

INSIGHTS FROM CASH MANAGEMENT, US

TreasuryPulse

Global ACH Options Help Corporations Streamline International Payments

Corporations doing business around the world increasingly are looking to streamline payment processes. Banks are supporting this strategy by offering online payment-initiation solutions that eliminate the need for corporate clients to use multiple payment formats.

What's more, on the horizon are bank services that will allow global US companies to make cross-border, electronic Automated Clearing House (ACH) payments without opening bank accounts in the countries where beneficiaries reside.

ACH and Shared Service Centers

Due to the multitude of clearing systems, rules and regulations, making payments internationally can be complicated and expensive. For example, just to pay foreign vendors, administer payrolls and collect fees globally, companies have often created international checks as well as maintained multiple, country-specific payment formats and bank relationships.

Furthermore, making electronic payments for many companies has been an expensive proposition when it has involved the use of wire transfers, which historically have been the preferred global e-payment method.

Today, however, the trends are clear: To reduce costs and gain efficiencies, corporations are shifting as many international payments as possible from paper-based payments and wire transfers to local ACH channels on a global basis, and centralizing payment initiation in treasury or shared service centers.

In addition to lowering costs and adding efficiency for the originator, ACH processing preserves principal. Unlike with international wire transfers and checks, intermediary and receiving banks cannot deduct fees against the principal amount or apply collection charges in the case of check processing. This assures that the beneficiary receives exactly the amount sent by the originator.

db-worldPAS

Deutsche Bank offers clients the ability to streamline electronic payment initiation through db-worldPAS, the Bank's solution for global payments and collections processing.

Currently, using the db-worldPAS system, corporations can initiate ACH payments to 39 countries. To make a global ACH payment, however, a corporation must establish a resident bank account in the destination country, in order to access the local clearing system.

Companies use a single, online interface to send instructions for all of their global payments — check, ACH and wire transfers — to Deutsche Bank, using just one preferred payment format. Some of the formats clients are using include: ANSI X12, the US electronic data interchange (EDI) format; EDIFACT, the global EDI format; IDoc, the standard produced by SAP systems; and CSV, a file format supported by many enterprise resource planning (ERP) systems.

Global ACH with FX Conversion

By mid 2008, Deutsche Bank plans to introduce a global ACH service that will enable corporations to send payments to countries where they don't have resident bank accounts. The service will provide the foreign exchange conversion necessary to complete the transaction but won't require maintaining and reconciling a separate, non-US bank account.

When this service becomes available, clients that send wire transfers to countries where they don't have resident accounts may want to consider the less expensive option of global ACH with FX conversion for those payments. The service will make the most sense for corporate-to-corporate payments, such as vendor or other accounts payable payments, in addition to international pension, payroll and dividend payments.

International ACH Transaction (IAT)

Another new development on the global ACH front is the International ACH Transaction (IAT), a proposed standard entry class code being put to a vote this summer by NACHA – The Electronic Payments Association. The IAT would replace NACHA's existing cross-border transaction codes, PBR and CBR, and if approved would be introduced in March 2009.

The IAT is NACHA's response to the Office of Foreign Assets Control's goal of improving its review and filtering of payments between US banks and foreign countries. The IAT will include additional data fields to support the greater payment detail this requires.

Until the IAT is finalized and approved, it won't be clear whether this development will impact Deutsche Bank clients.

For more information about the International ACH Transaction or to discuss ways of making your company's global payments processes more efficient, contact Yolanda Casais, ACH Product Manager for the US for Deutsche Bank, at (212) 250-9216 or Yolanda.r.casais@db.com.