WEBINAR REPORT: NEW SHORT-TERM SWIFT FI TRADE LOAN TEMPLATE TO HELP GUIDE MARKET, May 2025

*By **Rebecca Spong**, Editorial Consultant*

ITFA's market practice committee (MPC) held a webinar in early May providing members with some insight on why there was a need to develop a SWIFT short term FI trade loan template to documenting one-off standalone transactions.

The much-anticipated template for short term trade loans – documented via SWIFT MT 799 free-form messages - was launched by the MPC last month. The template provides – for the first time – some industry guidance on how to document such transactions. Typically, banks had previously developed their own formats.

The short-term trade loan is used between banks operating across various jurisdictions – with the borrowing bank often in an emerging market and keen to access US dollar funding to support their clients' needs. The loan is used for underlying commercial trade transactions for the corporate clients of the borrowing bank.

"We all knew that SWIFT FI trade loans were a popular product. But unlike loans documented under the BAFT master trade loan agreement (MTLA) or LMA loan documentation, there was no format for people to start from. It has always been something negotiated on an individual basis by banks, potentially using very different formats," said Paul Coles, board member and chair of the MPC.

He went on to explain that the document is not designed to replace other documents, such as the MTLA, that are already available and does not intend to cover every possibility. Rather, it provides an "off-the-shelf" starting point for both borrowing and lending banks.

"As it is a standalone SWIFT document, we knew it was important to keep the template very short and as simple as possible. This helps to make it global and market friendly, and as balanced as possible between a lender and borrower," Coles added.

"We are not trying to say this is the only format – but this is "what good looks like," he explained.

There are opportunities for the document to be tweaked and updated based on user feedback. "We welcome input and suggestions from members so we can refine it further as required," Coles added.

Practical applications

James Collins, MPC member and senior manager, trade finance, at FCMB (UK), who was part of the working group helping develop the document, said that previously the SWIFT loan format could end up being "a bit longer than is absolutely necessary".

"I had come across the SWIFT loan format at a previous bank and we adapted it at FCMB (UK). However, I always thought that it attracted add-on clauses and adaptations as people see wording in the market they think should be included… rather than considering if these were truly required or not," he reflected.

He went on to explain how his bank typically used the loan format. "At FCMB (UK), we use this form of agreement predominantly for trade loans with mainly Nigerian Banks with whom we already have an established relationship. The loan agreement can be evidenced by one transaction, or more commonly for us, a number of transactions – it really does depend on the size of the loan requested," he said.

Sometimes, if the relationship bank requires a loan larger than FCMB (UK)'s availability, the bank would look to syndicate the deal with a small number of investors under a MPA as an undisclosed, funded risk participation, he added.

He said that the typical tenors used under SWIFT trade loan format span from 180, 270 to 360 days, and that the bank expects a bullet payment at maturity with one rate fixed at the outset and without extensions.

FCMB (UK) is also using this format in other African markets where they are developing relationships including Kenya and Tanzania. The bank has also used it with some of its Turkish FI relationships.

Reflecting on the benefits of using the SWIFT trade loan format, he noted that the agreement is short and can be easily adapted for any nuances the lender or borrower may have. It can also help speed up transaction time – with the bank often able to turn around a transaction within a week or less.

"[The format] is beneficial in transacting with a relatively new relationship and getting a transaction off the ground quite quickly before, perhaps, spending a lot of time negotiating a longer Master Agreement if that is what would be required," he added.

However, Collins reiterated that the development of the new template was not a way of competing with BAFT's MTLA, but rather ITFA was hoping to provide another "updated tool for ITFA members to use in whole or in part….to help guide their trade loan business".

The webinar concluded with Geoffrey Wynne, partner at law firm Sullivan & Worcester, who drafted the template, giving a "whistle-stop tour" of some of the legal aspects of the new document. This included noting how the template provides differing governing law provisions including English and New York law, as well as the option of arbitration rather than going through the courts in the case of any disputes.

He emphasised that the "base document" would enable a bank to put together a workable trade loan document that covers all the essentials. The guidance notes are there to provide additional wordings, if required.

"There were so many variations in the market, and it was notable how many different possibilities came out during our working group discussions. We wanted to distil all that into one document to save members time in negotiation," he said.

To see the full template and guidance notes – click here.

To re-watch the webinar – click here.