

Managing Risk in the Global Payments Economy



By Howard Bascom, Trade Finance Services division head, The Bank of New York Mellon Treasury Services

Today, more than ever before, ensuring your company will remain viable as it seeks to enter into — or stay ahead in — the international marketplace is crucial. The ability to widely execute trade payments, enhance revenues and mitigate the inherent risks in doing so is key in maintaining that viability.

The international markets continue to pose unique challenges to U.S. domestic banks, importers and exporters who want to integrate flexibility — and reliability — when structuring their global payment transactions. Recognizing these rigorous challenges and the risks they pose to U.S.-based entities, The Bank of New York Mellon Treasury Services offers several solutions designed to help clients manage risk while forging ahead in the international marketplace.

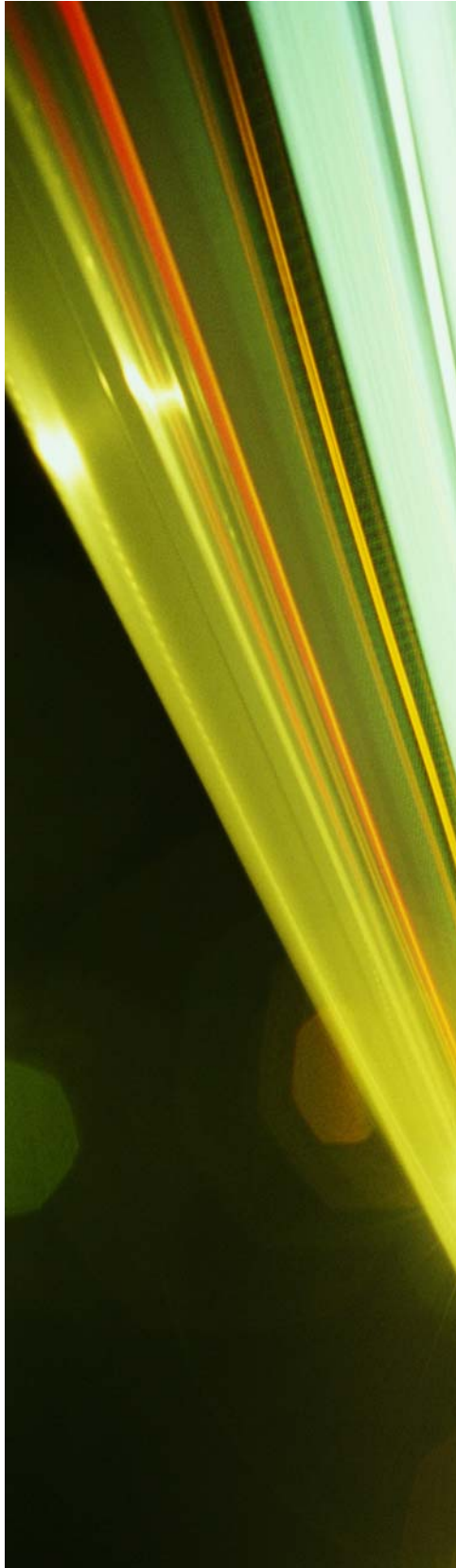
Letters of Credit: A Key Risk Management Tool

Improving economic trends have reduced U.S. exporters' need to confirm their letters of credit (L/C) — the document a bank issues as an irrevocable guarantee of payment — for smaller-dollar transactions. Conversely, the strong, global economy has also led to increased demand in emerging markets for large quantities of capital equipment/machinery.

As a result, large U.S. multinational exporters have found it necessary to remain conservative and continue to require confirmation of their L/C, which protects them from country and commercial risk and facilitates the final payment.

In managing a global risk portfolio, the confirmed L/C provides significant value, particularly to commodities companies that are also seeking to protect against market price fluctuations.

As a leader in risk mitigation solutions for exporters, with active involvement in more than 100 countries and in most emerging market economies, The Bank of New York Mellon Treasury Services provides L/C services to organizations as part of a comprehensive set of trade solutions aimed at reducing the financial risk of transactions between buyers and sellers.





Rated among the top four processors of L/C in North America, and as number one in U.S. commercial L/C outstanding (as a percentage of total assets), we remain one of the largest funds transfer banks in the U.S., transferring U.S. \$1 trillion daily.

International Trade and the Supply Chain

For importers, the risks inherent in making and securing international trade payments are also considerable. Close to 80 percent of all international trade is conducted on an open account basis in which payments are continuously issued and disbursed. Compounding this level of risk, the need to maintain and report on these accounts varies from business to business — and country to country.

As importers continue to demand extended payment terms, improved cash flow forecasting and reporting management to keep up with this open-ended payment and information flow, it is paramount to tie importer and exporter information together more closely in the physical supply chain.

Additionally, strong investment grade importers are looking to provide lower financing costs to their vendors, in return for lower unit costs.

Through an extensive array of global payment services aimed at reducing the financial risk of transactions between buyers and sellers, we offer importers the solutions they need to provide comprehensive reporting, cash flow management and forecasting, and cost reduction.

Our structured trade services offer customized financing solutions to support trade flows. Companies also can access our extensive outsourcing trade financing solutions to reduce operational costs while increasing efficiencies, and our online exporter collections are designed to streamline global payment flows.

For more information on The Bank of New York Mellon's Trade Finance Services, visit www.bnymellon.com/treasury or e-mail us at treasury@bnymellon.com.

The material presented herein is intended to provide a general overview of our services and should not be construed as an offer or commitment to provide credit facilities or services. The Bank of New York Mellon Treasury Services. Services may be provided by one or more legal entities of The Bank of New York Mellon Corporation. Not all services are offered at all locations.