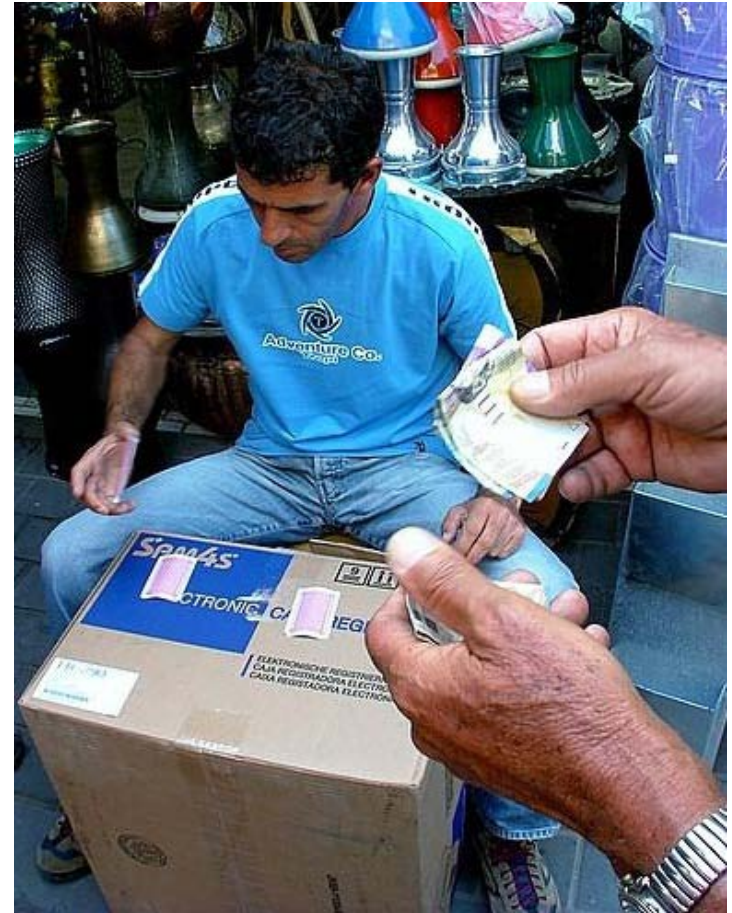


Introduction

- Pricing scenarios
 - Free wire transfers
 - With FX transaction
 - Lengthy check float
 - Value dated to issue date
 - Overdraft
 - Deposits and withdrawals
- And some reasons
 - Multiple solutions
 - Large banking networks
 - Fewer banks
 - Less competition
 - Culture and tradition
 - Branch politics



Be Realistic

- Don't expect
 - Analyzed services, except from US-based banks, sometimes, if you ask, nicely
 - Earnings allowance
 - Transparency
- And deal with
 - Interest bearing accounts
 - Fewer price points
 - Opaque pricing
 - “Free” services
 - Complicated negotiations

Agenda

- Behind the mystery
 - Banking services are unique commodities
 - Banks differ, countries differ
- Bases of bank pricing
 - Regulatory
 - Activity
- Easing the confusion
 - SEPA in Europe
 - TWIST
- Surviving the challenge
 - Evaluating
 - Managing
- Summary
 - Tips and tricks

Behind the Mystery

Banking Services

- Provided by complex, regulated entities
 - Deposits subject to reserve requirements, insurance premiums and need to manage the balance sheet
- Products are integrated and indivisible
 - At the relationship level, credit is often contingent on service usage
 - At the product level bundling enables complexity, can't buy an account from one bank and transactions from another
 - Providing services means accepting risk and managing debit caps

Bank and Country Differences

- Banks are different
 - Service area: global, regional or local
 - Relationship management: centralized or branch level
 - Client focus: universal, commercial or consumer
 - Social mission: agriculture, working class
- Countries are different
 - Tightly regulated countries such as China
 - Less regulated countries such as the UK
- Pricing is a mystery, not a conspiracy

Bases of Bank Pricing

Major Bases

- Regulatory
 - Basic services
 - Foreign exchange
 - Resident/non-resident
- Activity
 - Number of items, such as wires
 - Value of activity, such as account turnover
 - Treasury structure, such as physical pooling

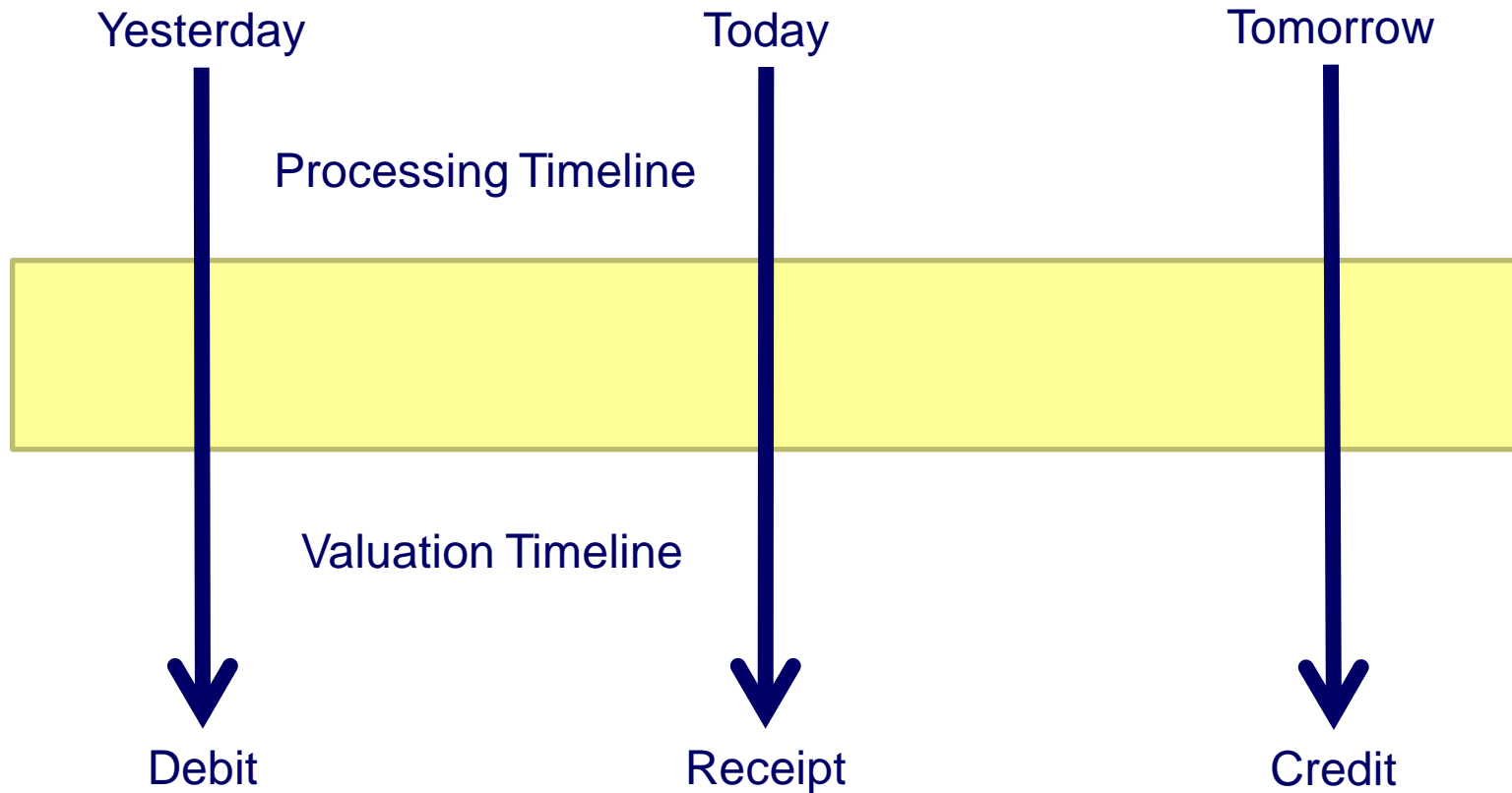
Regulatory

- Applies to all banks operating in that country
- Examples
 - Stamp Duty (Portugal)
 - Account activity taxes/per debit or credit (Argentina)
 - Government dictates pricing and interest charged/paid (China)
 - Mandatory accounts for tax refunds (Italy)
- Understand where and how this may affect your bank accounts and charging structure

Transaction

- Per item
 - Most common, often assessed at time of transaction
- Ad valorem
 - Item value used as basis for charge
 - Often impacted by Resident or non-resident status of account
 - Sometimes expressed, per mille, with no maximum
- Value dating
 - Bank assigns date for valuing transaction that differs from posting date
 - Typically credits given forward value and debits given back value

Value Dating Illustrated



Account Services

- Periodic fees assessed on account or service
 - Levied monthly, quarterly or annually
- Turnover commissions are a form of ad valorem charge
 - In the UK turnover charges calculated at rate of "x" pence per GBP 100 on the total debits to an account in the charging period
 - In France, the "commission de compte" calculated at 0.25% on the total account debits (less exempt items) during a period
- Other charges
 - Minimum balance requirements
 - Interest paid on balances and charged on overdraft

Treasury Structure

- Treasury structures include pooling and netting
- Structure charges are in addition to regular account and transaction fees
- Can be assessed per account, per participant or per structure
- Advisory:
 - Where structure generates transactions verify that these fees are included in the structure charges
 - Where structure generates foreign exchange or borrowing/deposits verify the basis on which these costs will be assessed
 - Where structure offsets/ eliminates debit and credit spreads , determine the extent and compare to cost of swaps
- Structures are useful for companies and profitable for banks

Foreign Exchange

- FX is an important revenue stream for banks
 - Pricing can lack transparency
 - Embedded in transaction, not a separate charge
- Explicit sources of FX costs include:
 - Spot and forward transactions
 - Derivative contracts
- Implicit sources of FX costs include:
 - Exchange commissions
 - Automated conversion of currency received into an account
- Advisory:
 - Understand how non-explicit FX transactions will be priced
 - Document the pricing basis

Easing the Confusion

- Single European Payments Area
 - Member states of EU
 - Iceland, Norway, Liechtenstein and Switzerland
- Major objective:
 - Ensure that payments within area are easy, quick and inexpensive
- Achieve by providing transparency in pricing for cross border payments
 - Eradicating value dating practices
 - Eradicating higher charges for cross-border vs. domestic payments
 - Restricted to “electronic” payments, paper based items are out of scope
- Payment Services Directive (PSD) establishes minimum standards for payments processing
 - Mandatory inclusion of BIC (SWIFT code of beneficiary bank)
 - International Bank Account Number (IBAN)

Some Details

- All payments under EUR 50,000 must be credited D+1 by 2010
- “Beneficiary deduct charges” are eliminated
 - SEPA payment instruments such as SCT (SEPA Credit Transfer) have charges “SHA” as the only available option - limiting beneficiary deduct opportunities
 - 11/09 all EU countries will require payments into account within one day of receipt at the beneficiary bank in full
- Cards
 - Debit and credit cards used at the same price and under same terms in Euro land
- Implications
 - Potentially all euro-denominated payments can be managed centrally
 - Single bank account per legal entity, except where paper instruments or cash are used

- Transaction Workflow Innovation Standards Team (T.W.I.S.T.)
 - Formed by corporations to drive standards
 - Encouraged by vendor stakeholders
- Bank Services Billing Standard (BSB)
 - Periodically advise clients of service usage and charges
 - Barclays and Danske have adopted

Surviving the Challenge

Managing Bank Pricing

- Current services
 - Create inventory of accounts and services
 - Ensure common accounting and recognition of bank charges
 - Review products, accounts and services to ensure they are necessary and appropriate
 - Benchmark key elements of bank spend
- New Services
 - Specify through RFP
 - Add through direct negotiation
- Both
 - Focus on run cost, total cost of ownership

Implementation

Pooling/concentration setup (Europe)

Web banking licence per user

MT101 Set up (per bank)

Monthly

Main account maintenance (Europe)

Subaccount maintenance (Europe)

Pooling/concentration maintenance (Europe)

Previous day balance reporting (by account/user)

Same day balance reporting (by account/user)

Cross border sweep (Europe)

Web based banking support

Transactional

Payment file processing

Domestic electronic payments

Domestic electronic receipts

Direct debits - receipts

Direct debits - payments

Checks incoming

Checks outgoing

Foreign currency checks

Cross border transfers - incoming

Cross border transfers - outgoing

Foreign currency transfers - incoming/outgoing

Domestic electronic transfers - foreign currency incoming/outgoing

Manual payment instruction

Repairs

Other Items

Length of pricing commitment in months

Header account credit interest basis (Europe)

Header account debit interest basis (Europe)

Response

Web Access		
Web access - Set-Up		
Web Access Service Charge	Payments via Web Access	
Smartcard Reader	Web Access – AutoPay Payments	
Smartcard	Web Access – Payments within the EU	Cross-Border Receipts Inwards
Users (additional to the above)	Web Access – Payments outside the EU	Cheques – Negotiations (drawn in foreign currency or on banks abroad)
Balance and Transaction Rep	Manual Drafts Issued (per payment)	Cheques – Collected (drawn in foreign currency or on banks abroad)
Training and Site Visits	Web Access – Inter-Co Transfers (san	Clean Inward Payments from abroad – same currency as account
E-mail advice of payment	Inter- Company Priority Transfers	Clean Inward Payments from abroad – different currency to account
Historical Payment Data	Manual Payments (Eg. Letter, Fax or P	Priority Payments requiring repair
Payments	Additional Web Access Charges	Domestic Payments Outwards
Manual Priority Payments	Priority Payment Service Charge (per a	Cheques Issued
Electronic Priority Payments in	TARGET Surcharge (per payment)	Standing Orders and Direct Debits Paid
Electronic Priority Payments in	Additional Repair Charge for incorrect	UK CHAPS Outwards via Web Access
Beneficiary Charges for the A	Payments within EU Zone - charges fo	UK CHAPS Outwards – manual via branch
Repair Charge for incorrectly	Payments outside EU Zone - charges	Foreign Bank Charges for the account of the remitter (additional fee)
TARGET Surcharge	MT101 Instruction to Third Party	Penalty charges for payments requiring manual repair
Liquidity Services	Per Item	Bankers Drafts
Account Opening	Bank Set-Up (if no existing bi-lateral a	BACS Payments – File Charge (Direct Submission)
Account Maintenance	Activity	BACS Payments – Item Charge (Direct Submission)
Monthly Paper Statements	Account Opening	Cash supplied via branches
Pooling and Cash Concentra	Account Maintenance (UK based acco	Inter-Account Transfers
Arrangement Fee	Domestic Receipts	Cross-Border Payments Outwards
Daily Cash Concentration Sw	Cheques Collected	SWIFT Payments Outwards – via Web Access
Daily Cash Concentration Sw	Manual Credits	SWIFT Payments Outwards – manual via branch
Activity	Automated Credits Inwards including (Cross Border Aut Cross-Border Cash Concentration
Account Opening	Cash In – Branches	Paper Statements Daily Cross-Border Sweep to UK Master Account (per account, per quarter)
Account Maintenance (per acco	Inter-Account Transfers (between GBP	Domestic Cash C Other BACS Charges
Debit/Credit Entries posted to the account	Account, per annum)	Domestic Cash C Set-Up of New BACS Originator Identification Number
		Cross-Border Cas Over Limits – 09.00-17.00
		Over Limits – After 17.00
		Error Conditions – 09.00-17.00
		Error Conditions – After 17.00

Perspective

Bank

- Relationship
 - Products
 - Rate of return
 - Level of return
- Portfolio
 - Risk
 - Concentration
- Disintermediation

Company

- Relationship
 - Suitability
 - Reliability
- Products and services
 - Service
 - Flexibility
 - Price

Wallet Sizing

- Estimate bank share of your wallet
- Check for:
 - Overlooked business segments
 - Relationship priorities; investment banking or cash management
 - Complaints without details suggest poor relationship management

Bank Revenue 2006	Bank 1	Bank 2	Bank 3	Bank 4	Total
Loans					
M&A					
Bonds					
Equity					
Other Capital Markets					
FX					
Investments					
Country A					
Country B					
Country C					
Total					

Negotiation

- Focus on the main items:
 - High volume activities
 - Interest rates
 - FX spreads
- Protect against minor items
 - Rent guarantees
 - Bank drafts
- Negotiate locally for indigenous services
 - Involve local subsidiary and bank management
- Two year term for pricing

Tips and Tricks - 1

- Is interest paid on the full amount, or an amount beyond a peg balance?
- Take advantage of automated sweeps to money market accounts such as Tagesgeld in Germany, CETEs in Mexico and SICAV in France
- Use the most common payment tools in the country such as direct debits in Sweden, ACH in Singapore, BACS in the UK
- Make sure affiliates aren't using bank accounts in place of the ERP's G/L
- Look at total run cost, not lowest item cost
- Local subsidiaries may not realize their pricing leverage

Tips and Tricks - 2

- Idle balances account for an embarrassingly large share of bank profits, don't help more than necessary
- Meet personally with the banks for at least one hour to discuss strategy
- Don't give business to banks that don't appreciate it or support you with credit
- Be open with the banks, they hate surprises
- Develop a "book" about your business including filings (Q's and K's) and other information
- Develop a matrix of business you can offer to banks and reallocate as necessary

Summary

- Accept what you cannot change:
 - Understand charging practices, you can't always change them
 - Recognize the need to compensate banks fairly
 - Know what's reasonable
- Focus on making pricing more transparent
 - Easier to manage and reconcile, lower levels will follow
- Work with your local managers
 - Encourage them to be forceful with banks
 - Leverage their expertise
- Three step approach to making sense of pricing:
 - Take advantage of the good stuff
 - Understand and clarify the bad stuff
 - Don't sweat the small stuff

Questions and Certification



To obtain a certificate of completion for CPE or other financial certification please email CPE@treasuryalliance.com

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Contacts

Peter J. Pinfield, Partner
Phone (415) 413-4780
peter.pinfield@treasuryalliance.com

Daniel L. Blumen, CTP, Partner
Phone (630) 717-9728
dlblumen@treasuryalliance.com

Treasury Alliance Group LLC
www.treasuryalliance.com

