

Do They Pass The Test?

Seven ways to evaluate a multicurrency transaction service

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Deciding how best to manage your multicurrency transaction needs opens a Pandora's box of possibilities to even the most experienced global financial executive. What processes will maximise liquidity, rates and accuracy? What payment options will handle the shifting flow of varying currencies? What platforms will integrate into your existing business systems, as useful to the individual as they are workable enterprise-wide?

With increasing global complexities and industry competitiveness, companies are demanding maximum convenience, flexibility and cost effectiveness in managing their international payments. One simply has to look back one year, with the advent of the euro, to understand how ripples of change spread throughout the industry. With more countries likely to join the EuroZone, signaling more changes ahead, it is imperative that multicurrency transaction providers be full global participants in the foreign currency arena - well versed and well positioned to bring clients the services and advantages they will need.

To assist in the evaluative process, the following are seven important attributes that you should look for when reviewing a multicurrency transaction service provider. Consider them a starting point, as they raise core issues common to most global companies.

1. Transaction structure: does it increase efficiency and lower costs?

The key to efficient multicurrency transactions is the avoidance of having numerous accounts in different currencies. Look for a service with a single account structure that can handle all your currency needs, at fluctuating volumes, with comprehensive reporting and tracking capabilities. A streamlined transactional structure will help you avert the time-consuming reconciliation of multiple accounts, along with unnecessary account and transaction fees. This means you are not burdened with idle balances, separate foreign exchange purchases for each transaction, or separate settlement for each currency. Additionally, a reconciliation capability that is embedded will uncover errors quickly and automatically. This greatly increases the chance that you will detect any inconsistencies.



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2. Foreign exchange: can you access more competitive rates?

Whether you do high or low-volume transactions, it is helpful to use a multicurrency transaction service that allows you to aggregate or “bundle” payments so you can take advantage of the best rates. The service should also provide you with 24-hour, real time access to foreign exchange rates. Additionally, it's a good idea to find out when those rates go into effect - at the time of payment, or after. Of course, it is beneficial for you to know your transactional costs upfront, versus experiencing unwelcome surprises later on.

What's more, carefully review the service's rates across a spectrum of currencies. Are they competitive for all your possible currency needs - the minors and exotics, as well as the majors? Whether you're making payments in Thai Baht, British Pound, Japanese Yen or Swedish Krona, you will want to know that you are getting a competitive price.

3. Currencies: how broad and deep is the provider's experience?

With expanding opportunities around the world, the time is right to work with a multicurrency transaction service provider experienced with the currencies you do business in today - and the ones you could very well transact in tomorrow. Find out if your provider is well versed in the common and relatively obscure local clearing requirements and the unique payment collection procedures of countries throughout the world.

There are over 100 currencies in the foreign exchange markets, so it's critical to know how many currencies your provider handles on a regular basis. By having in-depth knowledge of an extensive range of currencies, your multicurrency transaction provider can help you avoid problems so that your funds will move swiftly and safely.

4. Risk: can the provider minimise your exposure?

Additionally, an experienced service provider should be able to provide products and procedures that reduce your exposure to counter-party risk, currency devaluation and cheque fraud. Those entities that have global on-ground expertise - with knowledge of the specialised markets - will have security features and procedures in place to provide protection of your transactions. An extensive local presence is particularly helpful if you deal with exotic currencies, which often have more cumbersome settlement procedures. And a blue chip, global provider (versus a third-party service) has the resources required to quickly investigate and resolve a transaction that has gone astray.

5. Payments and receivables: does the provider offer both?

In today's economic climate, many companies are looking to consolidate providers and save money. One way to achieve this is to find a multicurrency transaction service that can handle receivables as fluidly as it handles payables. Whether you need to process multicurrency stock purchases by employees of corporate subsidiaries around the world, or book vendor remittances, finding a resource that can integrate multicurrency transactions in both directions can help save money. In addition, the ability to handle both payments and receivables can streamline operations, and potentially open doors for new business and productivity.

6. Business-building opportunities: are there any "bells and whistles?"

These days, it goes without saying that finding new streams of revenue are essential. One way financial institutions are doing this is by offering multicurrency transaction services to their customer base. With no intensive capital investment in IT and without long periods of ramp up time, some financial institutions are "embedding" their provider's multicurrency transaction service right into their Web-banking channel. The good news is that there is no special training of personnel required for implementing this international transaction capability into the financial institution's Web-banking channel. Financial institutions can offer a range of payment options, with foreign exchange done online and in real-time.

Additionally, automated processes, such as a beneficiary deduct feature, are useful "extras" when evaluating multicurrency providers. This capability will allow you to conveniently deduct transaction fees from payment amounts, thereby eliminating or reducing your transaction costs.

7. Platform choices: are there enough to satisfy your IT department?

Functionality can be compromised if your multicurrency transaction service does not meet all the needs of your unique operating environment. First, consider the range of delivery channels offered - be it browser-based, file transmission or S.W.I.F.T.TM Then find out how robust those channels are - do they offer the fullest array of services possible? Decide upon your absolute needs, as well as your "wish list" features.

Companies who use enterprise-wide systems like SAP®, Oracle® and JDE® are wise to find a multicurrency transaction service that can handle the high volume flows and special transmission methods necessary for those systems, such as FTP, VAN and leased lines.

Ultimately, platform choice is an area that is fundamental to the selection of any multicurrency transaction provider. Don't be surprised if your treasury department will have a different point of view from your IT department as to what is a "deal breaker" in transactional capability. Listen to everyone. Then discuss these issues with your multicurrency transaction provider - one that knows how to address everyone's needs and can help your company implement one functional system.

Evaluate...and then decide.

The seven attributes discussed above serve as a checklist for evaluating a provider, or a discussion guide to use for your meetings. In summary, keep in mind that a multicurrency transaction service that can support your unique business needs could play a valuable role in helping you navigate the complex and constantly shifting landscape of global currency transactions. From research, to execution and settlement of transactions; from payment options to platform choices; from spot foreign exchange and forward foreign exchange purchases; to majors and emerging market currencies - it is prudent to consider a multicurrency transaction service that can provide you with the resources, global presence and knowledge you need. And if they pass that test...your business can go to the head of the class.

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