr>
<td>5 Netherlands</td>
<td>18,777</td>
<td>1.0%</td>
</tr>
<tr>
<td>6 France</td>
<td>15,354</td>
<td>0.8%</td>
</tr>
<tr>
<td>7 Italy</td>
<td>4,037</td>
<td>0.2%</td>
</tr>
<tr>
<td>8 Canada</td>
<td>6,936</td>
<td>0.4%</td>
</tr>
<tr>
<td>9 Japan</td>
<td>3,501</td>
<td>0.2%</td>
</tr>
<tr>
<td>10 Spain</td>
<td>1,703</td>
<td>0.1%</td>
</tr>
<tr>
<td>11 Sweden</td>
<td>707</td>
<td>0.1%</td>
</tr>
<tr>
<td>12 Luxembourg</td>
<td>548</td>
<td>0.1%</td>
</tr>
<tr>
<td>13 Belgium</td>
<td>548</td>
<td>0.1%</td>
</tr>
<tr>
<td>14 Austria</td>
<td>548</td>
<td>0.1%</td>
</tr>
<tr>
<td>15 Hong Kong</td>
<td>437</td>
<td>0.1%</td>
</tr>
<tr>
<td>16 Denmark</td>
<td>349</td>
<td>0.1%</td>
</tr>
<tr>
<td>17 Korea, Republic of</td>
<td>329</td>
<td>0.1%</td>
</tr>
<tr>
<td>18 Singapore</td>
<td>324</td>
<td>0.1%</td>
</tr>
<tr>
<td>19 South Africa</td>
<td>283</td>
<td>0.1%</td>
</tr>
<tr>
<td>20 Ireland</td>
<td>210</td>
<td>0.1%</td>
</tr>
<tr>
<td>21 Israel</td>
<td>142</td>
<td>0.1%</td>
</tr>
<tr>
<td>22 Portugal</td>
<td>107</td>
<td>-0.1%</td>
</tr>
<tr>
<td>23 Norway</td>
<td>293</td>
<td>0.1%</td>
</tr>
<tr>
<td>24 New Zealand</td>
<td>49</td>
<td>0.1%</td>
</tr>
<tr>
<td>25 Australia</td>
<td>93</td>
<td>0.1%</td>
</tr>
</tbody>
</table>

### Top 25 FileAct countries

<table>
<thead>
<tr>
<th>Volume (billion characters)</th>
<th>Annual growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>2008</td>
</tr>
<tr>
<td>3%</td>
<td>5%</td>
</tr>
</tbody>
</table>

### FIN

Financial institutions use FIN for individual, richly textured messaging which requires the highest levels of security and resilience. Features include validation to ensure messages conform to SWIFT message standards, delivery monitoring and prioritisation, message storage and retrieval.

After the impact of the financial crisis on SWIFT’s traffic (3.4 percent) in 2009, there was the recovery year in 2010 with 7.2 percent growth. In 2011 FIN traffic shows a strong growth of 9.4 percent, reaching over 4.4 billion FIN messages in total.

In 2011 there were 23 days when FIN traffic recorded over 18 million messages (compared to only 4 days in 2010), nine of which had FIN volumes above 18 million messages.

High FIN traffic volumes were recorded throughout 2011. No seasonal dip was recorded, this is due to the increased volatility in the securities and FI markets in August (19 percent higher than August 2010).

### Payments messages

Payments traffic grew by 8.3 percent. In 2011, for the first time in SWIFT’s history, Payment volumes of over 10 million messages per day were recorded (21 May and 30 November). Payments continue to fuel the highest market share of the total SWIFT traffic with 48.7 percent.

### Securities messages

Securities continued its positive trend and grew another 11.1 percent.

### FIN Copy

Market infrastructures use the FIN Copy mechanism to provide value-added services. FIN Copy copies information from selected messages to a third party, usually before release to the receiver.

Solid growth of 9.5 percent for FIN Copy messages.

### FIN messages – growth by market

<table>
<thead>
<tr>
<th>Messages (trillions)</th>
<th>Annual growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>2008</td>
</tr>
<tr>
<td>3%</td>
<td>5%</td>
</tr>
</tbody>
</table>

### FIN share by market

<table>
<thead>
<tr>
<th>Percentage</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments</td>
<td>2.5%</td>
</tr>
<tr>
<td>Securities</td>
<td>48.7%</td>
</tr>
<tr>
<td>Treasury</td>
<td>39.2%</td>
</tr>
<tr>
<td>Trade</td>
<td>4.2%</td>
</tr>
</tbody>
</table>

### Treasury messages

Continuous monthly growth of Treasury traffic until August 2011 (20 percent growth year to date August), followed by a drop in the last quarter of 2011. Treasury traffic grew by 17.2 percent compared to 2010.

<table>
<thead>
<tr>
<th>Messages (trillions)</th>
<th>Annual growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>2008</td>
</tr>
<tr>
<td>3%</td>
<td>5%</td>
</tr>
</tbody>
</table>

### Trade messages

After the growth of 7.6 percent in 2010, Trade traffic has declined by 3.6 percent in 2011. Trade now represents less than 1 percent of total SWIFT traffic.

<table>
<thead>
<tr>
<th>Messages (trillions)</th>
<th>Annual growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>2008</td>
</tr>
<tr>
<td>3%</td>
<td>5%</td>
</tr>
</tbody>
</table>

### Institutions connected to SWIFT

In 2011, 433 additional institutions connected to SWIFT, taking the total to 10,118 connected institutions.

<table>
<thead>
<tr>
<th>Institutions</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>3%</td>
<td>5%</td>
<td>7%</td>
<td>10%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Countries/territories connected

<table>
<thead>
<tr>
<th>Countries/territories</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>3%</td>
<td>5%</td>
<td>7%</td>
<td>10%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
In 2011 we saw our total value in SWIFT increase to $1.89 trillion, almost reaching double digit growth again. FI IN traffic in the region grew by 8.9 percent, with a year-end total of 2.96 billion messages which represents 66.9 percent of SWIFT’s total traffic. Growth was driven by all markets with the exception of Trade, which was down 6.5 percent from some all regions. Looking at the evolution by country, we saw exceptional growth in some markets, especially in Africa, wealth traffic in the Middle East, on the other hand, grew at a slower rate due to a contraction in oil price paid to the region. FileAct traffic in EMEA was up 38.3 percent with the EMEA region accounting for 31 percent of SWIFT’s total FileAct traffic volumes. Key contributors to this growth were traffics from corporates and Lux Value Payment market infrastructures in Europe. InterAct traffic in EMEA grew by 8.4 percent, powered by Funds, CUSTOM and CLS. In the securities market we see the Romanian CSD - Bucurestii de Nord go live with SWIFT with the first of its members, a large regional bank. The CSD had previously announced its intention to implement SWIFT for settlement and reporting, based on ISO service packages and large integration projects based on Alliance Integrators.

In 2011, as a result of the continuing ETEBAC migration has driven demand.

In Asia Pacific, 2011 was a strong year for growth in the Asia Pacific region despite a weakening of both global and domestic economic growth, negative market sentiment, continued global economic malaise and a small number of customers changing their banking habits. Nevertheless, the year ended up with overall growth compared to the year-end 2010 of 10.1 percent, and on 28 December Asia Pacific hit a new peak in payments traffic with 1.44 million messages and closest month over for payments. All markets (except Trade) contributed positively to the regional performance. Treasury showed the highest growth at 13.4 percent, Payments at 11.2 percent, Securities at 9.1 percent and Trade at -0.3 percent. In terms of growth rates, significant increases amongst Asia Pacific countries were seen in several major ASIAN markets, including Thailand at 18 percent, Malaysia at 16 percent, the Philippines at 17 percent, Indonesia at 16 percent, Vietnam at 12 percent and Singapore at 11 percent. Around the world, as the year end, growth in the securities market through the provision of new products and services increased corporate-to-bank traffic. InterAct traffic volumes set a new peak in payments traffic with 1.44 million messages and closest month over for payments. All markets (except Trade) contributed positively to the regional performance. Treasury showed the highest growth at 13.4 percent, Payments at 11.2 percent, Securities at 9.1 percent and Trade at -0.3 percent. In terms of growth rates, significant increases amongst Asia Pacific countries were seen in several major ASIAN markets, including Thailand at 18 percent, Malaysia at 16 percent, the Philippines at 17 percent, Indonesia at 16 percent, Vietnam at 12 percent and Singapore at 11 percent. As a result, the two countries have expressed their intent to move to ISO 20022. Our project with DTCC to streamline and automate Corporate Actions has progressed well. During the pilot phase of the project, over 10 million SWIFT messages were sent to major clients over SWIFT. Our partnership with DTCC has extended and we are working together on initiatives to help the industry resolve some of the regulatory issues that are impeding the financial landscape, with joint work on the Legal Entity Identifier (LEI) and the FX Derivatives Trade Repository. The Connectivity Solutions team has grown by more than 50 percent, driven by the introduction of new service packages and large integration projects based upon Alliance Integrators.
Executive Committee

The day-to-day management of SWIFT is carried out by the Executive Committee, comprising the Chief Executive Officer, the Chief Financial Officer, the Chief Information Officer, the Head of Marketing and the Heads of EMEA, Asia Pacific and the Americas regions.
Directors who left the Board in 2011
During the course of 2011, one director left the Board
Eli Sinyak, Group General Manager, Chief Technology & Services Officer (CTSO), HSBC Asia Pacific, Hong Kong, left, having joined the Board in 2006. He was replaced by John Laurens, Head of Global Payments and Cash Management Asia Pacific, HSBC, Hong Kong.
We believe that success at SWIFT is inextricably linked to the wellbeing of the communities we work for. That’s why we’re increasing our commitment to sustainability and resource efficiency.

“You have made a clear commitment to operating to the highest standards of social responsibility. In difficult times, is this a luxury?”
Governance at SWIFT

SWIFT is a cooperative society under Belgian law and is owned and controlled by its shareholders.

The shareholders elect a Board of 25 independent Directors, which governs the Company and oversees the management of the Company. The Executive Committee is a group of full-time employees headed by the Chief Executive Officer.

Board committees
The Board has six committees:

- The Audit and Finance Committee (AFC) is the oversight body for the audit process of SWIFT’s operations and related internal controls. It commits to applying best practice for Audit Committees to ensure best governance and oversight in the following areas:
  - Accounting
  - Financial reporting and control
  - Legal and Regulatory oversight
  - Security
  - Budget, finance and financial long-term planning
  - Ethics programmes
  - Risk management
  - Audit oversight

The AFC meets at least four times per year with the CEO, the Chairman of the Board and Deputy Chairman are members of the Committee and meet four to five times per year with the CFO, the Head of Human Resources, and the CFO on financial and performance measures. The Human Resources Committee has delegated powers from the Board in these matters.

The Committee also meets without the SWIFT executives several times a year.

- Two business committees: Banking and Payments, and Securities.
- Two technical committees: Standards, and Technology and Production.

The Committees provide strategic guidance to the Board and the Executive Committee, and review project progress in their respective areas.

Remuneration of Directors
The members of the Board do not receive any remuneration from the Company. They are reimbursed for the travel costs incurred to perform their mandate. SWIFT reimburses the employer of the Chairman of the Board for the share of the Chairman’s payroll and related costs representing the portion of the time dedicated by the Chairman to SWIFT.

Audit process
SWIFT’s Chief Auditor has a dual reporting line, with a direct solid functional reporting line to the Chair of the AFC and also a direct solid administrative reporting line to the CEO. Given the sensitivity to external auditors performing consultancy work for management, the AFC also annually reviews the respective spending and trends. To ensure objectivity, the mandates of the external auditors, as well as their remuneration, are approved by the AFC.

• The Human Resources Committee oversees executive compensation. It assesses Company performance and decides on the remuneration package for members of the Executive Committee and other key executives. It monitors employee compensation and benefits programmes, including the provisioning and funding of the pension plans. It also approves appointments to the Executive Committee and assists in the development of the organisation, including succession planning. The Board Chair and Deputy Chairman are members of the Committee and meet four to five times per year with the CEO, the Head of Human Resources, and the CFO on financial and performance measures. The Human Resources Committee has delegated powers from the Board in these matters.

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SWIFT has two mandates for external audit:
• Ernst & Young, Brussels has held the Financial Audit mandate since June 2000. Their mandate was renewed in June 2009, and runs to June 2012. The ‘Independent auditors’ report to the shareholders of SWIFT. SWIFT can be found in the “Consolidated Financial Statements” which can be downloaded from www.swift.com.

• PwC has held the Security Audit mandate since September 2003. In December 2010, the AFC renewed PwC’s mandate which now runs to June 2014. Their opinion over SWIFT’s security for FIN and SWIFTnet is included in the 2011 ISAE 3402 report, available to shareholders institutions or registered SWIFT users on request by email to ISAE3402@swift.com. ISAE 3402 is the new international standard enabling service providers, such as SWIFT, to give independent assurance on their processes and controls to their customers and their auditors. It superseded SAS 70, but has no impact on the scope and services covered in the report, nor on the audit work performed to test whether the stated control objectives are achieved. The ISAE 3402 report provides the same information and assurance on the security and reliability of SWIFT’s core messaging services that the SAS 70 used to provide.

Oversight
SWIFT maintains an open and constructive dialogue with oversight authorities. Under an arrangement with the central banks of the G-10 countries, The National Bank of Belgium, the central bank of the country in which SWIFT’s headquarters are located, acts as lead overseer of SWIFT. The issues discussed can include all topics related to systemic risk, confidentiality, integrity, availability and company strategy. SWIFT is overseen because of its importance to the smooth functioning of the worldwide financial system, in its role of provider of messaging services.

User representation
National Member Groups and National User Groups help ensure a coherent global focus by ensuring a timely and accurate two-way flow of information between SWIFT and its users.

The National Member Group comprises all of a nation’s SWIFT shareholders, and proposes candidates for election to the SWIFT Board of Directors. It serves in an advisory capacity to Board Directors and SWIFT management, and serves the interests of the shareholders by coordinating their views. The National Member Group is chaired by a Chairperson elected by the SWIFT shareholders of the nation. The National User Group comprises all SWIFT users within a nation and acts as a forum for planning and coordinating operational activities. The user group is chaired by the User Group Chairperson who is a prime line of communication between the national user community and SWIFT.

Board nominations
A nation can propose a Board Director depending on its ranking, which is determined by the total number of shares owned by the nation’s shareholders:

• For each of the first six nations ranked by number of shares, the shareholders of each nation may collectively propose two Directors for election. The number of Directors proposed in this way shall not exceed twelve.
• For each of the ten following nations ranked by number of shares, the shareholders of each nation may collectively propose one Director for election. The number of Directors proposed in this way shall not exceed ten.
• The shareholders of a nation which does not qualify under a) or b) may join with the shareholders of one or more other nations to propose a Director for election. The number of Directors proposed in this way shall not exceed three.

• The Directors are elected by the Annual General Meeting of shareholders for a term of three years. They are eligible for re-election. The total number of Directors cannot exceed 25.

Elections
The members of SWIFT elect a Board of 25 independent Directors, which governs the Company and oversees the management of the Company. The Directors are elected by the Annual General Meeting of shareholders for a term of three years. They are eligible for re-election. The Board elects a Chairman and a Deputy Chairman from among its members. It meets at least four times a year.
Oversight of SWIFT

Central banks generally have the explicit objective of fostering financial stability and promoting the soundness of payment and settlement systems.

While SWIFT is neither a payment nor a settlement system and, as such, is not regulated by central banks or bank supervisors, a large and growing number of systemically important payment systems have become dependent on SWIFT, which has thus acquired a systemic character.

Because of this, the central banks of the Group of Ten countries (G-10) agreed that SWIFT should be subject to cooperative oversight by central banks. The oversight of SWIFT in its current form dates from 1998.

An open and constructive dialogue

SWIFT is committed to an open and constructive dialogue with oversight authorities. The National Bank of Belgium acts as the lead overseer, supported by the G-10 central banks. The oversight focuses primarily on ensuring that SWIFT has effective controls and processes to avoid posing a risk to the financial stability and the soundness of financial infrastructures.

The National Bank of Belgium (NBB) is lead overseer, as SWIFT is incorporated in Belgium. Other central banks also have a legitimate interest in, or responsibility for, the oversight of SWIFT, given SWIFT’s role in their domestic systems.

As is generally the case in payments systems oversight, the major instrument for the oversight of SWIFT is moral suasion. Overseers place great importance on the constructive and open dialogues conducted on a basis of mutual trust with the SWIFT Board and senior management. During these dialogues, overseers formulate their recommendations to SWIFT.

A protocol signed between the NBB and SWIFT lays down the common understanding of overseers and SWIFT about the oversight objectives, and the activities that will be undertaken to achieve those objectives. It can be revised periodically to reflect evolving oversight arrangements.

Objectives, areas of interest and limitations

The objectives of oversight of SWIFT centre on the security, operational reliability, business continuity and resilience of the SWIFT infrastructure. To review whether SWIFT is pursuing these objectives, overseers want to obtain comfort that SWIFT has put in place appropriate governance arrangements, structures, processes, risk management procedures and controls that enable it to effectively manage the potential risks to financial stability and to the soundness of financial infrastructures.

Overseers review SWIFT’s identification and mitigation of operational risks, and may also review legal risks, transparency of arrangements and customer access policies. SWIFT’s strategic direction may also be discussed with the Board and senior management. This list of oversight fields is indicative, not exhaustive. In short, overseers will undertake those activities that provide them comfort that SWIFT is paying proper attention to the objectives described above.

Nevertheless, SWIFT continues to bear the responsibility for the security and reliability of its systems, products and services. It should be understood that the oversight of SWIFT does not grant SWIFT any certification, approval or authorisation.

International cooperative oversight

As lead overseer, the NBB conducts the oversight of SWIFT in cooperation with the other G-10 central banks, that is Bank of Canada, Deutsche Bundesbank, European Central Bank, Banque de France, Banca d’Italia, Bank of Japan, De Nederlandsche Bank, Sveriges Riksbank, Swiss National Bank, Bank of England and the Federal Reserve System (USA), represented by the Federal Reserve Bank of New York and the Board of Governors of the Federal Reserve System.

Oversight structure – oversight meetings

The NBB monitors SWIFT on an ongoing basis. It identifies relevant issues through the analysis of documents provided by SWIFT and through discussions with the management. It maintains a continuous relationship with SWIFT, with periodic meetings and serves as the G-10 central banks’ entry point for the cooperative oversight of SWIFT.

In that capacity, the NBB chairs the senior policy and technical groups that facilitate the cooperative oversight, provide the secretariat and monitor the follow-up of the decisions taken.

Access to information

In order to achieve their oversight objectives, the overseers need timely access to all information they judge relevant for the purpose of the oversight. Typical sources of information are SWIFT Board papers, security audit reports, incident reports and incident review reports. Another important channel for gathering information is through presentations by SWIFT staff and management. Finally, SWIFT assists overseers in identifying internal SWIFT documents that might be relevant to address specific oversight questions. Provisions on the confidential treatment of non-public information are included both in the protocol between the NBB and SWIFT, and in the bilateral Memoranda of Understanding between the NBB and each of the other cooperative central banks. For further information please refer to the 2005 Financial Stability Review, where the oversight arrangements are explained under the heading “Cooperating oversight of Euroclear and SWIFT”. This has been published by the National Bank of Belgium and is available on its website www.nbb.be.
### Consolidated income statement

**For the year ended 31 December 2011**

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>Note*</th>
<th>2011 EUR</th>
<th>2010 EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Traffic revenue</td>
<td>2</td>
<td>275,446</td>
<td>302,250</td>
</tr>
<tr>
<td>One-time revenue</td>
<td>3</td>
<td>3,621</td>
<td>3,589</td>
</tr>
<tr>
<td>Recurring revenue</td>
<td>4</td>
<td>118,375</td>
<td>118,220</td>
</tr>
<tr>
<td>Interface revenue and consulting revenue</td>
<td>5</td>
<td>132,450</td>
<td>112,368</td>
</tr>
<tr>
<td>Other operating revenue</td>
<td>530,988</td>
<td>537,973</td>
<td></td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Royalties and cost of inventory</td>
<td>12</td>
<td>8,177</td>
<td>7,941</td>
</tr>
<tr>
<td>Payroll and related charges</td>
<td>6</td>
<td>(262,296)</td>
<td>(254,321)</td>
</tr>
<tr>
<td>Network expenses</td>
<td>7</td>
<td>(13,596)</td>
<td>(16,694)</td>
</tr>
<tr>
<td>External expenses</td>
<td>8</td>
<td>(77,698)</td>
<td>(163,504)</td>
</tr>
<tr>
<td>Depreciation of property, plant and equipment</td>
<td>13</td>
<td>(37,292)</td>
<td>(42,739)</td>
</tr>
<tr>
<td>Amortisation of intangible fixed assets</td>
<td>14</td>
<td>(9,176)</td>
<td>(12,343)</td>
</tr>
<tr>
<td>Other expenses</td>
<td>9</td>
<td>(4,417)</td>
<td>(5,412)</td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>15</td>
<td>(185)</td>
<td>(23,791)</td>
</tr>
<tr>
<td><strong>Net profit</strong></td>
<td></td>
<td>(530,988)</td>
<td>(537,973)</td>
</tr>
</tbody>
</table>

**Financial performance**

In accordance with article 105 of the Belgian Code of Company Law, the following statements represent a condensed version of SWIFT’s 2011 annual financial statements prepared in accordance with International Financial Reporting Standards. The full text is available on SWIFT’s website (www.swift.com) or on request from any of SWIFT’s offices. The full version of the 2011 annual financial statements will be filed with the National Bank of Belgium no later than 30 June 2012. This condensed version does not contain all of the appendices or the report of the auditors, who expressed an unqualified opinion.

**Key figures**

For the year ended 31 December 2011

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues before rebate</td>
<td>582</td>
<td>590</td>
<td>586</td>
<td>586</td>
<td>626</td>
</tr>
<tr>
<td>Rebate</td>
<td>(51)</td>
<td>(52)</td>
<td>(19)</td>
<td>(57)</td>
<td></td>
</tr>
<tr>
<td>Revenue after rebate</td>
<td>531</td>
<td>538</td>
<td>586</td>
<td>579</td>
<td>568</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(513)</td>
<td>(526)</td>
<td>(568)</td>
<td>(560)</td>
<td>(530)</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>16</td>
<td>21</td>
<td>17</td>
<td>31</td>
<td>36</td>
</tr>
<tr>
<td>Net profit</td>
<td>11</td>
<td>15</td>
<td>15</td>
<td>25</td>
<td>23</td>
</tr>
<tr>
<td>Net cash flow from operating activities</td>
<td>46</td>
<td>135</td>
<td>68</td>
<td>24</td>
<td>86</td>
</tr>
<tr>
<td>Capital expenditure of which:</td>
<td>64</td>
<td>52</td>
<td>46</td>
<td>96</td>
<td>51</td>
</tr>
<tr>
<td>– Property, plant and equipment</td>
<td>55</td>
<td>44</td>
<td>40</td>
<td>73</td>
<td>41</td>
</tr>
<tr>
<td>– Intangibles</td>
<td>9</td>
<td>9</td>
<td>6</td>
<td>23</td>
<td>10</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>291</td>
<td>296</td>
<td>285</td>
<td>262</td>
<td>255</td>
</tr>
<tr>
<td>Total assets</td>
<td>548</td>
<td>514</td>
<td>497</td>
<td>502</td>
<td>480</td>
</tr>
<tr>
<td>Number of employees at end of year</td>
<td>1,882</td>
<td>1,807</td>
<td>1,991</td>
<td>2,138</td>
<td>2,007</td>
</tr>
</tbody>
</table>

*To download the full set of financial statements, including the accompanying notes referred to above, please visit www.swift.com/about_swift/publications/annual_reports/
Consolidated statement of financial position
For the year ended 31 December 2011

Consolidated statement of cash flows
For the year ended 31 December 2011

Facts and figures (continued)

Consolidated statement of cash flows
For the year ended 31 December 2011

(in thousands) Note 2011 EUR 2010 EUR

Cash flow from operating activities
Profit from operating activities 18,160 10,228
Depreciation of property, plant and equipment 13 37,292 42,739
Amortisation of intangible fixed assets 14 9,176 12,343
Net loss and write-off on sale of property, plant and equipment, and intangible assets 330 1,955
Other non-cash operating losses 14,481 899
Interest paid 10 (929) (990)
Net cash flow before interest and tax 46,463 135,133
Interest received 10 2,542 4,310
Interest paid 10 (2,542) (4,310)
Net cash flow from operating activities 46,463 135,133

Cash flow from investing activities
Capital expenditures:
– Property, plant and equipment 13 (55,200) (43,542)
– Intangibles 14 (9,063) (8,791)
Proceeds from sale of fixed assets 13 318 475
Acquisition of a subsidiary, net of cash acquired – (3,130)
Net cash flow used in investing activities (63,945) (54,988)

Cash flow from financing activities
Net payments for reimbursement of capital (676) (317)
Net cash flow from (used in) financing activities (676) (317)

Increase/(decrease) of cash and cash equivalents (18,158) 79,828

Movement in cash and cash equivalents
At the beginning of the year 183,241 202,516
Increase/(decrease) of cash and cash equivalents (18,158) 79,828
At the end of the year 165,083 282,344

Cash and cash equivalent components are:
Cash 8,149 10,044
Liquid money market products 175,092 192,472
At the end of the year 183,241 202,516

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