



Connecting the Global Payments Network Trends, Best Practices & Citi Solutions

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Agenda

- Trends in International Payment Management
- Shared Service Centres and Outsourcing
- Our Clients' Current Global Payment Needs and How Citi Addresses These
- Best Practices and Challenges
- WorldLink Payment Services
 - Next generation services - how we are investing in and building upon our offering, providing more value added services
- Case Studies
 - Demonstrating our capabilities in supporting multicurrency payments worldwide

Global Market Trends in Payments

- Focus on working capital management
 - Payment management plays a key role in working capital improvement
- Globalization & regionalization of functions
 - Shared Service Centers
 - “Payment on behalf of” (POBO) model and centralized pooling
 - Outsourcing: BPOs & TPAs
- Paper to electronic payments
 - Corporates are moving away from cheque and cash payments to electronic wires, particularly in Europe (Nordics), and USA.
- Whilst Europe is getting more streamlined, global payments and exotics still remain a large challenge
- Several banks are struggling to maintain expensive, outdated platforms, which had been built over the years. Payment operations build 30-50% of a bank’s costs (*).
 - As a result, banks are also out-sourcing, and re-structuring their own Payment Processing



(*) McKinsey on Payments, Nov 08 issue

Cross-border Payment Needs of our Customers



- Cross-border payments are a fact of life
- Globalization of markets require international relationships with suppliers as well as customers

Typical Cross-border Payment Flows

- Overseas supplier & vendor payments
- Salary payments (international and domestic)
- Agent/agency payments
- Travel and Entertainment payments
- Business acquisitions
- International tax & pension payments

Challenges for our Customers

- **Control** of payments to easily stop or recover funds from beneficiary banks when required
- **Beneficiary satisfaction** by speed, efficiency and payment in local currency
- **Cost** reduction (Transaction Fees, Lifting Fees) – multiple intermediaries
- Ability to accurately **track payments** by different criteria
- **Fraud** reduction (especially for cheque payments)
- Keeping current with changing currency **regulations**
- Problematic “**service**” models, Impact to client/beneficiary relations
- Finding the **optimal payment method**, understanding local clearing systems
- Fluctuating **exchanges rates** for payments with FX

Challenges in the Cross-border Payments Space

The ultimate challenge: Finding a reliable partner that can address these challenges, mitigate risks and anticipate needs, when executing cross-border payments worldwide.

Some Country Rules and Regulations

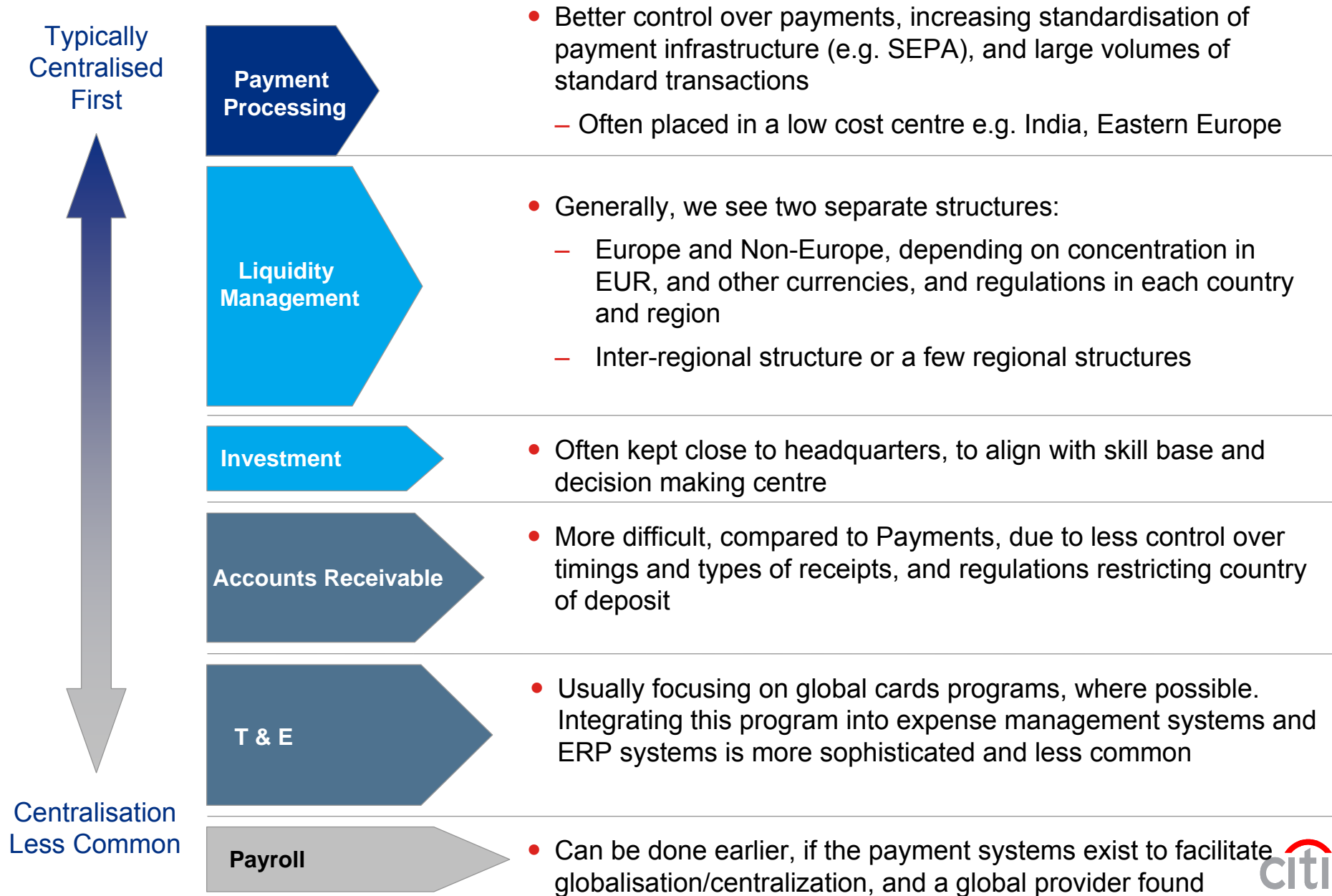
- In **Japan**, you must provide all payment information in Japanese Katakana
- When sending **Kazakhstan Tenge** the beneficiary's 12-digit Tax ID Number is required for every payment
- All **Tunisian Dinar** wires under 10,000.000/TND must include the beneficiary's 20-digit account number
- Due to strict regulations governing conversion of **USD** and **Chinese Yuan**, all payments in USD must be made directly to the beneficiary bank, who must contact the individual bene to get acceptance on the FX rate



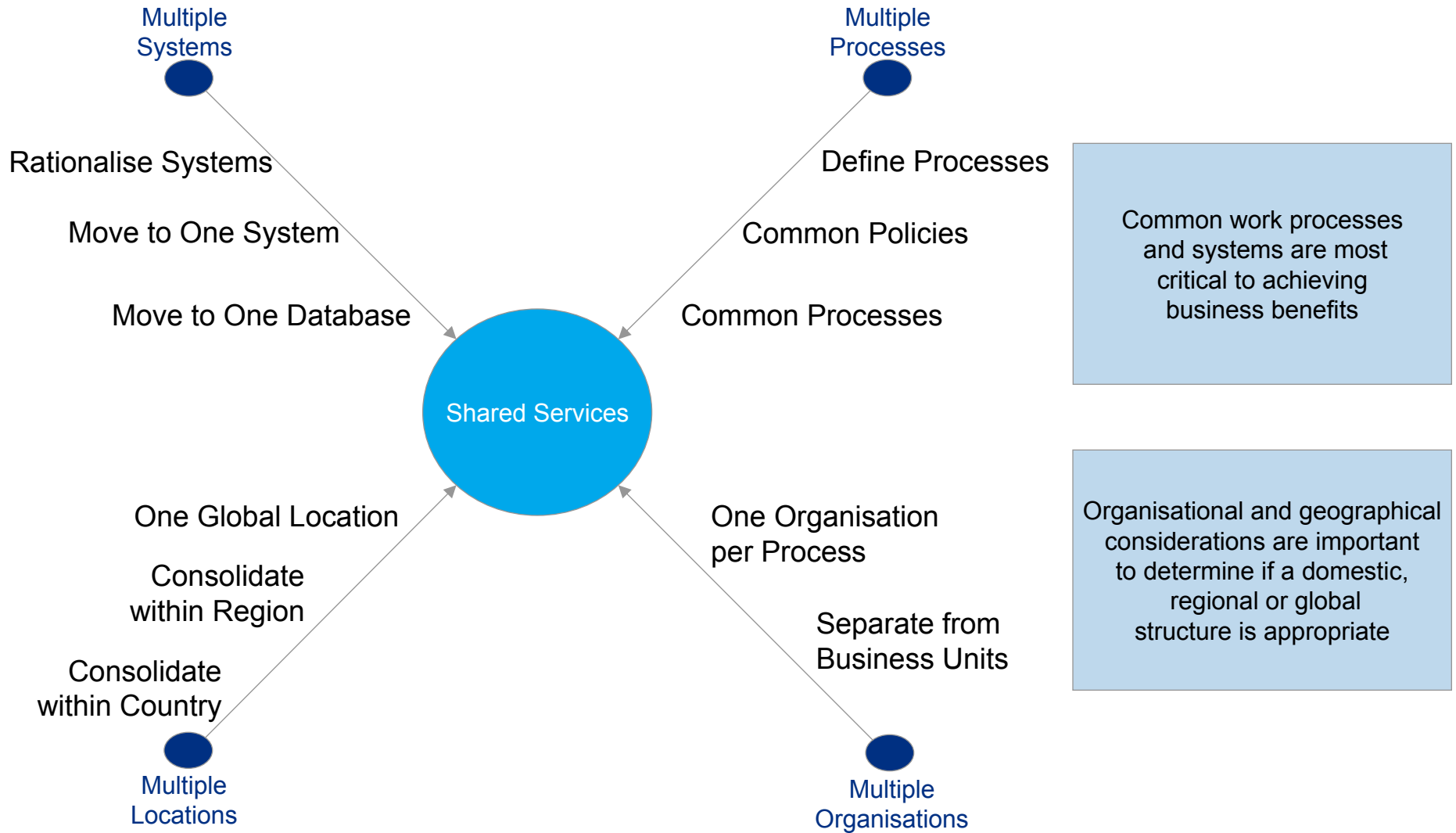
Shared Service Centres – Progress at a Glance



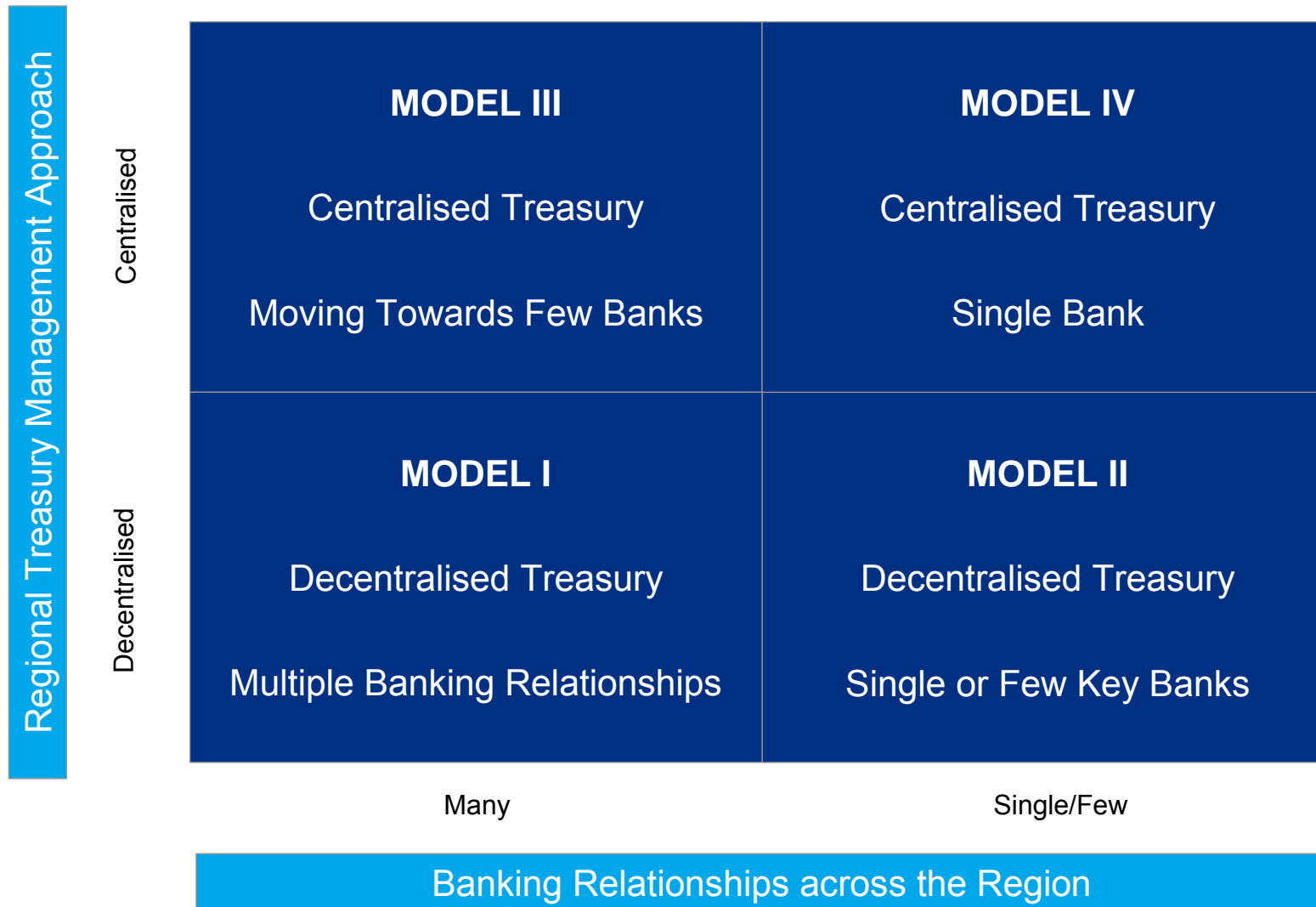
Phases of Centralisation



The Transition Process to Shared Service Centres



A Solutions Framework



Payment Processing Structuring - Best Practices

- Risk Management – How to reduce your Counterparty Risk
 - Finding the right global or regional partners (banks)
 - Consider non account based solutions
- Cost Saving – Important but should not be overdone (mentioned in almost each case study)
 - The cheapest location or technology may not always be the right one!
 - Do not end up spending less in processing but more in servicing. Your bank's service model, must follow yours (not other way around).
- Picking the right location
 - Time zone
 - Skilled work-force
 - Infrastructure of country for payments, telecommunication, etc.
- Right Technology for centralization and right IT partner
 - Allowing visibility and control
- Thorough Planning to cover all of the above!
 - Instead of a SSC, consider OUT or NEAR sourcing
 - Use BPOs (Business Process Outsourcing companies) or TPAs (Third Party Administrators)
 - There is no single model, that fits all

WorldLink Payment Services

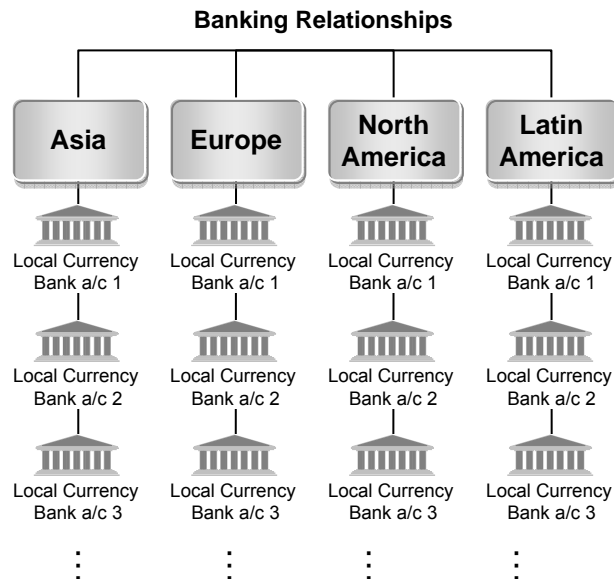


Simplifying Your International Payments Process

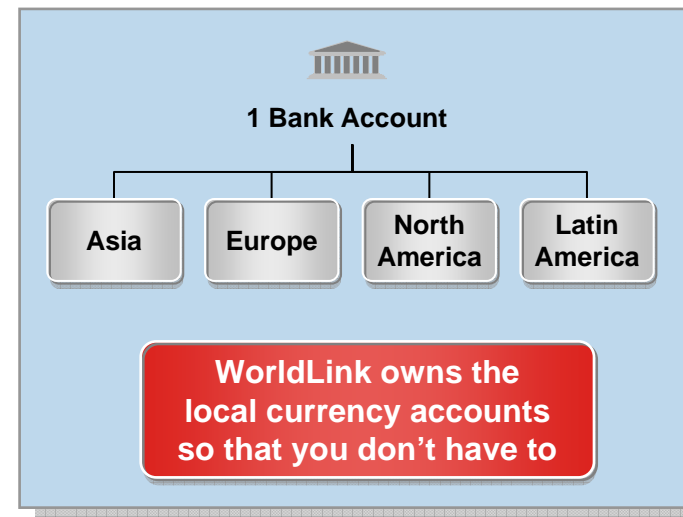
- **WorldLink Payment Services** is a convenient non-account-based multicurrency payments solution. Clients have access to a comprehensive range of payment options, settling in several currencies
- **Utilizes Citi's global network**, with:
 - Operations in over 100 countries
 - More than 2 billion transactions processed yearly
 - More than \$790 billion in annual disbursements through WorldLink alone

- **Available payment types**
 - Funds transfers in over 135 currencies
 - Cheques in over 30 currencies
 - Cross-border ACH in 40+ countries
 - Cash available in 190 countries
- **Delivery platforms**
 - CitiDirect® Online Banking
 - File Transmission
 - SWIFT™

Traditional Account Profile



WorldLink Account Profile



Key Requirements for Customers for International Payments

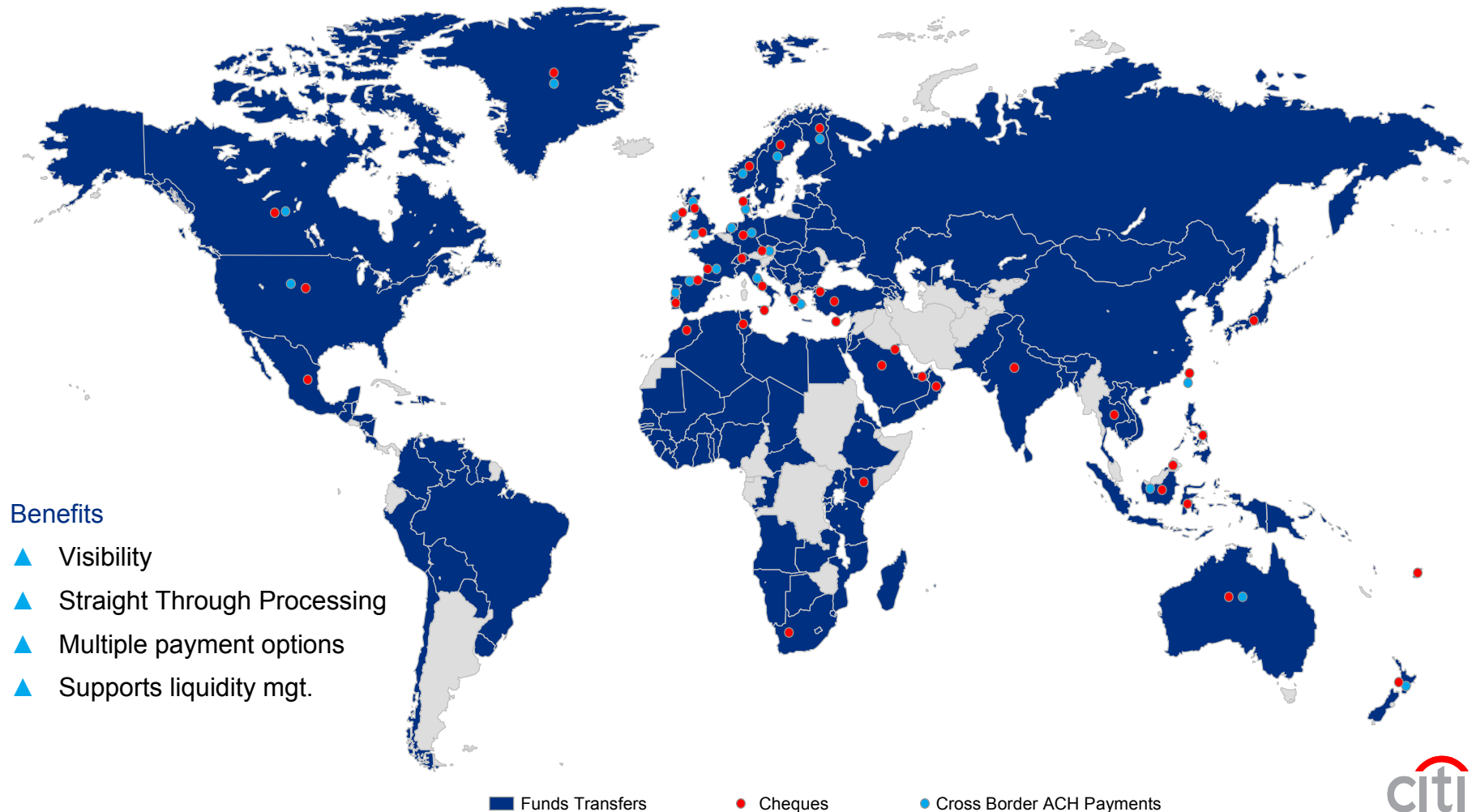
Your Key Requirements	Citigroup's Solution
Secure Delivery of Payments	<ul style="list-style-type: none">• Electronic payments in over 135 currencies• Timely payment execution is a core quality which is tracked and reported• We leverage our own global network to secure delivery
Benefits to Your Clients	<ul style="list-style-type: none">• Convenience – receipt of funds in their preferred currency without delays• Lower transaction fees and FX costs• Faster delivery time to receiving the money• Reduced intermediary and beneficiary bank charges to the recipient• Providing the ability to guarantee full value delivery of payments to the beneficiary
Low Cost Solution	<ul style="list-style-type: none">• Elimination of need for local currency accounts (and local cheque and advice production), greatly reducing overheads involved• Through improved foreign exchange rates• No lifting fees from localized cheque and ACH payment options
Effective Implementation	<ul style="list-style-type: none">• Dedicated and highly experienced resources to support a seamless transition and implementation
Flexible Solution	<ul style="list-style-type: none">• Various solutions for connectivity, payment methods and reporting• Ability to support bespoke requirements (eg. detailed explanation of benefits)
High Quality Service	<ul style="list-style-type: none">• Commitment to quality demonstrated by various processes at ISO standards
Global Network	<ul style="list-style-type: none">• Our global presence in over 100 countries and correspondent network in an additional 90 countries ensures seamless delivery and service resolution
Robust Business Continuity	<ul style="list-style-type: none">• We demonstrate best practices through extensive planning and frequent testing



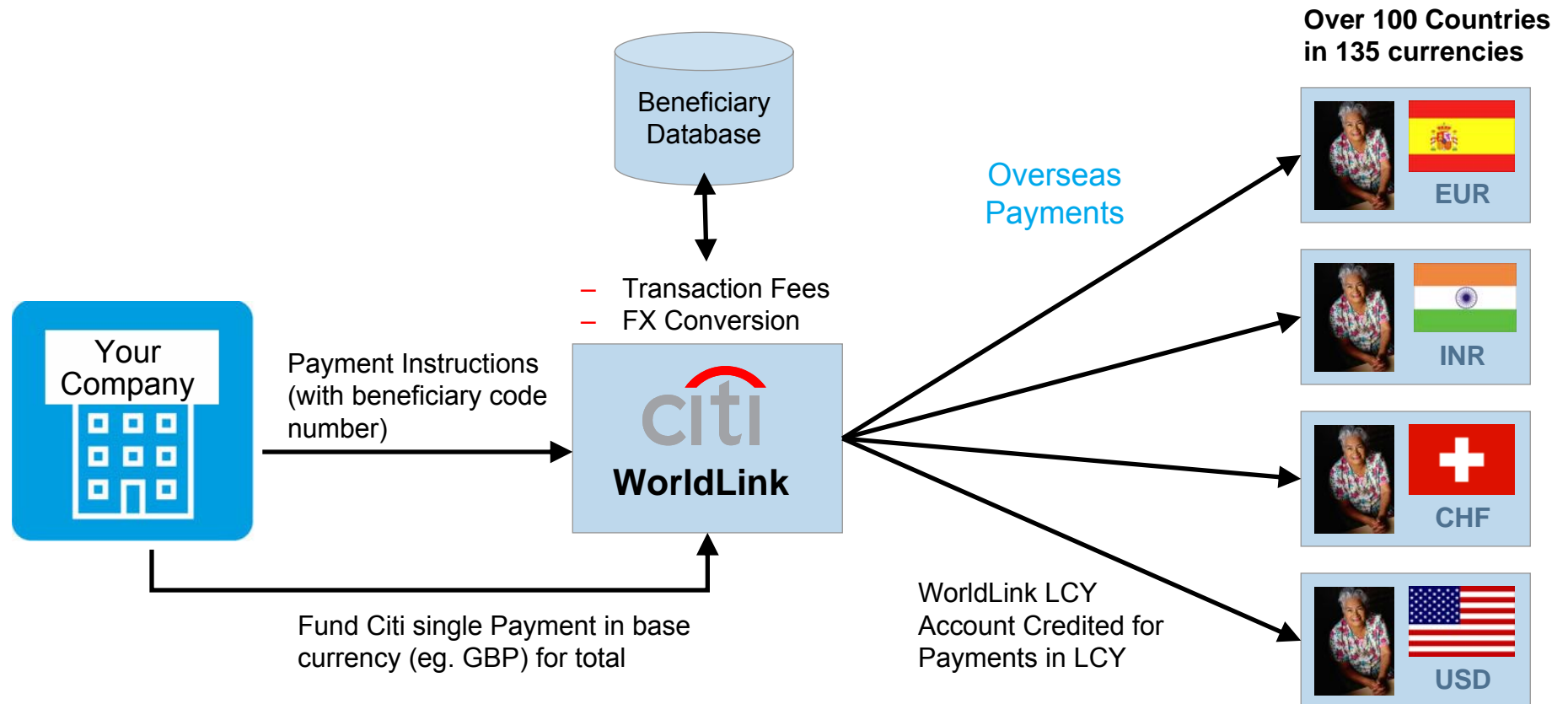
WorldLink's Reach – A Truly Global Solution

- **Funds transfers** in over 135 currencies
- **Cheques** in over 30 currencies
- **Cross-border ACH** in 40+ countries
- **Cash Payments** in 190+ countries

WorldLink will help lower your costs, improve service and speed of delivery by using Citi's global network



How WorldLink Can Work For You



Next Generation Capabilities:

- Extended beneficiary advices (payment details)
- Beneficiary Database
 - *Pre-formats already available on CitiDirect*
- Single Reporting and Service Platform

International beneficiaries receive payment in LCY:

- Directly to Bank Account
- Via a WorldLink draft (cleared locally)



WorldLink's Foreign Exchange Capabilities

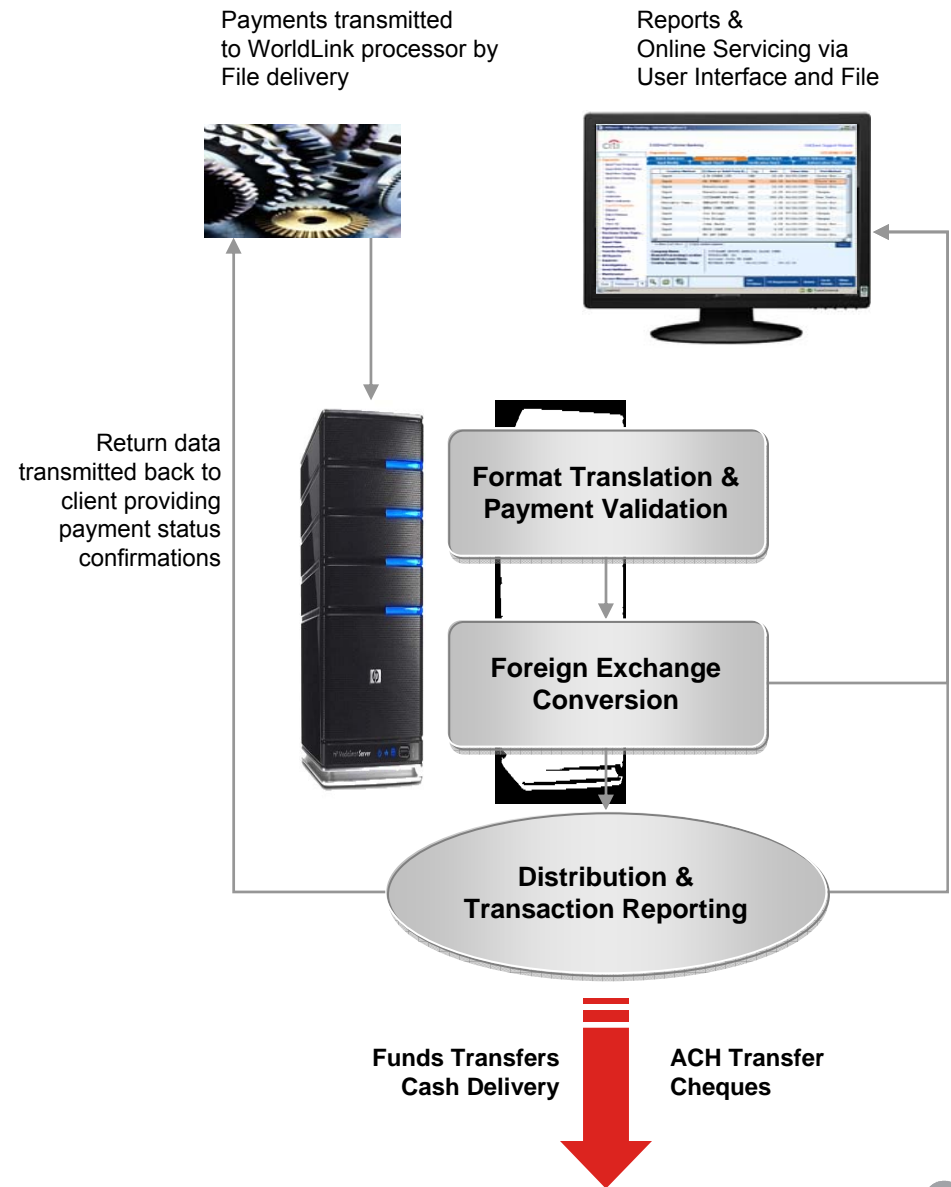
- Dedicated WorldLink foreign exchange desk specializes in low value FX deals to provide cover payments exclusively for WorldLink clients
- WorldLink consolidates foreign exchange for all customers, resulting in competitive FX rates
- WorldLink provides customized FX pricing for each customer, based on both traded currencies and volumes
- FX is embedded into the Payment Process and is purchased
 - Automatically when using File Delivery (straight through process)
 - Online when using CitiDirect (real time rates)
 - By calling the dedicated WorldLink Foreign Exchange desk for rate-sensitive cases
- Around the clock support – New York, Dublin, Singapore

How can you improve and control the value that your own suppliers are receiving?

Our customers have the chance to fully control the FX rates they are getting

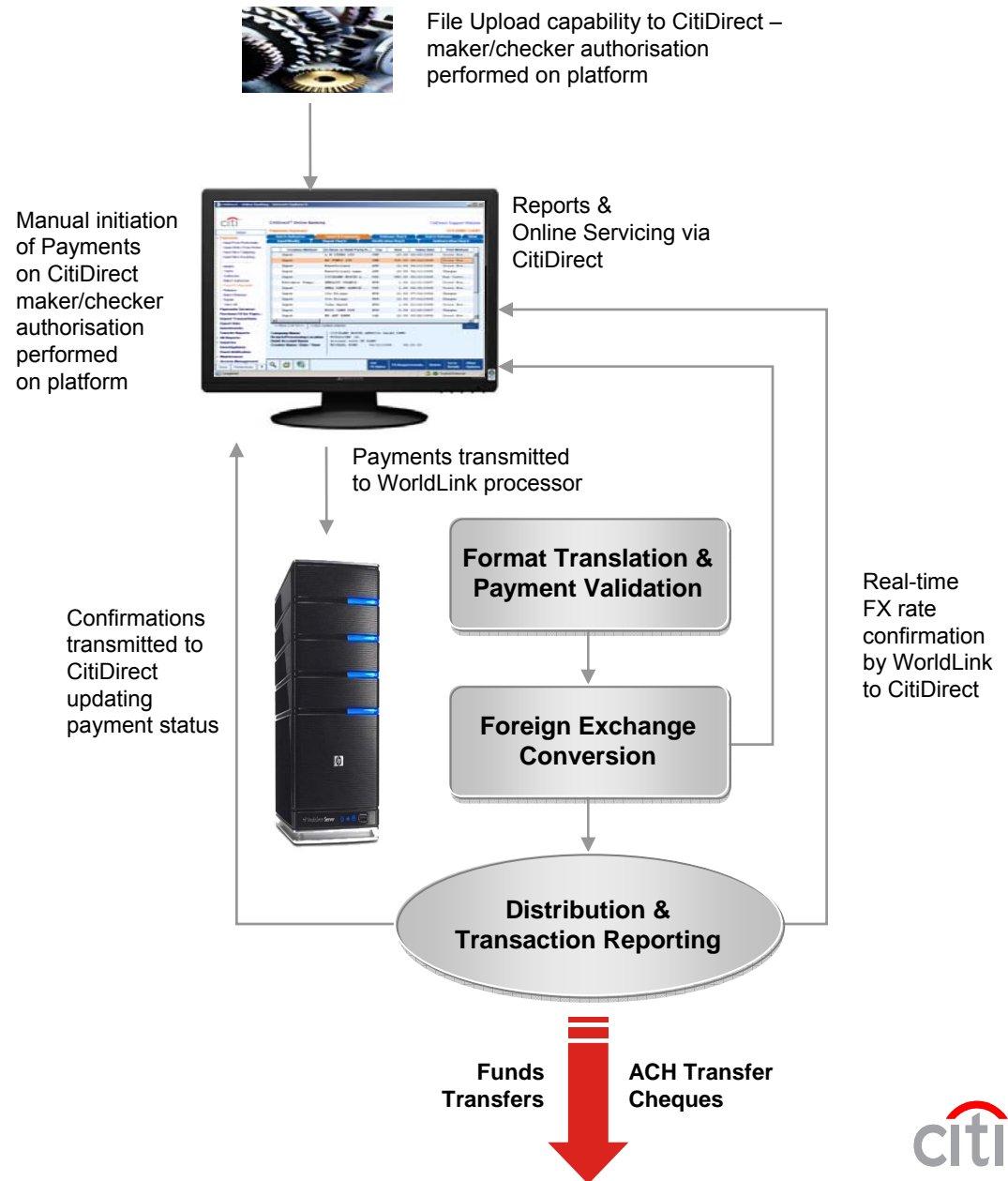
WorldLink via File – Overview

- Automated payment file upload from client's ERP system, for transmission to WorldLink
- Multiple payment options supported
- Multiple file formats, encryption and connectivity options
- Automated file validation and FX purchase
- Automated and online reports for FX and payment status
- Multiple funding currencies supported
- Online investigations without having to call customer service



WorldLink via CitiDirect – Overview

- Single or multiple payments, through web-based system
- Templates for repeat payments
- Flexible input and authorization set-up, for our clients
- Online real-time FX
- Multiple funding and return accounts can be defined beforehand
- Online transaction reports
- Online servicing to initiate investigations without a call
- CitiDirect complies with SOX requirements and provides audit reports pertaining to all activity on the system



Benefits of WorldLink

- Web-Based System (CitiDirect) with strong control capability and set-up flexibility
 - Provides access and authorization at multiple layers through out the organization
 - Visibility of transactions to Senior Management if needed
 - Full reporting for Audit purposes
- File Based fully automated system, supporting
 - File upload (multiple file formats supported)
 - Multiple encryption and connectivity options
 - Automated FX purchase. Straight Through Process - no manual intervention
 - Online reports and service functions
- Cost Effective Payment Options
 - Multiple payment options, to support different beneficiary and urgency types
 - Minimize lifting fees, by using WorldLink ACH payment type
 - Send local currency cheques, avoiding international clearing, to ensure full value to beneficiaries
- Flexible Foreign Exchange
 - Completely customized and transparent pricing structure, to support your requirements
 - Foreign embedded into the processing
- Online Servicing and Reports
 - Several reports available, which can also be customized if needed
 - Online investigation initiation to minimize the requirement to call service teams.
- Can be combined with account based payments solution for domestic payments and receivable needs

How Our Clients are using WorldLink



Case Study – Shipping Companies

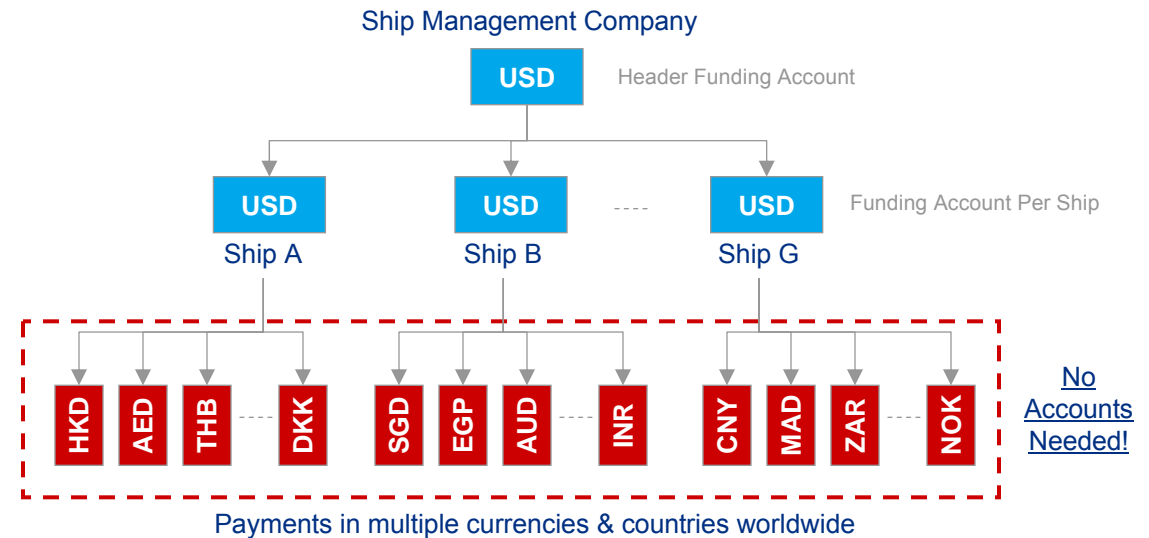
Why Shipping Companies?

- Shipping Agents
 - Invoice ship owners in single currency
 - Pays port fees & salaries globally
- Freight Forwarders
 - Invoices exporters in single or limited major currencies
 - Pays port fees & salaries globally

Applicable Payment Flows

- Port & canal fees
 - Bunker (fuel) surcharges
 - Ship & port facility security fee
 - Terminal handling/receiving charges
 - Fuel recovery charge
 - Special equipment & nature of cargo fees
 - Congestion charge
 - Transit fees
 - ...and more!
- Overseas crew (mariners) salaries
- Customs & documentation fees
- Supplier & vendor payments

Example – Possible WorldLink Solution



Client Testimonial – Norbulk Shipping



Global leader in ship management and the provision of vessel services

- Flexibility with currencies offered
- Direct linkage to ERP system for payment initiation
- Single currency funding for various multicurrency payments
 - Ship owners fund Norbulk monthly in USD or EUR
- Payment of all ship management costs in local currency, from head office, where possible
 - Port fees (handling charges, wharfage, etc), overseas crew salaries

Case Study – Petroleum Joint Venture

Case Study–Oil Pipeline Joint Venture uses WorldLink Payment Services through CitiDirect Online Banking to make billions of dollars in cross-border payments worldwide

The Challenge

One of the largest oil joint ventures in the world needed to:

- Provide their remotely located organization with a robust capability for making cross-border payments and purchasing foreign exchange
- Enable head offices in Turkey and London central oversight and an extra level of control for high-value payments
- Support fully automated payment initiation and reconciliation through their SAP platform
- Minimize the number of accounts required for funding

The Solution

WorldLink Payment Services through CitiDirect Online Banking provided:

- Decentralized processing with centralized monitoring and control
- Seamless integration with the client's SAP platform through automated file import and export and customized reconciliation processes

- Payment initiation, foreign exchange purchase, and payments servicing, all online

A U.S. Dollar account in New York and a Sterling account in London are regularly funded to support over \$15 million in payments per day. WorldLink automatically debits these accounts, makes payments in local currency whenever possible, and reconciles the accounts. WorldLink also provides access to very competitive foreign exchange rates by aggregating daily foreign exchange requirements.

Benefits

- A streamlined, more efficient payment process providing both flexibility to the joint venture organization and full visibility and control to the head offices
- Access to competitive FX rates (booked online and via phone)
- Reduced late charges due to timely payments
- Dedicated service provided in the local language

Paying all suppliers worldwide...



Case Study – Pension & Benefit Payments

Scenario

- Responsible for distributing pension & benefit payments to citizens
- Tender issued for the DWP's overseas payments business
 - 10 million payments per year in over 40 currencies
- Key requirements were improved value for itself and its customers, and to receive a full range of services

Solution

- WorldLink could support their full overseas payment needs electronically, efficiently & cost-effectively
 - Straight Through Processing (STP) rate is over 99.6%
- Secure, scalable & robust, leveraging Citi's extensive global branch network

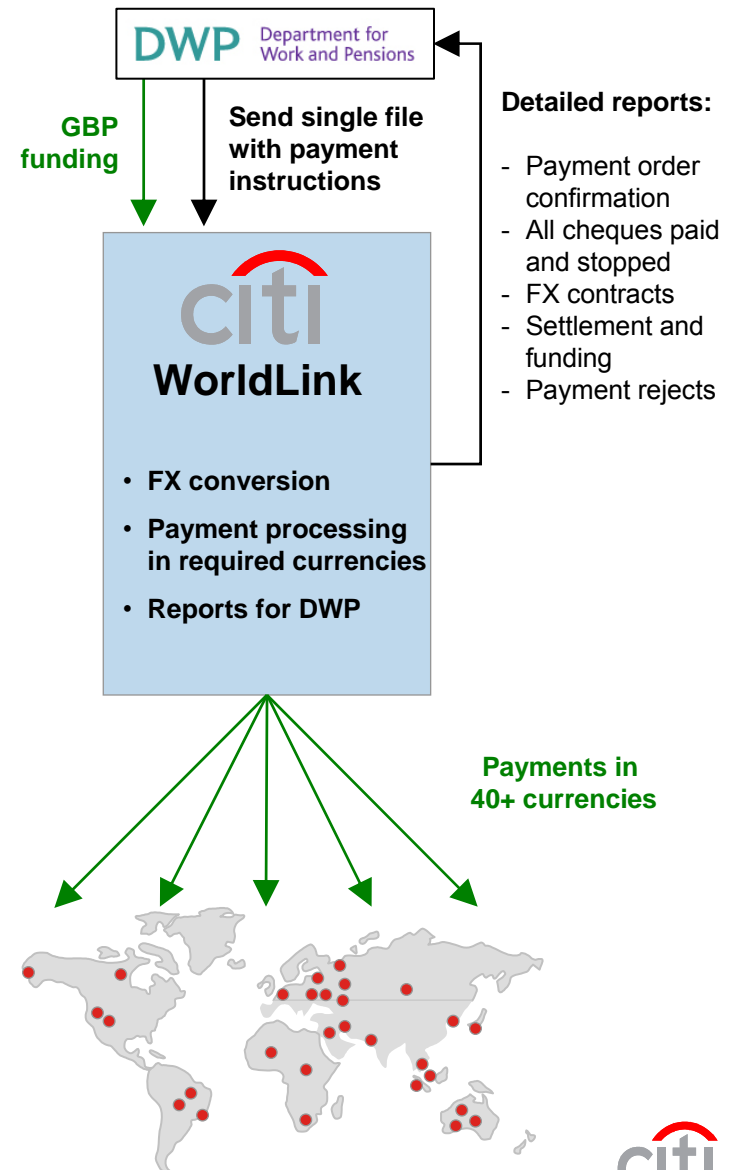
Benefits

- DWP's pensioners benefit from the low price of Citi's solution, and receipt in their preferred currency
- Dedicated Client Service support to DWP, and online through CitiDirect, our award-winning electronic banking platform
- Beneficiary details stored in database for straight through processing of recurring payments

Verdict

"We have been very impressed with Citi's commitment to full and timely delivery and to overcoming some difficult transitional issues... The level of service is excellent for both customers and the Department."

Department for Work and Pensions Corporate Banking



Case Study – Insurance Claim Payments

Scenario

- Major European medical insurer insures almost 4 million members in over 150 countries worldwide
- Pain point is making international multicurrency claim payments
 - Many bank accounts with different local banks globally, each with its own method to receive payment instructions and reporting
 - Difficult to deal with returns, rejects and stop payments

Solution

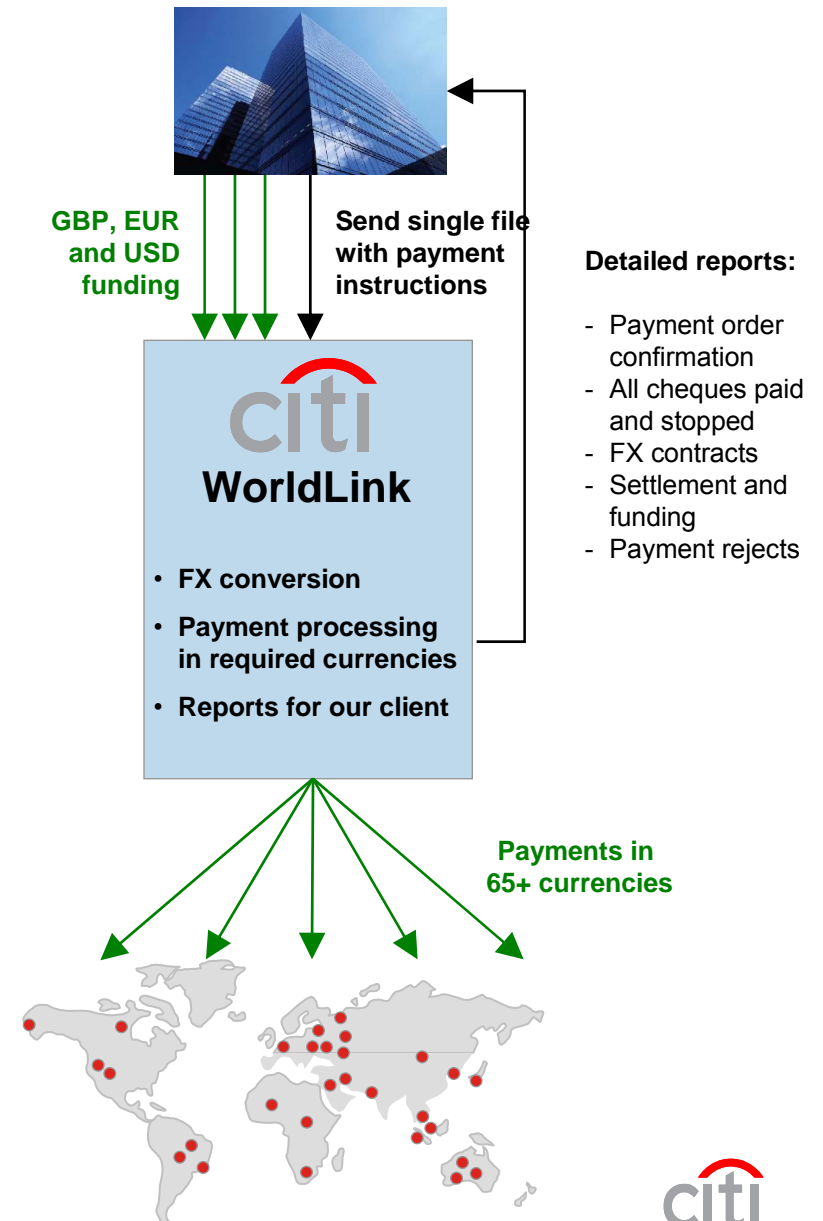
- WorldLink enables the client to make all global claim payments through a single bank via funds transfers or cheques printed and issued by Citi
- When a member submits a claim, our client employs WorldLink to make the payment to the hospital, doctor or directly to the member

Benefits

- Client can pay a claim in over 135 currencies, without having to open and maintain its own cash accounts in multiple currencies and countries
- Lower transaction fees and FX costs to the beneficiaries
- Convenience – claimants receive payments in preferred currency more quickly and without delays
- Reduced intermediary and beneficiary charges for recipient
- Client gained reporting and oversight – ability to track payments, receive reports on payments and returns/rejects

Verdict

The client is pleased with WorldLink. They have saved on operational costs, as they no longer require a team to maintain multiple bank accounts and payments through a host of different banks worldwide



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Citi works with its clients in greenhouse gas intensive industries to evaluate emerging risks from climate change and, where appropriate, to mitigate those risks.

efficiency, renewable energy & mitigation

