Treasury & Cash Management

# TCM Guide 2011

GLOBAL FINANCE

Contents



# Mobilizing Excess Cash

At most cash and treasury management conferences these days, treasurers are concerned with one of two things: ensuring they play a more strategic role within companies above and beyond managing a piggy bank of money; and making their cash and liquidity work harder for them.

With many multinationals now looking for revenue growth in regions such as Latin America and Asia, treasurers are focused on how best to mobilize their excess cash and liquidity in these markets. In our story on treasury and cash management in Brazil, we hear how treasurers are now including the fast growing Latin American market in their global cash management and payments infrastructure and are collating real-time cash flow positions and exposures so their treasury operations can make better informed cash and liquidity management decisions.

However, Brazil comes with its own set of restrictions. Treasurers need to be aware of taxes levied on different transactions, which means moving cash around is not as straightforward as it is in more developed markets. Treasury managers also need to remain on top of currency volatility—particularly in those emerging markets where high capital inflows have resulted in rapid appreciation of the local currency.

The Chinese market has also proven historically difficult for treasurers looking to manage liquidity. Excess renminbi cannot be easily moved offshore to fund other parts of a company's operations—although the growing internationalization of the renminbi in trade-related transactions has provided some breathing space.

Both China and Brazil remain challenging markets for treasurers looking to mobilize cash and liquidity, but despite these difficulties they are important markets for multinationals as they look for growth and investment opportunities.

As treasurers work on improving visibility over cash flows, connectivity to their banks has also become an increasingly important issue. More than 500 corporates are now connected either directly or indirectly to the bank-owned SWIFT network, which provides a single interface for communicating with multiple banks. This provides companies with greater visibility over their payments and flow of funds across multiple banking providers.

Yet, connecting to SWIFT can be confusing for corporates, particularly when it comes to the administration and maintenance involved as well as the cost of connecting directly. Increasingly treasurers are turning to service bureaux to help them connect to SWIFT.

**Anita Hawser**
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# Business Processing Outsourcing (BPO) – enhancing the supply chain

Over the last ten years open account trading has become the 'standard approach' for exporters in order to maintain their competitive position with their importers. With it making up more than 85% of today's cross-border trade transaction volume, traditional trade finance tools—such as letters of credit—slowly but surely have become specialised 'niche' products. However, when the financial crisis hit, finance executives took a closer look at their risk management and recognised that open account settlement exposed them to a number of risks that had previously been mitigated using letters of credit.

In this article John Bugeja, Global Head Trade Products at RBS, discusses the revival of the letter of credit and outlines how a new product, similar to the letter of credit, could help with risk mitigation whilst maintaining the efficiencies of open account trading.

**John Bugeja, RBS: "We expect a broader adoption of TSU and BPO in the next 12-24 months"**

### Revival of letters of credit

In order to grow sales and profits, most companies have had no choice in the last few years but to accept a certain amount of risk by offering open account terms to customers. An open account transaction typically is a sale where the goods are shipped and delivered before payment is due, which is usually in 30 to 90 days. Obviously this represents a credit and payment risk for the exporter and also creates a funding gap that exporters have to finance.

With risk management at the top of every senior manager's agenda after the financial crisis, executives of exporting firms had to acknowledge that a thorough examination of political, economic and commercial risk is needed to safely offer open account terms to customers—and to safely grow business in markets which used to be regarded as 'safe' but are now seen to be more risky. "The whole financial supply chain is under review again," notes Bugeja: "Key questions include how to minimise losses from bad debt and how to use credit granted to importers as a source of competitive advantage whilst managing risk effectively in an international environment."

It was no surprise that many exporters, in the process of finding answers to these questions, re-discovered the letter of credit despite knowing of its disadvantages—namely being paper-based and therefore comparatively labour-intensive. "Its visibility, predictability and its legal standing, based on internationally agreed rules, led companies to start using the letter of credit again, now recognising its importance in the context of mitigating risk and accessing liquidity both pre- and post-shipment," explains Bugeja. With the advent of sophisticated electronic channels—such as Max-Trad—many of the labour-intensive aspects of the letter of credit had already been significantly reduced. "Considering its clear benefits with regard to risk management our thinking focused on how to reduce the complexity traditionally associated with the letter of credit, which in the first place meant simplifying the issuance and on-going management processes and then providing additional online tools to help ensure that exporters are able to present a compliant set of shipping documents and fully benefit from the risk mitigation and finance benefits inherent in the instrument," Bugeja points out.

### Trade Services Utility (TSU) opens the door for paperless data matching

A first step towards simplifying the exchange of open account trade transaction data was the launch of the TSU in 2007, a SWIFT initiative. The TSU provides a framework for broader bank participation in open account trade and is a starting point for banks to agree on a data format and standardisation for automated data-matching with little or no manual intervention.

The TSU provides bank and bank neutral benefits, where buyer and seller data on a particular order can be matched at the purchase order stage—demonstrating that both parties have clarity regarding the order content (goods specification, price and terms), and at the shipment stage—demonstrating that the invoice data matches the agreed purchase order data.

The TSU alone is a vehicle for enhanced efficiency in supply chain management, but does not mitigate credit risk or provide access to finance. The TSU also enables clients to continue to use their bank's trade platforms rather than adopting another solution.

### A new trade finance instrument manages risk more efficiently

The TSU's second release in 2009 featured the Bank Payment Obligation (BPO) to mitigate risk—much like a letter of credit. The BPO represents an irrevocable obligation by a buyer's bank to pay a specified amount to a seller's (beneficiary) bank when there is a data match. The BPO mitigates risk between buyer and seller by incorporating an irrevocable, conditional bank undertaking in a transaction. It may be considered the dematerialised equivalent of a traditional letter of credit in an open account environment. "For companies that want to do business on an open account basis, the BPO provides an extra level of protection that was formerly not available", explains Bugeja—adding that the TSU and BPO will enable banks, as the custodians of these information flows, to offer a variety of value added services and alternative forms of financing, including pre-shipment and post-shipment, earlier in the transaction lifecycle. These include:

- ***Improved Working Capital Management***
  Because the TSU captures data elements specific to the physical and financial supply chain, it provides more transparency into the transaction lifecycle and allows for more informed decision making. With information passing through their banks, companies will obtain a more comprehensive picture of their outstanding payables and receivables, simplifying working capital management.
- ***Post-shipment financing***
  Post-shipment finance on this basis is 'without recourse' to the seller, so it doesn't tie up the seller's working capital facilities with their bank. This enables the seller to grant credit terms to their buyer whilst getting paid immediately after shipment.
- ***Vendor performance management***
  Electronic matching creates an unprecedented level of transaction accuracy. Discrepancies can be identified and corrected at an earlier stage, while supplier fraud can be averted.
- ***Proactive management of foreign exchange risks***
  Better monitoring of delivery and payment deadlines allows for more pro-active management of exchange rate risk.
- ***Payment reconciliation***
  Standardisation of message formats facilitates the reconciliation of payments.
- ***Pre-shipment financing***
  Data matching through the TSU at the purchase order stage mitigates performance risk, whilst the BPO provides a degree of certainty regarding payment once goods are actually shipped, which enables a seller's bank to adopt a much more positive stance in providing pre-shipment financing for the production and shipment of goods. In this way, the TSU restores a vital financing tool for exporters in emerging markets—the 'packing credit'—which was lost in the transition from letters of credit to open account trade.

The TSU will improve the interoperability of banks and, with the development of the BPO, may very well usher in a new era of correspondent banking in the open account space. For example, a third bank may guarantee a BPO obligor's payment much as it would when confirming a letter of credit. There may be opportunities for shared, and possibly syndicated, financing between a buyer's bank and a seller's bank.

### Common set of guidelines required

Until recently the adoption of the BPO was stalled by the lack of industry rules and standards outside of SWIFT's TSU Rule Book. In the absence of a universal regulatory and accounting opinion on the treatment of the BPO, some banks are drafting agreements with other banks on which rules will apply, resulting in multiple disparate legal agreements that threaten to complicate and delay adoption.

"Banks, on the whole, are looking to the International Chamber of Commerce (ICC) for BPO validation. This would clearly be a catalyst for widespread BPO adoption", says Bugeja. ICC's endorsement of the Bank Payment Obligation concept would establish a foundation for adoption of a common set of guidelines and dispute resolution that would make the BPO a viable alternative to the letter of credit in the open account space, providing certainty regarding interpretation and enforceability and a high degree of predictability for both sellers and buyers. It is also essential that the BPO rules, once agreed, are ISO 20022 compliant—providing even greater certainty regarding the data matching process and stimulating confidence in the BPO.

### Simplifying global information management

Among the 102 TSU–registered banks around the world, Asia has assumed a leading role in both the adoption and adaptation of the TSU and the BPO. Indeed, the first live BPO transaction was issued by a leading Chinese bank in April 2010. The bank is using the BPO to foster more domestic inter–bank trade. Historically, intra–bank L/Cs dominated domestic trade due to the lack of a unified telecommunications platform.

The bank's decision to use the BPO was further supported by the TSU's local language capabilities, which support the input, transmission and matching of information in double-byte characters. Looking ahead, the banks plan to use the BPO as a framework for pre-shipment and post-shipment finance.

### TSU and BPO: powerful tools to increase efficiency and decrease complexity

"We expect a broader adoption of the TSU and BPO in the next 12-24 months, partly because SWIFT is recognised as a trusted and respected provider to banks worldwide," predicts Bugeja. "Once companies begin to understand how the BPO provides a more secure alternative for open account trade—establishing buyer credit, reducing supplier fraud, and streamlining transaction processes—there should be greater uptake." ■

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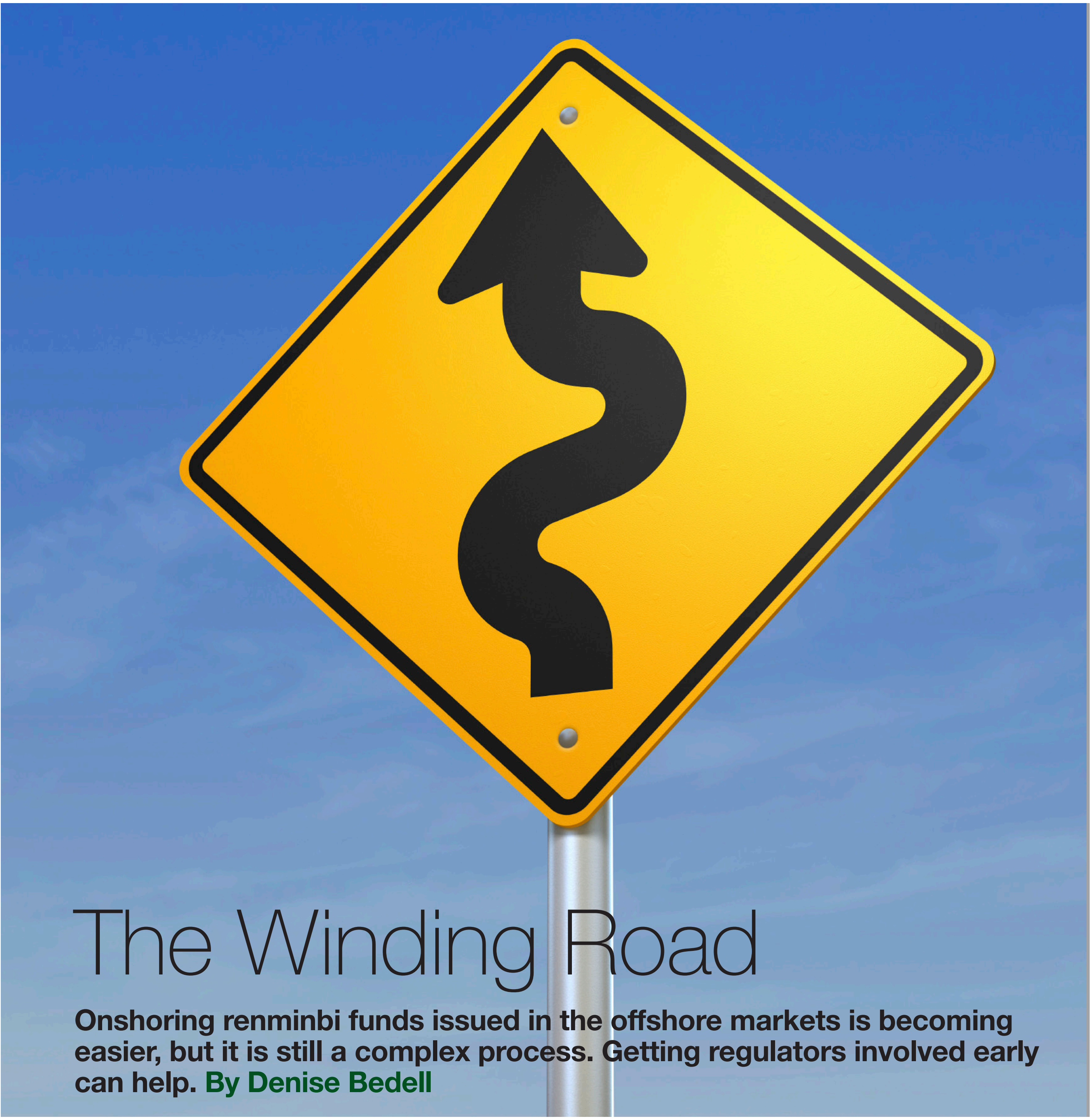


# The Winding Road

**Onshoring renminbi funds issued in the offshore markets is becoming easier, but it is still a complex process. Getting regulators involved early can help. By Denise Bedell**

China is ever more important in the global economy, and companies worldwide are expanding both their trade with China and their mainland Chinese operations. Being able to fund mainland operations by raising yuan in the offshore market is on the radar of many companies. And as numerous examples have shown the value of the exercise—both in reducing foreign currency risk and in providing cheaper financing at longer tenors than is available on the mainland—more companies are looking offshore.

For those companies that are bringing yuan to the mainland, it is not an easy road. But solid planning and early interaction with the Chinese authorities can go a long way to smooth the process.

Plus, a new rule from the People's Bank of China (PBoC)—and plans for a whole new rulebook on RMB foreign direct investment (FDI), which is expected by year-end—could change the game and make the process much more straightforward.

### New Rules

The PBoC announced a new rule in late June on cross-border renminbi FDI that specifies that all foreign enterprises are allowed, in principle, to raise renminbi funds in the offshore markets and repatriate those funds to mainland China as foreign direct investment.

This is a big step forward from the previous arrangement—in which all onshoring of renminbi was reviewed and approved on a case-by-case basis.

In addition, the PBoC plans to release a set of rules governing the process by year end.

On the announcement, Hong Kong Monetary Authority chief executive Norman Chan noted: "Once the new rules come out, it will provide a greater degree of certainty and easier access by investors when they have renminbi funding in Hong Kong and elsewhere."

### Approval Process

But as yet the process has not changed. Each company must still inform the Chinese authorities and must go through the same steps that they would if they were bringing any foreign currency into the mainland. In almost all respects the contribution of equity from offshore to onshore would be the same in terms of the capital verification process and remittances.

The only issue is that prior to these most recent developments, the contribution of capital from offshore would always have been made in a foreign currency whereas now it can be made in a foreign currency or in renminbi.

**Tee, Standard Chartered: MTN issues help with standardized documents**

## "Even with new regulations, [onshoring funds] would still involve an approval process"

**"Get in [to Chinese authorities] early" —Mitchell Silk, Allen & Overy**

For any capital account item, there is a remittance application process that companies must go through.

Companies launching a renminbi issue in the Hong Kong market—or in Singapore, which is working to develop its own offshore market—need to secure Chinese authorities' buy-in as early as possible in the process, and keep them informed as steps progress.

"In the absence of firm regulations, and even with new regulations, cross border renminbi capital transactions would still involve an approval process," says Mitchell Silk, partner at law firm Allen & Overy.

The most effective way of dealing with approval risk is by informing the regulator in advance, he explains. "Get in early, show compelling business needs and include a statement of why the proposal is in line with policy."

### Using An MTN Program

A couple of developments over the past year have made it easier for firms to issue renminbi deals in Hong Kong.

Companies are now allowed to issue in renminbi through their existing medium-term-note (MTN) programs—rather than just as stand alone deals. This makes the process much easier, notes Tee Choon Hong, regional head of capital markets for Northeast Asia at Standard Chartered. "The ability to issue off the MTN program helps companies in standardization of documents and speedy execution," he says.

It does not require a whole new set of documentation, merely a tweaking of existing ones. Plus, both Euroclear and Clearstream are now accepted as offshore renminbi clearing and settlement houses.

This is slowly moving renminbi bonds to a closer approximation of other Eurobond issues, which helps investors and companies get more comfortable with the product.

### Longer Term Impact

Increasing flows onshore could have a broader currency market impact down the road as volumes rise, and may affect Chinese monetary policy going forward, one lawyer notes.

The lawyer explains: "China must consider what the impact will be on balance of payments and other monetary impacts it will have. In the grand scheme of things, while some of the transactions have been in the hundreds of million of dollars, this is minuscule on a relative basis."

"It will not give regulators any cause for concern right now," the lawyer says. "But as the market grows, this certainly is something that will be subject to further regulatory scrutiny."

Meantime, companies are taking advantage of the opening market to fund their mainland operations without taking on additional currency risk.

As companies expand in China, having access to cheap, longer-term funding is critical. It is still a winding road, but market developments and regulatory changes are making it easier for companies to bring offshore renminbi to the mainland.

# On The Right Path

**Enterprise risk management is now a central theme for treasurers at large corporates. Both regulatory changes and business benefits are driving the increased focus. By Denise Bedell**

The financial trauma of the past few years has led to many big changes in the way companies operate. One of the more positive developments from a systemic perspective is the increased focus on risk management—and in particular on holistic risk management.

Once a byword tossed about by visionary treasurers with little hope of making the dream a reality, thanks to the increased fears, regulatory changes and a much stronger business case, enterprise risk management (ERM) is now a reality at many major corporations. Those that have not already realized the dream are taking a close look at how to do so.

"Until the hundred-year storm came about, risk was often thought of in terms of natural little buckets," says John Jay, senior analyst at consultancy Aite Group. "Then it was rolled up in some sort of summary report and filed away." But the catastrophic systemic events of 2008 changed everything, he says.

Suddenly, risk management was not just an afterthought: It was the key thing that a company's stakeholders—from the board to shareholders—were asking senior management about.

Fast-forward to 2011, and holistic risk management is no longer just a catch phrase but rather a mainstream operation for many large and midsize companies. In part, the enterprise approach is being driven by stringent new regulatory regimes that put the onus on boards and senior management to be accountable for risk.

Mark Webster, partner at consultancy Treasury Alliance, explains: "Corporates are beginning to realize that this is something that might cause some major pain down the road. If not managed, it could close the company or put senior executives in jail. As a CEO or CFO, when your neck is on the line, you don't want a junior clerk managing this." That has driven companies to institute a distinct risk manager function—and move that function up to senior management level.

Aside from regulatory and compliance concerns, there are clear operational and financial benefits to the holistic approach.

## "If not managed, [enterprise wide risks] could close the company or put senior executives in jail"

**"This is something that might cause some major pain down the road"**
***—Mark Webster, Treasury Alliance***

**Dunham, SAP: Use broader process reengineering to drive ERM**

First, it gives companies comfort that risks are being well managed—and a view on where risks are not being managed effectively to provide a starting point for improvement.

Plus, often companies hold sizable reserves of cash and liquidity specifically for dealing with the unknown, but with this added layer of security and risk visibility, those reserves can be reduced, freeing up that capital for other uses.

James Dunham, vice president at solution vendor SAP in their governance, risk and compliance unit, notes that looking holistically at risk is a natural extension of the process of transformation that is going on at many large corporations. "They are specifically aligning their business around strategic end-to-end processes in order to drive optimization and reduce costs." He says it makes sense for companies to use process reengineering projects to push enterprise risk evaluation.

With ERM a company can start to break down silos, notes Helen Shan, vice president finance and treasurer at Pitney Bowes. "If you ask someone on the operational side about a risk, they may think it exists only in their world," she says. "But taking it across the business, that risk may actually be much larger, or there may be emerging risks in one area that will affect existing risk in another."

## Building ERM From The Ground Up

***Global Finance* speaks with Helen Shan, vice president finance and treasurer, Pitney Bowes**

**Global Finance:** How did the ERM model evolve at PB?
**Helen Shan:** We began looking at it in 2005 and were hitting full stride 18 months later. We did not come into the project with any preconceived notions but began by interviewing everyone who had risk ownership. From there the natural risk owners and subrisk owners came up with a laundry list of risks. Then we narrowed the list down to those which we deemed "enterprise risks," and that is what we based our model on. We review that list every year.

**GF:** How does PB evaluate risks?
**Shan:** We put together a risk heat map where each subrisk is judged on three main metrics: probability, severity and risk mitigation strategies. With severity, one of the things we find useful is to determine who we would need to report to if that risk were to occur. So if it is something that we would expect to see, for example, reported on the front page of the *New York Times*, that is clearly the highest level of severity. We found this methodology easier than trying to quantify the impact on revenue and EBIT, which can be debatable.
Once we have determined the severity, we look at whether we have the right risk mitigation strategies in place. We rate that on a scale including "not addressed," "marginally mitigated," "acceptable mitigation" (at reasonable cost), "optimal risk mitigation," and "excessive risk mitigation." By including "excessive mitigation," it lets us look at where we could change mitigation strategies to reduce unnecessary costs.

**GF:** Why does PB use a heat map?
**Shan:** It provides a way to compare the subrisks and graphically show their metrics relative to one another. It's easier for our board also to review the risks and ask questions. It also helps us see how much more our enterprise risk needs to be improved.
So, if there are 10 subrisks in a risk category where four are marginally mitigated and the rest are acceptably mitigated, we will evaluate how to make those four acceptable, and put a grade around the process and how quickly we are moving marginal risks to acceptable.

**GF:** What are the benefits?
**Shan:** It has highlighted certain areas where we do have risks that we might not have seen before, and how each risk touches on other parts of the business. For example, we now include our business continuity planning more integrally in our planning and budgeting process.

**Shan, Pitney Bowes: Don't start a project with preconceived notions**

# Steps to SCF Success

*Getting from Initial Excitement to Long Term Value*

Over the last 12 months, Supply Chain Finance (SCF) has continued to evolve as a central product of corporate supply chain management, in respect of working capital collaboration between Buyers and their Suppliers and the ability to introduce new sources of liquidity to participating Suppliers.

The debate between two competing models of SCF program funding about which I wrote in this magazine last year continues to rage, albeit with promising signs that larger companies making decisions on new SCF programs are far more likely to choose a "universal funding" model rather than one or multiple "single bank" sources. A number of factors underpin this movement—of which the most important has been the imperative to separate individual suppliers from contractual dependency upon a single funder.

Notwithstanding the continuing progress made by SCF, the prevailing reality is that this remains a "promising" product rather than one that has attained a significant measure of established maturity and pervasive acceptance. Too many SCF programs continue to take longer than expected to implement, see slower rates of supplier enrolment and lower levels of supplier financing than had been anticipated. After a hotly contested mandate and lavish promises from fast talking salesmen, execution and results too often disappoint.

Rather than discuss the (individually denied but collectively recognised) reasons for this situation, let us focus upon some of those aspects that, at Orbian, we believe will underpin a successful SCF program. In particular, we concentrate upon two key areas of SCF program management:

**Enablement**
- **Technology**
- **Funding**

**Execution**
- **Internal Management**
- **Supplier Management**

## Enablement: Technology

Critical to the success of any program will be the underlying technology platform. The following aspects should characterize the technology selected:

- **Global:** it should be a single platform capable of supporting the Buyer's businesses around the world such that extension across regions and divisions can be achieved seamlessly and with minimum later effort. Similarly, it should be capable of supporting Suppliers enrolling from any country, and those seeking accelerated funding in any currency. **Avoiding a "patchwork" of regional functionalities is an important gateway to success**.
- **Robust:** it should have a well–established track record of success in terms of both implementation and on-going operational integrity.
- **Easily integrated:** the internal effort and associated costs required to deploy the SCF technology should be minimised. It should also not require any technical implementation work by either suppliers or any funders of the program.
- **Non-Disruptive:** the platform should not require any disruptive changes to the existing processes by which the Buyer and its suppliers interact across the invoice submission, approval and payments cycle.
- **Rich Functionality:** the platform should provide both the Buyer and its suppliers with a functionally rich and intuitive system that enables easy account reconciliation (including credits and returns), clear payment visibility and straightforward financial reports.

## Enablement: Funding

Ultimately, any SCF program is only as good as the funding base that is deployed to support the purchase of receivables from participating suppliers.

Without confidence in the attractiveness and sustainability of funding, suppliers are offered little incentive to share the benefits of SCF; and without such collaborative working capital benefits, SCF platforms are (notwithstanding declared "rich functionality") not worth the trouble of installing. For large corporate programs the following characteristics should generally apply to the funding base supporting the purchase of receivables:

- **Minimum Cost:** every effort should be made to ensure that the total costs (credit spread and platform operating costs) are minimised. This will ensure that the tightest possible spreads can be offered to suppliers wishing to discount. This will encourage participation in the program by even the largest/most creditworthy suppliers and maximise supplier receptiveness to desired terms extension.
- **Maximum Capacity:** every effort should be made to ensure that the program never becomes constrained, nor the Buyer's ability to engage suppliers be limited, by the volume of available funding. This will be best

achieved by ensuring that there is never any point of single lender dependency even if such lender proclaims confidence in their ability to sell, syndicate or hedge any excess exposure.

- **Certainty of Funding:** SCF programs typically involve uncommitted arrangements for the purchase of receivables. Given the high quality and self-liquidating nature of the assets, together with the high costs associated with creating term commitments, this is the most effective and efficient means of funding. It places a considerable premium, however, upon careful and continuous management of funding sources to ensure that concentration risks are not created. By dint of changed credit profiles, relationship issues or simple business decisions within individual financiers, it is vitally important to ensure that the program is supported by a robust portfolio of independent funders.
- **Independence of Funders from Suppliers:** every effort should be made to separate contractual relationships between individual funders and suppliers. All suppliers on the program should be have access to selling receivables via a fully fungible source of program liquidity that exposes individual suppliers neither to pricing nor availability risk from a particular bank, nor to efforts of that bank to "tie" or cross-sell other financial services to the supplier.

### Execution: Internal Management

The most successful SCF programs are those in which the Buyer effectively and continuously manages the right cross-functional team across the organisation. In the hands of the most competent SCF service provider, the Enablement steps described above will fall into place. Similarly, the Execution steps described below in respect of Suppliers and Funders can follow a steady path to success. The glue that binds the initiative together will be the team within the Buyer. This will likely comprise staff from Procurement, Treasury, IT, Audit and Legal. **Most important, however, will be the individual appointed as product champion: properly mandated and incentivised for success, this person will have decisive influence.**

### Execution: Supplier Management

As any SCF program is only as good as its funding base, similarly any measure of success for the program is most pointed in respect of supplier enrolment metrics.

So long as the Buyer establishes its SCF program according to the Enablement characteristics described above, suppliers will feel highly encouraged to enroll within the program and thereafter to begin active discounting. The following characteristics of the supplier enrolment and on-going management processes should be adopted:

- **Clear communication of the Buyer's objectives** in association with the program. In particular, if the overriding corporate objectives are to match industry standards for Payables terms, and to streamline payment functions across a group of strategic suppliers, this should be clearly articulated in the letter of introduction that should go from the Buyer to targeted suppliers at launch.
- **Effective communication tools and a highly streamlined documentation process** that make it both easy and intuitive for suppliers to enrol.
- **Tiered pricing.** Whilst the terms upon which the Program Manager will agree to purchase receivables from suppliers should not be a matter of direct concern to the Buyer, the Buyer should wish to ensure that enrolment and discounting activity is maximised. One oft-used tool to ensure such optimisation is "tiered pricing" designed to recognise that suppliers (by dint of size, credit quality or alternate access to liquidity) will have different price points at which they are interested to sell receivables. Recognising such differences and pricing accordingly can be an important step towards program success.
- **On-going supplier management.** Enrolment of suppliers should be considered only the start of a continuous commercial relationship for them with the SCF program and its manager. They should be offered continuous support, encouragement to discount and regularly polled for feedback and suggestions for improvement. Throughout their participation they should strongly feel that the SCF program is both a privilege and a strong statement of the Buyer's collaborative commitment to them as critical partners.

### Results

If Enabled and Executed as outlined above, Buyers can have a high degree of confidence in the success of their SCF initiative. Key results should include:

- **Technical implementation within 60-90 days of "Go Live" decision.** A program not operational within 120 days of mandate suggests significant execution issues.
- **75% enrolment of targeted suppliers.** Anything less than 50% suggests failures of program communication or supplier doubts about program pricing and sustainability.
- **Minimum 85% supplier discount activity.** Anything significantly less than this amongst enrolled suppliers suggests concerns with pricing or program sustainability.

**Orbian is the world's leading SCF company. 4 times Winner of Global Finance's award as the World's Best Supply Chain Finance Company, Orbian guarantees the implementation, enrolment and transaction performance results for its programs**

# Beating Bureaucracy And Taxes

**With Brazil now firmly on the map as global economic power, treasuries want to include it in their global cash solutions. But many regulatory, legal and taxation issues still obstruct that goal. By Anita Hawser**


Brazil's vast natural resources, large labor pool and strong economic growth have made it a major draw for foreign investors. On the back of rising global demand for commodities and a strong export sector, Brazil's economy grew by 7.5% in 2010, according to World Bank figures, and it was one of the first economies to demonstrate signs of recovery following the 2008 financial crisis.

"It is the land of opportunity," says Florent Michel, managing partner at Latina Finance, a corporate finance advisory firm.

As global companies grow their presence in the country, they are looking for the most efficient way to manage cash and liquidity in Brazil. Not only are they looking to improve domestic management, but they also want to better tie Brazilian treasury and cash management (TCM) processes into their global cash and payments management programs.

Cecilia Valenzuela Donoso, a treasurer with experience of the Brazilian market, says Brazil has a highly efficient banking system for collections and payments. She says foreign banks do not have much of a presence in Brazil but that some—like Citi—have a good approach to providing solutions. Brazil's payments infrastructure is also relatively sophisticated. "There is a real-time payment system, so you can move any amount of money from one bank to another in a matter of seconds," says Fernando de Gouveia, a treasurer working in Brazil.

While some foreign banks have successfully entered the Brazilian market, a number of the well-established international treasury management software vendors, Michel says, have had mixed success in Brazil as they have had to adapt their solutions to suit the specifics of the market.

But Oliver Eggert, senior business consultant for banking and insurance software provider, Eurobase Banking Solutions, says Brazilian companies want access to more-sophisticated treasury management functionality. "We are seeing increasing demand from companies in Brazil wanting to collate real-time cash flow positions and exposures so their treasury operations in the country can make better-informed cash and liquidity management decisions," he explains.

## Brazilian Risks

For both domestic and international companies operating in Brazil, the market poses a number of new risks—including a changing tax environment and currency volatility—that are driving treasurers to reevaluate the way they manage treasury operations in the country.

Currency volatility is a big issue for Brazil. Large capital inflows have led the Brazilian real to appreciate in recent months. With high prevailing volatility versus G10 currencies there has been, Eggert says, a strong increase in demand from treasury managers in Brazil for solutions to monitor position and exposure risks in real time. "From the treasurers' point of view, the swing between profit and loss can be brutal and swift, something their counterparts in other parts of the world are less able to exploit and also less at risk from," he says.

In an effort to rein in inflation, the Brazilian government, says Cristiana Pires, head of global transaction services Citi Brazil, imposed new taxes on the inflow of funds. The government has a history of strict regulation, particularly when it comes to taxation of certain transactions.

According to the World Bank, Brazil introduced IOF (investments of foreign persons) taxes on financial transactions, short-term loans and issuance of securities. The Bank says the government also imposed a 6% levy on international debt sales and loans with an average minimum maturity of up to 360 days, after already tripling "a tax on foreigners' purchases of fixed-income securities" in October last year—all in an effort to stem appreciation of the real.

## Minimizing Net Finance Cost

Donoso says the complex tax system is a central theme in all bank transactions. "Therefore the main focus for a treasurer or cash manager when thinking of structuring a deal—whether it is a loan (third party or intragroup loan), transferring funds among companies with a different legal entity, investments, forex, commercial hedging, offshore USD accounts or subsidiary loans from the government—is to minimize the impact of taxes on financial statements and maintain efficiency on the net finance cost."

There are limits to what a treasurer can do with excess cash and liquidity in Brazil, as treasury management techniques such as cash pooling and intercompany loans incur a high tax rate. De Gouveia says cash pooling is the most expensive form of funding. It is viewed as a loan between nonfinancial companies, so the company receiving the funds must pay the IOF tax and the lending company, the withholding taxes.

On the investment side, taxation is also an issue, notes Pires. Although there are a wide range of investment options available to treasurers for investing excess cash and liquidity—including government and corporate bonds, and bank certificates of deposit—short-term investments of less than 30 days also incur a tax on interest earned. So Pires says it is more prudent for companies to invest their excess liquidity for periods of between one and six months.

## Building Local Cash Management Solutions

"Taxation and bureaucracy are the biggest issues in Brazil," says de Gouveia. "Moving money offshore is still complex, due to Brazilian laws." When it comes to sweeping excess cash and liquidity into an offshore account, Donoso notes that in Brazil companies are not allowed to have US dollar accounts, so it is not possible to sweep. Citi says it is working to develop a local sweeping account that would give treasurers more efficiency over the return on their short-term liquidity.

Treasurers looking to repatriate cash or liquidity from their Brazilian operations can do so by paying dividends. Michel of Latina Finance says dividends can be paid locally or offshore—if the investment has been registered in the country with the central bank. He says a registered investment needs to build up a legal reserve of 20% of paid-up capital before it can distribute retained earnings. There is no tax on dividends in Brazil—whether paid locally or offshore.

Another way to repatriate funds is as commercial invoices. Yet, as Donoso points out, that involves exposure to foreign exchange, which impacts the profit-and-loss statement as firms have to buy US dollars.

Treasurers in the Brazilian market have always had to contend with convoluted regulations. For companies from abroad managing their treasury operations in Brazil, it can seem an unnecessarily complex and strict regime. Donoso believes that in some respects the regulations are becoming even stricter. She points to the new taxes on transactions and the implementation of a new rule on thin capitalization that prevents intergroup loans.

Michel, however, notes that Brazil has developed its own standards but is not as difficult to navigate as those of other BRIC countries. When compared with markets like China and India, it is not as restrictive. "Brazil is more of an open market," Michel says. "It is just the bureaucracy that companies have to contend with."

**"Taxation and bureaucracy are the biggest issues in Brazil"**

**" Moving money offshore is still complex" *–Fernando de Gouveia, Brazilian corporate treasurer***

# Who's Who

## Who's Who In Treasury And Cash Management By Paula Green

**Scott Barton**

*Chief Executive Officer*
*Global Transaction Services*

**RBS**

Scott Barton began working with RBS 16 years ago after his tenure with Andersen Consulting. Initially focused on corporate coverage in London, he then spent four years in New York and Houston. After the merger of RBS and ABN Amro, Barton moved to Dubai to run the bank's Middle East and Africa hub, which included the global banking and markets businesses.

In 2009 he returned to the United Kingdom to run the corporate banking area and most recently became chief executive officer of global transaction services. He is also a member of the Chartered Institute of Marketing.

www.rbs.com

**Gunnar Berger**

*Head of Treasury Services,*
*Cash Management*

**Nordea**

In 2008, Gunnar Berger was appointed head of treasury services, a unit responsible for developing and maintaining a vast portfolio of cash management products for corporate treasuries, financial institutions and banks. Berger's unit has focused on developing tools for liquidity and risk management.

Nordea's treasury services unit is also focusing on developing a European offering and launching a new global cash pool solution. Berger has many years of experience in the banking industry.

www.nordea.com

**William J. Booth**

*Chief Operating Officer and*
*Executive Vice President*
*Treasury Management*

**PNC**

In his present post, William J. Booth is responsible for the oversight of risk and compliance, creation of the annual strategic and financial plan for this $1 billion–plus business, and he leads its communications and marketing functions. Since joining PNC in 1991, Booth has served in many leadership roles including sales management, execution and strategy. He established PNC as a champion of education-based initiatives in collaboration with the Association for Financial Professionals. Most recently, Booth helped integrate the treasury management sales functions of PNC and National City.

www.pnc.com

**Paul Camp**

*Global Head of Cash*
*Management Financial*
*Institutions, Global*
*Transaction Banking*

**Deutsche Bank**

Paul Camp has bolstered Deutsche Bank's award-winning position as a payment-and-cash management services provider to financial institutions around the world.

Camp's innovative focus on currencies, capabilities and markets has helped establish the bank as an industry leader. Camp is also active in shaping the payments market's future with his board membership on Eurogiro, a financial messaging company for postal organizations.

www.db.com

**Alberta G. Cefis**

*Executive Vice President*
*Head Global Transaction Banking*

**Scotiabank**

In her present position since May 2006, Alberta Cefis is leading the evolution of cash management, payments, trade services, correspondent banking, e-commerce and e-banking at Scotiabank.

Cefis joined Scotiabank in 1999 and has extensive experience in banking. In 2010 she was named a recipient of The International Alliance for Women World of Difference 100 Award, which honors 100 women from around the world for their contributions to economically empowering women.

www.scotiabank.com

**Andreas Chasapis**

*Deputy General Manager,*
*Group Head, Corporate*
*Transaction Banking*

**Eurobank EFG**

Andreas Chasapis has headed the corporate transaction banking (CTB) division, part of the bank's wholesale banking business, since October 2008. Based in Athens, Chasapis joined Eurobank in 1994 and oversees the end-to-end performance of the cash management, trade services, electronic corporate sales and factoring business.

He is responsible as well for the CTB units in Romania, Bulgaria, Serbia, Turkey and Cyprus. Eurobank is a European banking organization that is part of the EFG Group, an international banking group with a presence in 40 countries.

www.eurobank.gr

**Gail Cocker**

*Senior Vice President, Commercial Banking and Treasury Management*
*Personal and Commercial Banking Canada*

**BMO Bank of Montreal**

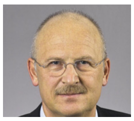
Gail Cocker has led BMO's commercial banking in Canada since 2007. Her mandate was expanded this year to include global treasury management, supporting BMO's efforts to provide comprehensive financial solutions for its customers. Cocker and her teams aim to grow the Canadian commercial banking and global treasury management business. Her experience at BMO has ranged from the corporate and government banking area to leading risk management and operations.
www.bmo.com

**David Cruikshank**

*Executive Vice President and Chief Executive Officer of Treasury Services*

**BNY Mellon**

In this slot since January, David Cruikshank sets the strategic direction and leads the execution of the company's global payment, trade finance and cash management businesses. With more than 20 years of experience in treasury services, he joined BNY in 2003 after working within the global transaction service organizations of Citibank and ABN Amro Bank.
Cruikshank was most recently the global head of sales and relationship management for treasury services at BNY Mellon.
www.bnymellon.com



**Sigurd Dahrendorf**

*Vice President, Corporate Treasury*

**Knorr-Bremse Group**

In this position since 1997, Sigurd Dahrendorf previously headed the finance department of this German manufacturer of braking systems from 1992 to 1997. He served as managing director of Knorr-Bremse Harzer Kompressorenwerk, Benneckenstein, a company of the Knorr-Bremse Group, from 1990 to 1991. Dahrendorf was department head and chief financial officer for a group producing pumps and compressors in East Germany between 1978 and 1990.
www.knorrbremse.com

**George Dessing**

*Vice President, Corporate Treasurer*

**Wolters Kluwer**

George Dessing is responsible for global treasury and risk management activities at Wolters Kluwer, a global information services and publishing company based in Alphen aan den Rijin, the Netherlands.
Before joining Wolters Kluwer in 1997, Dessing held various positions at NetHold Finance, part of the FilmNet Group, in the Netherlands and Belgium.
Dessing is a board member of the Dutch Association of Corporate Treasurers.
www.wolterskluwer.com
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**Chris Foskett**

*Managing Director, Global Financial Institutions Sales and Segment Executive*

**J.P. Morgan Treasury Services**

Chris Foskett is managing director and Global Financial Institution Sales and Segment Executive for J.P. Morgan Treasury Services. He is responsible for leading the Treasury Services Western Hemishpere sales team, providing day-to-day sales management.
He also leads the Global Segment team, driving global thought leadership for FIs, Non-Bank Financial Institutions and Federal Government segments. His extensive knowledge and long career in financial services allows him to bring strategic direction to FI clients in M&A, bank relationship management and corporate/commercial banking products.
www.jpmorgan.com

**Michael B. Gallagher**

*Executive Vice President, Global Head of Financial Institutions Payments and Clearing, Head of Payments and CM North America*
*Global Transaction Banking*

**HSBC Bank USA**

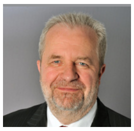
Michael Gallagher has more than 25 years of transaction banking experience and joined HSBC in 1997 as a senior vice president. In his present position, Gallagher is responsible for the group's currency-clearing activities for the financial institutions sector worldwide. He also is responsible for HSBC's payments and cash management division for North America. Before joining HSBC, Gallagher held several senior positions at CoreStates Financial Corp. in Philadelphia, Tokyo and New York. He is chairman of The Clearing House's PayCo Board and a member of the Federal Reserve's Payments Risk Committee. HSBC Bank USA is a subsidiary of HSBC Holdings.
www.us.hsbc.com

**Phil Griffiths**

*Senior Vice President, Global Transaction Banking, Business Banking*

**Canadian Imperial Bank of Commerce**

Phil Griffiths is responsible for setting the strategic direction of the bank's cash management, trade finance and correspondent banking businesses as he manages the sales, product and service teams.
He joined CIBC in 2011 after working for 25 years with another major Canadian bank, where he held several management and executive positions in global transaction banking, shared services, electronic commerce, merchant acquiring, security, internal audit and branch banking.
He has obtained his Certified Management Accountant designation.
www.cibc.com



**Alain Grugé**

*Global Head of Cash Management*

**Société Générale**

Alain Grugé heads the bank's worldwide corporate cash management business line, which provides domestic and international cash management to corporates in more than 50 countries.
Grugé has more than 30 years' experience within the Société Générale Group, including various positions in the French network in the corporates market and eight years in investment banking as head of the French media and telecom sector.
Grugé was previously managing director of the Paris Rive Gauche enterprises branch, one of the four Société Générale branches specializing in commercial banking activities for large corporations.
www.societegenerale.com

# Transformation and innovation in treasury management

*In the wake of the global credit crisis and the subsequent drying of the liquidity pool, Michael Spiegel, Head of Trade Finance and Cash Management for Corporates at Deutsche Bank, discusses the expanding role of corporate treasury departments, as well as the technological initiatives that are transforming the industry.*

Treasury departments were originally set up, in part, to manage company liquidity requirements and mitigate financial risk. With these two activities remaining at the core of today's treasury business, it is little wonder that the global financial crisis has instigated a wave of changes and developments in this sector.

First and foremost, the treasury industry has seen greater importance being placed on cash management. In particular, the focus has been on the need to strike a balance between cash-concentration and accessibility and – crucially – the optimization of working capital management.

Certainly, working capital management is now firmly in the spotlight. In light of ongoing credit constraints, corporates are looking to significantly push out days payable and reduce days receivable, as well as find ways to overcome the contraction in the capital markets. This is a particular opportunity for trade and structured finance, which are alternative sources of financing.

**Michael Spiegel, Deutsche Bank: In the aftermath of the financial crisis, the issue of sustainability has come to the fore – particularly with respect to financial supply chains**

Risk management is also a key issue for today's treasurers. The traditional risk management areas such as interest rate, currency, counterparty and, in some cases, commodity risk have been supplemented by credit, insurance, concentration and liquidity risks. This means that a more holistic approach to risk mitigation is required, including the creation of enterprise-wide risk frameworks to promote financial stability and the continuation of commercial cycles.

### The importance of sustainability

In the aftermath of the financial crisis, and the ongoing financial uncertainty, the issue of sustainability has come to the fore – particularly with respect to financial supply chains. Corporates are taking a much greater interest in how their suppliers – and in some cases their distributors – are faring and placing more emphasis on the long-term benefits of building and maintaining successful trading relationships and partnerships.

For example, squeezing suppliers is an unsustainable method of enhancing liquidity – something Deutsche Bank has been highlighting for some time. Yet despite a gradual increase in awareness of this issue it is only now that we are seeing the rest of the market take action and the implementation of supply chain sustainability initiatives across the industry.

This is, undoubtedly, a positive step, as strengthening the financial supply chain is crucial in order to create an efficient working capital cycle, and leverage financial assets as collateral for alternative forms of financing. As a result, relationship-cementing initiatives can only be beneficial to the sector.

In fact, this focus on liquidity and business continuity in financial supply chains is indicative of the "back to basics" attitude to trade finance that is a key mark of today's treasury management industry.

Indeed, "back to basics" is very much Deutsche Bank's approach, although in the Bank's case this means that the benefits of traditional forms of financing – using financial assets as collateral to primarily finance trade projects and trade flows – and the preservation of core values are leveraged by the sophistication, flexibility and client-specific tailoring of innovative technology capabilities and process integration. There has been a noticeable rise in interest from corporates wanting to fund their suppliers or their clients in order to maintain the flow of liquidity throughout their supply chains.

**Shifting client demands**

In response to the transforming treasury landscape, we have also seen changes in which areas corporates seek our assistance. For example, there is greater demand for advice on how to effectively move money around. As an international bank with an established global network, Deutsche Bank is ideally positioned to offer a mature correspondent banking proposition and to provide solutions on a global level.

In addition to the demand for consultative services, we have witnessed a growing wariness among treasurers of over-concentrating risk through a "one bank" strategy. While this is understandable, the reality is that only a few banks, mostly global institutions, such as Deutsche Bank, are able to provide the depth and breadth of cash management services that large multinationals require. However all banks, regardless of their size and reach, need to be able to provide complete transparency with regard to their strategic intent, and the significance of transaction banking services to their overall organization.

**A changing role**

The continually-evolving financial landscape and resulting increase in remit and responsibility of treasury departments have had a knock-on effect on the responsibilities of today's corporate treasury departments. As their horizons have broadened, so too have the challenges they face. For this reason, treasury departments are searching for ways in which they can further increase internal synergies and streamline business processes. Some of the largest multinational companies have established payment factories through their shared service centres (SSCs). In terms of centralization of collections, the introduction of standard payment and collection instruments in the Single Euro Payments Area (SEPA) is likely to act as a catalyst for further developments in this area.

On a related note, secure and bank-neutral proprietary communication portals, such as SWIFTNet, are becoming increasingly popular. Deutsche Bank is eager to stay ahead of the curve in removing inefficiencies and reducing risk from financial processes while promoting ease-of-use and customisability – and this is reflected by our global cross-currency payments solution, FX4Cash.

FX4Cash is designed to give corporate clients access to a broad range of currencies through a single platform, and the ability to manage international, multi-currency payments through a single window using a single account – removing the need for manual reconciliation at the end of each transaction. The end result for corporates is better efficiency and automation of treasury management.

## Technological enhancement is more and more important in driving forward the trade finance and cash management industry

**Technological innovation**

Indeed, technological enhancement is more and more important in driving forward the trade finance and cash management industry. Bank agnostic delivery and information channels, such as SWIFTNet, are expected to see continued development, and treasury departments are unlikely to consider working alongside banks that cannot offer the very best in terms of connectivity, reporting and file conversion.

Technology has also matured in terms of customer self-administration and client access channels. For example, the Treasury platform on Autobahn, Deutsche Bank's award-winning electronic distribution service, offers state-of-the-art web-based liquidity management and planning, foreign exchange as well as investment services all in one location..

However, a balance must be struck between technology-led standardization and client-focused customization. Both have their individual advantages, but are mutually-dependent. No two treasury departments have identical needs but, conversely, full customization for each client would inevitably place a limit on a bank's capabilities.

It is for this reason that Deutsche Bank uses modern-day systems that can be customized but not as far as risking instability through continuous customer implementations. This approach – paying attention to system stability and service reliability while simultaneously pursuing innovation and ever-higher levels of product and service excellence – is what will drive the treasury management sector forward to meet tomorrow's new challenges and growing responsibilities.

Deutsche Bank

**Doug Hartsema**

*Directory of Treasury Management*

**Huntington Bank**

Doug Hartsema is the director of treasury management at Huntington Bank in Columbus, Ohio—a regional bank with 600 offices in six Midwestern states in the United States.

He is responsible for strategy, sales, product development, service, implementation and delivery of the bank's suite of treasury management services.

Before joining Huntington, Hartsema was responsible for the receivables management business at J.P. Morgan Chase and spent the early years of his treasury management career at Wachovia.

Hartsema is chairman of the Institute for Financial Operations, a mesh of several trade associations serving the accounts payable, accounts receivable, transaction processing and document capture industries.

www.huntington.com

**François Masquelier**

*Senior Vice President Treasury, Corporate Finance and Enterprise Risk Management*

**RTL Group**

François Masquelier joined RTL Group, a leading European media company, in November 1997 and previously worked for Eridania Béghin–Say (Coordination Centre) and ABN Amro.

He is president of the Association of Corporate Treasurers of Luxembourg and honorary chairman and founder of the Euro Associations of Corporate Treasurers.

He was appointed a specialist at the Institute of Risk Management in November 2009 and is also a certified Internal Controls Institute Specialist.

A contributor to various corporate finance and treasury publications, Masquelier is editorial director at *Magazine du Trésorier*, a quarterly publication dedicated to treasury and corporate finance issues.

www.rtlgroup.com

**Patrick Moletteri**

*Assistant Treasurer*

**Celgene Corporation**

Patrick Moletteri joined Celgene Treasury in December 2006 as the company launched a global plan to commercialize its primary drug, Revlimid.

His responsibilities include managing Celgene's relationships with the debt-rating agencies, global banking and cash management, global cash forecasting, back-office support and credit and collections.

Patrick supports a team of four treasury professionals that manage Celgene's global treasury operations and are implementing a new treasury management system.

Before joining Celgene, Moletteri worked at AT&T for several years and spent a decade as director in the treasury organization, where his responsibilities included global cash management and banking, corporate finance and bank credit facility negotiation.

www.celgene.com

**Julie Monaco**

*Head of Global Transaction Services in North America*

**Citi**

Julie Monaco leads a team of more than 6,000 employees to meet the complex transaction banking needs of more than 8,000 corporate, financial institutions and public sector clients.

Under Monaco's leadership the business has established itself as a top provider for cash management, trade, supply chain finance, as well as custody, fund administration, hedge fund middle office and private equity fund administration.

Monaco has more than 26 years of experience in banking and is a member of the International Council of The Elliott School of International Affairs at George Washington University.

www.citi.com

**George Nast**

*Global Head of Product Management Transaction Banking*

**Standard Chartered Bank**

Based in Singapore, George Nast joined the bank in January 2010 with a primary mandate to ensure that the bank's suite of transaction banking products meets client needs.

Before joining Standard Chartered Bank, George was a partner at McKinsey & Company where he headed up the management consultancy's Asia-Pacific wholesale banking practice.

He has also worked with several central banks and regulators in Asia on capital markets development, regulation and policy. Nast also has worked in the finance industry in North America.

Before joining McKinsey, he worked as a financial markets analyst and trader in the open market operations of Canada's central bank.

www.standardchartered.com

**Danny Peltz**

*Executive Vice President Head of Treasury Management*

**Wells Fargo**

A 21-year veteran with Wells Fargo, Danny Peltz is responsible for global treasury management services for the bank's corporate and commercial customers and oversees a team of more than 1,900 product, sales, delivery and marketing professionals.

He also manages Wells Fargo Health Benefit Services, an administrator of health savings accounts for companies and individuals.

Peltz oversees the industry's top-ranking treasury management organization and has been at the forefront of the paper-to-electronic revolution.

He has focused on providing customers with innovative and easy-to-use products and services.

www.wellsfargo.com

# European Banking with a Unique Global Vision

*Global Finance talks with Gunnar Berger, Nordea's Head of Treasury Services, about Nordea's evolving role in today's financial world.*

**Global Finance:** As the only full-service bank in the Nordic and Baltic Sea region, including Poland and Russia, Nordea is in a unique position to serve international companies with subsidiaries or operations in these areas. Can you elaborate on Nordea's shift beyond its traditional base in the Nordics to become a presence in 19 countries around the world with nearly 750,000 corporate customers?

**Gunnar Berger:** Nordea's roots go back nearly 200 years to the inception of its first Danish predecessor in 1820. Today its home market includes the Nordic countries of Denmark, Finland, Norway and Sweden, the Baltic nations of Estonia, Latvia and Lithuania, as well as Poland and Russia. Achieving the leading position in the Nordics, Nordea in 2010 began acting on its vision to operate as a full-service European bank that could go head-to-head with the continent's largest banks based in Germany, France or the United Kingdom. Nordea is now the largest financial services group in Northern Europe with total assets of €587 billion. Its market capitalization of €32 billion places it among the ten largest universal banks in Europe. Yet Nordea still offers multinationals the insights and expertise – honed over decades – of doing business in these very unique countries.

**Gunnar Berger, Nordea: Our international customers need services and products that can be used across the European continent and around the world**

**Global Finance:** Nordea is also backed by a long history of financial stability that moved the bank successfully through the 2008 financial crisis and sustains it today. The bank is meeting the capital adequacy requirements of Basel III set by the Bank for International Settlements (BIS) in September 2010 and this summer passed the European Banking Authority's (EBA) most recent stress test of 91 participating European banks. What does this financial stability mean for clients in a global economic climate still racked by uncertainty?

**Berger:** Coming out of the financial crisis, Nordea was one of five major global banks that maintained an AA rating from both Standard & Poor's and Moody's Investors Service. That meant we were able to stand by our customers and provide them with the credit they needed to keep their businesses running and their employees working during the global recession. The EBA's most recent stress test confirms the results of previous tests – Nordea has a strong balance sheet and sustainable profitability. That means we continue as one of the most reliable partners for our corporate customers in the event of any future economic shocks.

**Global Finance:** Can you explain why the stress tests are important and how Nordea fared?

**Berger:** The stress test aims to assess the resilience of European banks to severe shocks and their specific solvency to hypothetical stress events that occur under certain restrictive conditions. Nordea's annual loan loss ratio does not exceed 0.8% in any scenario and its core Tier 1 capital ratio (including transition rules) is improved from 8.9% in 2010 to 9.5% in 2012 with the adverse stress scenario. If the transition rules were excluded, the core Tier

1 capital ratio changes from 10.3% in 2010 to 9.6% in 2012. As top executives map out their corporate strategies for growth in an increasingly competitive international climate, they want a stable banking partner that can provide them with the necessary capital and streamlined services to manage their treasury operations.

**Global Finance:** Does Nordea work with companies in all sectors and geographic regions?

**Berger:** Nordea can handle the needs of multinationals from any region or industry sector. With its historical base in the Nordic region, Nordea has extensive experience as a banker for export and trade-intensive industries like steel, shipping, food, oil, and pulp and paper. Nordea's corporate customers can also tap into our wide network of branches in China, Germany, Singapore, the United Kingdom and the United States. Being the main provider of banking services to the corporate and the private sectors, Nordea is also very well suited to serve the large business-to-consumer companies in the more locally operating infrastructure industries.

**Global Finance:** How has Nordea reacted to the changing needs of corporations since the financial crisis?

**Berger:** Innovation. Even though the Nordic region is our home market, our international customers need services and products that can be used across the European continent and around the world to meet their needs. Corporate executives want unified and centralized solutions that will let them move their capital seamlessly around the globe.

**Global Finance:** What are some of the innovative global solutions that Nordea has developed for these multinationals?

**Berger:** Global Cash Pool was launched earlier this year in the Nordic region as a liquidity management tool that helps corporates manage their cash with real-time solutions, along with the end-of-the-day solutions. It replaces multiple pools of local cash and provides corporates with instant access to group liquidity across borders and across currencies. With Global Cash Pool, corporates gain a complete online overview of their group's liquidity as they maximize net interest and minimize short-term financing. It will be rolled out in the Nordic countries during 2011 and the other Nordea units will follow in 2012-2013. To provide corporates with constant, worldwide visibility of their bank account balances and future liquidity, Nordea also offers cash flow forecasting. Our web-based service Trezone is cost efficient and consolidates information globally, regardless of location, bank or currency.

Nordea's e-banking service, Corporate Netbank, lets corporates handle their domestic and international Nordea accounts simultaneously and carry out payments at any time or at any location. Corporate Netbank gives treasurers real-time balance and transaction information. Corporates with payment factories or shared service centres can automate and centralize their payments through Corporate eGateway. The service is designed as a global single-point-of-entry for both domestic and international payment systems and it supports both EDIFACT and XML standards.

**Global Finance:** The financial crisis made it clear that time zone differences are a major concern for any corporate operating in more than one currency. How are you helping your customers to manage risks associated with FX operations?

**Berger:** This has been an increasing concern for corporate treasurers as they strive to reduce risk and comply with the growing number of regulatory requirements. We are a settlement member in the Continuous Linked Settlement (CLS) System. Through our membership, we can offer our corporate and financial institution customers an electronic, automated channel to access the service. CLS reduces counterparty risk by settling transactions on a payment versus payment (PVP) basis, and operational risk by enabling straight through processing of FX trades via SWIFT in an integrated environment.

**"Coming out of the financial crisis, Nordea was one of five major global banks that maintained an AA rating from both Standard & Poor's and Moody's Investors Service"**

**"We were able to stand by our customers and provide them with the credit they needed to keep their businesses running and their employees working during the global recession"** ***—Gunnar Berger, Nordea***

**Global Finance:** The financial crisis has made corporate financial officers even more selective, and wary, when choosing a banking partner. Why should they turn to Nordea to handle their treasury operations, or any other banking function, for that matter?

**Berger:** Nordea is an innovative partner able to quickly turn out creative solutions to meet a multinational's specific needs. We hold a deep understanding of the global marketplace and the quirks of our home turf that other banks simply cannot match. And we offer our customers a rock solid institution with the history, reputation and financial stability that will soothe the nerves of the most anxious corporate financial officer. We stand by our name as well as our clients. ■

### Diane R. Quinn

*Managing Director Large Corporate Sales and Segment Executive*

**J.P. Morgan Treasury Services**

Diane R. Quinn is responsible for driving global revenue growth for multinational corporate clients around the world. She and her team work with large companies to find efficiencies in their financial supply chains, give them the right financial network to support their international growth plans and help them benchmark their activities against their peers.

Quinn's expertise and thought leadership has helped J.P. Morgan deliver innovative solutions to support corporate clients' needs wherever they do business, and has helped fuel the direction of J.P. Morgan's international growth agenda.

www.jpmorgan.com

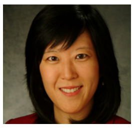
### Diane S. Reyes

*Global Head of Payments and Cash Management, Global Transaction Banking*

**HSBC**

Based in New York and recently appointed to this new role, Diane S. Reyes is global head of payments and cash management, where she helps clients find cash management and payment solutions across borders and currencies. Reyes was previously global payments head for Citi's Global Transaction Services, and before joining Citi in 2000, Reyes held senior positions at JPMorgan Chase. In 2006, she was recognized as the "2006 Woman of Achievement" by Girl Scouts of Southwestern Connecticut for her support of the development of leadership and self-esteem programs for girls.

www.us.hsbc.com



### Helen Shan

*Vice President Finance and Treasurer*

**Pitney Bowes**

With worldwide responsibility for treasury, corporate development and investor relations, Helen Shan is accountable for capital markets, risk operations, pension fund management, bond and equity investor communication and strategic corporate actions. She also serves as a member of the chairman's council and is a corporate officer. Shan joined Pitney Bowes in the fall of 2005 after 13 years in banking with JPMorgan Securities and Salomon Brothers. Her most recent role at JPMorgan was as managing director, diversified industries. She is a member of the Advisory Council at the Johnson School of Business at Cornell University and is involved in Asian Professional Extension, a New York City nonprofit organization that promotes the development of Asian-American youth.

www.pb.com

### Michael Spiegel

*Head of Trade Finance and Cash Management Corporates, Global Transaction Banking*

**Deutsche Bank**

Michael Spiegel has strengthened Deutsche Bank's position in trade finance and corporate cash management, focusing on the development of global strategies, platforms and processes as well as a risk and portfolio management function. Spiegel drives technology investments, including the bank's global rollout of a fully integrated vendor finance solution. He oversaw business integration of the bank's recent acquisition of parts of ABN Amro's commercial assets, which makes Deutsche Bank the fourth-largest commercial bank in the Netherlands.

www.db.com

### Markus Straußfeld

*Head of International Cash Management Sales*

**UniCredit**

In this post since 2005, Markus Straußfeld is responsible for cash management and e-banking sales to large corporations and multinationals in Europe, the United States, Asia and EMEA. He also is chairman of the board of the IBOS Association.

Straußfeld has held various positions in cash management at WestLB and Commerzbank. He is a member of various SWIFT modeling groups and has been a speaker at several national and international trade fairs and events, such as the Finance Symposium in Mannheim, Germany.

www.unicreditgroup.eu

### Naveed Sultan

*Global Head of Treasury and Trade Solutions*

**Citi**

Naveed Sultan is global head of treasury and trade solutions for Citi's global transaction services business and has more than 24 years of institutional banking experience. He has worked with Citi for more than 18 years. Before this role, Sultan was GTS Region Head for Europe, Middle East and Africa.

He also serves as a director on the board of Citibank Europe and Citibank (Turkey), and is a member of Citi's EMEA operating committee and the management committees for the institutional clients group and global transaction services.

www.citi.com

### Colleen Taylor

*Executive Vice President Head of Treasury Management and Merchant Services*

**Capital One**

Colleen Taylor is responsible for developing and managing a geographically diverse group of treasury management teams engaged in sales, product management, business development, implementation and servicing efforts for the bank's real estate, middle market and small business banking groups.

She also leads the merchant services business. Taylor joined Capital One Bank in 2009 with nearly 20 years' experience in the financial services industry, all within the treasury management and merchant services areas. Before joining Capital One, Taylor was a senior vice president at Wachovia Bank, where she led Wachovia's strategic liquidity management efforts.

www.capitalone.com

### Keith Theisen

*Executive Vice President Director of Product Management, Treasury Management Group*

**Wells Fargo**

Keith Theisen is responsible for strategy, development and technical consulting, Wells Fargo's treasury management products, which include domestic and international collection, disbursement, information and investment solutions.

Theisen has more than 35 years of experience in treasury management products with Wells Fargo and its predecessor, Norwest Corporation. He has been instrumental in driving the migration from paper to electronic payments. A Certified Cash Manager and Accredited ACH Professional, Theisen has served for six years with the National Automated Clearing House Association's board of directors.

www.wellsfargo.com

**Chris Van Tieghem**

*Group Treasurer*

**Wienerberger**

Chris Van Tieghem joined the treasury department of Wienerberger, the world's largest producer of bricks, in Vienna in 2006. He previously worked for Koramic Building Products in Belgium for more than 20 years.

In addition to developing cash management and netting and implementing a payment factory at Wienerberger, Van Tieghem recently implemented a group-wide credit insurance program. Over the past five years, Chris has helped initiate an ambitious cash management and payments transformation project, and these functions are now centralized in treasury.

Van Tieghem's vision and strategy have played an integral role in helping Wienerberger lay down a leading-edge cash and payment transformation project.

www.wienerberger.com

**Alan Verschoyle-King**

*Managing Director*

*Global Head of Sales and Relationship Management*

**BNY Mellon**

As managing director and global head of sales and relationship management for BNY Mellon's treasury services business, Verschoyle-King directs the company's efforts to expand revenue in targeted markets.

Verschoyle-King previously served as treasury services' head of Europe, Middle East & Africa.

Verschoyle-King has been involved with the transaction banking and client management businesses for more than 20 years. He joined BNY Mellon in 2006, after six years with ABN Amro Bank in London and Amsterdam.

www.bynmellon.com

**Bhavesh Zaveri**

*Group Head,*

*Wholesale Banking Operations and Cash Management Product*

**HDFC Bank India**

A leading Indian banker and an expert in the cash management, transaction banking and treasury areas, Bhavesh Zaveri joined HDFC Bank in 1998.

He played a key role in establishing and expanding the bank's cash management business and leading its work in the trade finance areas.

He is a founder director of National Payment Corporation of India, an initiative of the Reserve Bank of India to build a next generation payments platform for the country.

He is on the board of The Clearing Corporation of India (CCIL). CCIL provides a trading platform as well as complete settlement services for treasury products.

www.hdfcbank.com

# Directory

## A listing of TCM service and solution providers

### Banking Service Providers

**Bank of America Merrill Lynch**
**Area of focus:** Global Treasury Management and Trade
**Telephone:** +1 646 855 5000
*corp.bankofamerica.com/public/public.portal?_pd_page_label=products/treasury/global*

**Bank of Montreal**
**Contact Name:** Derek Vernon, Head of Sales, Product and Market Management, Global Treasury Management
**Area of focus:** Global Treasury Management
**Telephone:** +1 877 262 5907
*www.bmo.com/home/commercial/banking/cash-management/doing-business-globally?nav=left*

**Barclays**
**Area of focus:** Corporate Banking, Cash Management and Trade
**Telephone:** +44 800 015 4242
*www.business.barclays.co.uk*

**BBVA Compass**
**Area of focus:** Treasury Management Services
**Telephone:** +1 888 558 7568
*www.bbvacompass.com/business/tm/index.cfm*

**BNP Paribas**
**Area of focus:** Corporate and Transaction Banking
**Telephone:** +33 1 42 98 12 34 / +33 1 40 14 45 46
*bank.bnpparibas.com/en/pid3211/corporate-and-transaction-banking-europe.html*

**BNY Mellon**
**Contact Name:** David Cruikshank, Executive Vice President and Chief Executive of Treasury Services
**Area of focus:** Treasury Services
**Telephone:** +1 800 424 3004
*www.bnymellon.com/treasuryservices/index.html*

**Citi**
**Contact Name:** Naveed Sultan, Global Head of Treasury and Trade Solutions, Citi Global Transaction Services
**Area of focus:** Global Transaction Services
*www.citibank.com/transactionservices/home/tts/corp/index.jsp*

**Danske**
**Area of focus:** Corporate Banking
**Telephone:** +45 33 44 00 00
*www.danskebank.com/en-uk/ProdServ/corporate/Pages/corporate.aspx*

**Deutsche Bank**
**Contact Name:** Michael Spiegel, Head of Trade Finance and Cash Management Corporates, Global Transaction Banking
**Area of focus:** Global Transaction Banking
**Telephone:** +49 69 910 00
*www.gtb.db.com*

**HSBC**
**Contact:** Andrew Yeates, SVP, Large Corporate and Commercial Banking Sales
**Area of focus:** Corporate and Commercial Banking
**Email:** Andrew.Yeates@us.hsbc.com
**Telephone:** +1 201 795 7530
*www.hsbcnet.com/transaction/global-payments-and-cash-management*

**Industrial and Commercial Bank of China (ICBC)**
**Area of focus:** Corporate Banking, Cash Management
**Telephone:** +86 11 95 5 88
*www.icbc.com.cn/ICBC/Corporate%20Banking/*

**ICIC**
**Area of focus:** Corporate and Commercial Banking, Cash Management Services
**Telephone:** +91 22 26531414
*www.icicibank.com/corporate/cms/corp-transaction-cms.html*

**ING**
**Area of focus:** International Cash Management
**Email:** Commercial@ing.lu
**Telephone:** +31 20 563 9111
*www.ingcommercialbanking.com*

**J.P. Morgan**
**Contact Name:** Diane Quinn, Managing Director
**Area of focus:** International Treasury
**Telephone:** +1 212 270 7325
*www.jpmorgan.com/tss/Home/Treasury_Services/1102086506985*

**Lloyds**
**Area of focus:** Corporate Markets
**Telephone:** +44 870 902 0500
*www.lloydsbankcorporatemarkets.com*

**Nordea**
**Contact Name:** Mikael Kepp, Head of Global CM Services
**Area of focus:** Treasury Services, Cash Management
**Email:** mikael.kepp@nordea.com
**Telephone:** +45 33 33 37 56
*www.nordea.com*

**RBC**
**Area of focus:** Treasury Management
**Telephone:** +1 800 897 6552
*www.rbcbankusa.com/depositspayments/cid-96510.html*

**RBS**
**Contact Name:** Kevin Brown, Head of Global Product Mgt
**Area of focus:** Global Transaction Services
**Telephone:** +44 20 7678 0670
*www.gbm.rbs.com*

**Santander**
**Area of focus:** Global Banking and Markets
**Telephone:** +34 91 289 25 89
*www.santanderglobal.com*

**Scotiabank**
**Contact Name:** Alberta Cefis, EVP & Head, GTB
**Area of focus:** Global Transaction Banking
**Email:** gtb@scotiabank.com
**Telephone:** +1 800 267 1234
*www.scotiabank.com/gtb/*

**SEB**
**Area of focus:** Corporate Cash Management
**Telephone:** +46 771 62 10 00
*www.seb.se/pow/wcp/english.asp*

**Standard Chartered**
**Contact Name:** George Nast, Global Head Product Management
**Transaction** Banking
**Area of focus:** Global Transaction Banking
*wholesalebanking.standardchartered.com/en/capabilities/transactionbanking/cashmanagement/Pages/default.aspx*

**UniCredit**
**Contact Name:** Markus Straußfeld, Head of International CM Sales
**Area of focus:** International Cash Management
**Email:** info@unicredit.eu
**Telephone:** +39 02 88 621
*www.gtb.unicredit.eu*

**Wells Fargo**
**Area of focus:** Treasury Management Services and Solutions
**Email:** gabriel.h.boehmer@wellsfargo.com
**Telephone:** +1 503 886 4186
*www.wellsfargo.com/com/treasury-management*

## Treasury Professional Associations

**Association of Corporate Treasurers, UK**
**Email:** enquires@treasurers.org
**Telephone:** +44 20 7847 2540
*www.treasurers.org*

**Association for Financial Professionals, United States**
**Email:** rwolfson@afponline.org
**Telephone:** +1 301 907 2862
*www.afponline.org*

**European Association of Corporate Treasurers, Europe**
**Email:** secretary@eact.eu
**Telephone:** +33 1 4281 5398
*www.eact.eu*

**Finance & Treasury Association, Australia**
**Email:** info@fta.asn.au
**Telephone:** +61 3 9530 8911
*www.finance-treasury.com*

**International Association of CFOs and Corporate Treasurers (China)**
*www.iacctchina.com*

**The International Group of Treasury Associations**
**Email:** secretary@igta.org
**Telephone:** +33 1 4281 5398
*www.igta.org*

## Corporate Treasury and Cash Management System Vendors

**360T**
**Area of focus:** Online Foreign Exchange Trading
**Email:** info@360t.com
**Telephone:** +49 69 900 289
*www.360t.com*

**BancTec**
**Area of focus:** Payments, AP
**Email:** inquiries@banctec.com
**Telephone:** +1 972 821 400
*www.banctec.com*

**Basware**
**Area of focus:** Purchase-To-Pay, E-Invoicing
**Email:** Sales.usa@basware.com
**Telephone:** +1 203 487 7900
*www.basware.com*

**Bottomline Technologies**
**Area of focus:** Payments, Cash Reporting, SWIFT
**Email:** info@bottomline.com
**Telephone:** +1 603 436 0700
*www.bottomline.com*

**FireApps**
**Area of focus:** Foreign Exchange Solutions
**Email:** info@fireapps.com
**Telephone:** +1 866 928 3473
*www.fireapps.com*

**FXall**
**Area of focus:** Online Foreign Exchange Trading
**Email:** info@fxall.com
**Telephone:** +1 646 268 9900
*www.fxall.com*

**IT2 Treasury Solutions**
**Contact:** Steve Bullock, Senior Vice President and General Manager, North America
**Area of focus:** Full-Suite Treasury Solutions
**Email:** sbk@it2tms.com
**Telephone:** +1 212 520 6612
*www.it2tms.com*

**Kyriba**
**Area of focus:** Full-Suite Treasury Solutions, ASP model
**Email:** info-usa@kyriba.com
**Telephone:** +1 212 784 5580
*www.kyriba.com/en/*

**Misys**
**Area of focus:** Treasury Solutions
**Email:** gccteam@misys.com
**Telephone:** +1 212 898 9500
*www.misys.com*

**OB10**
**Area of focus:** E-Invoicing Network
**Email:** info@OB10.com
**Telephone:** +44 870 165 7420
*www.ob10.com*

**OpusCapita**
**Area of focus:** Cash Flow Automation, Cash Forecasting
**Email:** info@opuscapita.com
**Telephone:** +45 5051 8200
*www.opuscapita.com*

**Oracle**
**Area of focus:** Enterprise Resource Planning
**Email:** oraclesales_us@oracle.com
**Telephone:** +1 650 506 7000
*www.oracle.com*

**Reval**
**Area of focus:** Risk Management, Hedge Accounting
**Email:** info@reval.com
**Telephone:** +1 877 993 3330
*www.reval.com*

**SAP**
**Area of Focus:** Enterprise Resource Planning
**Telephone:** +1 800 872 1727
*www.sap.com*

**Sungard AvantGard**
**Contact Name:** Scott Coffing, President SunGard AvantGard
**Area of focus:** Full-Suite Treasury Solutions
**Email:** avantgardinfo@sungard.com
**Telephone:** +1 800 825 2518
*www.sungard.com/avantgard*

**Taulia**
**Area of focus:** AP, Dynamic Discounting
**Email:** info@taulia.com
**Telephone:** +1 415 376 8280
*www.taulia.com*

**Tradeshift**
**Contact Name:** Renette Youssef, CMO, Press Relations & Sales
**Area of focus:** E-Invoicing
**Email:** rny@tradeshift.com
**Telephone:** +45 31 18 91 53
*www.tradeshift.com*

**Wall Street Systems**
**Contact Name:** Joedy Tran, Senior Sales, Global Treasury
**Area of focus:** Full-Suite Treasury Solutions
**Email:** Joedy.Tran@wallstreetsystems.com
**Telephone:** +857 241 3848/ +1 212 809 7200
*www.wallstreetsystems.com*

## Corporate Treasury and Cash Management Consultants

**Aite Group**
**Contact:** Christine Barry
**Area of focus:** Global Cash Management Research
**Email:** cbarry@aitegroup.com
**Telephone:** +1 917 546 9180
*www.aitegroup.com*

**Greenwich Treasury**
**Contact:** Jeff Wallace
**Area of focus:** Treasury Management
**Email:** jeff.wallace@greenwichtreasury.com
**Telephone:** +1 303 442 4433
*www.greenwichtreasury.com*

**Tower Group**
**Area of focus:** Research and Advisory Services
**Email:** service-info@towergroup.com
**Telephone:** +1 781 292 5200
*www.towergroup.com*

**Treasury Alliance**
**Contact:** Daniel Blumen
**Area of focus:** Payments and Treasury Management
**Email:** dblumen@treasuryalliance.com
**Telephone:** +1 630 717 9728
*www.treasuryalliance.com*

**Treasury Strategies**
**Contact:** Anthony Carfang
**Area of focus:** Treasury Management
**Telephone:** +1 312 443 0840/+44 207 8725551
*www.treasurystrategies.com*

**Zanders Treasury & Finance Solutions**
**Contact:** Laurens Tijdhof
**Area of focus:** Treasury Management
**Email:** info@zanders.eu
*www.zanders.eu*

## Corporate Treasury Recruitment Consultants

**Barclay Simpson**
**Telephone:** +44 207 936 2601
*www.barclaysimpson.com*

**Esox Search**
**Email:** esox@esoxsearch.co.uk
**Telephone:** +44 871 700 0008
*www.esoxsearch.co.uk*

**Heidrick & Struggles**
**Telephone:** +1 312 496 1200
*www.heidrick.com*

**Michael Page International**
*www.michaelpageinternational.com*

**MR Recruitment**
**Contact:** Mike Richards, Managing Director
**Email:** Mike@TreasuryRecruitment.com
**Telephone:** +44 207 401 7888
*www.treasuryrecruitment.com*

**Phoenix-Hecht**
**Contact:** Richard Richardson
**Email:** richard@phoenixhecht.com
**Telephone:** +1 919 314 2821
*www.phoenixhecht.com*

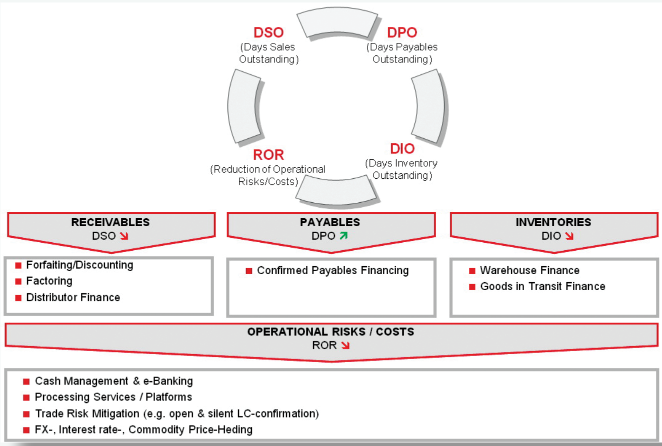
# A Holistic View Of Working Capital Management

*By Markus Wohlgeschaffen, Head of Global Trade Finance & Services, UniCredit*

Corporate customers' transactions related to global sourcing and sales are becoming increasingly complex, requiring solutions that go beyond the standard product offering that banks and customers were used to in the past. Such solutions require a new, holistic approach from both banks and their customers.

One of these is the need to stabilise and optimise working capital. This is the financial lubricant that makes the corporate business machine work properly on a day-to-day basis, securing the short-term liquidity needed in the procurement, production and sales cycle.

The optimisation of working capital is a vital topic that encompasses more than just a rational flow of liquidity along the value chain. Instead, it must also integrate with solutions that secure both operational and pure payment risks and consider all domestic and international participants in the procurement and sales processes of a company. In simplified terms, the optimisation of working capital rests on four main pillars:




1. Reduction of days sales outstanding (DSO), i.e. open accounts receivable (A/R).
2. Increase of days payables outstanding (DPO) i.e. open accounts payable (A/P).
3. Reduction of days inventory outstanding (DIO), stocks and goods in transit.
4. Reduction of operational risks and costs along the supply chain (ROR).

A highly diverse range of traditional and innovative products can be used to optimise the four areas. DSOs, for example, can be converted into liquidity applying the forfaiting, discounting or factoring techiniques. DPOs can be structured with the use of modern supply chain finance products to yield benefits for both buyers and suppliers, combining modern internet-based technology with some principles of reverse factoring. For DIO, solutions can be set up for the financing of inventories and goods in transit. Finally, operational risks and costs can be reduced through cash management and trade finance tools, modern electronic banking (e-banking) products and processing platforms that automate many treasury activities and enhance process automation.

In many cases, however, customers are not completely aware of the combined impact of different interventions on working capital. At present, the mutual dependencies of all process participants and the interactions between different banking solutions are not always fully grasped. For example, changing the terms of payment from documentary letters of credit (LCs) to open account may appear an appealing way to reduce the transactional costs of a corporate, but at the same time it requires the company to engage in new reconciliation activities that were managed by the bank beforehand. At the same time, the switch to open account requires the company to spend some thought on how its suppliers can find alternative ways to secure financing. Moreover, it provides the opportunity to re-think payment and cash pooling structures.

By acknowledging the importance of the financial needs of its supply chain partners, a corporate should therefore look for a bank able to make the necessary connections between the physical and financial value chains. A trustworthy, knowledgeable bank advisor has to work as closely as possible with the corporate and achieve a comprehensive understanding of how the company and the entire production chain works, uncovering all possible improvement areas. It is fundamental to find a bank partner with an innovative, holistic mind-set – as the entire suite of cash and trade products act as a toolbox to build up an integrated solution. This approach is essential to overcome old established logic that considered cash and trade two separate silos within the bank.

Besides an all-round consultative approach, the key asset that a bank has to bring to the table to provide real value add is an extensive international branch network. Only through a deeply rooted market presence are financial institutions in a position to meet local advisory needs and extend their service to foreign customers and suppliers of their international corporate clients. ■