Citi Cross-Currency Payments

Focused on enabling your global business

Uncertain global economic growth and increasing regulatory requirements make it challenging to adapt your operating model to meet your business objectives. In this increasingly dynamic and challenging environment, working with the right partner is vital for organizations to efficiently and effectively manage their cross-currency payments globally. At Citi, through the scale and breadth of markets that we operate in from both foreign exchange and payments perspectives, we have the depth of expertise coupled with the cross-currency payments capabilities to truly partner with our clients to enable their global flows and empower their business.

This year, WorldLink® Payment Services is celebrating 30 years of successfully empowering clients to manage their global flows. As a strategic advisor to clients, WorldLink is focused and committed to continued re-investment to deliver innovative solutions based on your business and operating model objectives. WorldLink has a number of strategic enhancements planned in 2014 to bring greater efficiencies for our clients and continued best-in-class value-add solutions. Through our anniversary celebrations over the course of the year, we will be sharing further ways that you can leverage WorldLink to power your global business.

In this edition of our bi-annual newsletter we help simplify the multifaceted and complex liberalization of the Chinese renminbi, including discussing the implications from a global payments perspective and clear advantages that can be gained from increasing global use of the renminbi.

We have also included some insightful client case studies demonstrating how Citi works in partnership with clients to achieve their goals and drive value.

And finally, we welcome your feedback on how to maintain world-class leadership in cross-currency payments capability if you have not yet shared your perspective. This brief survey will help ensure we continue to evolve to meet your needs.
Are you taking advantage of WorldLink innovation recently delivered?

Smarter, faster and more efficient cross-currency payments solutions recently brought to you include:

- **Cost efficient and effective payments**: now supporting ACH to 22 countries, including India, Mexico, Poland and Hungary

- **Extended reach** with an increase of global access to 140 currencies with the addition of Aruban Florin, Congolese Frank, São Tomé and Príncipe-Dobra and Turkmenistani Manat as new funds transfer currencies

- **SEPA enabled**

- **A broader choice** of funding currencies with the ability to fund in 29 currencies, now including Kuwaiti Dinar

Enhancements to our Funds Transfer Services:

- **Faster settlement** with almost double the number of same day and/or next day available currencies across all regions

- **Reduced settlement time, better pricing and increased ease for many exotic currencies**, including making local currency payments into Malaysia, China, Bermuda and Haiti

Extended reach, reduced settlement time, better pricing, increased ease...

Continued Development and Innovation in 2014

WorldLink Payment Services is focusing on six key areas to further increase the value to our clients:

- **Payment and Funding Options**: WorldLink will continue to provide the most flexible and expansive set of payment and funding options across the globe.

- **Reporting and Reconciliation**: Invigorate and improve WorldLink’s robust reconciliation and reporting options across all key dimensions of a cross-border, cross-currency payment.

- **FX Flexibility**: More options and flexibility on timing and cost in terms of how and when to incorporate the foreign exchange element into clients’ own payment workflows.

- **Client Experience**: Improve day-to-day experience and general ease of use for clients.

- **Connectivity**: Simpler and more standard connectivity options which help ease integration of payment information with enterprise systems.

- **Market and Regulatory Changes**: Continue to stay ahead of key market changes and updates, notifying clients as early as possible.
Why has renminbi liberalization been difficult to navigate?

The liberalization of the Chinese currency, the renminbi, has inspired scores of articles in recent years seeking to explain the global implications of its increasing global use. However, the renminbi's liberalization has been multifaceted and complex, making it difficult for international companies, financial institutions and public sector entities to understand the currency's evolution and the potential opportunities it presents.

Liberalization initiatives have frequently begun as pilot programs, based on approved lists of companies or specific cities or provinces. Uncertainty over the pace and extent of change has prompted many institutions to adopt a wait-and-see approach.

In July 2009, for example, the People's Bank of China initially allowed 365 enterprises in China to use renminbi settlement for cross-border trade. The list of approved companies was then expanded over time. During the pilot phase it was difficult for international companies making payments in China to ascertain whether their suppliers met the pilot criteria. Finally, three years later, a milestone was reached when the pilot was expanded so that all corporates in China could settle cross-border trade in goods and services using renminbi.

Another more recent pilot is the Shanghai Free Trade Zone (SFTZ) launched in September 2013. While the creation of the SFTZ is in line with China’s liberalization agenda, the rules around it are still being defined.

Further confusion has resulted from the existence of onshore renminbi, known as CNY (the only currency code recognized by SWIFT for payments) and offshore renminbi, known as CNH. The two currencies have different values as CNY trades within a tight band determined by government policy while CNH is more freely traded in the offshore centers of Hong Kong, Singapore, Taiwan and London.

Clear advantages of renminbi liberalization

The liberalization of the renminbi is undoubtedly a seminal event in the modern history of China. However, for corporates, financial institutions and public sector bodies that buy and sell goods and services in China, it is important to understand its practical relevance to their activities.

In the short term, liberalization matters because increasing global use of renminbi could enable corporates to reduce costs associated with their imported goods and services, improve their terms and conditions, and widen the choice of suppliers. In the long term, failure to adopt renminbi could therefore put international companies and others at a competitive disadvantage. In 2010, just 1% of trade flows were denominated in renminbi. According to People’s Bank of China, at the end of 2013, approximately 20% of trade (RMB2.94 trillion or $485 billion) was renminbi-based. At this current rate of growth, half of China’s trade will be settled in renminbi by 2020.

The potential benefits of using renminbi depend on a company’s level of engagement in China. For multinational companies with trade flows with China, paying Chinese suppliers in renminbi rather than an international currency may make it possible to negotiate improved trade terms because FX risk is eliminated for the Chinese exporter. Historically, many Chinese suppliers have included a buffer to accommodate FX fluctuations or have sought to renegotiate terms as the FX rate changed. Paying in renminbi can therefore offer the multinational greater pricing transparency and potentially lower costs.

In addition, by paying in renminbi multinationals gain potential access to a much wider range of suppliers and business opportunities in China, especially small- and medium-sized companies that may naturally prefer to settle in their home currency.
It is important to remember that China is not just an export economy—it is also one of the world’s largest importers, especially of raw materials and commodities. Multinationals outside of China may accept renminbi from their Chinese importers and leverage offshore centers in Hong Kong, Singapore, Taiwan, and London, to exchange renminbi for other currencies. Chinese importers can also use their renminbi liquidity onshore to fund cross-currency payments globally.

Moving forward with a partner with deep expertise in China

Despite the broadening of many pilot schemes in China, the regulatory environment remains complex and continues to change. To navigate this challenging—but rewarding—landscape, it is essential for firms to work with a trusted advisor that can offer them appropriate guidance and support.

Specifically, a banking partner must have proven experience, deep knowledge, and an on-the-ground presence in China, as well as a strong relationship and an ongoing dialogue with regulators. Equally important is a broad range of solutions to meet the evolving needs of clients at various stages of engagement with China.

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<th>Citi’s commitment to China has been evident for over a century, with an accomplished track record in the country.</th>
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<td>1st US bank established in China 1902</td>
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<td>1st international bank to join the local clearing system 2002</td>
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<td>Longstanding relationship with the Central Bank of China</td>
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<td>Active involvement in renminbi liberalization pilot programs</td>
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<td>1st bank to launch renminbi cross-border automatic sweeping</td>
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<td>One of few global banks to open a branch in the SFTZ</td>
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<td>Broad range of cash and liquidity solutions that can be tailored to meet a company’s objectives</td>
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Citi’s commitment to China has been evident for over a century, with an accomplished track record in the country. Citi WorldLink Payment Services enables clients to make cross-currency payments in renminbi, funding in a range of currencies, and leverage Citi’s intelligent distribution to pay both corporates and individuals (which can be more challenging to reach in China). With Citi, clients can be confident that payments reach the beneficiary securely and comply with local regulations.

Whatever the solution, Citi’s expert advice enables firms that are active in China to make an informed decision on how to take advantage of renminbi liberalization in a way that maximizes the opportunities available.

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**Chinese Renminbi Liberalization: A journey toward simplification**

**Key milestones only**

- **December 2010**
  - The MDE list expanded from 365 to 67,359

- **June 2012**
  - The list is closed, Monitored Enterprises are released, and all companies with import-and-export licenses can settle in RMB

- **July 2009**
  - The pilot scheme RMB cross border trade settlement scheme was first introduced and limited to:
    - Goods transaction
    - 5 cities in China, including Shanghai and Guangzhou
    - 365 Mainland Designated Enterprises

- **August 2011**
  - The pilot scheme further expanded to:
    - All provinces and direct jurisdiction cities in China

- **November 2013**
  - Almost 20% of cross-border trades being settled in RMB (up from 1% in 2010)

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Citi was awarded The Corporate Treasurer Best Cash Management Bank in China - A first for an international bank to win this award
Case Studies: How WorldLink Payment Services drives value for clients

Case 1: Global Travel

The Client: A global travel company providing hotel accommodation, transfers, excursions and tours, meetings and events and cruise handling services to tour operators, travel agents, corporate clients and customers worldwide.

The Challenge: Fully centralized payments function in 31 countries globally with the need to make payments in many G20 and non-G20 currencies.

The Solution: Citi offered WorldLink Payment Services as a solution to integrate FX and Cross-Border processing via a single platform with pre-negotiated spreads. The service provides full automation and control to more effectively centralize cross-border payments in several currencies to key markets. FX spreads have been pre-negotiated to provide transparency and eliminate the need to negotiate FX and minimising updates to ERP systems to reflect FX settlement.

The Result: Citi continues to provide the benefits of transparent FX conversion and optimized automation for this client through WorldLink Payment Services and is able to support them as they expand into new markets globally.

Case 2: Health Insurance

The Client: A health insurance company that provides private health insurance to expatriates around the world.

The Challenge: The client’s treasury department wanted to set up a cash management function that would run efficiently and at an optimal cost. The function would need to make payments in many currencies to beneficiaries around the world, provide timely and accurate foreign exchange conversion information, control the costs of single transactions, be reliable and secure in all countries, have automated reconciliation processes, and be useable by their global subsidiaries.

The Solution: Citi was appointed as the client’s global transaction banking partner to provide a range of cash management services through WorldLink Payment Services, a complete international payments solution that allows its users to make secure, efficient, cross-border payments in 140 currencies. One of WorldLink’s biggest attributes is its ability to save costs since it eliminates the need for multiple foreign currency accounts and associated idle balances, as well as the extra charges and time-consuming reconciliation that are often required. WorldLink also facilitates systems integration – account statements, payment reports and status updates on the payments are fed directly back into the clients’ ERP.

The Result: By using WorldLink, the client has cut its international payment costs; integrated its payments systems; and minimized the risk of check fraud, counterparty default, clearing and settlement, and currency fluctuations.
Celebrating 30 years of WorldLink Payment Services

With a strong history of industry firsts, WorldLink Payment Services is fully committed to continued reinvestment and innovation, bringing a best-in-class offering to clients in managing their cross-currency payments globally.

A brief look into history – Did you know that WorldLink Payment Services:

• Created an industry first with its non-account-based, multi-currency, cross-border payment service
• In 1990, developed a file capability that enabled clients to payment instructions directly from their internal ERP system
• In 2000, set up another check printing facility in Asia, significantly increasing the speed of check delivery to thousands of beneficiaries
• In 2003, expanded its currency coverage to over 100 currencies
• In 2005, WorldLink launches its non-account-based cross-border ACH offering – another industry first
• In 2013, WorldLink facilitates more than 35 million cross-border payments

About WorldLink Payment Services

Fast Facts

• 30+ years experience
• 40 million payments annually
• $1 trillion in value
• 3,000 clients globally across 110 countries
• First-hand knowledge of the evolving currency and payments market
• Choice of channels to meet diverse payment needs
• Fully integrated FX conversion
• Competitive and flexible pricing
Benefits of Citi’s WorldLink Payment Services Solution

- **Currency Account Rationalisation** – Single funding account replaces multiple in-country disbursement accounts – with WorldLink you do not have the administration of managing local currency accounts in-country

- **Payment Options** – Multiple payment options, to support different beneficiary and urgency types options – Wires, cross-border ACH, SEPA Credit Transfers, Checks and Cash

- **Channel Options** – Clients can access WorldLink through CitiDirect, File Connectivity (multiple types) or SWIFT

- **Cost Control** – Concentration of FX into a single bulk debit per currency pair provides optimal pricing

- **Flexible and Transparent Foreign Exchange** – Completely customized and transparent pricing structure, to support your requirements

- **Process Control** – Automatic reconciliation of disbursements against your unique identification client code, simplifying reconciliation

- **Service** – Experienced specialist customer service teams in locations throughout the world to provide day to day ongoing support and assistance

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We’d love to hear from you!

We would like to invite you to share your feedback on WorldLink to ensure we can continue to add value to your cross-currency payments management. Your response to this survey is much appreciated and should take less than five minutes to complete:

[Take Survey Now]