

## International payments at the top of treasurers' agendas

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A global economy implies international flows, and these are on the uptrend. As the migration to SEPA is almost complete, European corporations are looking ahead and ready to address the challenges of international payments. But where SEPA harmonises the payment landscape within Europe, it remains largely heterogeneous outside.

### **Corporate treasurers have 3 priorities concerning international payments:**

- To have maximum visibility and predictability on their international flows.
- To optimise their cash flows based on adapted processes and tools.
- To support the geographical expansion of their business.

### **1. Visibility on international flows**

***How can I ensure that my payments are adequately received by the beneficiaries?  
How can I maximise predictability when making sensitive international payments?***

Depending on the remoteness of the country, different aspects must be taken into account to reach beneficiaries adequately, like local regulations and practices. It is therefore, advisable to partner with a global bank with regional expertise.

When making a payment, every treasurer expects that the beneficiary is credited on the correct value date, in a cost efficient way. When it comes to international payments though, it is even more of a challenge as it sometimes involves a complex routing through correspondent banks. Expertise and industrialisation go hand in hand: preparation, monitoring and reporting on international payments are the *ABC*'s of visibility.

When making sensitive payments such as acquisitions, capital increases, dividends or expat salaries, the value date is critical and all the stakeholders are on watch. Additionally, the reputational damage and financial impact of failing to deliver these payments can be substantial. BNP Paribas offers tailored advisory and several value added services to monitor such transactions from end to end.

### **2. Improved processes to optimise cash flows**

***What strategy is best to apply for centralising cash?  
How can I manage the currency mix for my international payments?  
How do I optimise my account structure to manage my operations and reduce costs?***

When aiming to optimise cash flows, treasurers have many organisational challenges with potential strategies attached. These include shared service centres, payment factories, etc. In addition, they must integrate organisational constraints ? for example, they must be aligned with their corporate FX strategy.

Maintaining operational teams and systems in every country is generally not a preferred long-

term option. Centralisation helps rationalise costs, consolidates expertise, provides a higher global efficiency and facilitates control on treasury activities. In addition, it provides the visibility that corporates need to reuse cash, as it is a valuable resource.

Whereas in unrestricted markets -like in Hong Kong or Singapore- any surplus funds can be swept at any time for an enhanced yield, more regulated markets are particularly challenging ?with for example, the obligation to manage liquidity onshore.

Applying a strict FX strategy may result in a heavy account structure, i.e. have a potentially adverse effect on cost. It is also generally more difficult to optimise liquidity when working with several currencies.

Companies tend to forecast in- and outflows per currency. Typically, bidirectional flows in any given currency bring an opportunity for natural hedging, thus justifying dedicated currency accounts. For merely unidirectional flows, it is worth reflecting whether it is best to maintain them or to make cross-currency payments and collections. This may be linked to the total volume and the internal cost of resources.

### **3. Expanding business geographically**

***Can my bank support me everywhere I do business?***

***How can I take advantage of using the Chinese renminbi?***

***Should I use the local currency or an international reference currency to make payments in my new markets?***

Corporations going international do not only face market challenges: cultural discrepancies should not be underestimated as they impact not only how a company approaches a new market, but also the relationships with local banks and financial partners.

Adopting a new currency can sometimes be a challenge, especially when it is relatively exotic. Discrepancies between financial infrastructures, the regulatory environment and the business and even the payment culture, may be substantial. Expanding in trade corridors presents the kind of challenges that go from risk management all the way to settlement.

In particular, the Chinese renminbi (RMB) offers new opportunities. China is and will remain a powerful growth target zone for corporations, with the RMB now being ranked the 7th currency globally by value, and the 2nd for trade finance after the US dollar. Some corporations are already actively using the RMB, and are closely following the regulatory developments with the ultimate goal to make China ? eventually - just another cash pool country. However, the majority of companies have not yet joined the bandwagon. Some are not even aware that using the RMB can create commercial advantage, improve efficiency and help minimise already trapped cash.

## **Related Video**

### **Make successful international payments**

Paying Here & Abroad 03/10/2014

# Our Solutions

## Renminbi

29/09/2017

The use of Renminbi (RMB) has gone from virtually zero to more than 13% of the overall exchanges in the past 2 years. We expect China Trade to double by 2020 and the usage of RMB to continue booming until it becomes one of the 3 major currencies used globally.

## Netherlands Antilles

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