Pre-Class Discovery Handout: Traditional Financial Infrastructure

Activity 1: "Payment Archaeology"

Scenario: Think about your last card payment at a shop or restaurant. Try to write down every institution that was involved from the moment you tapped your card to the moment the merchant actually received the funds.

Institution / Party	What role do you think it played?
Your bank *(the card issuer)*	
The merchant's bank *(the acquirer)*	
The card scheme *(e.g. Visa, Mastercard)*	
Any other parties?	

Q: At what point do you think the merchant actually received the money? Immediately? Hours later? Days later?

Activity 2: "The Ledger Experiment"

Scenario: You are the bookkeeper of a small business. Record each of the following transactions using double-entry bookkeeping — for every transaction, one account is debited and another is credited.

Transaction	Account Debited	Account Credited
Customer pays for product		
You pay a supplier		
You receive a bank loan		
You pay rent		

Q: Why do banks insist every transaction has two sides? What would go wrong with only one?

Activity 3: "Message vs Money"

Many people believe SWIFT moves money between banks. Before class, research what SWIFT actually does.

Q1: What does SWIFT transmit?

Q2: What does SWIFT *not* do?

Q3: If SWIFT does not move money, what system actually moves money in your country?

Hint: Search for "SWIFT messaging" and "RTGS system [your country]."

Activity 4: "The Netting Puzzle"

Scenario: Three friends owe each other money after several shared dinners:

- Alice owes Bob.
- Bob owes Charlie.
- Charlie owes Alice.

Instead of making three separate payments, they want to settle their debts as efficiently as possible.

Q1: Describe in words how multilateral netting simplifies these payments. Why is this more efficient than everyone paying individually?

Q2: *Extension:* Now imagine thousands of banks making millions of payments daily. Why does netting become essential at scale?

