

MT799 – What is a SWIFT MT-799?

SWIFT CODE MT 799

When trading commodities, there are multiple documents and forms requested by both parties. One of the more commonly requested, but lesser understood documents is the MT-799. Many “commodity” sellers will request that the buyer issue an MT-799 before they provide proof of product, or proceed beyond the initial stages of the sale. For new traders who are not familiar with international banking systems, this can be a rather confusing request. This article provides information on the SWIFT system, as well as on the MT-799 itself.

What does SWIFT stand for?

SWIFT is an acronym which stands for ‘Society for Worldwide Interbank Financial Telecommunications’. Formed in 1973, SWIFT is a Belgian creation, and its main offices are still in Belgium to this day. SWIFT was formed in response to a growing need for an internationally sound communications network that could facilitate business transactions across borders effectively, quickly, and securely. When SWIFT was first formed it linked 239 banks in fifteen different countries. Now in 2008, SWIFT has grown to be a world wide organization which facilitates communications between banks, corporations, and securities institutions. SWIFT communications are now the global standard for international banking transactions, and as such are utilized millions of times daily. It is estimated that more than eight thousand banking institutions currently use the SWIFT messaging system for their transactions, and SWIFT systems are now in place in two hundred and eight countries.

What has made SWIFT so very effective? SWIFT’s success has primarily been the result of understanding and responding to the unique demands of a global market. The SWIFT system utilizes standardized messages, which increase efficiency, and is fully automated, which means that the days of lost messages are all but over. International transactions depend on security, reliability, and accuracy. The SWIFT system provides all these elements.

In addition to providing a safe and secure messaging system for the financial world, SWIFT also provides opportunities for companies to build revenue streams, and offers a wide range of services outside the messaging field. Some of these services include directories, market information, and market solutions.

SWIFT Codes

SWIFT Codes are actually very easy to understand, in spite of their unfathomable appearance. The 'MT' at the beginning of the code stands for 'Message Type', and the number indicates one of the many standardized message formats which comprise the SWIFT messaging system.

The MT-799

The MT-799 is a free format SWIFT message type in which a banking institution confirms that funds are in place to cover a potential trade. This can, on occasion, be used as an irrevocable undertaking, depending on the language used in the MT-799, but is not a promise to pay or any form of bank guarantee in its standard format. The function of the MT-799 is simply to assure the seller that the buyer does have the necessary funds to complete the trade.

The MT-799 is usually issued before a contract is signed and before a letter of credit or bank guarantee is issued. After the MT-799 has been received by the seller's bank, it is then normally the responsibility of the seller's bank to send a POP (proof of product) to the buyer's bank, at which point the trade continues towards commencement.

The actual payment method commonly used is a documentary letter of credit, which the seller presents to the issuing or confirming bank along with shipping documents. Once the bank confirms the documents, the seller is then paid. An alternative method is to use a bank guarantee in place of a letter of credit. It is normally at the seller's discretion which method of payment is used.

How Do I Issue a MT-799?

The short answer is that you don't. Approach your bank, and make an arrangement with them to have an MT-799 wired to the seller's bank. Some banks are reluctant to issue MT-799's, as these make them liable for the full cost of the trade, which can sometimes be in the millions. A bank will normally not issue an MT-799 without some form of collateral to secure their own interests, so be prepared to put up a hefty amount of collateral.

What Does A MT-799 Look Like?

An MT-799 is an automated message sent electronically from one bank to another, so you won't really 'see' an MT-799 at all. The paperwork associated with an MT-799 will vary from bank to bank, though most banks follow a similar format.

What Information Do I Need To Send A MT-799?

You will need the following information to send an MT-799.

- Name of the advising bank.
- LC Number.
- LC Amount.
- Tenor of Draft.
- Latest shipment date.
- Person or entity liable for confirmation fee.
- Whether the LC is restricted for negotiation or not.
- A description of the merchandise.
- Port and/or country where commodity will be loaded.
- Port and/or country where commodity will be unloaded.



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