

IMPROVED FOREIGN CURRENCY MANAGEMENT

5 STEPS

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INTRODUCTION

Globalisation continues to drive the need for international flows.

- Drivers of FX rates
- Increasing demand for fully integrated payment and FX platforms
- Need to optimize cross border payment execution
- Automate reconciliations
- Smart usage of available liquidity



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AGENDA

- 1 FX IN GLOBAL PAYMENTS & COLLECTIONS
- 2 MAKING EFFECTIVE CROSS BORDER PAYMENTS
- 3 OPTIMIZING RECONCILIATION
- 4 CROSS CURRENCY LIQUIDITY MANAGEMENT



1

FX IN GLOBAL PAYMENTS & COLLECTIONS

Focus on operational FX

- Not strategic FX
- Your strategic FX is well understood and well served
- Corporates less aware of risks associated with operational FX
- Cash Management strategies for managing these risks

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1

FX IN GLOBAL PAYMENTS & COLLECTIONS

Identifying operational FX

1. Importer invoices and exporter receipts
2. International payroll
3. Pension payments
4. Tax collection / refund payments
5. Dividend and interest payments
6. Insurance claims / premiums
7. Intra and inter-company payments / funding
8. BAU disbursements such as travel and accommodation

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1

FX IN GLOBAL PAYMENTS & COLLECTIONS

Two cash management tools for managing operational FX

International Payments

Benefits:

- One funding account
- Multiple paying currencies
- Reduced administrative burden and cost

Challenges

- FX conversion costs
- No natural hedge

Currency Accounts

Benefits:

- No FX conversion costs
- Natural hedge

Challenges

- Administrative burden and cost
- FX risk
- Restricted Currencies

KEY => Finding the right balance

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FX IN GLOBAL PAYMENTS & COLLECTIONS

How is the FX rate created?

FX Margins

- Do you know there is a margin?
- Do you know what that margin is?
- Margin on what?

Creating the FX

- Bid and offer – the FX market
- Market rates, trader rates and client rates
- Value date – spot and forward

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MAKING EFFECTIVE CROSS BORDER PAYMENTS

When performing cross border payments

you may experience...

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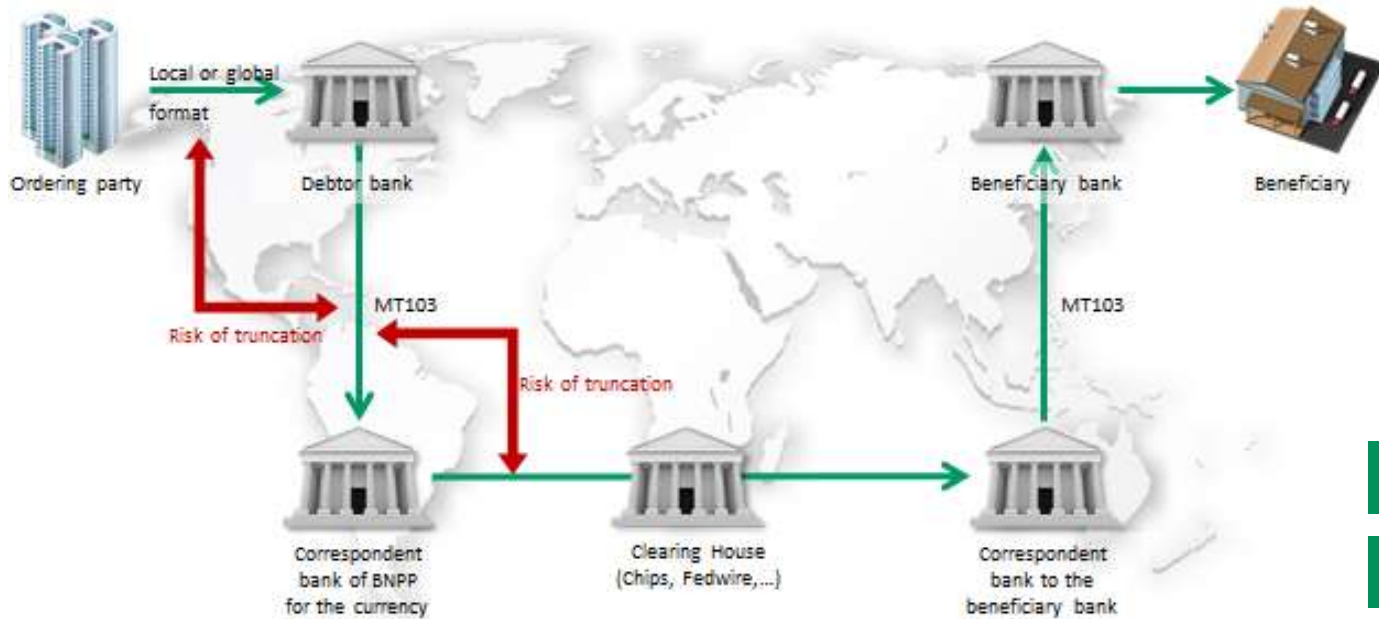
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2

MAKING EFFECTIVE CROSS BORDER PAYMENTS



Unclear Status

Unexpected Fees

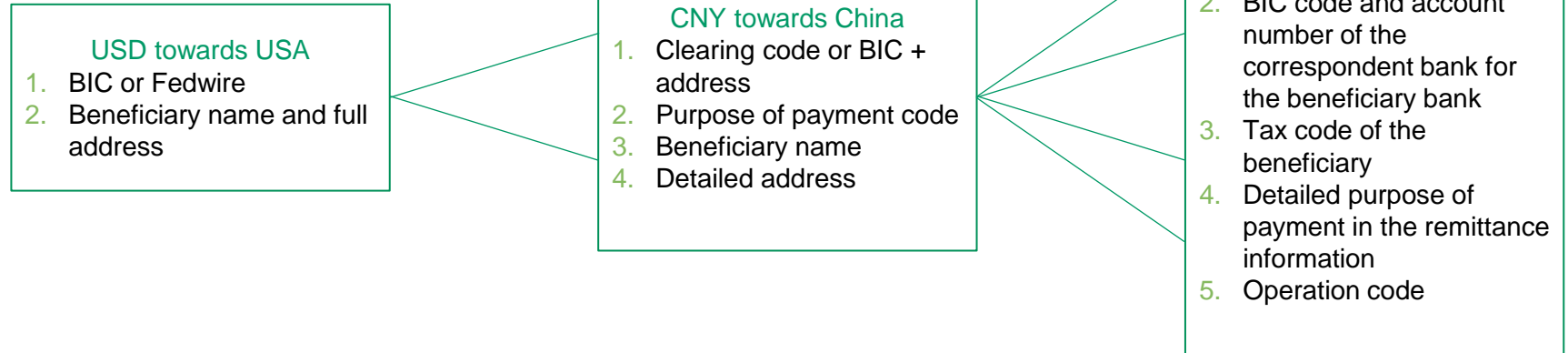
Delays & Errors

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MAKING EFFECTIVE CROSS BORDER PAYMENTS

Complexity of cross border payments



Including the BIC + IBAN in your payment is the standard, but not for all currencies or countries.

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2

MAKING EFFECTIVE CROSS BORDER PAYMENTS

BNPP Currency Guide

Our **Currency Guide** offers practical guidelines, including all currency specificities, on how to make payments in over 130 currencies.

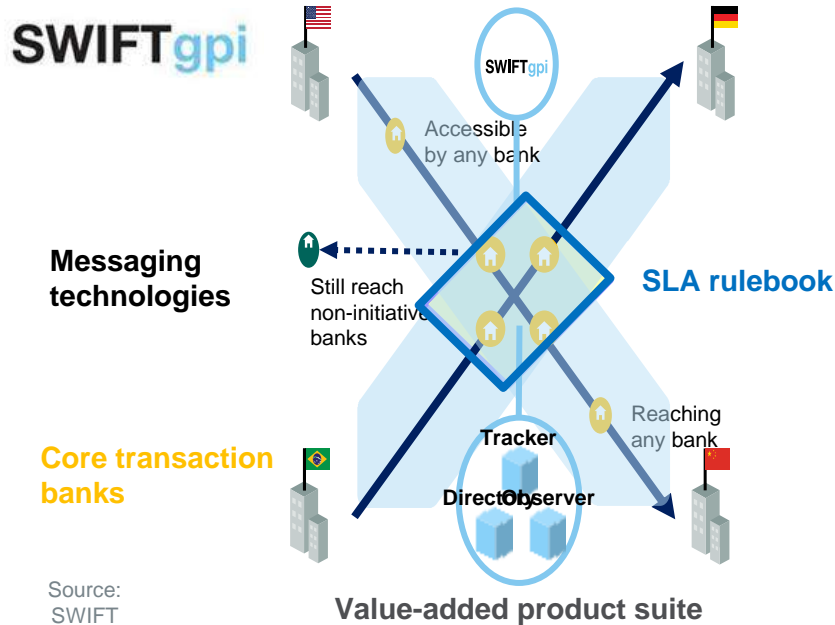


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MAKING EFFECTIVE CROSS BORDER PAYMENTS

Outlook on 2017: SWIFT GPI



Transparency on fees

Same day use of funds

Track & Trace

Full payment information

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OPTIMIZING RECONCILIATION

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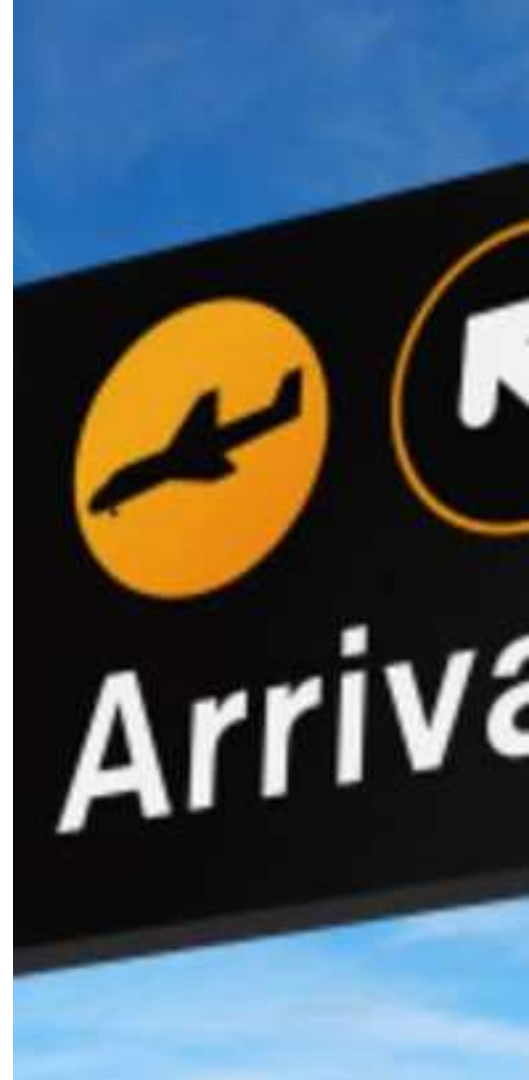
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OPTIMIZING RECONCILIATION

Reconciliation

Centralisation

Corporate concerns

Information to identify the payer is not always correct

Information to identify the final beneficiary is not available

Quality of remittance information is often poor

The creation of intra-company accounting entries is not possible

Identification of the payer

Identification of the final beneficiary of funds

Virtual IBAN benefits

Match automatically the funds received to the correct payer

Book automatically the funds to the correct beneficiary

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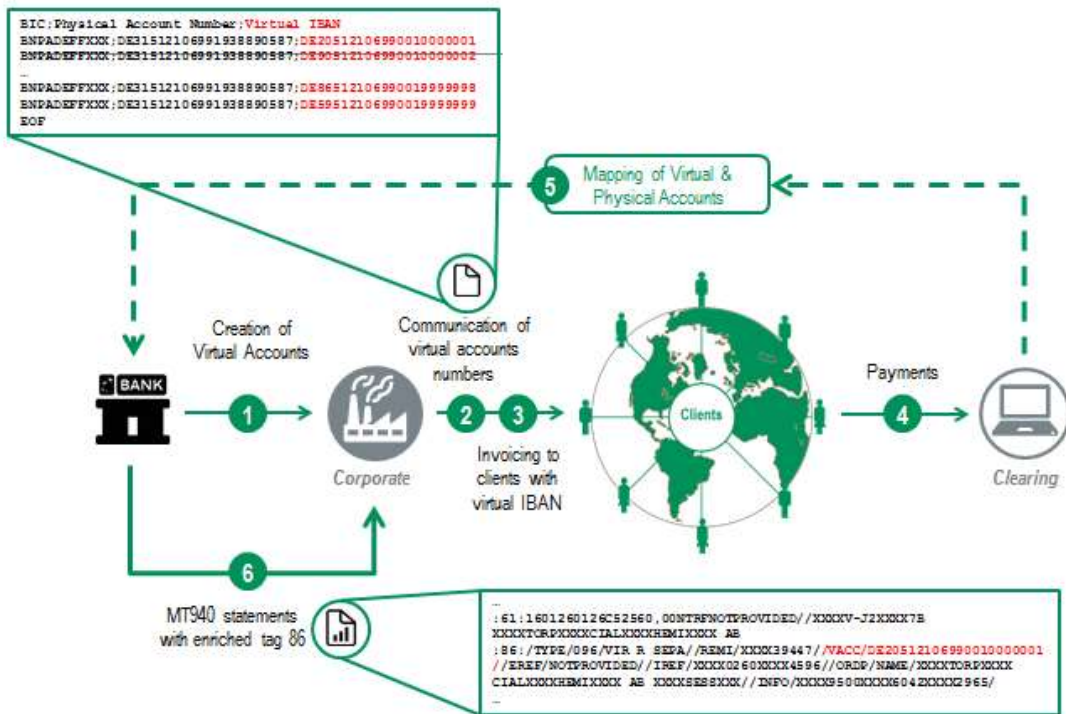
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OPTIMIZING RECONCILIATION



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OPTIMIZING RECONCILIATION

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A unique virtual IBAN reference is allocated to EACH of your payers

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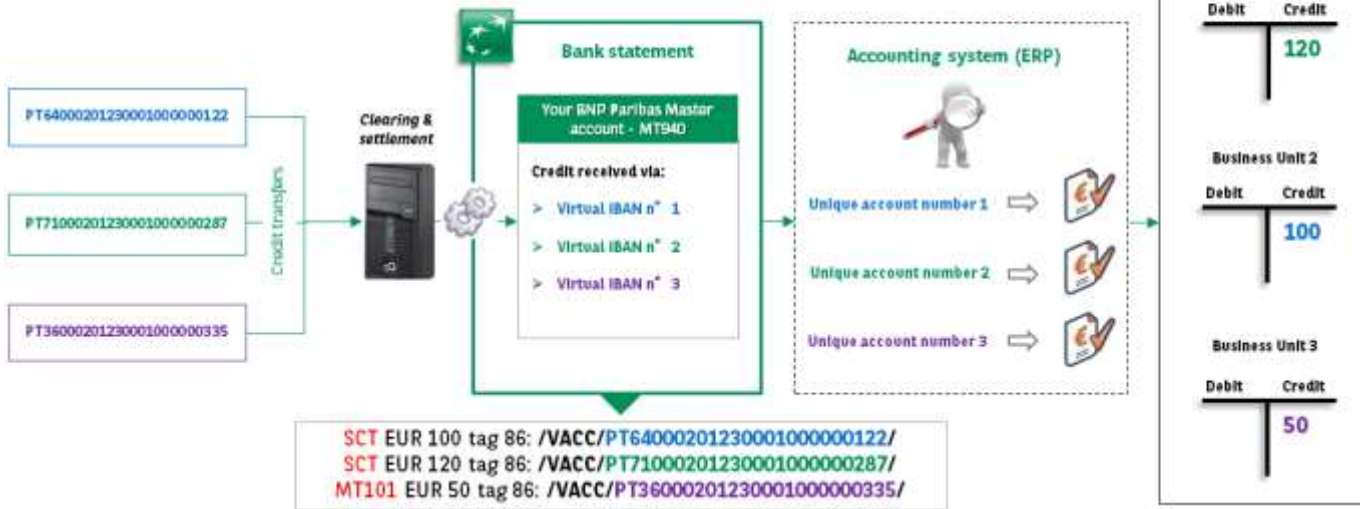
All your incoming credit transfers are directly booked on your physical bank account

3

Leverage on the unique virtual IBAN reference as an end-to-end reference for reconciliation

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Create automatic intra-company accounting entries to book funds to the final beneficiary



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CROSS CURRENCY LIQUIDITY MANAGEMENT

Mobilizing cash across geographies and currencies

Major corporate challenges and opportunities are:

- Improve accuracy on treasury forecasting
- Improve global visibility on cash
- Centralize global liquidity and unlock trapped cash
- Optimize yield on the consolidated cash position

Risks

Liquidity risk, currency risk, credit risk, country risk, counterparty risk, tax risk, ...

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CROSS CURRENCY LIQUIDITY MANAGEMENT

Solutions

- A single-currency physical cash pool to centralize group liquidity (in each currency) coupled with a multiple currency notional cash pool (if legally possible), consolidating group liquidity in a main currency of corporate's choice
- A cross currency physical cash pool: liquidity denominated in different currencies is swept to a master account in the main corporate's currency. The currency conversion is automated and performed at transparent rates

Benefits

Reduced borrowing costs

Maximized opportunity for investment

Improved control over cash

Better hedging & foreign exchange risk management

Reduced time mismatches impact

Reduced currency mismatches impact

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CONCLUSION: 5 STEPS TO TAKE

1. Conduct an operational **FX audit**
2. Find the **right balance** between maintaining currency accounts and using international payments
3. Use international payments effectively
4. Review your **reconciliation process**
5. Evaluate your transaction **flows & balances across currencies and countries**

