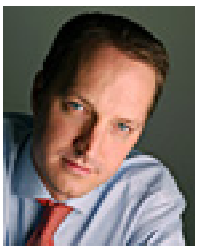
Deutsche Bank
Global Transaction Banking

TreasuryPulse

Passion to Perform

Improving Visibility Over Cross-Currency Payments



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While the current top priorities for corporate treasurers remain largely unchanged — managing liquidity and cutting costs without damaging revenues — these will have been noticeably accentuated in the wake of several turbulent years for the global economy. While many of the traditional routes to cost cutting such as, for example, reducing head count and limiting development spend, may have detrimental effects on future growth, there are certainly some back office areas where cost savings and increases in efficiency can be achieved with relatively little effort or risk.

High-volume, low-value cross currency payments is one such area. Due to their individually low values, these types of payments do not come under the remit of treasury in many larger corporates and are therefore handled by individual operational teams such as accounts payable or payroll. This means treasurers may not have proper oversight of the costs involved in these transactions and potential inefficiencies are going unnoticed. Indeed, the aggregate value of such lower-value transactions may amount to many millions of dollars or euros, and so even a small increase in the efficiency of individual payments can yield significant savings.

Inefficiencies in this area can stem from a number of problems.

First, a lack of transparency in the foreign exchange rates being applied. Banks build a spread into their daily rate to account for intraday fluctuations, and then the cost of this is passed on to the client. Automatically assigning a live market rate to each individual payment can therefore assure that a fairer price is achieved, potentially delivering considerable savings over time.

Second, the fees levied by many banks on cross-currency payments remain high due to the level of manual processing involved. Using a highly automated web-based platform that delivers high straight-through-processing (STP) rates can therefore also be a route to significantly lowering the costs incurred by corporates making large numbers of such payments.

Third, and more broadly, greater automation across the entire process would certainly deliver efficiency savings to both corporates and their banking partners. Manual processes are inevitably a cause of significant time being wasted on investigating errors and exceptions. Reconciliation time can therefore also be positively impacted through the use of the kind of comprehensive reporting tools that are normally found on the latest electronic banking platforms. Indeed, automating the process of assigning a live market price to individual transactions of all sizes allows treasurers to treat these smaller items in a similar fashion to high-value cross-currency payments.

FX4Cash

While, in the conventional model, corporates may need to maintain a number of different currency accounts to make payments to different countries, the latest cross-currency payments platforms — such as Deutsche Bank's *FX4Cash* — can remove this need as they leverage the bank's own correspondent relationships. They can also deliver significant savings through securing better foreign exchange prices, as well as benefits in terms of transparency and control, to corporates making large numbers of low-value cross-currency transactions. However, with this back office area currently falling below the radar in many institutions, the initial challenge may be raising awareness of the hidden foreign exchange costs and the solutions that are now available.