

Roadmap to Global Banking

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Together we'll go far



Session Overview

- What clients are saying
- Roadmap to global banking
- Treasury policy basics

Global Treasury Objectives: What Clients are Saying

- Managing International and Domestic Subsidiaries:
 - Working Capital & Liquidity Management
 - Internal System Integration
 - Cash Flow Forecasting
 - Multiple Banking Relationships
 - Time Zone
 - Language and culture
 - Multiple currencies & Risk Management
 - Tax Issues
 - Banking regulations
 - Efficiency and Transactional Cost Savings

- M&A activity and gaining control of Treasury worldwide:
 - Share purchase agreements and funding requirements
 - Fraud control
 - Setting up Global Reporting
 - Global Policies and harmonization of payments
 - Rationalization on acct structures

Roadmap to Global Banking

1. Understand your global needs
2. Payments and collections
3. Dealing in local currency
4. Manage accounts
5. Tax compliance
6. Global visibility
7. Control of funds
8. Technology and automation
9. Liquidity management
10. Rationalization



1. Understand your global needs

- What type of business will you be conducting in the foreign location?
- How will the funds flow (incoming and outgoing)?
- How are the operations going to be managed?
- What banking services will be needed?



2. Payments and collections

Understanding and identifying your flow of payments and collections will lead to a tailored global solution.

- Payment type is determined by country, volume, beneficiary, urgency and industry standards.
 - International USD wires
 - International Foreign Exchange (FX) wires
 - International ACH
 - Drafts or checks
 - Credit cards

3. Dealing in local currency

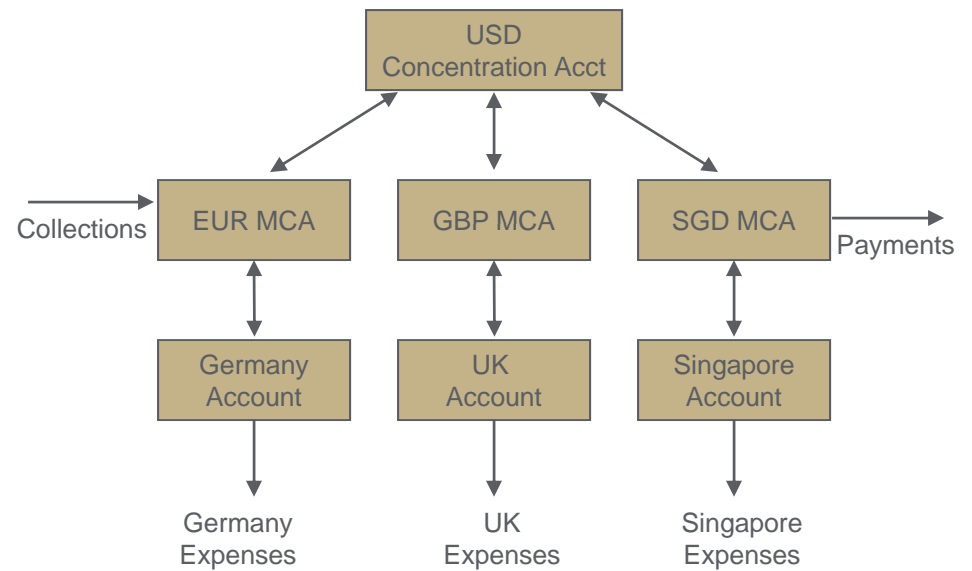
- Move from dealing in USD to dealing in foreign currency
 - Makes you more competitive
 - Allows you to manage the risk directly instead of being impacted without control
- Determine if your subsidiaries should be USD or local currency functional

Benefits to FX
<ul style="list-style-type: none">▪ Mitigate FX risk▪ Reduce costs (A/R)▪ Protect profit margins (A/R)▪ Eliminate FX gains and losses on the balance sheet▪ Gain competitive advantage

4. Manage accounts

- Reasons for accounts
 - Regulatory or tax requirement
 - Collections and payments in the same currency
 - Local operation needs
 - High volume of transactions
- Types of accounts
 - Multi-currency accounts (MCA)
 - In-country accounts

The best account solution may be a combination of accounts.



Global account strategy

Keep it simple:
Extension of existing treasury
management

Understand payment flow:
Countries, currencies, control

Technology shrinks geography:
Not all brick and mortar is created equal



Foreign account options

Foreign Branches of U.S. Banks

Likely on different platform than U.S. parent

- Limits visibility
- Slows reporting
- Different customer experience

Foreign banks
require patience

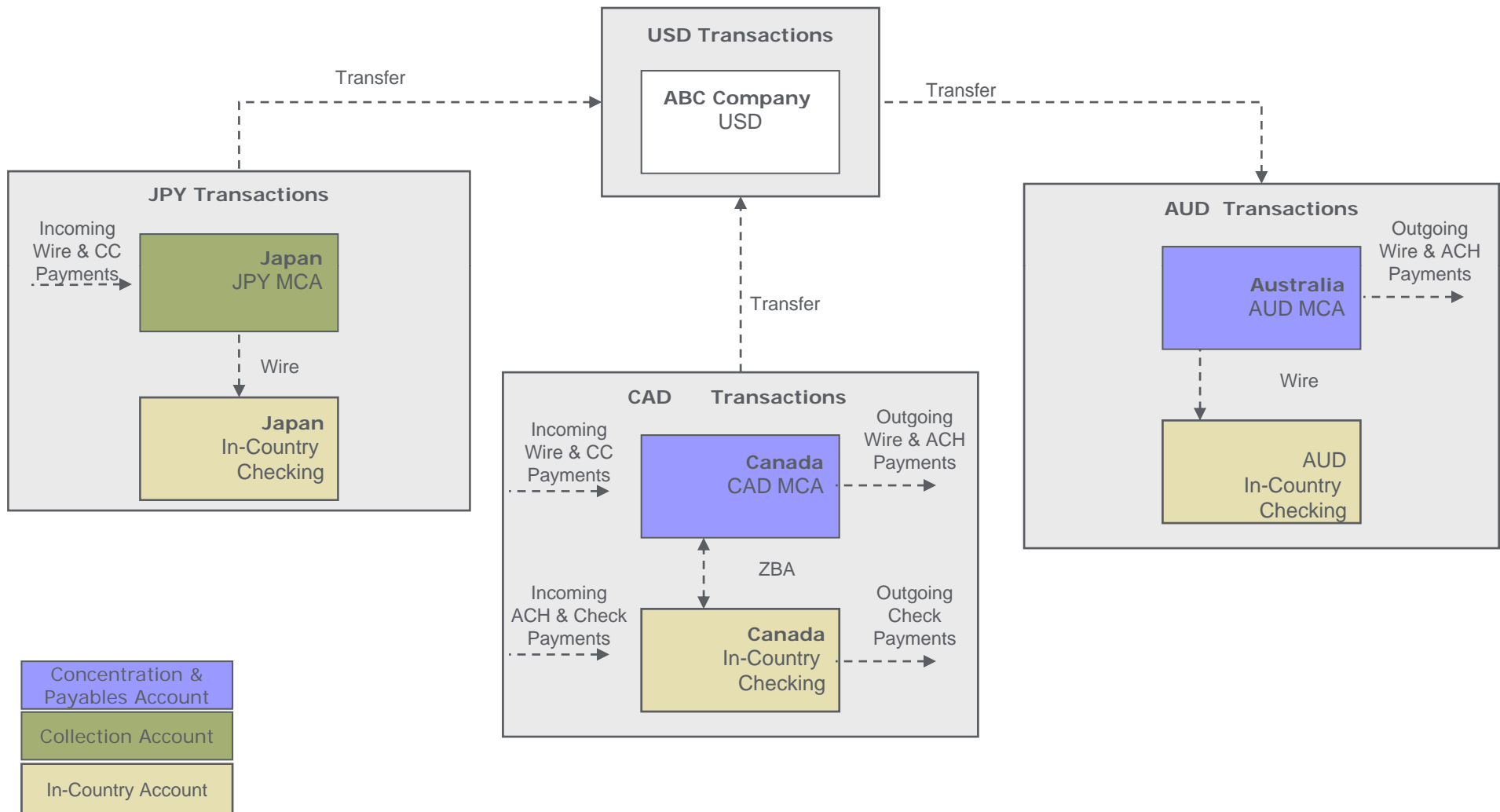
Foreign bank accounts

Complex to open

- Months, not weeks
- Compliance requirements may vary significantly by country
- May require passport and plane ticket

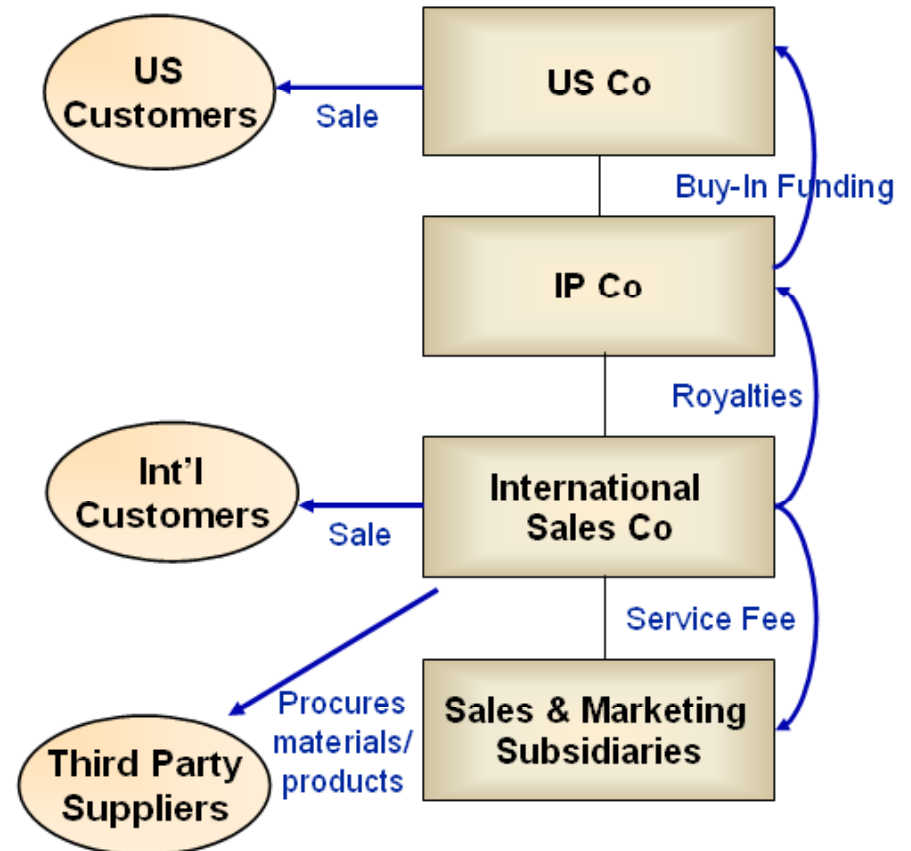


Global Account Structure



5. Tax compliance

- Goal is to achieve and sustain revenue shift to a low-tax jurisdiction
- Tax structure dictate treasury structures
 - An account is typically needed for each entity
 - It is important to ensure the correct flow of funds through the accounts and associated entities



Information courtesy DLA Piper International Tax group.

6. Global visibility

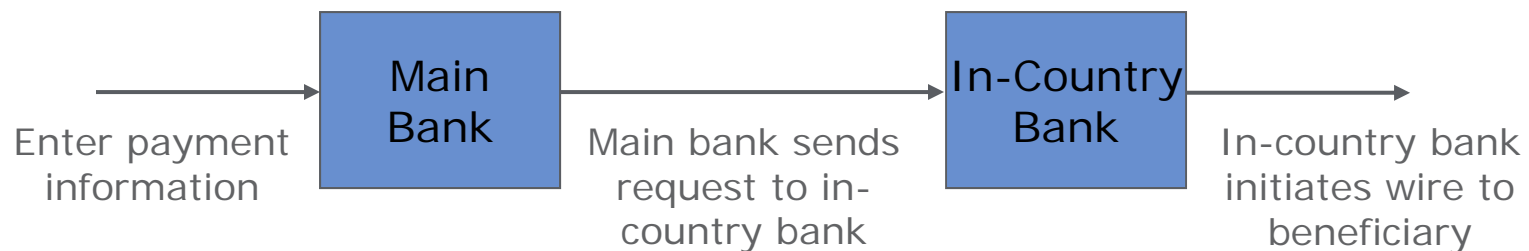
- Centralized reporting provides ease of cash positioning and leads to more accurate forecasting
- Streamline your process by using one platform to view all global accounts
 - Online banking system
 - Treasury workstation
- Auditors encourage the use of bank to bank communication (SOX)
- Ability to download transaction details for reconciliation



7. Control of funds

- Ensure direct access to your global funds
- Have the ability to access and move funds easily
- Know who the signers are on your accounts and who can move money

International Request for Transfer (MT101)



Note: This process must be implemented ahead of time and requires a legal agreement between the two banks.

8. Technology and automation

Utilize existing in-house technology (i.e., ERP system) to maximize working efficiencies and establish a global standard of gathering information and executing global payments.

- Consider industry standards such as SWIFT platforms or FTP solutions to scale for future integration and expansion needs
- Address other pillars within the organization such as:
 - Business continuity planning (BCP) / disaster recovery (DR)
 - Audit for SOX and IFRS compliance
- Understand the initial cost versus the economic value in the ways that it allows your employees to function and work on more value added projects

9. Global liquidity management

- Identifies where surplus cash can be invested to maximize interest returns
- Rationalizes the need to maintain multiple bank relationships and currency accounts
- Can minimize high cost short term borrowing needs and overdraft fees

Liquidity Techniques

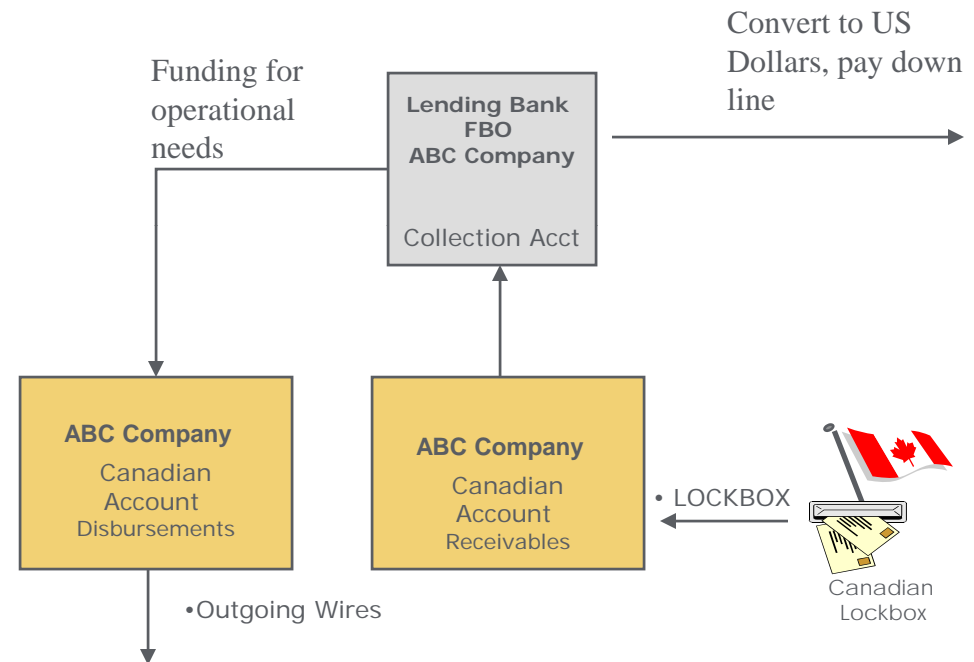
- Cash Concentration methods (Physical Pooling)
- Interest compensation methods (Notional Pooling)
- Intercompany loans method in Asia (Entrust Loan structures)
- Netting solutions

Considerations of a Global Liquidity Structure

- Increased bank fees due to reduced balances
- Cross border lifting fees or stamp duties
- Tax fees concerning withholding, repatriation and inter-company loans
- Affect subsidiaries ability to borrow or impact local banking relationship

Asset Based Lending

- Asset based lines of credit are secured by A/R
- Automatic pays down line of credit
- Supports temporary working capital needs
- Increased trend due to tighter lending practices



10. Rationalization

- Yearly rationalization of your global treasury structure will lead to more efficiencies and reduced costs
- Events, like an acquisition, are opportunities to consolidate



Aspects to analyze:

- Most effective treasury operations (centralized/decentralized)
- Highest transaction volumes
- Unused or duplicate accounts and services
- Future growth plans

Treasury policy basics

Understand corporate strategy and vision for setting up a treasury operations at a global, regional or local level.

- Ensure appropriate lead time for establishing overseas operations
- Delegating signing authority
 - Headquarters and local signers
- Centralize global reporting
- Education on cost efficient transactions
- Involve key partners early
 - Tax, legal, IT, and banking partners
- Leverage technology and automation for best practice philosophy

