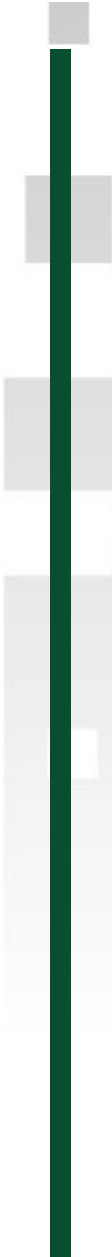


International ACH: Payment Gateway to Europe

Treasury Symposium – St. Petersburg Florida
Tuesday, January 27
Concurrent Session 16
10:15am – 11:30am



Treasury Institute
for Higher Education

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International ACH: Payment Gateway to Europe

Presenters:

Jim Pierce, Director
Treasury Services
Georgia Institute of Technology

Karen Leonard, VP
International Sales Specialist
Wachovia Foreign Exchange

International ACH: Payment Gateway to Europe

Georgia Tech utilizes a variety of means to complete international payments, based up business needs:

- ◆ **Domestic wire transfers** (US dollar denominated transactions, where we have no foreign exchange responsibility)
- ◆ **Foreign exchange wires** (wires denominated in either a foreign currency or US dollars, where we are trying to ensure a specific payment across a border)
- ◆ **Foreign drafts** (foreign currency denominated checks)

International ACH: Payment Gateway to Europe

Georgia Tech utilizes International ACH (IACH) for direct deposits to our central European based employees:

- ◆ We can ensure that the timing of the direct deposits are in compliance with payroll deposit requirements.
- ◆ We utilize the US dollar amount of the transaction, and receive what we believe to be the best exchange rate possible
- ◆ No fees netted against the transaction/deposit, thus ensuring our deposits are as we projected to the payee.
- ◆ The cost per transaction is lower than any of the above mentioned transactions except foreign draft, which is the slowest and most manual of all payment types.

Challenges in the Global Payments Environment

Considerations when there is a need to make global payments:

- Checks or drafts - Mailing time, lengthy clearing time, subject to excessive fees and potential for fraud
- Wires - can be expensive for repetitive, non-urgent payments and includes lifting fees
- Foreign held accounts are subject to local legal, tax and regulatory restrictions, local language barriers
- No standard “global ACH” – each country has it’s own clearing system and local requirements (except for Europe)
- Many banks require “in-country” accounts when making IACH payments

International ACH (IACH)

A Solution to Repetitive Payment Challenges

Examples of global payment types which are relevant to IACH:

- Vendor payments which could include:
 - Educational institutions
 - Tour companies
 - Museums
 - Book Vendors/Publishers
 - Food Vendor
- Payroll for employees living abroad

IACH Account Structures in Use Today Are...

USD TO FOREIGN CURRENCY	LONDON CURRENCY ACCOUNTS	IN-COUNTRY ACCOUNTS
<p>DEBIT YOUR USD ACCOUNT, PAY FOREIGN CURRENCY ABROAD</p> <p><u>BENEFITS</u></p> <ul style="list-style-type: none"> ▪ ONE ACCOUNT TO MAKE ALL YOUR FOREIGN CURRENCY PAYMENTS ▪ US LEGAL AND REGULATORY ENVIRONMENT FOR ACCOUNT OPENING ▪ SINGLE PAYMENT INITIATION CHANNEL ▪ SINGLE POINT FOR CUSTOMER SUPPORT ▪ ALL SUPPORT AND DOCUMENTATION PROVIDED IN ENGLISH ▪ NO CENTRAL BANK REPORTING <p><u>CONSIDERATIONS</u></p> <ul style="list-style-type: none"> ▪ COUNTRY SPECIFIC CUT-OFF TIMES ▪ FX FEES VERSUS IN-COUNTRY BANK FEES 	<p>DEBIT FOREIGN CURRENCY ACCOUNTS HELD IN LONDON, PAY LOCAL OR CROSS CURRENCY</p> <p><u>BENEFITS</u></p> <ul style="list-style-type: none"> ▪ LATER CUT-OFF TIMES ▪ "LOCAL" PAYMENTS AND COLLECTIONS ▪ EASY AND INEXPENSIVE FOR LOCAL CUSTOMERS TO PAY YOU "IN-COUNTRY" ▪ LIMITED FX FEES (IF ANY) <p><u>CONSIDERATIONS</u></p> <ul style="list-style-type: none"> ▪ UNITED KINGDOM LEGAL, TAX AND REGULATORY ENVIRONMENT FOR ACCOUNT OPENING, IN ENGLISH ▪ ONE OR MORE ACCOUNTS PER COUNTRY AND CURRENCY ▪ MULTIPLE PAYMENT INITIATION CHANNELS ▪ MULTIPLE POINTS FOR CUSTOMER SUPPORT, IN LOCAL LANGUAGE 	<p>DEBIT LOCAL CURRENCY ACCOUNT, PAY LOCAL CURRENCY</p> <p><u>BENEFITS</u></p> <ul style="list-style-type: none"> ▪ LATEST CUT-OFF TIMES ▪ "LOCAL" PAYMENTS AND COLLECTIONS ▪ EASY AND INEXPENSIVE FOR LOCAL CUSTOMERS TO PAY YOU "IN-COUNTRY" ▪ NO FX FEES <p><u>CONSIDERATIONS</u></p> <ul style="list-style-type: none"> ▪ COUNTRY SPECIFIC LEGAL, TAX AND REGULATORY ENVIRONMENT FOR ACCOUNT OPENING, IN LOCAL LANGUAGE ▪ MULTIPLE BANK RELATIONSHIPS (POSSIBLE) ▪ ONE OR MORE ACCOUNTS PER COUNTRY AND CURRENCY ▪ MULTIPLE PAYMENT INITIATION CHANNELS ▪ MULTIPLE POINTS FOR CUSTOMER SUPPORT, IN LOCAL LANGUAGE

Europe

- ◆ European Union – 27 Countries
 - Single market for business (national differences remain for tax, employment law and central bank reporting)

- ◆ SEPA – Single Euro Payment Area (1/28/08)
 - Self-regulatory initiative to harmonize the non-urgent euro payment environment in Europe
 - SEPA covers 31 countries (Effects 27 EU and 4 EEA Countries)
 - Impacts 9,000 EU banks, 29 million corporates, 470 million consumers
 - Direct Debit should be available in 11/09

'Euro Zone'

Austria
Belgium
Cyprus
Finland
France
Germany
Greece
Ireland
Italy
Luxembourg
Malta
Netherlands
Portugal
Slovenia
Spain

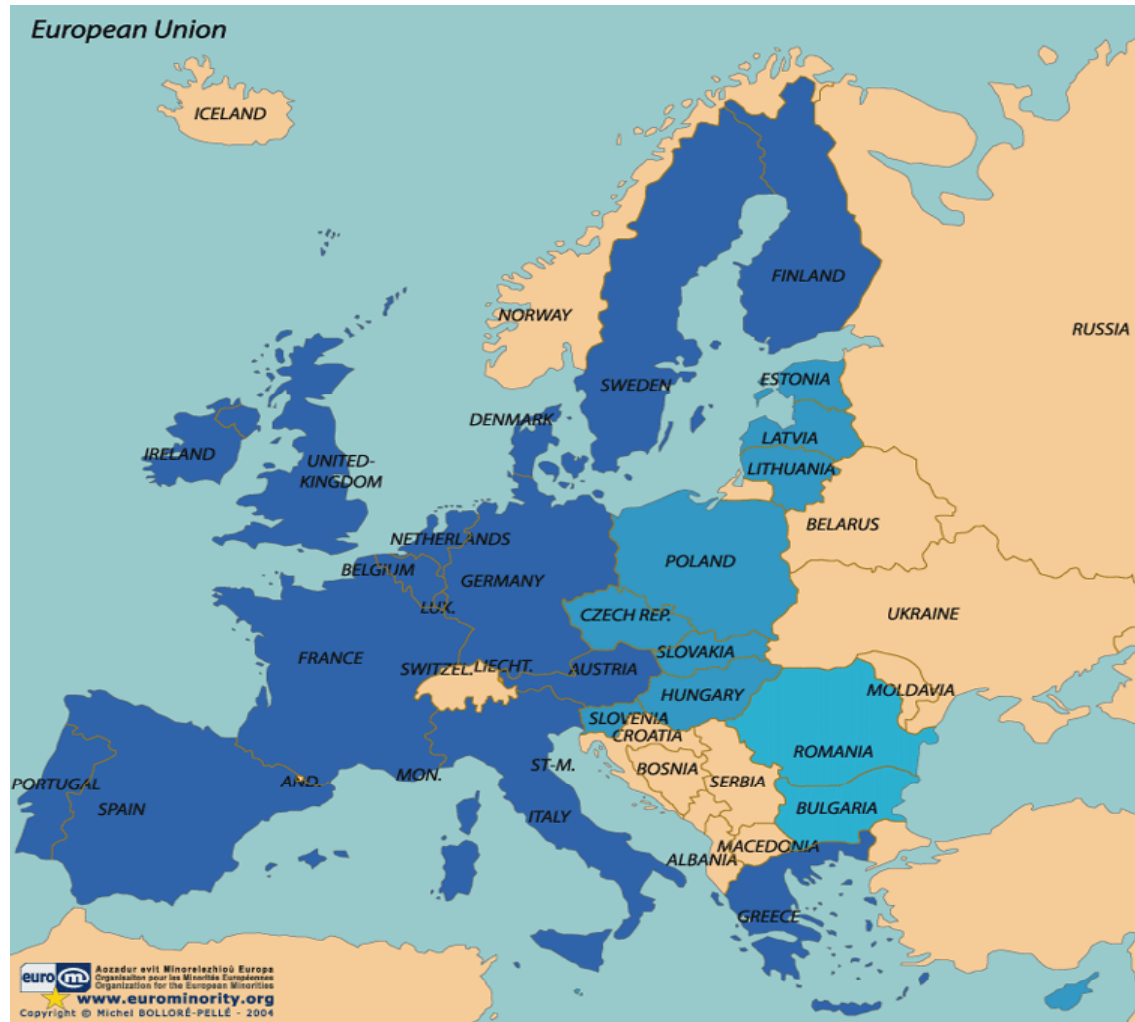
Non Euro EU

Bulgaria
Czech Rep
Denmark
Estonia
Hungary
Latvia
Lithuania
Poland
Romania
Slovakia
Sweden
United Kingdom

European Economic Area - non Euro

Iceland
Norway
Lichtenstein
Switzerland

The Geography



Pre and Post SEPA non-urgent euro Credit Transfer payments

PRE-SEPA



National differences:

- Formats
- Rules
- Amount limits
- Refund and reject rules



POST-SEPA



- One Format
 - One set of Rules
 - No amount limits
 - One set of Refund and reject rules
 - Unique end-to-end reference
- Euro payments into 31 SEPA countries

Transforming IACH...Made Possible

CLIENT SITUATION: US HIGHER ED IS PURCHASING SERVICES FROM OVERSEAS AND/OR NEEDS TO PAY THEIR VENDORS OR EXPAT EMPLOYEES IN MULTIPLE COUNTRIES AND CURRENCIES.



CLIENT NEEDS		
<ul style="list-style-type: none">▪ AN EFFICIENT WAY TO PAY YOUR GLOBAL SUPPLIERS AND EMPLOYEES IN-COUNTRY WHILE RETAINING CONTROL FROM THE USA▪ SINGLE PAYMENTS AND REPORTING CHANNEL FOR YOUR DOMESTIC AND GLOBAL PAYMENTS▪ SIMPLIFIED CUT-OFF SCHEDULES▪ MANAGE LOCAL HOLIDAY CALENDARS▪ ABILITY TO DO ON-LINE STOPS AND CANCELS▪ BE ABLE TO HAVE ALL CUSTOMER SUPPORT PROVIDED IN ENGLISH		



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CLIENT NEEDS	SOLUTIONS	
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Transforming IACH...Made Possible

CLIENT SITUATION: US HIGHER ED IS PURCHASING SERVICES FROM OVERSEAS AND/OR NEEDS TO PAY THEIR VENDORS OR EXPAT EMPLOYEES IN MULTIPLE COUNTRIES AND CURRENCIES.



CLIENT NEEDS	SOLUTIONS	RESULTS
<ul style="list-style-type: none"> ▪ AN EFFICIENT WAY TO PAY YOUR GLOBAL SUPPLIERS AND EMPLOYEES IN-COUNTRY WHILE RETAINING CONTROL FROM THE USA ▪ SINGLE PAYMENTS AND REPORTING CHANNEL FOR YOUR DOMESTIC AND GLOBAL PAYMENTS ▪ SIMPLIFIED CUT-OFF SCHEDULES ▪ MANAGE LOCAL HOLIDAY CALENDARS ▪ ABILITY TO DO ON-LINE STOPS AND CANCELS ▪ BE ABLE TO HAVE ALL CUSTOMER SUPPORT PROVIDED IN ENGLISH 	<ul style="list-style-type: none"> ▪ INTERNATIONAL ACH ▪ SINGLE PAYMENT AND REPORTING CHANNEL VIA WACHOVIA CONNECTION OR INTEGRATED PAYABLES & REPORTING, EASE OF CONNECTION WITH YOUR TREASURY MANAGEMENT SYSTEM OR ERP SYSTEM ▪ INTERNATIONAL WIRES AND DRAFTS 	<ul style="list-style-type: none"> ▪ ALL DOMESTIC AND OVERSEAS CURRENCY ACCOUNTS HELD WITH ONE BANK ▪ EFFICIENT PAYMENT PROCESS USING VARIETY OF PAYMENT METHODS ▪ SAME SYSTEMS AND PROCESSES AS WITH US SOLUTIONS ▪ TOTAL CONTROL OF PROCESS FROM US TREASURY ▪ CUSTOMER SERVICE AND IMPLEMENTATION SUPPORT FROM THE US, IN ENGLISH

Considerations When Implementing an IACH Program

IACH IMPLEMENTATION PROCESS MIRRORS ANY PAPER TO ELECTRONIC CONVERSION:

- ***COUNTRY SPECIFIC FORMATS/SPECS - UNIQUE ACCOUNT NUMBER, CLEARING CODE, SWIFT BIC FORMATS AND SPECIFICATIONS***
- ***BENEFICIARY EDUCATION - COUNTRY SPECIFIC RESTRICTIONS ON IACH ADDENDA DATA***
- ***SPEED OF IMPLEMENTATION - UP FRONT DATA GATHERING FROM BENEFICIARIES OR INTERNAL SYSTEMS.***
- ***BENEFICIARY RECEIVES FULL PAYMENT - REDUCES LIFTING/RECEIVING BANK FEES***
- ***LOCAL RESTRICTION - FOREIGN HELD ACCOUNTS ARE SUBJECT TO LOCAL LEGAL AND REGULATORY RESTRICTIONS***
- ***LANGUAGE BARRIERS - ACCOUNT OPENING DOCUMENTATION OFTEN IN LOCAL LANGUAGE***