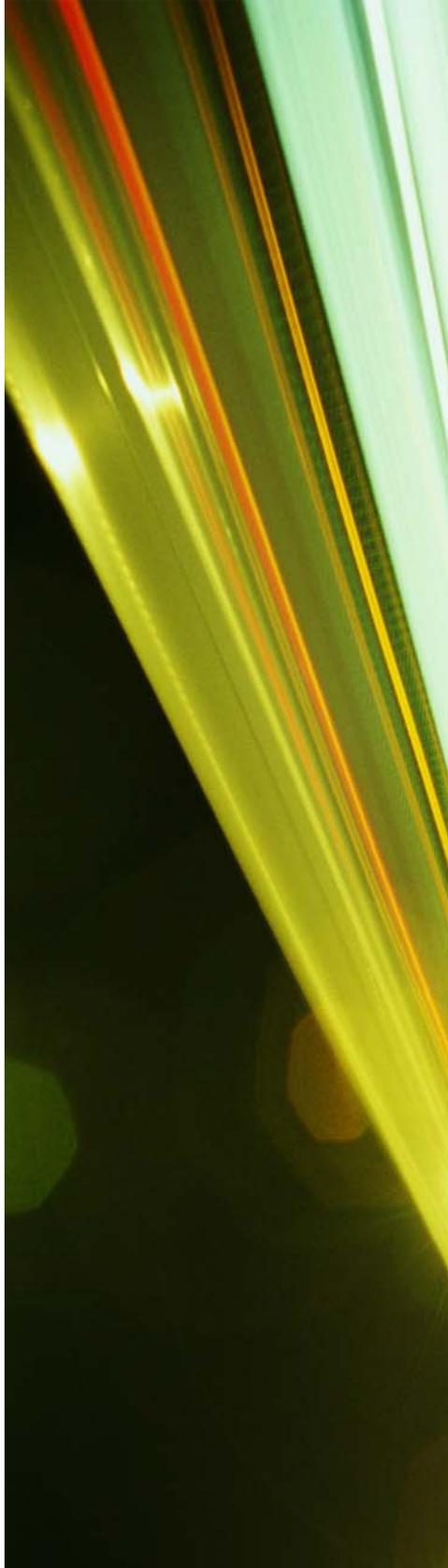


Simplifying and Standardizing Cross Border Payments



By Eric Kamback, CEO, The Bank of New York Mellon Treasury Services



In a global economy, corporations increasingly employ workers living in countries foreign to the corporate home. The trend is notable in Europe, where whether for a lower cost of living or a moderate climate, workers are retiring in foreign countries. For corporations issuing payments to employees for pension, payroll, benefits and interest, this has generated some significant logistical problems.

The most serious issue related to cross border payments is lack of transparency as differing fees may be paid for foreign exchange to banks in different countries and even within the same country. For example, consider a retired U.S. worker who has moved to Mexico. He typically receives a pension benefit via a check in U.S. dollars, sent through regular mail to his home in Mexico. The paying agency has traditionally paid by check or wire transfer in the original currency to the beneficiary's country of residence. Here, a lack of transparency prevails and pension providers lose control of the process.

The pensioner, converting to the local currency, finds different banks apply different exchange rates. Thus, two pensioners in the same country and entitled to the same pension may receive amounts that vary according to rates applied by local banks. Fees for incoming pension payments may differ again according to the instrument used (wire or check) or according to the currency of payment, variables of which the paying agency may be unaware. Foreign currency payments incur higher charges for the pensioner, not to mention the correspondent bank fees applied as the payment instructions travel from provider to beneficiary.

Funds availability is another troublesome issue, particularly if the check payment is made in a foreign currency. Again, different beneficiary banks may have different availability policies. A frustrated payee may wait weeks to receive funds while his deposit check is drawn on a bank in another country. Upon receiving a complaint from the payee, the payer often has difficulty responding and spends disproportionate time and resources trying to make the process more efficient. Transparency within the process and a single payment provider in a controlled environment are the answers to this dilemma.

A single payment provider offers two important benefits that deliver reliable and cost-effective service: (1) standardization of the disbursement process across all destination countries, and (2) foreign exchange rate spreads based on a market standard benchmark rate for converting payments to the local currency of pensioners. Standardization enables the paying agency to respond to queries proactively, confident that all pensioners receive the same level of service. Foreign exchange conversions completed according to a recognized market benchmark ensure that the best interests of both the pension agency and the beneficiaries are served.

A system of cross-border direct deposit allows paying agencies to effect electronic payments to pensioners on a worldwide basis using low-cost, batch-oriented payment systems. It provides timely and secure payment delivery with efficient service to beneficiaries. Cross-border direct deposit can be used for a wide range of payments including pensions, dividends, agent commissions, payroll and other employee benefit plans. It is basically a three-step process:

1

The paying agent provides its bank with an electronic file transmission containing the payment instructions designated for the beneficiaries.

2

The bank receives the payment instructions to (a) effect electronic payments conforming to the system requirement of the destination country; and (b) to issue a check that is forwarded to the beneficiary's postal address. For both payment instructions, the payment is converted into the local currency of the beneficiary.

3

The paying agent's cash accounts are debited and payment advices provided at the opening of business on the value date. For electronic payments, the credit is deposited into the beneficiary's cash account in the designated country. For check payments, beneficiaries deposit checks that are cleared locally in the country of residence.

OUR SOLUTION: GLOBAL MASS PAYMENTS

A single payment service provider can significantly reduce the amount of time and effort required to resolve issues associated with non-receipt of funds as well as return items or reclamations. Comprehensive payment reference information from a single source streamlines the management of the reconciliation process, provides details of exchange rates used for cross border payments and is cost effective.

Introduced in 2006, The Bank of New York Mellon's Global Mass Payments service is designed to help companies address the diverse issues associated with cross-border payments made for purposes such as dividends, payroll, pensions and other employee benefits. Already implemented with great success by a major airline for all of its cross-border pension payments, it is secure, competitively priced and easy to implement. By using Global Mass Payments, clients can attain numerous benefits:

- Online reporting and inquiry capabilities provide immediate, on-demand access to customer service and account activity, which can streamline its users' ability to actively monitor the efficiency and effectiveness of our interaction with clients.
- IACH payments are made to beneficiaries at full value with no additional deductions.
- Direct deposits are available to payees on the value date without waiting for checks to clear.
- FX rates are competitive.
- When required, checks are drawn on a local bank, thereby avoiding costly cross border collection delays and fees.
- Electronic notification is provided for returned/unpaid items.

FOR MORE INFORMATION ABOUT CROSS-BORDER PAYMENTS SOLUTIONS

The time is here for a simpler, more standard process for cross border pension, payroll, benefits and interest payments. The Bank of New York Mellon can help. Learn more about our flexible solutions or ask to speak to one of our thought leaders by calling us at 1 800 424-3004 or by sending an e-mail to treasury@bnymellon.com.

The material presented herein is intended to provide a general overview of our services and is not an offer or commitment to provide credit facilities or services. The Bank of New York Mellon Treasury Services. Services may be provided by one or more legal entities of The Bank of New York Mellon Corporation. Not all services are offered at all locations.