

Asia Payment Challenges

How can they be managed?

IN ASIA PACIFIC'S varied and changing marketplace, corporate treasurers and finance managers face constant challenges in their payments management processes. In order to meet these challenges, the first question that must be answered is why payment services in Asia are so much more complex than in other parts of the world?

MARKET CHALLENGES

To begin with, there is the great diversity in payment settlements of the Asian marketplace. With more than 20 countries



China and India - two markets undergoing rapid change in payment settlements.

at varying levels of size and sophistication, payment practices range from paper-based to a combination of paper and electronic settlements that can either be real time or batch processed, to fully electronic. For countries that are developing such as China and India, market changes are dynamic. Clearly, companies need to be able to execute different types of payments in different markets.

The multiple clearing infrastructures in many Asian countries are also not uniform. This creates challenges for companies who operate regionally. As a first step, treasurers need to understand each market's diversity and complexity. With this in mind, they can work with their financial service providers to structure effective payment solutions that match the workflows of their company's operations. The presence of multiple clearinghouses

may also pose problems concerning how best to transfer funds to beneficiaries in a timely and efficient manner.

The regulatory environment in each country presents its own set of challenges. Certain countries have an open foreign exchange policy, while others are tightly regulated. For example, countries such as China and India companies must submit all relevant documents of the remittances to their bank for vetting before payments can be effected. As a result, the process becomes manual and makes it difficult to

adopt a high straight-through-processing (STP) rate.

Given the fragmented payment infrastructure across Asia, adopting a standard file format for all payments is therefore difficult to achieve.

THE DRIVE TOWARDS EFFICIENCY

The ultimate objective for most treasurers is to have control, transparency and the maximum amount of automation possible across their payment processes. This entails achieving a higher level of standardization and consistency, not only in how payments are effected, but also in the reconciliation process. Standardization in payment transactions includes file formats, payment types, authorization workflow, transaction reports from the banks, and information from banks for reconciliation.

The requirements and needs of treasurers

also depend on their company's size and growth profile. As companies expand their business across borders, their payment requirements change. Payment needs tend to become more sophisticated and this is usually accompanied by greater investments in Enterprise Resource Planning (ERP) systems.

COMPANIES' PAYMENTS REQUIREMENTS

Regardless of the size, companies doing business in Asia must look to their banks for cost and time effective payables solutions. Companies' requirements may include:

- **Automation and standardization** via restructuring of back-office systems to handle a high volume of transactions, and achieve a higher STP rate
- **Integration** with ERP systems or account payables systems
- **Real time information and transaction initiation** for better working capital management
- **Sending payment information to beneficiaries**, enabling beneficiaries to better manage their own cash flows
- **Data feeds** to automate reconciliation and accounts payables ledger posting
- **Professional advice** such as guidance regarding the optimum payment mode to correspond with the company's operating objectives in each markets where they do business
- **Client service** to respond expeditiously to queries/payment status requests

The objective of treasurers is to achieve internal efficiencies. The entire financial supply chain is the beneficiary when best practices can be implemented. The benefit to the whole company is greater than the sum of the benefits to the individual parts. In other words, financial settlement is just one of the steps to unlocking shareholder value in the supply chain management.

HOW THESE CHALLENGES CAN BE MANAGED

Citigroup has the knowledge and tools to provide the broad and flexible range of payment services required in Asia. We also have the technology and expertise to deliver payment services in the most cost-effective and efficient manner.

Direct access to clearinghouses

Citigroup has direct access to a wide range of clearing centers across Asia. This not only helps achieve error-free processing, but also to secure access to the most competitive cut-off times to initiate payments. Citigroup is capable of delivering centralized payable service through our own in-country banking network. This allows companies to maintain their main operating account with Citigroup, eliminating the need for 'overlay structures' with other banks.

Alliances with key local banks

In countries where the clearing infrastructure is wider than our branch network, Citigroup has developed special alliances with local banks to achieve the widest possible clearing coverage. Our network of clearing alliances enables us to localize payments, eg. clear payments in the local or provincial clearinghouses where the payment is initiated. This enables beneficiaries to receive funds earlier, benefiting parties further down the supply chain. The expanded network also provides low cost options as well as better cut-off times for instructions to Citibank – with no extra charge to you, and no delay in payment executions.

Global network

For cross-border payments, Citigroup leverages our vast global presence to effect the payments and uses our own branches as intermediary banks – thus reducing the number of intermediaries in the payments chain. The fewer the number of intermediaries, the more time and cost-efficient the funds transfer process. WorldLink® Payment Services is our unrivalled international payments service and has been successfully used in Asia Pacific for over 20 years. WorldLink allows clients to effect payments in more than

130 currencies without the need to establish individual currency accounts. The payment is treated as a local clearing item when presented by the beneficiary at the payment location, ensuring a shorter clearing time with no clearing fees imposed on the payment.

Outsourcing solutions

For maximum check payment efficiency, we offer outsourcing solutions that enable companies to hand us the repetitive tasks of printing, signing and dispatch of payment orders to Citigroup. This can be carried out on bank instruments, or in markets where it is preferred, on customer instruments.

Additionally, Citigroup can structure the more familiar 'positive pay' or controlled disbursement solutions. For companies who want to bring efficiencies down to parties in the supply chain, we offer fax and e-mail beneficiary advising services as well.

Technology

Best of all, Citigroup's payment services are accessible on a real-time basis, through CitiDirect® Online Banking, our award-winning web-based delivery platform. The robustness of this platform is reflected in its remarkable performance; executing an average US\$1.3 trillion payments every month globally for some 20,000 customers in 22 languages.

RELATIONSHIP IS THE KEY

Our primary focus is on partnering with our clients to help minimize manual processes and achieve the highest level of efficiency in their payments process. We

work closely with our clients to integrate with their ERP or back-office system to achieve a high STP rate for both domestic and cross-border payments. The results can be seen in streamlined work processes, fewer errors, cost minimization, and greater flexibility in payments executions.

Citigroup draws on vast regional and international experience with a broad range of clients from all different industries. Our dedicated team of cash management experts knows how to guide you through the best possible payment options, from beneficiary advising – to payment tracking – to shared service centers.

As payment trends evolve and competition continues to intensify, our clients can depend on Citigroup's payments solutions to assist them in improving productivity across the entire value chain while simultaneously enhancing security and control. As a leader in technological innovation, backed by extraordinary expertise in the payments industry, we help our clients stay ahead of the curve.

Whether yours is a multinational or domestic company, a financial institution or a public sector organization, no one is better positioned than Citigroup to help you manage your payments in Asia Pacific more efficiently and effectively.

For more information about how we can help your payables process, please contact your local Citigroup Global Transaction Services representative or the below.




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