DIGITAL PEACEBUILDING

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Alternatives to SWIFT: Subverting Economic Sanctions

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Executive Summary

Economic sanctions are a widely used tool, often invoked to prevent violence and facilitate peacebuilding through harming the economic prospects of a belligerent actor. Sanctions imposed through the SWIFT system have this ability by cutting off access to international finances and preventing transactions. Today, however, there are substitutes and alternatives to SWIFT which allow countries to subvert these sanctions. SWIFT must maintain its dominance in the field of financial telecommunications by adapting to eclipse these alternatives and assuage concerns about Western preeminence within SWIFT governance in order to best preserve this prominent tool of economic sanctions in facilitating peacebuilding. It can accomplish this by working to make its system faster and less costly, manipulating its role as a regulations standards bearer, establishing itselft as a key platform for the emerging Central Bank Digital Currencies, and actively promoting a more varied governance structure and diverse board of directors.

Introduction

Preventing the facilitation of violence through economic sanctions is a vital tool in peacebuilding today. The Society for Worldwide Interbank Financial Telecommunications (SWIFT) is an organization with technology that is essential for the international financial system. Sanctions have been increasingly facilitated through SWIFT by suspending members from using that technology, effectively stopping them from engaging in international trade and finance. However, direct substitutes and alternatives to SWIFT have sprung up in response to its use as a tool for financial sanctions. These alternatives provide a pathway for target countries to subvert sanctions, hindering the facilitation of peacebuilding.

Sanctions

Sanctions are typically characterised by relatively simplistic definitions in the oftentimes verbose realm of international affairs. They entail measures, economic or financial, which allow the "sender" country to "extract political concessions from the target country,"[1] or to engage in "economic coercion for political gains".[2] These desired political gains often represent peacebuilding efforts at the international level, such as the end of a violent conflict, invasion, or belligerent act. Through the broad categories of trade, aid, and finance, sanctions can and have been responsible for the facilitation of peace and the curbing of violence around the world.

1. Hovi, Jon, Robert Huseby, and Detlef Sprinz. 2005. "When Do (Imposed) Economic Sanctions Work." World Politics 57, no. 4 (July): 479-499. https://doi.org/10.1353/wp.2006.0011.

2. Pape, Robert. 1997. "Why Economic Sanctions Do Not Work." International Security 22 (2): 66-97. https://doi.org/10.2307/2539263.

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Financial sanctions have become an increasingly appealing tool of sender states in the past few decades, demonstrating a higher likelihood of success than other forms of sanctions.[3] Suspension of target states from SWIFT specifically has taken on a key role in imposing penalties on target states, blocking access to what is essentially the "plumbing", or necessary back channel, of the international financial network.[4] In response to this suspension, alternative technologies to SWIFT have sprung up around the world. These alternative technologies, broken down into direct substitutes to SWIFT and alternatives to SWIFT (payment systems and cryptocurrencies), enable the subversion of this key form of economic sanctions, facilitating the continuation of violence.

How Sanctions Facilitate Peacebuilding by Hindering Violence

When sanctions are imposed by the sender state, they can prevent violence in two primary ways: directly and indirectly. Direct violence prevention can be precipitated by preventing aggressor action through dissuading potential belligerents from engaging in violence against the target group, forestalling a third party or outside actors from engaging in an ongoing conflict,[5] or raising the cost of action for carrying out acts of violence, inherently scaling down the level of violence by diminishing available materials.[6]

Far more abundant are the forms of indirect violence prevention. This includes sanctions which target a country or group's elites, representing approximately one-third of Western-backed sanctions[7] since 1990.[8] This form of economic sanctions, often referred to as "smart" sanctions, freezes assets or targets specific elite-owned corporations, those who would have the power to dissuade the regime from committing acts of violence. These aim to minimize collateral damage to bystanders in the violence, although they are considered largely symbolic measures in academic literature because target governments typically take actions to shield those elites.[9] Economic sanctions also represent an indirect precursor to the sender engaging military force, a signaling tool attempting to gain the prescribed concessions and prevent violence by emphasizing the severity of the grievance.[10] Additionally, all governments must also be wary of instability in their general populations, which has the ability to destabilize their leadership or even usurp it.

While economic sanctions which target a country's economy generally are often not disastrous, they impose high costs on the general populations by facilitating increases in consumer prices or cuts to public spending.[11] In doing so, these leaders risk wider instability and a shift in public opinion away from the target state's violent actions. When these economic sanctions are levied on a target country, foreign direct investment simultaneously decreases, which can have adverse ripple effects like stagnating the economy and raising unemployment rates, particularly in least developed countries, generating social instability.[12] Finally, economic sanctions will indirectly facilitate reputational harm for the target country, deterring lucrative or vital alliances.[13] Each of these categories illuminates the far reaching indirect costs of sanctions.

Certain conditions indicate when economic sanctions may be more or less successful in facilitating peace. Unilateral sanctions are gererally more successful, extracting concessions at a higher rate than multilateral sanctions because they avoid free-riders, indicate the importance of the issue for the sender state(s),[14] and avoid inter-country disputes about specific implementation preferences.[15]

3. Dashti-Gibson, Jaleh, Patricia Davis, and Benjamin Radcliff. 1997. "On the Determinants of the Success of Economic Sanctions: An Empirical Analysis." American Journal of Political Science 41 (2): 608-618. https://doi.org/10.2307/2111779.

4 .Robinson, Gary, Sabine Dorry, and Ben DeRudder. 2022. "Global networks of money and information at the crossroads: Correspondent banking and SWIFT." Global Networks 23, no. 2 (September): 478-493. https://doi.org/10.1111/glob.12408.

5. Rogers, Elizabeth. 1996. "Using Economic Sanctions to Prevent Deadly Conflict." Economic Sanctions, (May), 92-101. https://www.belfercenter.org/publication/using-economic-sanctions-prevent-deadly-conflict.

6. Bergeijk, Peter, and Thomas Biersteker. 2015. "How and When do Sanctions Work? The Evidence." Issue - EU, 17-28. 10.2815/710375.

7. Weber, P. M., and G. Schneider. 2020. "Post-Cold War sanctioning by the EU, the UN, and the US: Introducing the EUSANCT Dataset." Conflict Management and Peace Science 39, no. 1 (August): 97-114. https://doi.org/10.1177/0738894220948729.

8.Tsz-Ning, Wong, Julia Grauvogel, and Marinov Nikolay. 2024. "Targeted Sanctions Against Authoritarian Elites." SSRN, (March), 1-57. https://dx.doi.org/10.2139/ssrn.4094157.

9. Anh, Daniel, and Rodney Ludema. 2020. "The sword and the shield: The economics of targeted sanctions." European Economic Review 130, no. 1 (November): 1-21. https://doi.org/10.1016/j.euroecorev.2020.103587.

10. Dizaji, Sajjad, Piotr Lis, Syeb Murshed, and Mahjoob Zweiri. 2020. "What the political economy literature tells us about blockades and sanctions." International Institute of Social Studies Working Paper 663. https://www.iss.nl/en/news/what-political-economy-literature-tells-us-about-blockades-and-sanctions.

11. Shin, Geiguen, Seung-Whan Choi, and Shali Luo. 2016. "So economic sanctions impair target economies?" International Political Science Review 37:485-499. 10.1177/0192512115590203.

12. Biglaiser, Glen, and David Letzian. 2011. "The effect of sanctions in U.S foreign direct investment." International Organization 65 (3): 531-551. 10.1177/0192512115590203.

13. U-Jin Ang, Adrian, and Dursun Peksen. 2007. "When Do Economic Sanctions Work?Asymmetric Perceptions, Issue Salience, and Outcomes." Political Research Quarterly 60, no. 1 (March): 135-145. https://doi.org/10.1177/1065912906298632.

14. Hufbauer, Gary C., Jeffrey Scott, and Kimberly Elliott. 2007. Economic Sanctions Reconsidered. N.p.: Peterson Institute for International Economics. https://ebookcentral-proquest-com.revproxy.brown.edu/lib/brown/reader.action?pq-origsite=primo&ppg=186&docID=3385467#.

15. Bapat, Navin, and Clifton Morgan. 2009. "Multilateral Versus Unilateral Sanctions Reconsidered: A Test Using New Data." International

Case Study: Russia's Substitute for SWIFT

Russia's System for Transfer of Financial Messages (SPFS) best exemplifies a direct substitute for SWIFT. It was established in 2014, following the international political fallout of its invasion of Crimea. Exhibiting the influence which Western nations have over SWIFT, it was the European Union who introduced a resolution to suspend Russia from the SWIFT system following this invasion. Although the suspension was not implemented by SWIFT, the threat was enough to prompt Russia to develop its own financial telecommunications system, enabling its banks and institutions to still engage in transactions should it ever be suspended from SWIFT, which many of its banks were in 2022. Also still using the SWIFT regulations and standards (ISO 20022), SPFS is connected with 400 banks worldwide, although most are concentrated within Russia. Although not an intimidating rival for SWIFT, its planned merger with India's Structured Financial Messaging System (SFMS) and China's CIPS could make it a larger player in the global economy in the future, challenging the effectiveness of SWIFT sanctions.

Source: Cipriani, Marco, and Linda Goldberg. 2023. "Financial Sanctions, SWIFT, and the Architecture of the International Payment System." Journal of Economic Perspectives 37, no. 1 (Winter): 31-52.

A strong prior relationship between the sender and the target state makes eliciting a change in behavior more likely,[16] which is even more effective if there is a robust trade relationship between those two states.[17] Finally, the likelihood of success for financial sanctions is higher than other forms of sanctions.[18] One key form of financial sanctions is those being placed on access to and membership in the SWIFT network. SWIFT is an acronym for the Society for Worldwide Interbank Financial Telecommunications, a "network which securely transports messages containing the payment instructions between financial institutions involved in the transaction".[19] It includes a "global financial information infrastructure" with both clear standards and regulations surrounding financial transactions, as well as physical equipment such as data centers and message-processing zones.[20] Each of these is intended to ensure the secure telecommunication and transmission of essential financial messages.[21]

Without the ability to initiate transactions in a regulated manner through SWIFT, target states can lose the ability to engage in critical transactions related to essential goods, including energy products like oil and gas.[22] Energy products are essential for states or groups engaging in violence. Without imported substances like coal, oil, food, and arms, military operations could effectively grind to a halt, indicating that sanctions on SWIFT can have a profound direct impact on the ability of belligerents to carry out violence. Access to foreign currency reserves and foreign financial support would effectively be lost, further curtailing the capacity for violence and contributing to the potential for economic instability in a target state's economy.[23] Even beyond elites, sanctions on SWIFT can prevent remittances being transferred, which could sour public sentiment against the belligerent groups, especially in developing countries where remittances are a significant source of income.[24]

"Without the ability to initiate transactions in a regulated manner through SWIFT, target states can lose the ability to engage in critical transactions related to essential goods, including energy products like oil and gas."

16. Elliott, Kimberly A. 1997. "Evidence on the Costs and Benefits of Economic Sanctions." Peterson Institute for International Economics, October, 1997. https://www.piie.com/commentary/testimonies/evidence-costs-and-benefits-economic-sanctions.
17. Smeets, Maartin. 2018. "Can Economic Sanctions Be." World Trade Organization Economic Research and Statistics Division Staff Working P.aper, no. ERSD-2018-03 (March): 1-19. https://www.wto.org/english/res_e/reser_e/ersd201803_e.pdf.
18. Dashti-Gibson, Jaleh, Patricia Davis, and Benjamin Radcliff. 1997. "On the Determinants of the Success of Economic Sanctions: An Empirical Analysis." American Journal of Political Science 41 (2): 608-618. https://doi.org/10.2307/2111779.
19. Cipriani, Marco, and Linda Goldberg. 2023. "Financial Sanctions, SWIFT, and the Architecture of the International Payment System." Journal of Economic Perspectives 37, no. 1 (Winter): 31-52. https://doi.org/10.1257/jep.37.1.31.
20. Robinson, Gary, Sabine Dorry, and Ben DeRudder. 2022. "Global networks of money and information at the crossroads: Correspondent banking and SWIFT." Global Networks 23, no. 2 (September): 478-493. https://doi.org/10.1111/glob.12408.
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21. "Organisation Bylaws for Society for Worldwide Interbank Financial Telecommunication." 1972. SRI Report, (July), 1-42. accession No. L050042.
22. Liboreiro, Jeorge, and Shonna Murray. 2022. "Ukraine war: What is SWIFT and why is expelling Russia a 'last resort'?" EuroNews, February 25, 2022. https://www.euronews.com/my-europe/2022/02/25/eu-to-consider-russia-s-expulsion-from-swift-in-third-sanctions-package.
23. Sottosanti, Danielle. 2022. "SWIFT Sanctions on Russia may be felt for years to come." The Statement. https://thestatement.bokf.com/articles/2022/03/10/17/40/SWIFT-sanction-on-Russia.
24. Cipriani, Marco, and Linda Goldberg. 2023. "Financial Sanctions, SWIFT, and the Architecture of the International Payment System." Journal of Economic Perspectives 37, no. 1 (Winter): 31-52. https://doi.org/10.1257/jep.37.1.31.

It is important to also note that all standards and regulations for international financial communications are set by SWIFT. When a message is sent within the SWIFT systems, it maintains a common standard of credibility and reliability through required anti-fraud measures and safety precautions,[25] essential for large-scale international transactions.[26] Any transactions taking place outside of the SWIFT system would have no such guarantee of reliability and credibility, entailing slower transactions (higher costs).

There are some drawbacks to the use of the SWIFT system. The required fees for its use are higher than some alternatives (such as cryptocurrencies), and can require up to 1-5 days of processing time because of necessary fraud protections and security precautions.[27] Furthermore, with its headquarters residing in Belgium, SWIFT as an organization is subject to Belgian law and, accordingly, to the laws of the European Union (EU). Consequently, any sanctions which may be imposed by Belgium or the EU must be adhered to by SWIFT, generating Western bias in its governance. The United States also exerts outsized influences in this process, due to its central nature as a pillar of the global financial system, historically holding vast influence over decisions to impose sanctions.[28] Furthermore, SWIFT is overseen by the central banks of the G-10 nations, an overwhelmingly Western-led bloc, with a board of directors who are also primarily from those countries.[29] With this governance structure, the interests of Western nations are usually prioritised. This fact has led to considerable pushback from non-Western nations and blocs.

Alternatives to SWIFT - Facilitating Violence and Preventing Peacebuilding

Nearly half a century of SWIFT dominance in the international world order, with sanctions being primarily instituted by Europe and the United States, has led to backlash among primarily non-Western blocs and nations, who have generated their own alternative messaging systems to either circumvent sanctions or challenge the dominance of the dollar in the world economy.[30] These alternatives fall within two categories: substitutes and alternatives to SWIFT. Each represents an avenue for target states to avoid the repercussions of SWIFT sanctions and an attempt to enhance financial independence from Western nations.[31]

Substitutes for SWIFT

Direct substitutes for SWIFT were developed to counteract sanctions and gain a more independent financial telecommunications structure. Three systems exist today which fall under this category, carrying out approximately the same functions of SWIFT, with most even using SWIFT regulations (ISO 20022) as a foundation. The first is Russia's System for Transfer of Financial Messages (SPFS), which was generated as a direct response to the threat of removal from the SWIFT system after Russia's 2014 invasion of Crimea.[32] This substitute, expanded upon in the Case Study: Russia's Substitute for SWIFT, is primarily utilized for internal transactions, although is still connected with 23 foreign banks.[33] While not close to reaching the scale of SWIFT, it has been enough to enable Russia to continue facilitating international transactions, undermining the intended effects of SWIFT sanctions. This can be extrapolated to include

25. McKee, Michael, and Chris Whittaker. 2022. "Expulsion and Effect of SWIFT as a Means of Blocking International Financial Transactions." Trade and Security 3 (June): 72-85. https://www.dbpia.co.kr/pdf/pdfView.do?nodeId=NODE11535625&googleIPSandBox=false&mark=0&minRead=15&ipRange=false&b2cLoginYN=false&icstClss=080000&isPDFSizeAllowed=true&accessgl=Y&language=ko_KR&hasTopBanner=true.
26. Scott, Susan, and Markos Zachariadis. 2012. "Origins and development of SWIFT, 1973–2009." Business History 54, no. 3 (June): 462-482. https://doi.org/10.1080/00076791.2011.638502.
27. Adenekan, Tobiloba. 2024. "Exploring the Viability of Replacing SWIFT with Digital Currencies: A Study of Technology, Regulation, and Market Dynamics." (December). https://www.researchgate.net/publication/387517358_Exploring_the_Viability_of_Replacing_SWIFT_with_Digital_Currencies_A_Study_of_Technology_Regulation_and_Market_Dynamics.
28. Cipriani, Marco, and Linda Goldberg. 2023. "Financial Sanctions, SWIFT, and the Architecture of the International Payment System." Journal of Economic Perspectives 37, no. 1 (Winter): 31-52. https://doi.org/10.1257/jep.37.1.31.
29. "Swift and sanctions." n.d. Swift. Accessed April 19, 2025. https://www.swift.com/about-us/legal/compliance-0/swift-and-sanctions.
30. Robinson, Gary, Sabine Dorry, and Ben DeRudder. 2022. "Global networks of money and information at the crossroads: Correspondent banking and SWIFT." Global Networks 23, no. 2 (September): 478-493. https://doi.org/10.1111/glob.12408.
31. Soprano, Roberto. 2024. "Financial (secondary) sanctions and the creation of a new international payments system." In Economic Sanctions Under International Law: Trade Continuity with Special Purpose Vehicles, 1-18. N.p.: Routledge,Taylor & Francis Group.
32. Cipriani, Marco, and Linda Goldberg. 2023. "Financial Sanctions, SWIFT, and the Architecture of the International Payment System." Journal of Economic Perspectives 37, no. 1 (Winter): 31-52. https://doi.org/10.1257/jep.37.1.31.
33. Perez, Christian. 2022. "What Does Russia's Removal From SWIFT Mean For the Future of Global Commerce?" Foreign Policy, March 8, 2022. https://foreignpolicy.com/2022/03/08/swift-sanctions-ukraine-russia-nato-putin-war-global-finance/.

Case Study: China's Alternative Payment System

A prime example of an alternative to SWIFT, the Chinese Cross-Border Interbank Payment System (CIPS) was developed in 2015. In addition to financial telecommunications services, CIPS also provides a platform for international settlements and payments. An essential caveat: all payments must be made in renminbi (RMB), and are backed by the People's Bank of China. This caveat represents a challenge to dollar privilege and the primacy of US currency in the global economy, and is notably capable of enabling transactions with countries under SWIFT sanctions. This is prominant as an alternative to the largely Western-backed and controlled SWIFT, something which decades of SWIFT sanctions imposed by Western states has made desirable for developing countries. Interestingly, CIPS also utilizes SWIFT's standards and regulations for financial telecommunications. Although it does not yet rival the size or scope of SWIFT, with the volume of its transactions being 0.3% of SWIFT's, its presence as an alternative payment system still poses a challenge to the effectiveness of SWIFT sanctions and peacebuilding efforts.

Source: Cipriani, Marco, and Linda Goldberg. 2023. "Financial Sanctions, SWIFT, and the Architecture of the International Payment System." Journal of Economic Perspectives 37, no. 1 (Winter): 31-52.

the ability to engage in violence even after the implementation of SWIFT sanctions on Russian banks in 2022 after the invasion of Ukraine, which has continued despite these severe ramifications. This can be attributed in part to SPFS and Russia's push more generally to diversify their economy to avoid the effects of Western-imposed sanctions.[34] US-led SWIFT sanctions against Iran in 2019 resulted in INSTEX, the Instrument in Support of Trade Exchanges. This substitute permitted payments clearing for countries engaging in transactions with Iran, primarily among 10 European nations.[35] Despite its creation to facilitate continued trade between these countries, INSTEX was only utilized once for the purpose of importing medical supplies during the Covid Pandemic, and was liquidated in 2023.[36] India similarly generated an internal payments system alternative to SWIFT, known as the Structured Financial Messaging System (SFMS), although this system is currently only utilized for domestic purposes.[37] Interestingly, due to the public nature of SWIFT regulations and formatting standards, both the Indian and Russian alternative systems utilize ISO 20022, the exact SWIFT regulations for financial telecommunications which are made public by SWIFT, allowing these countries to freeride on the pre-established and standardized regulations.

Image: Crypto Mining Center Source: Marko Ahtisaari, CC BY 2.0 <https://creativecommons.org/licenses/by/2.0>, via Wikimedia Commons

34. Perez, Christian. 2022. "What Does Russia's Removal From SWIFT Mean For the Future of Global Commerce?" Foreign Policy, March 8, 2022. https://foreignpolicy.com/2022/03/08/swift-sanctions-ukraine-russia-nato-putin-war-global-finance/.
35. Cipriani, Marco, and Linda Goldberg. 2023. "Financial Sanctions, SWIFT, and the Architecture of the International Payment System." Journal of Economic Perspectives 37, no. 1 (Winter): 31-52. https://doi.org/10.1257/jep.37.1.31.
36. Foreign, Commonwealth and Development Office (UK). 2023. "The 10 INSTEX shareholder states have decided to liquidate INSTEX due to continued obstruction from Iran: E3 statement." GOV.UK, March 9, 2023. https://www.gov.uk/government/news/the-10-instex-shareholder-states-have-decided-to-liquidate-instex-due-to-continued-obstruction-from-iran.
37. Cipriani, Marco, and Linda Goldberg. 2023. "Financial Sanctions, SWIFT, and the Architecture of the International Payment System." Journal of Economic Perspectives 37, no. 1 (Winter): 31-52. https://doi.org/10.1257/jep.37.1.31.

Case Study: Cryptocurrencies and their Role in Subverting Sanctions in Iran

Iran has become a leader in the use of cryptocurrencies to subvert international sanctions, going so far as to make it legal for imports to be paid for via cryptocurrencies. This enabled the country to subvert both US and multilateral sanctions against it, allowing them to continue engaging with the global economy. Exploiting additional funds through hacking the platforms for these cryptocurrencies has also increased these elusive assets. Due to the expansive sanctions imposed on its economy, Iran also utilizes its oil surplus to power bitcoin mining centers, generating approximately $1 billion in revenue in 2020. These actions produce even more funds which can be used to subvert economic sanctions. This model can be looked to as an example for other countries affected by SWIFT sanctions, exemplifying how they may continue to engage in international finance despite SWIFT sanctions.

Source: Reinsch, William A., and Andrea L. Palazzi. 2022. "Cryptocurrencies and U.S. Sanctions Evasion: Implications for Russia." Washington DC: CSIS.

Alternatives to SWIFT

While SWIFT is essential for the modern-day financial system, one of its main critiques is the inefficiency it generates by separating the communication of the transaction from the transaction itself. Alternatives to SWIFT, including both country-based payment schemes and cryptocurrencies, remedy this inefficiency, combining the communication of the transaction and the transaction itself. China's Cross-Border Interbank Payment System (CIPS), for example, requires payments to be made in RMB rather than the traditional dollar,[38] making the transactions more efficient while also promoting its own currency.[39] BRICS Pay also represents a push to generate a similar payment scheme amongst BRICS members in their local currencies without Western influences.[40] Each of these systems enables SWIFT sanctions to be undermined, a problem that is only being further compounded by collaboration between these alternative systems, creating a more comprehensive system with closer economic ties.[41] As more alternatives emerge and agree to collaborate,the threat to the monopoly SWIFT maintains will increase, further dampening the effectiveness of SWIFT sanctions in facilitating peace and preventing violence.

Cryptocurrencies represent the other alternative to SWIFT. An expanding field, there are over 2000 digital currencies today forecasted to have over 900 million users around the world in 2025.[42] This continuously evolving form of currency has key advantages which allow it to be used in financial transactions without being monitored, effectively enabling countries to avoid SWIFT sanctions. Peer-to-peer transactions, the blockchain technology cryptocurrencies employ, and vague adherence to control methods which would otherwise be required by banks, all make it difficult to identify the individual or entity on either side of the transaction.[43] Cyberattacks in order to acquire funds are also common, another illegal avenue for countries to access funds to facilitate violence. Furthermore, countries may engage in cryptocurrency mining to gain access to funds and transactions, something which has become prevalent in energy-rich countries like Iran and Russia.[42] Cryptocurrency has the added

> ***"At least four countries are known to have utilized cryptocurrences to avoid international sanctions, in-cluding North Korea, Iran, Venezuela, and Russia."***

38. Robinson, Gary, Sabine Dorry, and Ben DeRudder. 2022. "Global networks of money and information at the crossroads: Correspondent banking and SWIFT." Global Networks 23, no. 2 (September): 478-493. https://doi.org/10.1111/glob.12408.
39. McKee, Michael, and Chris Whittaker. 2022. "Expulsion and Effect of SWIFT as a Means of Blocking International Financial Transactions." Trade and Security 3 (June): 72-85. https://www.dbpia.co.kr/pdf/pdfView.do?nodeId=NODE11535625&googleIPSandBox=false&mark=0&minRead=15&ipRange=false&b2cLoginYN=false&icstClss=080000&isPDFSizeAllowed=true&accessgl=Y&language=ko_KR&hasTopBanner=true.
40. Frieden, Evan. 2024. "BRICS Pay as a challenge to SWIFT network." the interpreter. https://www.lowyinstitute.org/the-interpreter/brics-pay-challenge-swift-network.
41. Cipriani, Marco, and Linda Goldberg. 2023. "Financial Sanctions, SWIFT, and the Architecture of the International Payment System." Journal of Economic Perspectives 37, no. 1 (Winter): 31-52. https://doi.org/10.1257/jep.37.1.31.
42. Macfarlane, Emma. 2020. "Strengthening Sanctions: Solutions to Curtail the Evasion of International Economic Sanctions through the use of Cryptocurrency." Michigan Journal of International Law **42, no. 1 (Fall): 199-ii. Michigan Journal of International Law.**
43. Reinsch, William A., and Andrea L. Palazzi. 2022. "Cryptocurrencies and U.S. Sanctions Evasion: Implications for Russia." CSIS. https://www.csis.org/analysis/cryptocurrencies-and-us-sanctions-evasion-implications-russia.
44. Reinsch, William A., and Andrea L. Palazzi. 2022. "Cryptocurrencies and U.S. Sanctions Evasion: Implications for Russia." CSIS. https://www.csis.org/analysis/cryptocurrencies-and-us-sanctions-evasion-implications-russia.

benefit of lacking a coherent regulatory framework at the international level, while having large discrepancies in regulation in individual countries, preventing repercussions for sanctions violations. At least four countries are known to have utilized cryptocurrencies to avoid international sanctions, including North Korea, Iran, Venezuela, and Russia.[45] As long as cryptocurrency transactions remain largely anonymous and vulnerable to cyber attacks, countries will continue to utilize them to avoid sanctions, and especially to conduct financial transactions without the use of SWIFT.

The use of digital currencies has the potential to gain legitimacy through the establishment of central bank digital currencies (CBDC). The vast majority of central banks around the world, approximately 90%, are exploring the implementation of a digital currency, a liability of these reserve banks themselves, and reflective of that country's currencies.[46] This will not only represent a new field of unregulated digital currency, but also an opportunity to combat dollar privilege globally, as has been seen by China's CIPS system, a frontrunner in this CBDC movement. SWIFT has conducted experiments to determine the feasibility of these CBDCs being processed and transmitted through its own system, although it has not yet made an effort to implement this theorized system.[47]

US Dollar Privilege in the Global Economy Promotes the Generation of Alternatives to SWIFT
Image Source: Wikimedia Commons contributors, "File:20 Dollars art5.jpg," Wikimedia Commons, https://commons.wikimedia.org/w/index.php?title=File:20_Dollars_art5.jpg&oldid=971139920.

Drawbacks

Alternatives to SWIFT, both direct alternatives and substitutes, share notable limitations. SWIFT encompasses thousands of banks and financial institutions from over 200 countries, while direct substitutes for the SWIFT system do not have the same reach or participation.[48] Being the dominant system for over half a century, SWIFT also maintains a high level of credibility and reliability. When a transaction is made through SWIFT, fewer independent controls are needed to verify the information, saving members and countries both time and money. Alternatives to SWIFT do not yet enjoy the same level of trust and reliability, requiring additional checks for security and reliability.

In these consequential transactions, any moment of time spent on due diligence can entail significant financial losses. Furthermore, due to the strength of the dollar privilege, substitutes which require payments to be made in different currencies, such as China's CIPS system, are less convenient for many countries accustomed to the use of the dollar as the vehicle for international trade and finance.

Just as the lack of an international regulatory framework for cryptocurrency is a benefit for countries wishing to subvert SWIFT sanctions, it is also a limitation for the adoption of cryptocurrencies by banks, governments, and established financial institutions. Without clear international regulations, like those which SWIFT adheres to, many countries are wary to conduct these large transactions with cryptocurrency because of concerns related to the stability of these platforms, their general susceptibility to cyberattacks, and inability to adhere to specific country regulations like anti-money laundering campaigns and anti-terrorism funding laws.[49]

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45. Macfarlane, Emma. 2020. "Strengthening Sanctions: Solutions to Curtail the Evasion of International Economic Sanctions through the use of Cryptocurrency." Michigan Journal of International Law 42, no. 1 (Fall): 199-ii. Michigan Journal of International Law.
46. "Connecting digital islands: Paving the way for global use of CBDCs and tokenised assets." 2022. Swift. https://www.swift.com/news-events/news/connecting-digital-islands-paving-way-global-use-cbdcs-and-tokenised-assets.
47. Lipsky, Josh, and Ananya Kumar. 2023. "Not so fast: The case for a new SWIFT." Atlantic Council, May 16, 2023. https://www.atlanticcouncil.org/blogs/new-atlanticist/not-so-fast-the-case-for-a-new-swift/.
48. Kaur, Navneet, and Ramanjeet Kaur. 2022. "Alternatives to SWIFT: A Vital Tool in Global Banking." International Journal of Business Management and Research 12, no. 2 (July): 57-60. https://deshbhagatuniversity.in/wp-content/uploads/2023/07/Management-Journal-Dec-2022-Final-5_compressed.pdf#page=57.
49. Adenekan, Tobiloba. 2024. "Exploring the Viability of Replacing SWIFT with Digital Currencies: A Study of Technology, Regulation, and Market Dynamics." (December). https://www.researchgate.net/publication/387517358_Exploring_the_Viability_of_Replacing_SWIFT_with_Digital_Currencies_A_Study_of_Technology_Regulation_and_Market_Dynamics.

Recommendations

Today, SWIFT still plays an integral role in facilitating peacebuilding through imposing economic sanctions.

It is vital that SWIFT cement its place in the changing world of international finance today. To do so, it can **manipulate its role as the inancial communications regulations standards bearer**, regularly updating its communications standards internally, which will be of little effort to the system itself but prove a challenge to the direct substitutes who independently implement these regulations. Doing so will damage the credibil-ity of these substitutes, making it even more difficult for target states under sanctions to engage in transac-tions with other institutions.

To combat the appeal of alternative payment systems, **SWIFT must work to make its own system faster and less costly**, ensuring that alternative systems which are more efficient do not lure away SWIFT members through legitimate competitive advantages.

In order to remain competitive in the era of increasingly fluid cryptocurrency use, **SWIFT must establish itself as a key platform for the emerging Central Bank Digital Currencies** currently in development in the majority of central banks around the world. Already engaging in feasibility experiments, SWIFT must commut fully to this notion, solidifying itself as a platform for financial telecommunications in both the traditional sense and in the emerging world of tokenized assets in digital currencies. This will allow it to continue its role as the dominant player in the international financial communications field.

To address a key underlying factor in the emergence and use of these alternatives and substitutes to SWIFT (the fact that economic sanctions utilizing SWIFT have typically been imposed by a Western bloc of na-tions), **SWIFT must actively promote a more var-ied governance structure and diverse board of directors**. This includes expanding oversight of SWIFT beyond G-10 nations, and making active efforts to select members of the board of directors from those same countries outside the G-10. In doing so, SWIFT concerns about the unilateral control of Western na-tions can be addressed, incentivizing more trust and use of SWIFT's technology as opposed to the creation and use of alternatives.

These actions will enable SWIFT to maintain and grow its monopoly in financial telecommunications, ensuring that this avenue for financial sanctions can be utilized to facilitate peacebuilding for decades to come.