

Enterprise Exchange



THE BANK OF NEW YORK MELLON



July 2009

Our Mission

Enterprise Treasury Services provides market-leading treasury, global payment, and trade solutions to financial institutions by leveraging our expertise, technological resources, worldwide network and superior customer service.

Our collaborative approach helps our clients improve efficiencies and broaden their service offerings in a cost-effective manner so that they can compete more successfully in an increasingly global marketplace.

The New Enterprise Treasury Services

The Bank of New York Mellon Expands Banking Solutions

By Eric D. Kamback, Chief Executive Officer, The Bank of New York Mellon Treasury Services

Financial institutions today face many challenges as they seek to grow their businesses and strive to assist their clients in achieving their own unique goals. Despite the slump, the economy continues to become more global, and your clients' workforce and trading partners more international. You must support their banking needs by offering not only fundamental capabilities, but global product and market knowledge as well. As your clients become more involved in procurement, inventory management, and accounts payable and receivable, they will look to you for solutions that reach across the boundaries of traditional bank organizations to combine cash management, trade finance and international payments.

So opportunities still abound for financial institutions, but they require investment in supporting infrastructure in an environment where electronic payments are rapidly replacing paper, and where the costs for technology, staffing and real estate are escalating. Opportunity must be weighed against risk.

You need not tackle such issues alone. The Bank of New York Mellon is committed to bringing today's most robust treasury solutions to the banking industry — affordably, efficiently and with your goals in mind.

Expanded Growth Opportunities

The Bank of New York Mellon has launched BNY Mellon Enterprise Treasury Services (Enterprise) — an expanded suite of private-label and back-office outsourcing solutions for financial institutions. The breadth and depth of our Enterprise Treasury Services offerings combine our traditional Enterprise cash management business with an even broader solution set of global outsourcing offerings. It is our mission to create mutually beneficial relationships with client banks, and, more specifically, to provide services that enable you to meet the needs of your own clients while avoiding technology costs and operational risks that would otherwise prevent you from participating in the growing market for fee-based treasury services.

ENTERPRISE
TREASURY SERVICES

continued on next page

In the current environment, when considering solution outsourcing, it is equally important to consider the strength of your banking provider/partner. The Bank of New York Mellon is fiscally sound, profitable, and resilient. Moody's ranks us first among the nation's financial services firms, and S&P ranks us second. This means we will not have to divert executive talent and financial resources to address internal problems. Instead, we can continue to focus on supporting our clients and providing superior customer service.

Enterprise Treasury Services can extend the reach of client bank platforms, offering functionalities that you can provide to clients under your own brand or use to augment or redefine the capabilities of existing back-office services. Alternatively, services can be provided on a lift-out basis, with entire functions of the client bank's operation provided instead by The Bank of New York Mellon. In all cases, Enterprise Treasury Services allows its clients to offer market-leading solutions without making the costly investments needed to keep up with a rapidly changing marketplace.

In addition to innovations in product and technology, we provide our clients with a high level of knowledge and expertise. Our employees are among the industry's most experienced. The consultative support they provide can help simplify issues you face and provide guidance through an evolving and ever more complicated payments environment — no matter where you operate now or plan to move your business in the future.

As our capabilities expand, so will the scope of what we can bring to our bank clients. In this edition of *Enterprise Exchange*, we will discuss the impact of our expanded expertise and global capabilities. We speak to several of the issues that banks are dealing with today and share our perspectives on how they can be effectively addressed.

We think you will find the contents of this newsletter to be valuable and encourage you to contact Jeff Horowitz, Managing Director, North American Financial Institution Sales, at (212) 815 5739 for additional information, insight and guidance about our changing industry. The Bank of New York Mellon wants to be "the bank that bankers choose." We want to be *your* bank partner.



Our Brand

The Bank of New York Mellon's brand describes who we are and how we do business. It embodies our reputation in the industry and includes everything we say and do, and the ways in which we reach out to our clients. Our values — client focus, trust, teamwork and outperformance — define how we do business and are integral components of the brand.

We represent our brand visually with a three-color logo depicting an arrow pointing to the future. The Bank's CEO, Robert Kelly, has said, "Our brand reflects our global leadership, supports our common values and highlights our uncommon strengths."

Feedback from extensive research revealed that our greatest asset — and what our brand seeks to represent — is our ability to deliver expertise through a collaborative style of client service. This combination of expertise and collaboration enables us to deliver exceptional results and long-term value to our clients and to the world's financial markets.

It is the expertise of our people and our collaborative partnerships with clients — along with the performance they deliver — that will continue to set us apart:

- *People:* Our worldwide professionals have an acknowledged depth of expertise in the businesses they serve, as well as exceptional client relationship management skills.
- *Partnership:* With a uniquely collaborative working style, we take the time to get to know each client's specific needs and deliver an optimal solution.
- *Performance:* As an established global leader, clients and prospects trust us to successfully and ethically grow their assets every day.

We look forward to putting our brand promise to work for you as we move forward.

The Bank of New York Mellon Treasury Services Receives Outsourcing Awards Named Best White Label System Provider and Best Accounts Payable Services Provider

Global Finance magazine has recognized The Bank of New York Mellon's Treasury Services Division for two important awards in its 2009 survey of Best Treasury and Cash Management Banks: **Best White Label System Provider** and **Best Accounts Payable Services Provider**.

This is the second consecutive year the magazine has recognized The Bank of New York Mellon as Best White Label System Provider for the comprehensive treasury products and services it offers to client banks through BNY Mellon Enterprise Treasury Services (Enterprise).

Enterprise's comprehensive suite of solutions includes private-label and back-office outsourcing solutions that encompass cash management, trade finance services, international payments and more.

SourceNet Solutions, a part of The Bank of New York Mellon's Treasury Services Division, received recognition from the magazine as Best Accounts Payable (AP) Services Provider. The award follows SourceNet's recent — and third consecutive — yearly ranking as the No. 1 AP outsourcing services vendor in the 2008 Top 50 Best Managed Global Outsourcing Vendors list, compiled by the Brown-Wilson Group.

SourceNet offers comprehensive AP solutions with lower costs, improved controls, audit ability and access to proven tools and processes without the need for the associated up-front capital expenses.

The yearly awards, based on evaluations by the publication's editors, industry analysts, corporate executives and technology experts, rank the industry's

best providers of treasury and cash management services in several categories: profitability, market share and reach, customer service, competitive pricing, product innovation and the extent to which treasury and cash management banks have successfully differentiated themselves from competitors.

According to Eric Kamback, chief executive officer for The Bank of New York Mellon Treasury Services, "We are proud that our years of experience, ongoing technology development and continuing investments in our outsourcing capabilities have resulted in our leading-provider status for reliable, effective outsourcing solutions."

Complete results from this year's survey appear in *Global Finance's* March 2009 issue.



Unleashing the Potential of Bank Treasury Services

Leveraging Outsourcing Opportunities to Manage Expenses, Improve Controls and Generate Revenue

By Christopher J. Mager, Enterprise Business Manager, BNY Mellon Enterprise Treasury Services

2008 was a tough year for financial institutions — the industry suffered through a credit crisis, numerous bank failures and a significant decline in stock market valuations. In 2009 the industry is still working through these issues, and the economy is not expected to improve much this year. As a result, banks must work even harder to improve shareholder value: they need to increase revenue, reduce costs and bring stability back to their balance sheets.

As banks struggle in many areas, their treasury services groups seem to be well positioned for success. Since the start of the financial crisis, 96 of the 100 largest North American banks have seen treasury services grow in importance to their bank. This is based not only on their potential for fee-based revenues, but also on their capacity to bring earnings stability — coupling their proficiency to grow deposits with product mixes that show little fluctuation.*

However, capitalizing on new revenue opportunities will likely be insufficient to return banks to healthy profitability; cost and risk reduction efforts are also important. But many banks — large and small — have a long way to go to optimize infrastructure and operating costs, while creating stronger controls around assessing, measuring and managing risk.

So how can banks manage expenses while they try to grow revenue and improve controls? One way is to outsource non-core products and services.

The Outsourcing Opportunity

The U.S. payments system has evolved: the number of checks being processed has diminished, and the role of the

corporate treasurer has become more strategic. Banks, to become or remain full-service providers, have had to choose between outsourcing to others or continuing to invest in their product sets. For those without sufficient scale or infrastructure, outsourcing has been the more common choice.

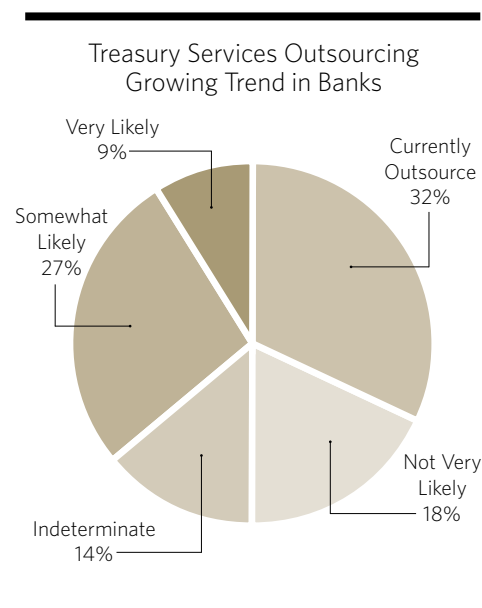
According to the Aite Group, 32 of the 100 largest North American banks currently outsource at least some treasury services products, while an additional 36 are “somewhat likely” or “very likely” to outsource some products in the next two years.*

And, while lockbox and check-clearing services are the treasury services most likely to be outsourced by banks in 2009*, banks also indicate a need to outsource niche technology solutions (e.g., healthcare applications), payables services and international banking services.

The Bank That Bankers Choose

At The Bank of New York Mellon, we have developed comprehensive treasury solutions that enable us to adapt to the changing banking landscape and expand our portfolio of services for our bank clients. These services encompass not only cash management, but also trade finance services, large-value/small-value international payments and more.

Offered through Enterprise Treasury Services, these outsourcing options can address your business challenges. Whether it is a point solution to supplement your existing product set, a technology upgrade, or a fully outsourced lockbox operation, our goal is to help you achieve yours.



*Source: Aite Group's Survey of Treasurers at the Top 100 North American Banks, January 2009

“Banks indicate that a top priority for 2009 is to look internally and cut costs. One way to achieve this is through outsourcing non-core products and services. In fact, some banks have already begun to enjoy the benefits of outsourcing treasury services products, while others expect to do so over the next two years.”

Aite Group
The Changing Face of Bank Treasury Services 2009

The matrix below outlines some of the ways that our expanded product set can help you manage expenses, improve controls and generate revenue:

	Manage Expenses	Improve Controls	Generate Revenue
Receivables Solutions			
Nationwide Lockbox Network			X
Lockbox Processing Liftouts	X	X	
Remote Check Deposit			X
Item Processing (Check or Image)	X	X	
B2C Convenience Payments (Back Office)	X	X	
B2C Convenience Payments (Private Label)			X
Payables Solutions			
Controlled Disbursement and Reconciliation			X
Positive Pay and Payee		X	X
Check Issuance	X	X	X
Accounts Payable Outsourcing (Back Office)	X	X	
Accounts Payable Outsourcing (Private Label)			X
Global Payment Solutions			
Global Mass Payments	X	X	X
Persutte (International Wire Transfer)	X	X	X
Remit Worldwide (Low Value Remittances)			X
Trade Solutions			
Trade Services (Back Office)	X	X	
Trade Services (Private Label)			X
Information Services			
Web-based Reporting and Transactions	X	X	
Data Exchange	X		

Unleash Your Potential

As is clear from survey findings and discussions with industry participants, corporate treasurers need greater support and insight from their banking relationship partners. Fortunately for banks, a closer client relationship translates into client retention and opportunity for revenue growth. But banks must be conscious of the costs and risks associated with delivering these services to clients. By leveraging Enterprise's infrastructure, extensive network and global capabilities, you can do more with less, without sacrificing quality.





Facilitating International Money Movement

Global Mass Payments Solution Streamlines Payment Transfer/Delivery

By Jill Restifo, Product Manager, The Bank of New York Mellon Treasury Services

The following article is based on a Treasury & Risk magazine Web seminar: "International ACH: A World of Opportunity." This session offers commentary from our experts on what's driving the need for an international ACH solution, associated challenges and opportunities for organizations operating internationally and an overview of new solutions and opportunities for your organization. The seminar is available online at www.treasuryandrisk.com/webseminars/bnymellon/Pages/default.aspx.

Increased international trade is creating international money movement needs for businesses of all sizes, although not necessarily for the same reasons:

- Large multinational corporations are mainly concerned with cutting costs and achieving straight-through processing.
- Middle market businesses are struggling with ways to address payment needs as trade increases, but without greatly increasing staffing and resources.
- Small businesses are dealing largely with the global opportunities provided by the Internet to take advantage of convenient global payment solutions.

However, it is not just increased international trade that is driving these payment needs; they also reflect the changing ways that business is being conducted in a global marketplace.

Global Marketplace Trends

Because of such factors as acquisitions, a need for less expensive labor, or more favorable tax situations, many corporations have moved all or part of their labor overseas, necessitating international payment processing for payroll, travel and entertainment, benefits, shipping and other recurring, non-urgent payments. Often these new payment needs are addressed without thorough investigation of all options and at the expense of cost efficiency and effectiveness.

International ACH

Originally established for payment settlement within the U.S., the automated clearinghouse (ACH) system is increasingly being used for international payments

as well. This shift in payment processing provides banks that can offer an international ACH (IACH) solution with a great opportunity to help their customers centralize their global payments and issue them through an efficient, regulated and transparent model.

IACH Challenges and Opportunities

Challenges for potential IACH providers stem mainly from a lack of international standards and compatible systems, the most basic problem being that ACH-like systems are not available in all countries. Many domestic infrastructures are not designed to handle cross-border payments, and there is a lack of common standards:

- rules and regulations differ, as do messaging formats and transmission methods;
- timeframes and deadlines for settlement, returns, and recalls are not standardized; and
- holiday schedules and exchange rate fluctuations can impact settlement.

Yet, IACH is a viable option in many countries for banks using The Bank of New York Mellon's Global Mass Payments direct IACH solution.

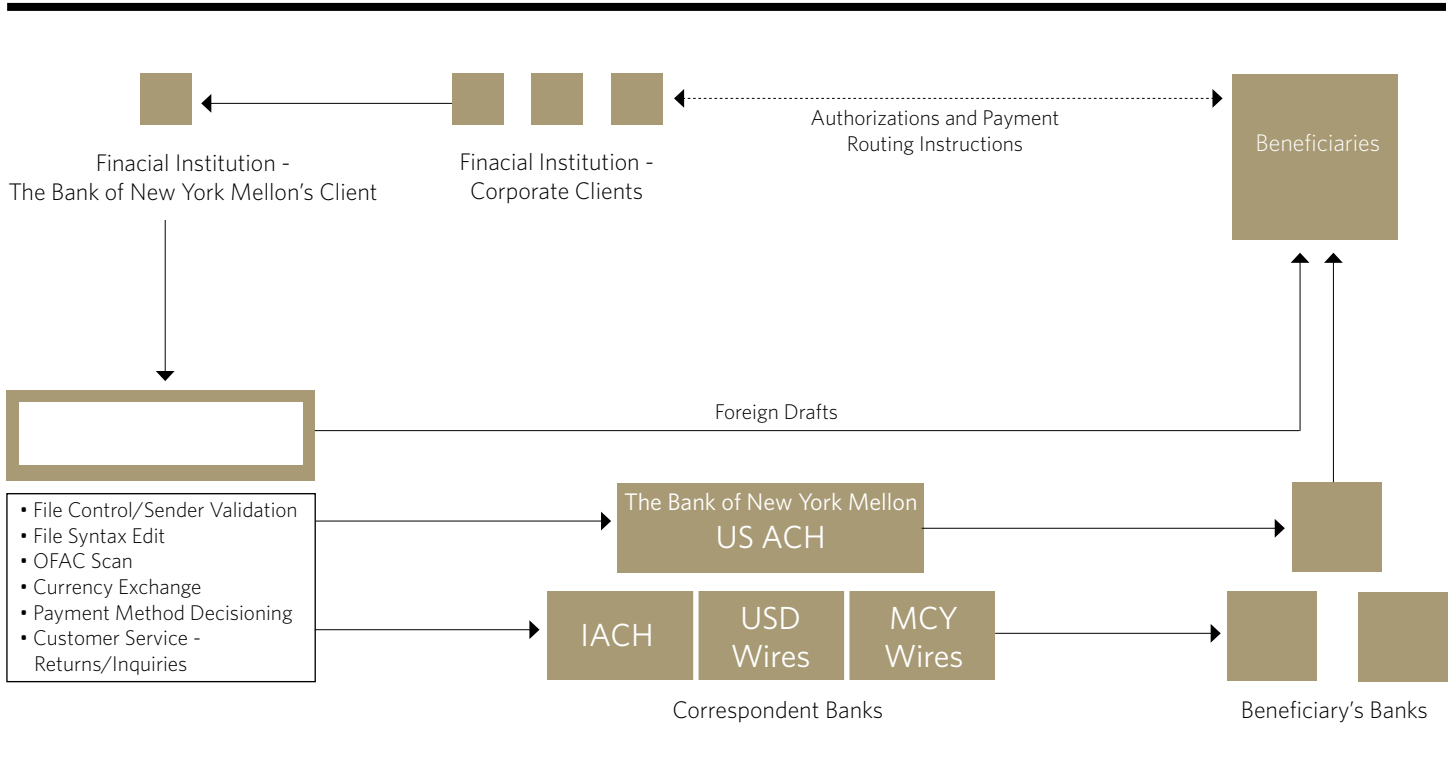
The Enterprise Direct IACH Solution: Global Mass Payments

Global Mass Payments employs a direct IACH model, wherein a financial institution uses its own branch or local correspondent banking network to originate recurring cross-border payments (e.g., pension, dividend, interest, payroll and other employee benefit payments) using lower cost, batch-oriented payment systems. You and your clients can make payments to your beneficiaries as direct deposits to the payee’s bank account via IACH or wire, or by issuing a check drawn in their country of residence. To assist you in resolving any issues associated with non-receipt of funds or return items, we provide comprehensive payment reference information, detailed reports to help you manage your reconciliation process and, when applicable, details of exchange rates used for cross-border payments.

We provide settlement in U.S. dollars or any of the other 100+ currencies that we support. Our global reach is virtually unlimited and, depending on the participating country’s clearing capabilities, we can offer both payment and collections services. We use one standard format, control the foreign exchange, and make no deductions from the principal amount. Plus, we provide specialized customer service support.

International ACH Transaction (IAT)

To clarify and avoid any confusion, IAT, a term common in discussions about IACH, is not an international ACH solution. It is a definition and classification of an IACH transaction, created in response to the Office of Foreign Assets Control’s request for standardization — making IACH transactions more readily identifiable and providing additional information to permit adequate scrutiny.



Initiate Payments Electronically on a Worldwide Basis

IACH is an attractive option for many organizations doing business overseas. As you assess your bank’s and your business clients’ IACH needs, seek a solution that will:

- provide global reach;
- offer flexible options to offset or customize any direct or indirect limitations;
- guarantee competitive and controlled exchange rates;
- provide streamlined reporting, reconciliation, and return and inquiry processing; and
- offer the front-end electronic banking services you and your clients require.

The Bank of New York Mellon’s Global Mass Payments solution can help you meet all of these criteria.

Growth Opportunities in the Expanding Remittance Marketplace

Attracting Immigrant Workers to Grow Deposits

By Wendy Miller, Director of Remittance Services, The Bank of New York Mellon Treasury Services

The following article is based on BNY Mellon Enterprise Treasury Services' Web seminar "Growth Opportunities in the Expanding Remittance Marketplace."

The session was part of our winter 2008 "Expanded Solutions. Exceptional Quality" Web conference series that offered commentary from our experts on how Enterprise's expanded portfolio of outsourcing solutions can help create organizational efficiencies, minimize risk and secure new business. The series is available online at www.bnymellon.com/enterprise.

Remittances Defined

Remittances are low-value, person-to-person, cross-border payments, and they are playing an increasingly large role in many economies around the world. According to The World Bank, estimated annual worldwide remittance flows to developing countries were \$315 billion in 2008 and are projected to reach \$344 billion by 2011. Remittances flow from developed to developing nations, with more than 60 percent of the global total coming from the U.S. The leading receiving countries are India, China, Mexico, Vietnam and the Philippines.

The Opportunity for Banks

In light of these statistics, it should be no surprise that immigrants are the fastest-growing segment of retail banking, with potential for even greater growth. Immigrant wealth is expanding at three times the rate of the rest of the population, yet many immigrants do not use banks to send money home. In the United States, approximately 90 percent of remittances originate outside of banking channels, creating a great opportunity for banks to capture market share.

How Banks Can Compete

There are numerous considerations that banks must weigh before entering the remittance market: compliance

issues, staff education, investment in technology, new marketing strategies and pricing. To compete in this market, there are generally three solutions:

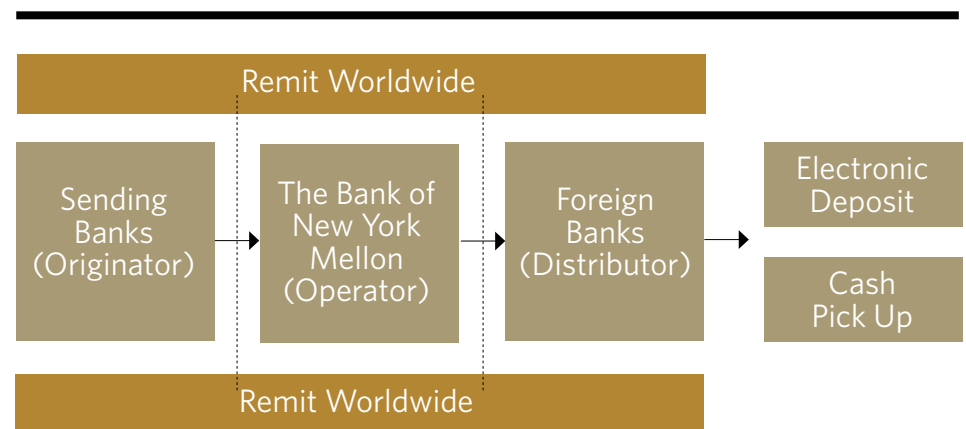
- **Build Internally** — A bank that wishes to develop its own remittance solution faces considerable up-front costs, both in dollars and time, in developing a working remittance technology and in establishing a global correspondent banking network. For many small and mid-size banks, this is not a workable solution, as the resources are simply not available.
- **Partner with a Money Service Business** — Partnering with an existing retail remittance business circumvents most of the issues that arise in building a product internally — investments in technology and education, and researching and reaching the market — but the downsides are noteworthy. The partnering bank has little to no pricing flexibility, curtailing many promotional strategies that would attach remittances to other banking business (e.g., lowered remittance fees when opening a checking account or when obtaining a credit card). Also, money service

businesses are governed by different regulations than banks, so a bank's risk exposure is increased. Finally, partnering dilutes the bank's brand while enhancing that of the money service business.

- **Outsource to a Wholesale Partner** — For banks that lack the resources to build a remittance solution internally, outsourcing their global remittances to a wholesale partner like The Bank of New York Mellon is a viable option.

Our retail remittance solution, Remit WorldwideSM, provides a complete, end-to-end, remittance solution that:

- is easy to use; payments can be initiated around the world through our existing bank platform;
- is comprehensive, allowing access to multiple payment delivery options in local countries;
- utilizes our extensive network of receiving banks in key remittance countries;
- requires little to no technology investment;
- is easily implemented; and
- allows our bank clients to offer the service under their own brand.

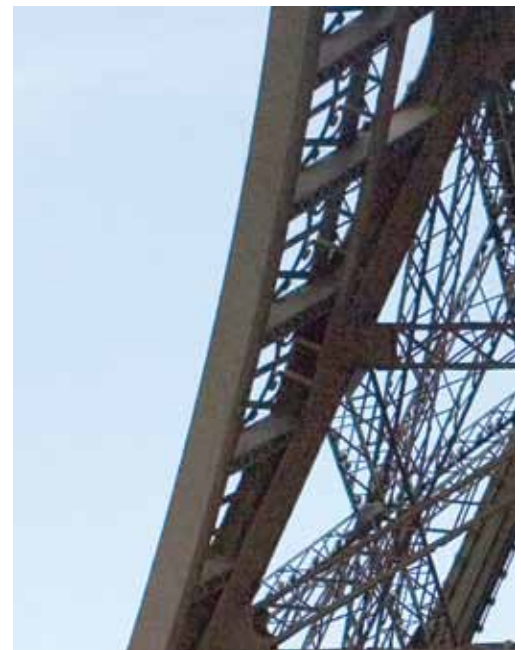


As a wholesale bank, we work closely with our bank partners to ensure the success of the remittance offering. We provide our bank clients with easy access to marketing assistance — posters, flyers, brochures, statement stuffers — all branded to their own look and feel, as well as on-site training to ensure the program is rolled out successfully in the branches.

Grow Your Deposits

A global remittance processing solution offers retail banks the opportunity to provide a value-added service, usually offered by a non-bank provider, that can help attract and retain new customers, generate additional fee income and broaden their reach into the country's large and growing immigrant communities.

Because of our strengths in payment processing, technology and correspondent banking, The Bank of New York Mellon can facilitate your remittance processing worldwide. Banks that establish a global remittance structure today will be best positioned to take advantage of the rise in global retail payments and increasing customer demand for new payment services in the years ahead.



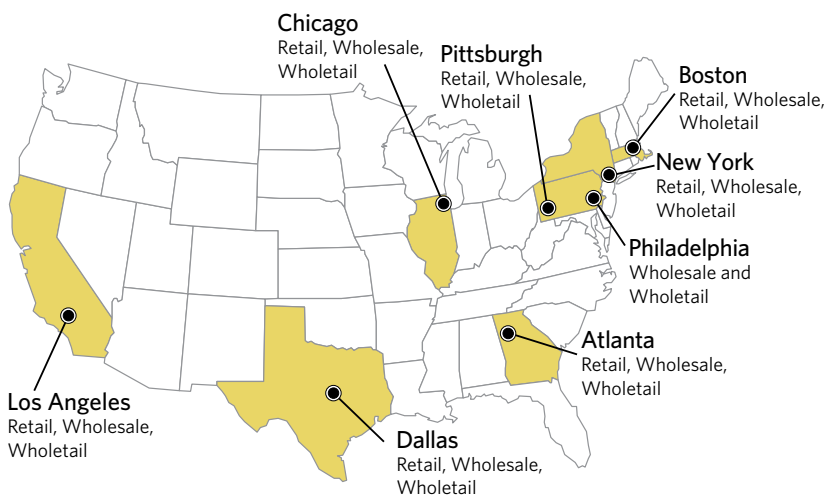
The Bank of New York Mellon's Lockbox Network Extends Capabilities

Leveraging the Latest Technologies to Streamline Remittance Processing

By Ann Farrell, Senior Product Manager, Enterprise Treasury Services

By working for over 20 years as a partner to our client banks, Enterprise has developed high quality receivables processing solutions designed to meet their specific, often unique, challenges. And, as the payments industry has evolved, we've added a wide range of enhancements to our core lockbox services and kept pace with market forces that impact our clients' success.

An Expanded Nationwide Lockbox Network



At the core of our receivables solution is our nationwide, wholly owned lockbox network. Since the merger of The Bank of New York Company and Mellon Financial Corporation, we have added a New York City processing location to our existing sites located in Atlanta, Boston, Chicago, Dallas, Los Angeles, Philadelphia and Pittsburgh. All three major lockbox types are supported at all sites except Philadelphia, which does not support retail.

Lockbox Types

Wholesale – B2B payments, manual and low speed data capture.

Retail – C2B payments, scannable documents for high speed data capture.

Wholetail – mix of scannable and non-scannable items.

Image Exchange

Beginning in the second quarter of 2009, Enterprise will use image exchange for check clearing in our Los Angeles, Atlanta, Dallas and Chicago lockbox sites. The check returns processing functions currently performed at these sites will be consolidated into the Pittsburgh check processing facility. This transition will occur on a site-by-site and lockbox-by-lockbox basis and will continue throughout the year. The changes will result in a more consistent process for our clients and will be largely transparent to current lockbox users.

The image exchange for lockbox processing is the first step in our plan to offer image exchange files in x9.37 format as an option to those banks for which we provide lockbox services. Banks that can accept the x9.37 file will be able to provide their own check clearing, assign availability and deposit funds to their own accounts.

continued on next page

Encrypted CDs

In October 2008, The Bank of New York Mellon Treasury Services strengthened the security surrounding our process for external distribution of confidential data. We have ceased to produce and ship unencrypted CD-ROMs and have implemented an encrypted CD-ROM solution for retail and wholesale lockbox services. Retail lockbox encrypted CDs went into production in November 2008, and wholesale lockbox encrypted CDs (including those for the period between discontinuation and rollout of the new service) began distribution, site by site, in February 2009.

Long-term Image Archive

Our lockbox imaging service is expanding the archive of check and document images that are available to your clients. Your clients will have online access, via EnterpriseBank, to up to seven years of wholesale, wholetail and retail lockbox images directly. This can eliminate the time and expense of storing, loading and searching for remittance images via CD-ROM, file transmission or paper documents.

Such access to images can streamline your client's entire remittance processing operation, providing:

- *more efficient cash-application workflow* with faster access to and posting of accounts receivable and lockbox detail;
- *enhanced customer service* with quicker staff response times resulting from instant retrieval of check and remittance images;
- *improved collections management* and reduced credit risk with quick, intra-day access to critical data;
- *increased in-house sharing capabilities* with the ability to save images to your client's network server and shared folders, and annotate and route images via e-mail or fax;
- *enhanced access to aged transactions*, eliminating the need to search through CD-ROM inventories.

The new long-term archive service is planned for launch in the fourth quarter of 2009.

Healthcare Providers Benefit from Automated, Image-based Receivables Solutions

For healthcare providers, the revenue cycle is often complex and difficult to manage. Once claims are submitted and adjudicated, payments received must be reconciled and applied to appropriate patient accounting records. For payment details that have not yet been converted to Electronic Remittance Advices, capturing necessary information from the potentially hundreds of hardcopy Explanation of Benefits (EOB) forms and other paper correspondence is labor intensive and prone to error. Many providers struggle to manage this function in an environment often characterized by poor data integration and low automated processing levels.

Defining the Cure

Taking advantage of The Bank of New York Mellon Treasury Services' experience processing millions of payments annually for 100+ healthcare clients in our lockbox network, Enterprise has a strong understanding of the inefficiencies and complexities that healthcare providers face when collecting claim payments. We recognize that collecting payments is only half of a healthcare provider's receivables processing battle, as the related payment detail information is also key to all aspects of its care management system.

Each of our Automated Wholesale Lockbox, EOB Data Lift, Denial Management and Electronic Remittance Reassociation solutions is designed to enable healthcare providers to focus on other, more complex, aspects of the revenue cycle. Whether assisting with managing claims or improving and streamlining remittance payments, Enterprise offers numerous healthcare billing process outsourcing options:

- accelerated cash deposit and application, and patient accounting reconciliation;
- same-day access to adjudicated claims data;
- accelerated secondary billing and denial management;
- streamlined claims research;
- improved customer service responsiveness and patient satisfaction; and
- reduced paper handling and storage costs.

Enhanced Wholetail Lockbox Processing

We currently offer wholetail lockbox services for customers who require both scannable and non-scannable processing within a single lockbox. Typically, wholetail lockbox customers receive a blend of wholesale, business-to-business payments and retail, consumer-to-business payments, with a minimum monthly volume of approximately 5,000 items — 75 percent of which are scannable.

In late 2009, we will begin scanning and processing wholesale items (payments received without OCR) for new and

existing wholetail lockboxes on our Wausau integraPAY® platform. Data and images will then be consolidated to provide a single source for Web reporting and image services and an accounts receivable file transmission for posting.

Deposits for both scannable and non-scannable work will be made to one Bank of New York Mellon demand deposit account (DDA), and the immediately available funds will be wired to your bank each business day. Your DDA posting and BAI files will also include the total deposit.

Recent Trends in Trade Payment Services

How to Execute International Trade Transactions with Ease

By John Hogan, Global Trade Services Product Manager, The Bank of New York Mellon Treasury Services

The following article is based on BNY Mellon Enterprise Treasury Services' Enterprise Web seminar "Recent Trends in Trade Payment Services." The session was part of our winter 2008 "Expanded Solutions. Exceptional Quality" Web conference series that offered commentary from our experts on how Enterprise's expanded portfolio of private-label and back-office outsourcing solutions can help you create organizational efficiencies, minimize risk and secure new business. The series is available online at www.bnymellon.com/enterprise.

Trade Services Basics

Historically, trade finance has most often been provided through letters of credit.

A letter of credit is an issuance by a bank on behalf of an importer that promises to pay for goods or services, provided that the exporter presents documents that comply fully with the terms of the issued credit. Technological advances aside, the letter of credit is largely the same instrument it was when first issued more than eight hundred years ago. What have kept letters of credit viable are the international agreements among the world's nations that address standards for how letters of credit operate.

For an importer, a bank's letter of credit enhances his credit worthiness to an exporter who might otherwise know little of him; and it reduces his risk, by assuring that payment will be made only after the necessary documents have been examined and determined to comply with the requirements specified in the letter of credit. For exporters, the international enforcement of the letter of credit process reduces their commercial credit risk and assures payment upon documentary compliance.

The New Global Trade Era

As trade has become increasingly global, importers and exporters are less often the strangers to each other that they were in earlier eras. One result is that letters of credit have been eclipsed by Open Account, which is simply the importer and exporter settling payment upon mutually agreed terms. Also, Open Account allows each side to operate without the cost (i.e., the banks' fees) associated with the letter of credit process.

Open Account terms also benefit from advances in technology that have increased the speed, visibility and transparency along the supply chain: it is much easier to keep track of goods throughout the shipping process. Technology allows similar speed and visibility within the financial supply chain, so the movement of funds stays more in sync with the movement of goods.

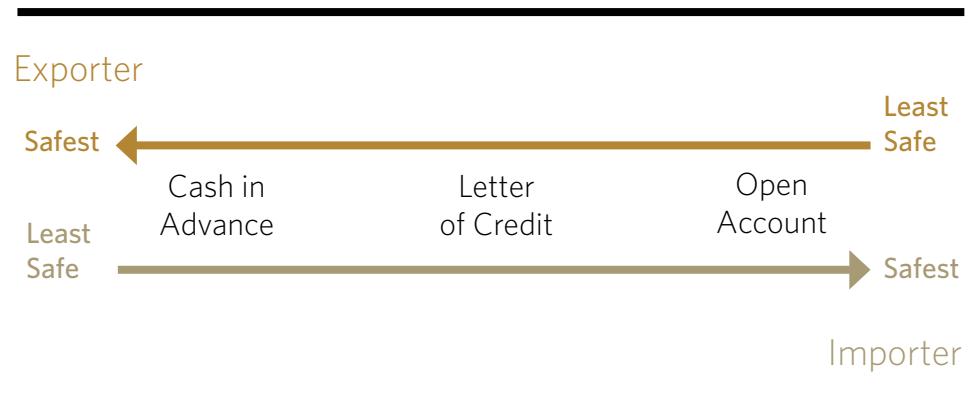
Compared to these advantages, letters of credit, fairly or not, have come to be seen as a cumbersome, slow and

expensive. Whether the advantages in Open Account are actually so clear-cut is disputable; what is not disputable is that open account changes the balance of risk between importer and exporter.

The Payment Risk Continuum

If one constructs a risk continuum, with high risk at one end and low risk at the other it becomes clear that, for importers and exporters, risk flows in opposite directions. Depending on the nature of their payment agreement, a seesawing of interests matches increased risk for one side with decreased risk for the other.

For an exporter, the best arrangement is cash in advance, with payment guaranteed before goods are shipped. This is, conversely, the riskiest arrangement for an importer, who has no guarantee that he'll ever see delivery on what he's purchased, or that it will arrive in a timely fashion. If demand for an exporter's product is great enough, he may be able to secure payment-in-advance financing, although this is not often the case.



continued on next page

The shift to Open Account is notable in that it is at the opposite end of the risk continuum: it is the payment arrangement that provides the lowest risk for the importer, but is the least secure for the exporter, who has no guarantee of payment or who might see payment delayed to the detriment of his liquidity and cash flow.

What are the factors that have forced exporters to so overwhelmingly accept the risk that Open Account entails?

The Changing Trade Marketplace

In the last 20 years, the Organization for Economic Cooperation and Development (OECD) nations, the so-called developed countries, have shifted from being primarily producers and exporters to buyers and importers, largely from the non-OECD, or “developing” nations. In many cases, multinational corporations from the OECD countries have established offices in the developing nations, so familiarity between buyer and seller is indeed part of the reason.

But there is also a shift in power and leverage — the non-OECD producers have less bargaining power and must accept the terms offered or lose the business. This can cause problems for exporters who, without the security of a letter of credit, find it more difficult to secure funding from their lending banks to maintain production while awaiting payment for work already completed. Further, the OECD buyers may also insist on deferred payment terms and “just-in-time” delivery, exacerbating the situation for the exporter.

So, what are exporters and banks to do?

Enterprise’s Global Trade Finance Solutions

Since banks are experts in dispute resolution and problem mitigation processes inherent in the delivery of letter of credit services — proper documentation, dispute reconciliation, actual management of the financial supply chain — banks’ expertise puts them in a good position to be active

players in Open Account processing. And, as banks become more active tracking and reporting both sides of a trade transaction, they can lessen the risk that exporters face when working with importers directly, and create a “trail of evidence” to support export finance without a letter of credit.

For banks looking to offer their business clients a method for streamlining their global trade operations without having to invest in the technology required to do so, or for those banks wanting to enhance their own back-office trade operations, Enterprise has launched Global Trade Finance Solutions — a new product suite that provides an online platform offering complete, end-to-end management of transactional details, processing issues and critical information along each step of the supply chain process.

Global Trade Finance Solutions integrates all of the essential functionalities of both letter of credit and Open Account transactions into a single online platform.

Users can process and manage the full scope of their global trade finance transactions electronically from any Internet location on a 24/7 basis.

Our front-end application, Trade Workstation, provides screens and reports that can incorporate logos, colors and other branding elements for client banks wanting to private label the service for resale to their business clients.

Global Trade Finance Solutions enables users to:

- initiate and transfer purchase orders;
- review documents using scanned images of all underlying trade documentation;
- obtain full purchase order/invoice data matching capabilities;
- accomplish transaction communication and online approval;
- transfer funds for settlement of these transactions;
- employ payables discounting; and
- access trade reporting.



Survey Results Reveal Outstanding Rankings

Enterprise Excels Once Again

Results of our annual Client Satisfaction Survey, conducted by Warabak Research, again verify that BNY Mellon Enterprise Treasury Services remains a leader in client satisfaction, quality and the delivery of highly regarded treasury products and services. According to the results, 98 percent of clients responding to the survey said that Enterprise has met or exceeded their expectations.

Meeting Client Expectations

As one of the primary methods The Bank of New York Mellon uses to gather

client input on a formal basis, this annual survey provides regular, well-rounded and candid feedback on our performance from the perspective that really matters — our clients'. The 2008 survey, which 82 bank clients completed, measured client perceptions about the overall effectiveness of our approach to providing service; our sales coverage; our individual product offerings; and our ability to demonstrate our core values — Client Focus, Trust, Teamwork and Outperformance.

Each year, we use this feedback to make informed decisions about how we conduct business. It allows us to identify areas where we are performing well, to prioritize areas where improvement is needed, and to benchmark our ability to keep pace with our clients' rapidly evolving treasury needs.

Client Satisfaction Survey Results

The results rated Enterprise's performance as measured against several key attributes:

Attribute Measured	Percentage of Clients Who Said They Were Very Satisfied or Satisfied
Has Enterprise met or exceeded your expectations?	98
Quality of Sales coverage	94
Enterprise products/services	91
Quality of service	90

Customer Focus Metrics

On a more detailed level, customers were asked to rate how well Enterprise performed based on behaviors related to our core values — Client Focus, Trust, Teamwork and Outperformance — and how our commitment to adhere to these qualities impacted our client relationships. Specifically, Enterprise attributes measured and rated under the Customer Focus Metrics section of the survey included:

Customer Focus Metric Measured	Percentage of Clients Who Said They Were Very Satisfied or Satisfied
Treating you with courtesy and respect and meeting our commitment to you	99
Quality and timeliness of statements and reports	97
Being experienced, knowledgeable and able to provide solutions	96
Listening to you and understanding your needs	95
Responding quickly to your needs	91

continued on next page

Performance on Key Drivers of Overall Satisfaction

Enterprise's Client Satisfaction Survey also measured our customers' perceptions of our performance compared to the more traditional criteria commonly used to assess effectiveness of business practices. These included:

Attribute Measured	Percentage of Clients Who Said They Were Very Satisfied or Satisfied
Customer service	98
Commitment to cash management	97
Providing expertise	96
Ease of doing business with Enterprise	94
Collaborating with your bank	92
Operating quality	92

Effectiveness of Enterprise Calling Efforts

Because Enterprise's Relationship Officers serve as liaisons with our clients, it is important for us to assess their effectiveness in meeting client needs. The leading strengths revealed by the survey included our Relationship Officers' detailed product knowledge and their organization and preparedness for meetings. Additional strengths are revealed in the following attributes measured/ results reported by our clients:

Attribute Measured	Percentage of Clients Who Said They Were Very Satisfied or Satisfied
Rep is organized and prepared for meetings	99
Rep has detailed cash management product knowledge	97
Rep provides valuable cash management advice and guidance	92
Rep effectively presents proposals and solutions to meet your business objectives	90
Rep keeps you informed about new products	89

Results for Specific Enterprise Products and Services

Because product quality is a key factor in enabling Enterprise to meet customer expectations, our 2008 Customer Satisfaction Survey included questions related to satisfaction with our core services. Results reported include:

Type of Service	Percent of Customers Who Said They Were Very Satisfied or Satisfied
Retail Lockbox	100
Controlled Disbursements	100
Check Issuance	100
Imaging Services	100
Check Clearing	100
Remote Check Deposit	100
Data Exchange	94
Positive Pay	93
EnternetBank®	91
Persutte (USD and FX)	91
Wholesale Lockbox	85



▶ **Plug and play treasury management.
The latest technology without the big investment.**



▶ **Who's helping you?**



Proven expertise in treasury management solutions. Meeting the treasury management needs of your business customers is simple with solutions from BNY Mellon Enterprise. We can help you in your efforts to build stronger relationships, attract new customers and increase fee-based revenue. All without the substantial technology and infrastructure investment you would need to build or enhance your own program.

For more information, please contact
Jeff Horowitz
212 815 5739
bnymellon.com/enterprise

ENTERPRISE
TREASURY SERVICES



**THE BANK OF
NEW YORK MELLON**

©2009 The Bank of New York Mellon Corporation. Products and services are provided by various subsidiaries of The Bank of New York Mellon Corporation.



THE BANK OF NEW YORK MELLON

The Bank of New York Mellon
One Wall Street
New York, NY 10286

ENTERPRISE
TREASURY SERVICES