

Rethinking Best Practices in a Changing Payments Landscape

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Sending and receiving payments in today's business economy has evolved into a complex set of processes that increasingly relies upon the successful interdependence of multiple players on a global scale.

Much like a kaleidoscope that shifts each of its internal parts, the constant motion of the payments landscape — as directed by industry trends, regulatory mandates and client needs — affects how organizations and providers within the industry must continually adjust processes in response to that movement.

Within this changing landscape, forces both external and internal are shaping how organizations must reassess best practices that affect both ends of the payment spectrum.

Sending Payments

A changing global economy remains a primary factor in how businesses must reassess their best practices for issuing payments. Shifting accounting and international terrorism regulations, for example, are triggering new initiatives to reduce and deal with fraud across global payment channels.

The need for consistency in timing settlements in cross-border transactions is prompting enhanced international payments standards, impacting such networks as SWIFT (Society for Worldwide Interbank Financial Telecommunication) and CHIPS (Clearinghouse Interbank Payment System). Knowledge of these new requirements will directly affect how quickly payments will move across international (and inter-border) channels.

Additionally, enhanced automation through technologies such as straight-through processing, mobile technology and the evolution of artificial intelligence is quickly reinventing industry payment methods and vehicles. Familiarity with the latest advances will prove invaluable for corporate treasurers looking to stay ahead of the global payments curve.

And finally, the need for time and cost efficiencies in issuing payments in this volatile environment continues — as always — to drive the bottom line.

Today's Receivables Reality

In the United States, check usage remains steady in today's receivables environment, even as the frequency of electronic payments continues to increase. And the reality is that geographical expansions that swell a client base also increase the number and variety of incoming payments that must be handled with the same optimal efficiency to which payors and payees are accustomed.

Added to this, client preferences for how those payments are made vary widely and include a mix of paper and (multiple) electronic formats. A sampling includes such options as accounts receivable check conversion (ARC), check imaging and remote deposit capture, as well as various electronic payment alternatives including purchasing cards, debit cards and wires.

Internally, staffing restrictions within an organization's budget-conscious treasury function continue to remain a reality. And a staff's access to the right technology and process to assist in speeding the funding and posting process is a growing necessity as well. As a result, fresh approaches are needed to cost effectively manage these complexities.

The following list of trends and best practices offers a way of understanding some of these changing payment issues and provides options for organizations to effectively operate within a constantly shifting payments environment.

TREND: THE GLOBAL FOCUS

For a growing number of companies — indeed, most U.S. corporations today — some aspect of business operates within a framework of cross-border treasury issues. Whether that interaction is due to an expanding customer footprint, vendor relationships and/or satellite facilities, understanding what's happening in the global payments arena can offer businesses unique opportunity and insight.

Major efforts underway to reform cross-border payment standards for streamlined payment flows, enhancing straight-through processes and easing the movement and legality of cross-border transactions aim to benefit both organizations and banks, and are poised to transform how payments will circle the globe.

BEST PRACTICE: PREPARING FOR CHANGE

Understanding initiatives currently pipelined to heavily impact the global payments landscape can provide insight into how your organization's internal operations may be affected. Some of the major initiatives to be aware of include:

- **Single Euro Payments Area (SEPA)** - This initiative is seeking to combine a multitude of separate automated clearing house (ACH) systems across the European Union into a single euro payments area. Beginning this year, with a move to extend credit transfers to direct debits in 2009, this standardization should allow businesses and their banks to exchange payment files within the euro zone via fewer bank accounts. The aim is to provide a consistency to the timing of payments to benefit businesses, providers and banks alike.
- **Financial Action Task Force (FATF)** - This consortium is developing and promoting a set of national and international policies to combat money laundering and terrorist financing with potentially huge repercussions for how global payments are handled. Organizations need to be aware of upcoming FATF policy implications, including rules for inclusion of proper remitter information, to avoid potential delays and interruptions in their payment flows.
- **The Wolfsberg Group** - This association of 12 global banks is working to develop more standards to detect illegal payments. Their initiatives aim to ensure that remitter and beneficiary information for commercial payments is clear, correct and supports transactions for purposes of legal business only.
- **Standardized Corporate Environment (SCORE)** — This initiative allows corporations to directly interact in a standardized, centralized payment platform with participating SWIFT (Society for Worldwide Interbank Financial Telecommunication) financial institutions. In joining SCORE, corporations are able to directly connect to SWIFT's broad network of more than 8,000 financial institutions in more than 20 countries for enhanced straight-through processing of high-value payments, versus having to register with individual banks for access to the network.

TREND: EVOLVING TECHNOLOGICAL GROWTH

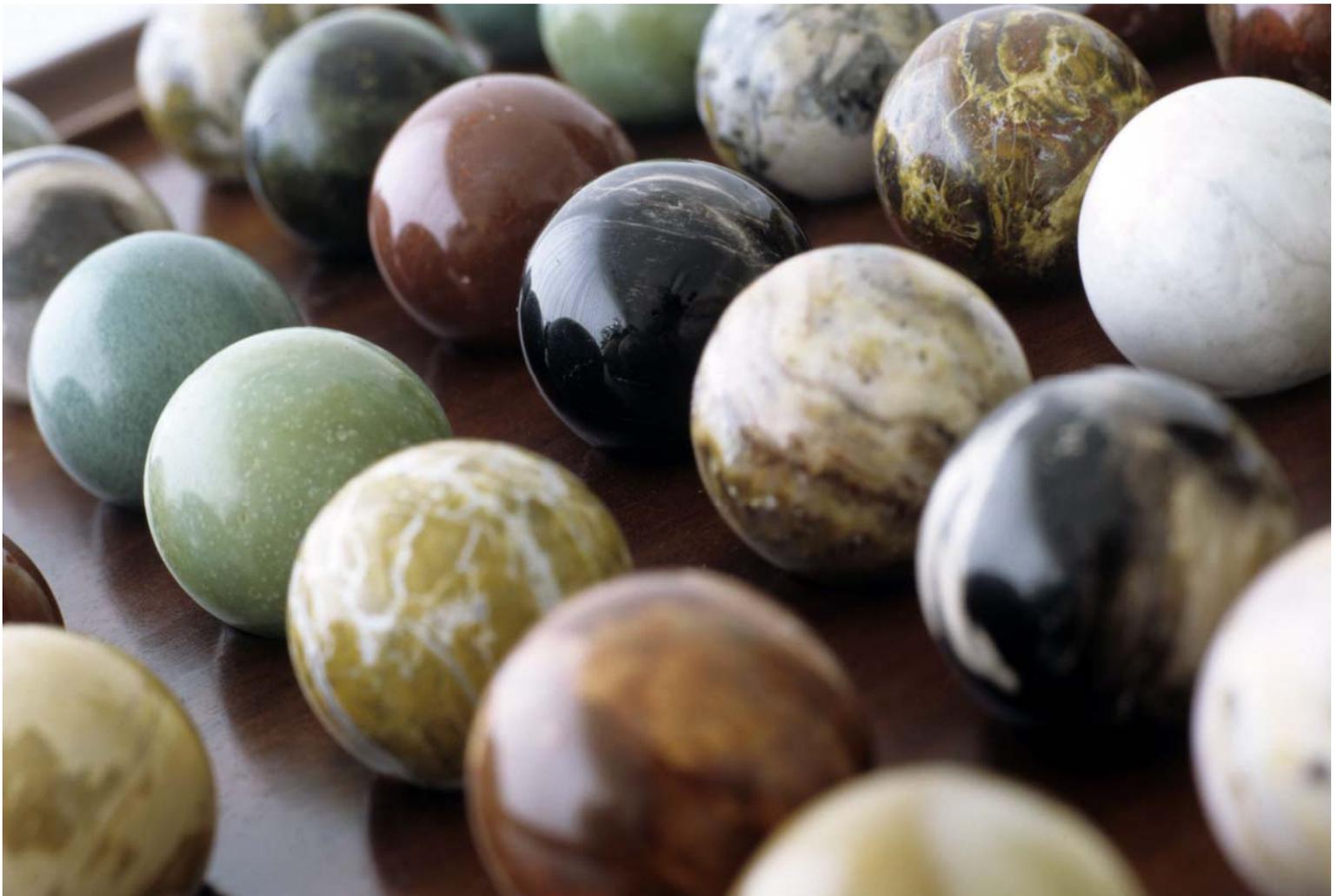
One certainty in today's evolving payments landscape is that one size no longer fits all. And the market's need for speed and accuracy in this atmosphere of change and global growth is insatiable.

Thus, organizations are looking to meet these needs through the use of a new arsenal of technology. Determining the right channel for handling each payment type is key as you look for the best ways to speed payments and reduce risk while maintaining optimal information flows as funds travel through the various channels.

BEST PRACTICE: INTEGRATING THE OPTIONS

For both payables and receivables, using the latest treasury product and service technologies to provide cost savings and efficiencies is paramount. In receivables, for example, new solutions exist that address the need to:

- **electronify** processes as much as possible to enhance funds posting and availability (via such solutions as Accounts Receivable Check [ARC] Conversion) and capture payments that are outside of your normal collections process with Remote Deposit Capture;
- **manage** exceptions by effectively streamlining payment information flows to speed funding decisions (i.e., via Web-based exception management solutions);
- **reduce** mail float (still a major consideration due to the prevalence of check payments remaining in the system) through a variety of value-added lockbox solutions;
- **create** a single pipeline for posting receivables, whether the payment is electronic (i.e., ACH, wire, corporate card, etc.) or by check; and
- **develop** seamless processing channels for global payments via new technologies such as straight-through processing.



Solutions to Renovate Treasury Best Practices

HOW THE BANK OF NEW YORK MELLON CAN HELP TRANSFORM YOUR TREASURY FUNCTION

OUR GLOBAL FOCUS

The Bank of New York Mellon Treasury Services continues to develop solutions that address industry initiatives underway to enhance U.S.-based and global payment networks such as SWIFT, CHIPS, Fedwire, etc.

We maintain a global network of branches, representative offices and correspondent banks to provide comprehensive global payment services in all major global markets, enabling our clients — corporations, financial institutions, and small to mid-sized companies — to optimize cash flow, manage liquidity, and conduct international commerce through a variety of services:

- **Foreign Exchange** — The Bank of New York Mellon is a leading provider and major market maker in foreign exchange and interest-rate risk management services, trading in more than 100 currencies from desks convenient to all major financial centers. Our clients trade more than seven billion dollars daily in foreign currencies through our systems, traders and service staff.
- **Funds Transfer** — We are a world leader in funds transfer, providing services in global trade, securities and foreign exchange. Through a worldwide network of over 1,600 correspondent banks, we process on average more than 150,000 payment transactions daily with an aggregate value in excess of 1.4 trillion dollars. And, our online client service and payment inquiry products focus on providing top service quality, while our advanced technology provides highly efficient

straight-through transaction processing.

- **Multicurrency Payment Services** — Our multicurrency payment services complement our leadership position in U.S. dollar funds transfer and allow our clients to make payments in more than 100 currencies, without the expense associated with operating and reconciling large numbers of accounts.
- **Deposit and Disbursement Services** — Our deposit and disbursement services optimize cash flow to corporate and institutional clients. These services range from traditional checks to image-based controlled disbursements, image-based deposits, and image cash letter, and include private labeling to U.S. banks via the Internet. They are designed to help our clients better manage cash by accelerating receipts, optimizing payments and reducing fraud.

We are today a leader among U.S. institutions participating in electronic check presentment, and our image technology is providing a new generation of services to meet Federal Reserve Bank and industry guidelines for the conversion of paper checks to electronic data and images.

INCORPORATING THE LATEST TECHNOLOGIES

The Bank of New York Mellon Treasury Services' ongoing efforts to electrify include continuing investments in imaging as a key component in developing the solutions our clients need. In addition to complete lockbox services, for example, we continue to focus on providing a comprehensive receivables solution to clients with an emphasis on real-time decisioning to speed payment resolution.

Our solutions incorporate this valuable technology to speed a variety of transaction types, including B2C open-account, check-only, and unbalanced and multiple-document transactions via Optical Character Recognition [OCR] technology.

We also address clients' global receivables concerns through such technologies as remote deposit capture, which transfers check images overseas for corporate clients in 16 countries and the U.S. And initiatives to further speed our core lockbox processing facilities via faster imaging and enhanced funds availability are also underway.

Other high-technology initiatives incorporate the next generation in post processing tools (imperative in today's compliance environment with its focus on document retention and destruction), extensive workflow processing, and utilizing the advancement of mobile technology for event notification, to name a few.

MEETING THE NEEDS OF A COMPLEX TREASURY

The Bank of New York Mellon offers a complete global treasury solution to answer the needs of today's over-extended treasurer's office: A well-rounded product suite that incorporates solutions to cash availability and transaction execution, liquidity and automation — an organization's entire working capital management stream — on a global scale, if needed.

To help expand the capabilities of your internal treasury team, our electronic information reporting and transaction initiation service can replace many of your company's paper processes with electronic ones and extend access to critical treasury information to all corners of your organization. This comprehensive electronic banking solution also provides proactive event notification, export capability and image retrieval as needed.

A PROVEN PROVIDER

Our industry performance, recognized expertise, thought leadership, advanced technologies and commitment to delivering superior client satisfaction combine to create a powerful solution for clients that want — and need — to grow globally.

- **Adaptation** — With a combined organization that represents more than 100 years of industry experience, the momentum we bring to treasury solutions is a culmination of that storied history. And the constant evolution of products and services enhances our ability to help you reach your working capital management goals

in today's changing treasury environment.

- **Experience** — As our performance in industry surveys consistently indicates, The Bank of New York Mellon Treasury Services is continually investing in expertise. Our experts lend their knowledge to key industry groups including the Stock Transfer Association Board, the Board of Bankers' Association for Finance and Trade (BAFT), the Board of the U.S.-ROC Economic Council and the NACHA Board of Directors.

Our experts also represent The Bank of New York Mellon at the Global Payments Forum and International Payments Federation and currently participate, or have participated, in the New York Float Management Steering Committee, the Payments System Roundtable and the NACHA Electronic Check Council, to name a few.

- **Leadership** — As a provider with a storied history poised to handle current day issues of an expanding treasury landscape on a global scale, we are:
 - Number 1 in customer satisfaction for cash management services* (Bank Leader Survey, 2001-2007)
 - Number 1 in all Greenwich Quality Indexes:* Cash Management Relationship; Bank Operations; Customer Service; Implementation; and Internet and E-Commerce (Greenwich; 2005, 2006)

- 5th largest US bank in terms of commercial LCs outstanding (FRB, 2006)
- 4th largest USD payment processor transferring \$1.5 trillion daily (various)
- Best Foreign Exchange Service Provider Overall (Global Investor; 2007, 2008)

- **Innovation** — Our products continually rank among the industry's most innovative and efficient. We have been named a Leading Global Trade Services Provider (Trade Finance Magazine; 2004-2007) and the Number 1 Accounts Payable Outsourcing Provider* (Brown-Wilson Group, 2006-2008) with more than 2,000 correspondent bank accounts worldwide (2007).

In our 14th year of participation, The 2007 Bank Leader Survey results* ranked us as unsurpassed in Product Leadership and Innovation in one of eleven categories, which also included Operating Quality, Commitment to Cash Management and Customer Service.

For more information on how The Bank of New York Mellon is poised to meet the needs of today's treasury environment, call our professionals at **1 800 424-3004** or e-mail us at **treasury@bnymellon.com**.

TREND: GROWING COMPLEXITY OF THE TREASURY FUNCTION

As today's treasurers and CFOs are experiencing, the corporate treasury is not what it used to be. What was once an insular function dealing almost exclusively with an organization's financial transactions, is now increasingly responsible for strategic and analytical tasks across an entire operating platform — domestically as well as internationally.

Responsibility for board-level accountability, financial transparency, enterprise and financial risk management, as well as liquidity management, cash forecasting and bank relationship management are just a few examples of the treasurer's expanding role. You need experts in all of these aspects of working capital management to meet the escalating needs of today's corporate treasury.

BEST PRACTICE 1: EXPAND YOUR INTERNAL TREASURY BANDWIDTH

The need to bring internal efficiencies to working capital management today requires operating beyond the CFO's office. To understand the true needs for liquidity and capital and your organization's bottom-line cash position, working in close cooperation with groups across the entire operation (and the globe) can offer a more comprehensive view of the organization's financial needs.

Adopting the latest technologies is the main driver for efficiency as treasury offices are tasked with handling multiple functions. Advanced systems, such as a treasury workstation (TWS) and ERP (Enterprise Resource Planning) systems, for example, create automated information flows to reach broader areas of a business to facilitate more efficient movement of information for enhanced decision making.

As a centralized system that automates and tracks all treasury processes and data across an entire organization, a TWS allows all users to share and view the same information in a real-time environment, and can extend to include all levels of senior management, credit banks, investors and boards of directors. Information on all business units, currencies and banks is consolidated for quick information gathering and sharing among dispersed groups, allowing for enhanced decision making and management of working capital.

BEST PRACTICE 2: CREATE TRUE COLLABORATION WITH PROVIDERS

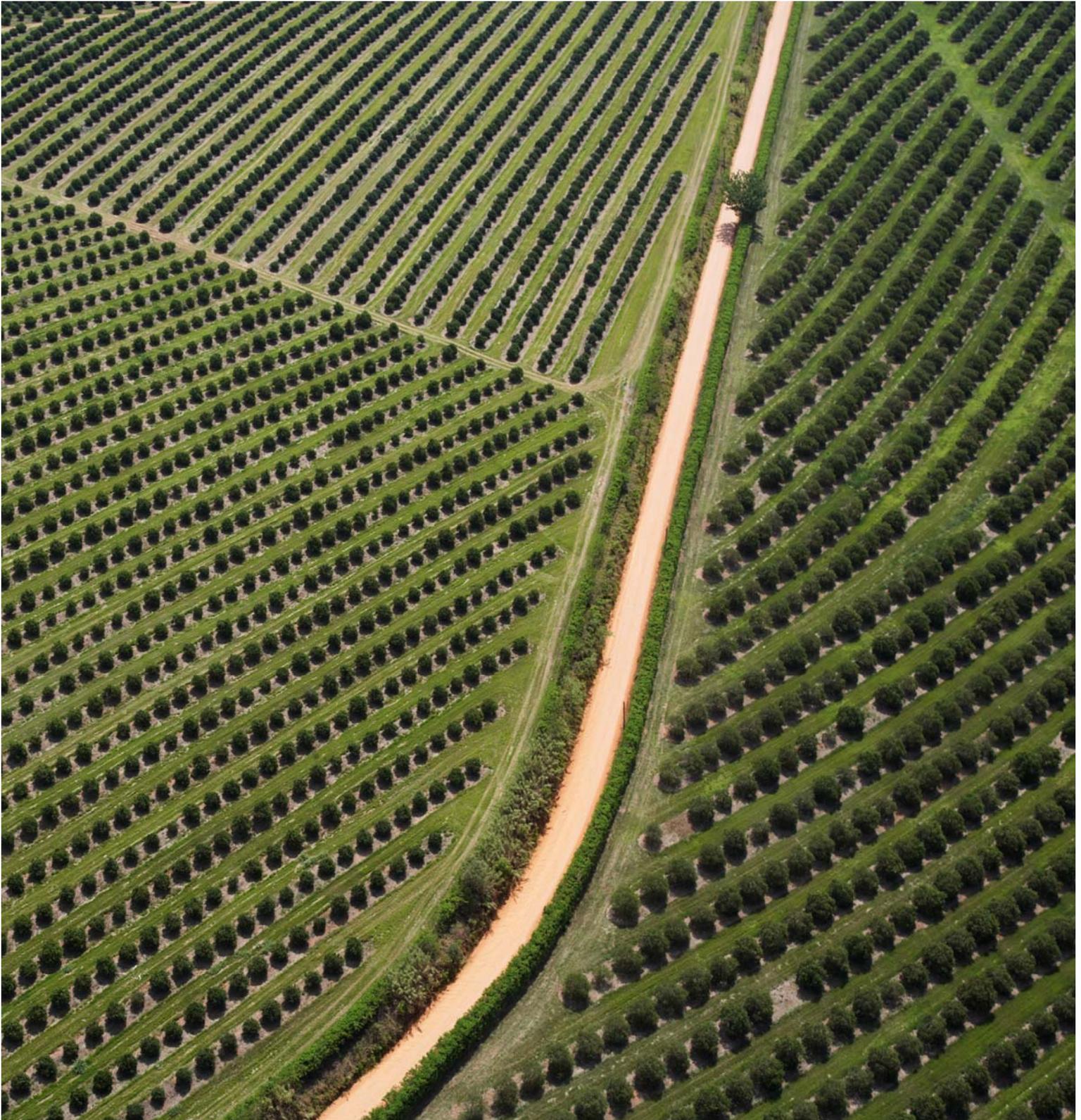
Outsourcing portions of the quickly expanding treasury function is becoming a necessity for more and more organizations. You can improve controls, efficiency and quality — while controlling costs. Finding the right partner may be the deciding factor in whether you reach your working capital goals. Some traits to consider include:

- **Adaptation:** What is the evolution of their treasury products and their ability to adjust to global changes in the payment industry? Understanding how a provider has adapted past solutions can offer insight into their capacity to handle future demands on the treasury.
- **Knowledge:** Are they investing in and retaining expertise? An organization is only as good as its people, and knowledgeable industry experts are an invaluable source to help navigate a shifting payments landscape.
- **Leadership:** To what extent are they involved in the dialogue of various industry groups (i.e., SWIFT, NACHA and the Fed) and, where are they positioned in terms of the changing regulation environments that may affect your organization? You can generally assume that a provider's level of participation in the development of industry rules reflects their ability to help your organization navigate its own need for change.
- **Innovation:** Are their products among the industry's most innovative and efficient? With the extent and depth of treasury industry changes underfoot — and the promise of more to come — an advanced product suite indicates a commitment to quality that bodes well for predicting performance.

CHANGING WITH THE TIMES

As never before, understanding the current issues of the evolving payments arena may mean the difference in your ability to maintaining a viable – and profitable – treasury function. Shifting best practices to fit the increasingly complex payments arena should always be a top priority for a successful corporate treasury.

For more information on current trends and best practices in today's treasury landscape, call our professionals at 1 800 424-3004 or visit us at www.bnymellon.com/treasury.





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**Survey results are based on responses received from legacy clients of Mellon Working Capital Solutions, prior to the July 2, 2007 merger with The Bank of New York.*

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