



IBOS - NEWSLETTER JUNE 2010

International Banking - One Solution

*IBOS Conference 2010 - KBC Bank Head Office,
Brussels, Belgium, 19th May 2010*

Where to next for Treasury and Cash Management?

“The interaction amongst corporates, bankers and industry speakers was brilliant.”

International banking group **IBOS**, whose members include Santander, HSBC France, Intesa SanPaolo, KBC, Nordea and UniCredit Bank, has announced the result of their private summit in Brussels on 19th May.

The summit was called against the backdrop of the issues facing European and global banking, such as increased government legislation, and restrictions on higher risk trading, on which many banks' overseas branches depend.

At the summit, the IBOS group reaffirmed its intention to work together to provide seamless international banking for their corporate clients, who are now rapidly expanding post-recession.

Speakers Included:

Bob Lyddon, Managing Director, IBOS Association

Olivier Brissaud, Board Member in charge of European Affairs at the European Association of Corporate Treasurers (EACT) and Chairman of the Board of the Association of Corporate Treasurers, Belgium (ATEB)

Tim Allison, Group Treasurer, Logica plc

Simon Powley, Head of Corporate Finance, European Finance House

Johnny Roos, Senior Consultant for International Cash Management at KBC BANK N.V.

Dietrich von Krosigk, Director of Administration & Finance for Panasonic Electric Works Europe AG

Markus Meissner, Head of International Cash Management sales Germany, Global Transaction Banking, UniCredit Bank AG

The agenda included a number of presentations from corporate treasurers, as well as panel sessions and open discussions around major developments in domestic markets of key participating banks.



The main theme was how corporate and banks should be working together productively, against the background of major difficulties in equity and debt capital markets.

Those difficulties were underlined by a speaker representing Middle East investors. Nevertheless corporates are currently well-funded, have tapped markets when they have been open, and put their own houses in good order in terms of liquidity management, and debt levels.

Now they stand ready to exploit opportunities from the economic upturn, but with a key open question: what bank services are required to support this and which banks are out there ready and willing to deliver?

“It was fantastic”

IBOS – future-proof model:

Bob Lyddon, Managing Director, IBOS Association

Bob Lyddon, Managing Director, IBOS Association, responded to this challenge by characterizing IBOS as a future-proof model that is in expansion mode.

IBOS is a collaboration amongst major banks and their subsidiaries to deliver cash management solutions to corporates.

The current key statistics about IBOS' scope are:

- 12 member banks
- 19 of their subsidiary banks
- 31 banks in all
- 28 countries
- 24 countries of the EEA, plus Russia
- All of USA, Canada and Mexico

The banks use IBOS to round out their own country coverage and to include the local services within a complete framework, to enable all local banking to be done under one roof, and then for cash to be visible and mobilized by the central treasury. All this is accessible through the corporate's main bank, and there is a support and Relationship Management infrastructure between the banks so as to assure the customer that they can operate the service as if all parts were being delivered by the same bank.

IBOS is increasingly important to its members and an increasingly attractive business model generally in the current phase, where banks' own networks are not necessarily increasing. Indeed many banks are under pressure to focus only on a fewer number of 'home markets', where the bank has critical mass in a number of lines of business and customer segments. A corporate might then have to make all its arrangements independently with a very large number of banks, if there were not an organization like IBOS to enable access to a large number of countries through one set of documents and protocols.

The services side of the bank-to-corporate relationship seems set to increase in importance, as banks' lending capacity is restricted whilst capital markets are still open for corporate. Bob reviewed the issuance volumes in several instruments used by corporates, in the period 2007 to the current date, and the market appetite for corporate paper appears undiminished; indeed corporate paper is regarded as a safe haven. If the lending side is not a high priority for corporates right now, the global services side certainly is.

But is that just for outside Europe? Surely with SEPA just around the corner there is no need for an IBOS in Euroland?

"Cooperation among banks has never been more important, especially with the major players now concentrating on their home markets. We are also in talks with a number of other major banks who wish to join the IBOS network to further extend the global reach of our international corporate banking services."



**IBOS Managing Director
Bob Lyddon**



**Chairman of the Board ATEB
Olivier Brissaud**

Prospects for harmonisation of payments markets in Europe:

Olivier Brissaud, Board Member in charge of European Affairs at the European Association of Corporate Treasurers (EACT) and Chairman of the Board of the Association of Corporate Treasurers in Belgium (ATEB)

Bob then handed the baton to Olivier Brissaud, Board Member in charge of European Affairs at the European Association of Corporate Treasurers (EACT) and Chairman of the Board of the Association of Corporate Treasurers in Belgium (ATEB)

Olivier spoke about the prospects for harmonisation of payments markets in Europe. The ambitions from the corporate perspective are clear: to achieve end-to-end STP, and thus enhance efficiencies.

Olivier stated that we are just at the very beginning of a truly interoperable, transparent and efficient payment landscape in Europe. There are a lot of gaps in what is on the table at present: only some payment means are in the scope, not all banks are reachable yet, and there is a gap between the users' needs and what is on the table.

The users have been very active but were invited to the discussion too late, there only recently being a proper dialogue between the European Users Committee (EUC) and the EPC.

Specifically regarding the SEPA Credit Transfer, the EACT has been very active and developed the structure for the otherwise unstructured part of the remittance advice.

There are many important open issues, such as who is the owner of BIC in the IBAN+BIC data, the time long wait for real products based on the SEPA Direct Debit, and the limitation of the SDD to Creditor Mandate Flow only.

Regarding governance, it is hoped that the new SEPA Council will set the tone, and that technical meetings should continue to take place with users – but there is a long way to go. Corporates would like to see the scope widened to include trade finance-related instruments, but right now we are just at the start of the road.

"This conference was very helpful and interesting."

“Attendees really enjoyed the high level discussions”

Panel discussion on longer-term drivers for Treasury structure and operations in the light of what is going on in external markets now: facilitated by Bob Lyddon

In order to come at the topic from a different angle, there was then a panel discussion taking in the Market, Regulatory and Corporate perspectives, so as to focus on the longer-term drivers for Treasury structure and operations in the light of what is going on in external markets now.

Tim Allison, Group Treasurer, Logica plc, spoke to the corporate view of capital markets, which is that they have been consistently open, and that corporates have used them to build war chests, while at the same time improving their own liquidity and efficiency. Corporates are ready-to-go as and when there are opportunities, wherever in the world those opportunities present themselves.

Simon Powley, Head of Corporate Finance at European Finance House, the European investment subsidiary of Qatar Islamic Bank then spoke about how the banks and countries who have money view what is going on in Europe currently.

The view is highly sanguine. Investors view sovereign risks like Greece very poorly; the establishment of EUR750 billion stabilization fund is welcomed but the amount is regarded as inadequate; commercial banks are regarded as harbouring risks that have not yet been fully disclosed and provisioned. That's what the markets mean by 'contagion risk', namely that there will be no appetite for paper from banks who are suspected of having underprovisioned risks, nor appetite for sovereign paper where the public finances appear out of control. The amount of debt refinancing needed by sovereigns and banks over the next year is extremely large, leaving aside the potential need for banks to raise considerable extra amounts of equity to meet higher capital adequacy ratios.



Head of Corporate Finance at European Finance House

Simon Powley



“It was one of the best I attended”

A Regulator perspective was given by **Nick Crosby, public affairs consultant based in Brussels**, former director of the 'European Movement UK'. Nick's focus was the priorities, given the current turbulence of the European Commission under the new relevant head of Financial Services, Michel Barnier, who replaced Charles McCreevy.

This is a new team having to get to grips with a major crisis. Barnier's first statements have all dealt with stabilization, how to ensure that governments do not have to bail banks out again, and very little about SEPA, MiFiD, PSD and the initiatives we have known over the last years to do with creating a Single Financial Market. All the same Nick's view was that the Commission would in short order call for a renewed effort to integrate the financial markets, precisely in order to give the Euro more substance. That would include a greater alignment of financial policy between the different members of the Euro.

It is hard to see how the Commission can get real focus onto the detail of something like SEPA, in other words onto the intricacies of message layouts, reachability and so on, when the crisis is playing out on a more dramatic and immediate level, and questioning the very structure and existence of the Euro itself.



“Contents, ambiance and attendance were high quality!”

Country Table Sessions, Topics & speakers

Having advertised that we wanted to get a lot of interaction between delegates and to hear about the issues they wanted to discuss, we experimented with a format of sessions in the morning and afternoon breaks.

We called these the Coffee and Table Discussions, as in Morning Coffee and Afternoon Tea.

Delegates were invited to join any one of the three parallel topic discussions held informally around a coffee table, on major topics of current interest, in both banking and payments. They could move freely between the discussions or have a discussion separately just as they wished. This format went down really well, according to the delegate feedback. About 70% of delegates participated in the table sessions and the remainder had discussions of their own.

An open forum for corporate topics was hosted by **Simon Bailey, Director - Payments & Transaction Banking, Logica plc**, in both the Morning and Afternoon sessions.

In the morning we also had:

Table 1 - Major changes in the French domestic payments environment in 2010

Hosted by Isabelle Montaron Head of CMB Sales, Global Payments & Cash Management, HSBC France

Table 2 - Implications of the entry into force of Payment Services Directive for Direct Debits in Spain

Hosted by Luis Fernández Pedregosa, IBOS Coordinator, Banco Santander S.A.



"Good organisation"



In the afternoon we also had:

Table 1 - The Nordic area: 4 countries, 4 payment infrastructures and 4 currencies - 12 obstacles?

Issues and trends in optimizing cash management in the Nordics, hosted by Lisa Ferbing, Alan Scheller, Mats Conradson and Nina Borckenfeldt from Nordea

Table 2 - Adaptation of Italian payment environment to comply with PSD and adopt new services for SEPA and the Financial Value Chain

Hosted by Maria Grazia Calcagno, Direzione Marketing Imprese, Ufficio Prodotti di Raccolta e Sistemi di Pagamento, Intesa SanPaolo

There's a lot of change going on in these domestic markets, much of it to do with the simultaneous introduction of:

- Payment Services Directive
- EU Regulation 924/2009
- Obligatory reachability for EU banks to the SEPA Direct Debit Core Scheme

Many of the changes are part of the respective country's SEPA Migration Plan, but the outcome in each country is looking fairly unique to that country. Does the outcome equal harmonization? That is the open issue for corporates.

"I am convinced that it was the right decision, to do European cash pooling with UniCredit and IBOS."

Summary of 'Open Forum' Table Sessions

The open forum was hosted in the morning and afternoon breaks by Simon Bailey of Logica plc.

Corporates were keen to bring on the table the practical issues of consolidating payments provision, from the perspective of multi-country corporate treasurers. Examples included

- the obligation in Lithuania to hold an account with the bank which holds the account of your employees – unless you want to pay extra fees.
- the variations in cut-off times and the difficulty of knowing when cash will be available.

Both banks and corporates added that this problem seems to have become worse post PSD: the obligation to provide transparency has made local variations very visible. Perhaps the PSD has given transparency without the simplification that had been intended.

Bank holidays are still no way close to being aligned across the EU, and Euro-in banks have different levels of service on their local bank holidays which are not TARGET holidays.

It is an increasing challenge for fast-growing young companies to open accounts in other regions without a credit history – despite easy access to lending! That's a place where IBOS' service scores highly.

Corporates generally don't seem to be very aware of IBOS and the facilities it can provide through their lead bank – it is known to be a big challenge within banks to get product knowledge to the right RMs, given internal organisational and alignment issues, so as to supply the potential value of IBOS-based services to a wide variety of clients.

“Contents, ambiance and attendance were high quality!”



Summary of Concluding Panel Sessions

As a final panel session, we brought together Tim Allison, Markus Meissner and Simon Powley to sum up the day. Bob Lyddon acted as the interviewer.

The next two or three years are going to be very tough in the equity and debt capital markets. Corporates have tapped those markets and have good levels of liquidity, but sovereigns and some banks are going to have to pay up for the very large amounts of refinancing they need to source. Corporates, by contrast, are regarded as a safe haven.

Corporates are increasingly going global, both for sales and for sourcing goods and services, but there is a shortage of global banks. In fact the corporate is already having to travel somewhat more in order to meet banks to arrange services: that could get worse, perhaps not for UK corporates because London should remain a European base for banks, but for continental corporates who might previously have been able to meet a bank in Frankfurt, or Paris, or Madrid.

By contrast the IBOS service – accessible through the partner in the corporate's own country – looks well attuned to the emerging environment, and is extensible, since it is not highly exposed to changes in the foreign branch network policies of individual banks: an IBOS bank should already be by definition operating in one of its "home markets", otherwise it would not be capable of supporting the full local service range that is a core criteria for gaining entry.

“Great content”



Corporates' ICM needs going forward:

Johnny Roos, Senior Consultant, International Cash Management, KBC BANK N.V.

Immediately after lunch we had a view from a bank of what they see as being corporates' International Cash Management needs going forward, and how banks can service and support them.

Johnny Roos, Senior Consultant for International Cash Management at KBC BANK N.V. particularly contextualized this in terms of what has been happening internally at the bank.

The bank is concentrating more heavily on its own 'home markets', which are Belgium and the five C&E countries where they have made major acquisitions. The bank has critical mass in these markets over a number of business lines and market segments. KBC is then in a sense a manifestation of the trend in banking to concentrate on fewer geographies.

On the other hand the bank has many corporate customers who operate outside that footprint, and a very large majority of those customers want their bank to coordinate ICM for them, and globally.

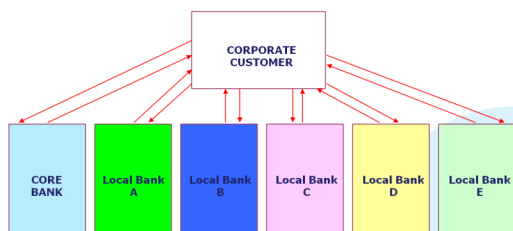
The services and support specifications are known: accounts, information, payments, centralization of cash balances, all within an electronic banking environment.

As a result, KBC's ICM footprint has to go beyond what the bank can support, and the IBOS network provides a very large part of the required extra footprint, to the same service level and with the same messaging and protocols as are used in-house.

For the corporate this is also more effective since managing a solution composed of local banks can be onerous and messy, requiring many agreements:



Local bank solution



15/06/2010

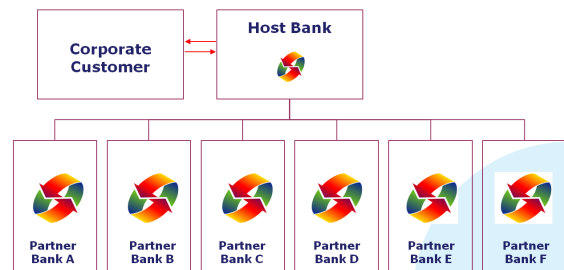
"Very good"



Whereas IBOS requires fewer agreements and can be accessed readily through the Host Bank, KBC in this case:



The partner bank solution IBOS



15/06/2010

Thus the bank can implement and support an effective ICM solution that is fully functional, well-priced and well-supported. The risk of not having such a solution is that customers go to a bank that can do this, and not just for their international business.

IBOS, on the other hand, is a model that is capable of being expanded on the same basis, to any country where the services are permissible. It's a great solution to be able to call upon.

"High quality"



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To respond to the view from the bank side, we then had a detailed view from the corporate side, namely from **Dietrich von Krosigk, Director of Administration & Finance for Panasonic Electric Works Europe AG.**

“Great content and a very interesting conference”



“A job well done”

The company’s dynamic growth both organically and via M & A activities raised a number of issues but mainly that there was no banking scheme for the group. The group wished to optimise liquidity of the whole group, whereas subsidiaries/ decision makers did not have the global view of the group. Subsidiaries had different

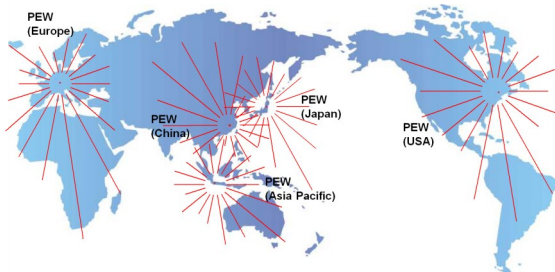
selection criteria for banking partners, based on a close relationship, physical proximity and reputation.

The group’s objective would be met only via an easy and low-admin Zero Balancing between the pool leader and pool participants; the banks used had either to be in UniCredit Group or an IBOS member.

Sounds easy, but all stakeholders had to go with the solution: decisions makers of the group / mother company have to support project team. To get that support many company-specific criteria like branch network, products, pricing, overdraft facilities etc. have to be listed.

In order to build confidence in the coordinating bank amongst the stakeholders, the bank needs to supply additional services like information about tax and legal issues (i.e. stamp duty), inter-company contracts, and how to realise the "Arm's length principle" within the scheme. UniCredit, with IBOS, meet these needs.

Panasonic Electric Works (PEW)
World-wide - 5 Poles

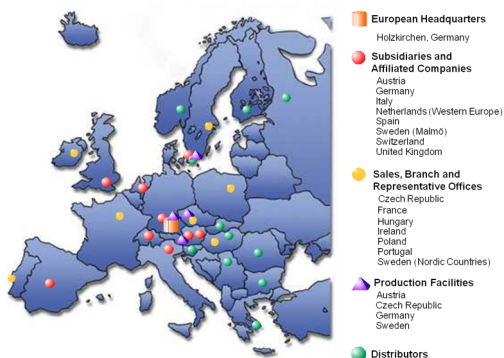


Number of employees: 56,848

The topic was the criteria for bank selection of an internationally active corporate group. **Markus Meissner, Head of International Cash Management sales Germany, Global Transaction Banking, UniCredit Bank AG** participated to explain exactly what solution had been constructed by UniCredit for Panasonic and how, and where IBOS fitted in to that.

Panasonic Electric Works Europe has four production facilities, a number of substantial subsidiary and affiliate companies, and numerous sales, branch and representative offices. The locations are spread over 15 or more countries, a structure that results in a big range of bank services needs – but not really credit. The company is financed via an affiliated in-house finance company in the Netherlands.

Panasonic Electric Works Europe
European Locations



“Very interesting and the way the subject was presented were excellent.”

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International Banking - One Solution

Closing Statement from Bob Lyddon, Managing Director of IBOS, to the Deal Team at the IBOS banks who supported the event:

I would just like to take the opportunity to thank you - as main representative for the IBOS Conference - for a job well done. The hard and long preparations paid off in what was a highly interesting and very well executed IBOS Conference.

The panel discussions - where participants threw questions and comments at one another - were especially appreciated. The interaction amongst corporates, bankers and industry speakers was brilliant.

Delegate Feedback & Comments:

"Everything was very well arranged."

"After this meeting I am convinced that it was the right decision to do European cash pooling with UniCredit and IBOS, I will recommend the IBOS organization, internally at Panasonic and externally at other business partners".

"It was fantastic and I am very glad to have the possibility to attend the conference. Thank you very much".

"Great content and a very interesting conference! The IBOS concept is new for me, so it was quite a discovery. A very good basis to start with, when talking to our KBC relationship manager".

"To keep it short, I finish it by saying just one word"
"congratulations"!

"I found the conference - for a small one- very good"!

"Contents, ambiance and attendance were high quality!"

"I've attended about 10+ SIBOS and some EBA days and a lot of conferences; I have to admit, from a small conference perspective, it was one of the best I attended"!

"Good organisation, good sessions, nice lunch & drink, location was OK - as I live in Belgium", etc

"What made me the happiest was the quality of attendees -not a lot but good level, interesting and accessible"!

"Friendly ambiance, and quality in contents"!

"Very good, with spare time for informal discussions between customers and between banks and customers".

"Panel discussions - were the best parts of the conference. More time should be allocated next time to panel discussions".

"Attendees really enjoyed the high level discussions and the "ping-pong" amongst panel members themselves and between the latter and the audience".

"This conference was very helpful and interesting. It has been an opportunity to meet different treasury actors from banks and corporate, and also an opportunity to share our experiences".

"Many topics have been mentioned and detailed as Cash Management solutions and Market perspectives. It has also been the chance to meet our IBOS contacts from foreign banks".



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