Optimising Cross Currency Transactions
Citi’s Solutions for Global Reach and Integrated Foreign Exchange in Transactional Flows

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1. Market Trends – Overview
We are Living in Exciting and Challenging Times – Mega Trends

Globalisation

Digitisation

Urbanisation

Regulation

Volatility

Reputation

Emerging Markets are Very Diverse

Emerging Market Flows are Growing Faster than the Developed Markets

Standardisation of FX Processes is Becoming an Efficiency Priority

Technology is the Key Change Driver and Solution Enabler

The Challenges of Managing the Finance of an International Organisation are Immense

Challenges

- Complex and Separate FX and Payment Process
- FX Purchase and Exposure Management across Several Markets
- Risk of Trapped Liquidity with Multiple Local Currency Accounts
- Diverse Local Regulations and Payment Requirements
- Limited Tracking, Reconciliation and Reporting
# The Growing Importance of Cross Currency Transactions

Cross Currency Flows are increasing, requiring global corporations to implement more integrated solutions, embedding FX in the transactional process to achieve greater levels of process efficiency, visibility and control.

<table>
<thead>
<tr>
<th>Global Themes</th>
<th>Solutions and Benefits</th>
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<tbody>
<tr>
<td>Globalisation and Digitisation Fuelling Imports &amp; Exports and e-Commerce</td>
<td>Tailored and Packaged Solutions encompassing FX, Cash Management and Trade</td>
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<td>Effective Currency Management on the Back of Expanded Growth</td>
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<tr>
<td>Clients Focus on Efficiency, Risk Reduction, Transparency and Control</td>
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## Client Challenges and Objectives

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<tbody>
<tr>
<td>Support Efficiency, Visibility and Control. Reduce Costs and Risk</td>
<td>Leverage Citi’s Global Presence and Network</td>
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<tr>
<td>FX Exposure Management – Core vs. Non-core Currencies</td>
<td>Process Efficiency and Greater Automation</td>
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<tr>
<td>Integrate FX Payments into Cash Management Solutions</td>
<td>Certainty, Control and Pricing Transparency</td>
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<tr>
<td>Local Currency Account Management and Risk of Trapped Liquidity</td>
<td>Drive Cost Reductions and Revenue Opportunities</td>
</tr>
<tr>
<td>Treasury Capacity – Do More with Less</td>
<td>Documentation in Restricted Markets</td>
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<td>Manage Data and Changing Local Regulations</td>
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Distinguishing the **Primary Driver for Cross Currency Transactions** and Segregating **Strategic FX Management**

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Market Trends – Overview
Cross Currency solutions has historically been more relevant within certain sectors, as their operations entail a strong emphasis on cross border and cross currency flows, which are prevalent for companies focused on IT, Software, Communications and Hardware.

### TMT Sector Themes

- Emerging e-Commerce flows
- App Developer Payments
- Licence Fees
- Payments to Freelance staff
- Telco payments/Network sharing
- Multi-currency Pricing

### Requirements

- Efficient Process of Payments and Receivables
- Transparent FX Management
- Multiple Execution Methods
- Reporting and Documentation

### We Can Help Clients with

1. Automation of Cross Currency payments/Receivables
2. Monitoring and Managing FX Exposures
3. Central and Local currency account management
4. Guaranteed rate solutions/Managing Risk on payments and receivables

### Citi’s Solution Set

- Cross-border Funds Transfer
- WorldLink™
- CitiFX Pulse™
- CitiFX Instant FX™
2. Products and Solutions
CitiFX Pulse: The Complete FX Trading Package

A holistic, web-based platform that includes pre-trade, execution, and post-trade modules

**Pre-trade**
- CitiFX Wire commentary
- WERM and EWS valuations
- Corporate Solutions Group publications library
- Multi-asset research
- Exposure management tools
- Currency holiday and economic release calendar
- Advanced, multi-asset charting tools
- Bulk upload trades pending execution

**Execution**
- Request for price on hundreds of currency pairs
- Continuously streaming prices on common currency pairs
- Window forwards
- Non-deliverable forwards
- Vanilla and structured options
- Algorithmic execution strategies
- CitiFX benchmark execution
- Desk-watched and electronic resting orders
- Money market deposits
- Dual currency contracts
- Granular entitlement governance for each user

**Post-trade**
- Real-time MTMs of outstanding positions
- Online confirmations of spot/forward/swap and NDF trades
- Net trades
- Create and apply settlement instructions
- Customisable, exportable reports
- Multiple STP solutions for automating trade detail entry into local systems
Citi Transactional FX – International Payments and Collections

WorldLink Empowers Clients to Achieve Global Payments Requirements in Multiple Currencies, All Funded from One Bank Account

CBFT Provides a Solution for Both Incoming and Outgoing Wire Transfers (Same Currency and Cross Currency)

Comprehensive Solutions
Funds Transfer: 132 currencies
Onsite Checks: 16 currencies, 30 countries
Remote Checks: 30 currencies, 44 countries
ACH: 23 countries
SEPA: 34 countries
Cash: 190 countries

Currency Reach and Channels
Efficiency
Reduce Payment Process Costs
Centralisation and Control
Reporting and Reconciliation
Competitive FX Pricing
Simplify Banking Relationships
Streamline in country Accounts

Products and Solutions
Citi InstantFX – Enabling Multi-currency Pricing

A customised tool for streaming FX rates, allowing clients to price goods and services in local currencies and expand international business whilst earning an additional revenue stream and automatically managing FX risk.

**Improve Customer Experience**
- Additional Revenue Stream

**Expand International Business**
- Eliminate FX Risk

**Merchant** (Airline, Travel Agent, E-commerce Retailer)

Customer

Merchant

Card Issuing Bank

(Customer’s Bank)

Card Scheme

(Visa/MasterCard)

Acquirer/Acquiring Bank

(Client’s Bank)

**MCP for Customers Paying in their Own Currency**
1. InstantFX Rates are sent to the merchant, fixed for period of time
2. Merchant uses the rates to price in different currencies on website
3. Single currency is used all through entire acquiring workflow to Issuing Bank and back
4. Purchases during the guarantee period are netted up or sent individually to Citi
5. Citi executes at fixed rates to remove FX Risk for Merchant
Cross Currency Innovation: Global Sweeps

Cash deployment efficiency and automation is evolving. Global corporations and institutions are looking for ways to manage cash movement and resulting foreign exchange exposure more dynamically.

Current State and Challenges

- Exposure to a basket of functional currencies
- Manual nature of FX conversion
- FX rates and resulting complexity in manual calculations
- Cut off times and ensuring timely funding
- Cash visibility, adequate FX rates and cash movement across the globe

Client Needs

- Automation
- Risk management
- Control
- Account structure rationalisation
- Transparency in pricing
- Liquidity efficiency

Clients with Global Operations Manage their Global Cash by Deploying Automated Global Cash Movement Solutions

Ultimate Use of Cash May be in Parent Currency or Local Currency

Local Currency Positions Require Maintenance and Often Active FX Management Which Creates a Costly and Inefficient Process

Products and Solutions
Leveraging the World’s Broadest Proprietary Bank Network

Over 80% of Global Payment flow of our Clients is through our Citi Proprietary Network

Benefits of Citi’s Proprietary vs. “Rented” Network

Local Depth
- Licensed to operate in 97 countries with 202 cash clearing memberships
- Local market knowledge and regulatory relationships
- Deep talent base with breadth of local knowledge
- Customised local solutions
- Longer transaction windows
- Greater range of investment options
- Competitive FX and interest rates

Global Breadth
- Domestic capabilities that are seamless and globally integrated
- Direct control over standardised product and service capabilities
- Substantial investments to evolve capabilities and infrastructure
- Greater transparency and visibility with real-time access
- Local accounts supported if required giving access to full suits of Cross Currency Funds Transfer

Products and Solutions
3. Case Studies
### Global Technology Firm

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<th>Client Background</th>
<th>The Challenge</th>
<th>The Solution</th>
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<tbody>
<tr>
<td>A Global tech organisation, wanted to make payments to publishers and app developers globally.</td>
<td>Client sought to make multiple currency payments while retaining the number of central accounts with Citi London.</td>
<td>Allowed our client set up new payees very quickly in line with rapidly expanding business.</td>
</tr>
<tr>
<td>Given the exponential business growth in a very short period of time, our client did not necessarily have a physical presence in many of the markets where its publishers and app developers were based.</td>
<td>Requirement of payees to be paid through a range of different payment methods.</td>
<td>A Cross Currency solution allowed client to make multiple currency payments from its central accounts with Citi London.</td>
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<td>Client enabled to make payments to suppliers through a combination of ACH, Wires and Cross-border cheques.</td>
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**Key Themes**
- Globalisation of supply chain but nimble access to growth markets
- Currency Optimisation – ability to pay providers in exotic currencies while not having to retain accounts in those currencies
- Process Efficiency – with improved international beneficiary experience
- Centralisation – access to global suppliers from regional hub while improving risk management through greater oversight

### Global e-Commerce Payments Company

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</tr>
</thead>
<tbody>
<tr>
<td>Leading technology platform company enabling digital and mobile payments on behalf of consumers and merchants worldwide.</td>
<td>No capabilities to process payments to merchants in local currency.</td>
<td>WorldLink with guaranteed FX rates.</td>
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<tr>
<td></td>
<td>Visibility and control of FX rate in local markets with a fully automated and integrated process.</td>
<td>Rates are loaded into a portal and Merchants can select to be paid in LCY rather than USD.</td>
</tr>
<tr>
<td></td>
<td>Fluctuation of FX rates in Emerging Markets may change the business dynamics for the client.</td>
<td>Client sends a payment file via WorldLink to Citi which process onshore LCY payments.</td>
</tr>
<tr>
<td></td>
<td>Expand existing revenue stream in the local market.</td>
<td>Client makes FX revenue from their mark up.</td>
</tr>
<tr>
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<td>Merchants get a better deal from pricing, certainty and timing standpoints.</td>
</tr>
</tbody>
</table>

**Key Themes**
- Enabling the client to get better control of the FX element and take an active part in it.
- Combined solution using both guaranteed rates and WorldLink payments capabilities.
- Client benefits from a superior offering to its merchants, strengthens market position, grows clients base, all while generating additional revenue.
Some Factors that Clients Use to Determine Appropriate Solution

Some or all of the below factors are considered when determining how best to automate and embed the FX in their transactions process.

**Currency Mix and Size**
- Core vs. non Core currencies
- Transactions below a specific threshold

**Operations and Systems**
- Centralised vs. decentralised processing centres
- Single vs. multiple technology systems (ERP, TMS, other)
- Operations Resources
- Treasury Policies

**Paying Entity**
- Individual departments vs. central entity
- Pay on behalf of entity
- Outsourced third-party
- Profile: new vs. temporary

**Risk, FX and Funding Strategy**
- Risk Appetite
- Linked to operating cash flow
- Based on other factors (future spend, view on country/FX risk), etc.

**Restricting Factors**
- Currency control restrictions
- Local account requirements
- Pay on behalf of restrictions

**Payment Type**
- Treasury
- Supplier
- Payroll
- Expat

- Supplier Information
- Instruments
- Reconciliation
- Sensitivity
Making a Typical Cross Currency Payment

Multiple Steps and Multiple Parties are Involved per Payment

1. FX Request is Made for a Cross Currency Payment
2. Company ‘Shops’ around for an FX Rate
3. Documentation is Sent to the FX Provider for Verification
4. Instructions to Send “Sold” Currency to FX Provider
5. Wait for “Bought” Currency to be Credited to Cash Account
6. Instructions Sent to Cash Bank
7. Cross Currency Payment is Processed and Reconciled

Avoidable Steps

Treasury Team
Cash Management Team
In Country AP/Finance Teams
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