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YOUR QUESTIONS ANSWERED



Q I'm the FD of a mid-market consultancy hoping to set up in the Middle East. Dubai's Free Zones are an attractive option – how should we go about setting up a new company and corporate bank account?

A For a company set up by an individual, all that is needed are a copy of a passport and letters of reference. New corporates setting up a company in one of the Free Zones can do so in one of four categories: Free Zone Enterprises (FZE), Free Zone Companies (FZC), Branch of Foreign Company or Offshore Company. For the first two, the company can be set up by individual shareholders or shareholding entities by applying to the Free Zone and obtaining a letter for opening an account. The procedure for a capital account and current account is similar; companies must submit standard documents for account opening. After obtaining approval from the Economic Department or Free Zone authorities, approach the Economic Department with a list of desired company names. Following approval, the company (depending on its constitution) gathers the necessary documents and approaches the bank to open the capital account. In the case of sole proprietorship, partnership or branch of a foreign company, you can approach the bank directly with all documents. For a new Limited Liability Company (LLC), the bank opens a capital account and forwards a Capital on Deposit (COD) letter to the company, which is sent on to the Economic Department, and the trade licence is obtained. A copy of the licence is given to the bank for release of the capital and conversion of the capital account to a current account. **For more information, contact Maya Williams-Rao, HSBC's Regional Head of Marketing for Commercial Banking and Global Transaction Banking in Dubai: mayawilliams-rao@hsbc.com**

Q We are a UK-registered business with operations in Asia-Pacific. We accrue revenues in several countries in the region and are keen to make surplus liquidity work harder. Any advice?

A Mobilising funds in Asia – either domestically among subsidiaries or across countries – demands careful consideration of the legal entities, currencies and countries involved. Getting down to specifics – using multiple/single currency pooling as an example – a company can establish a regional/global treasury centre for centralised management of a non-regulated currency (or currencies) whose positions are offset for interest compensation. Funds pooled from different group companies can thus be managed actively for investment and/or loan repayment elsewhere, while no inter-company lending or borrowing positions are created. This could provide a highly flexible fund deployment mechanism and significant interest-cost saving.

Local solution customisation is important. Significant progress has been made in the region, for example in China, which is relaxing regulations governing cross-border foreign currency fund movement and overseas cash management for Chinese multinational companies.

In most cases, local regulators keep abreast of business needs and industrial practices, leaving banks and their corporate clients well positioned to align demands with potential changes in regulations. The best option is often a bank with global infrastructure, local expertise and a history of consultative approaches.

For more information about the region, contact Vina Cheung, HSBC's Product Manager, Payments and Cash Management, Hong Kong: vinacheung@hsbc.com.hk



Q The UK's Faster Payments scheme, launched in May 2008, offers immediate, one-off payments up to a maximum value of £10,000, leaving their account and arriving at the destination account on the same day. But some of our customers are still waiting – why the wait?

A There are 13 banks and building societies, the Bank of England and VocaLink involved in the new service, which will provide immediate processing of transactions – 24/7, 365 days a year – for amounts up to £10,000 in respect of Single Immediate Payments (SIPs) and £100,000 for Standing Orders. The service is free for individuals; corporates will be charged a fee, according to volume.

“Each bank decided on its own ramp-up schedule for implementation,” says Simon Brooks of HSBC, which ramped up quickly to the £10,000 industry limit for SIPs. “There was good reason for the phased rollout: it meant that there was a smooth launch, and the industry could be confident of its reliability and security. Unfortunately, one consequence of this phased approach is that some customers are not yet able to send payments to those members who are currently not up to speed – to be able to send and receive Faster Payments, both financial institutions need to have their sort codes registered as Faster Payable.” Customers, however, can still use existing schemes – such as BACS and CHAPS – as an alternative. Those closely involved with the Faster Payments system expect that by year's end the majority of eligible payments will be processed via the service.

The HSBC Faster Payment Service was designed to interact with clients' existing back-office systems and deliver information in known file formats, such as BACS Standard 18 and SWIFT MT103. As such, there is therefore no need for large scale back-office modification.

For more information on HSBC's Faster Payments service, contact your Payment Solutions Manager, or Simon Brooks: simon.brooks@hsbc.com

Q I'm the FD of a major retailer doing business across four countries in the new Single Euro Payments Area (SEPA). I know that SEPA promises to make euro payments in the area quick, cheap and straightforward, but will it affect our existing national scheme mandates?

A Under SEPA's Credit Transfer and Direct Debit schemes, the initiation of a transaction, the format, the bank and bank account details remain the same – no matter which SEPA countries are involved. Bank name and account details are standardised by the Bank Identifier Code (BIC) and the International Bank Account Number (IBAN), in regular use for the last two years. The SEPA Credit Transfer was launched on 28 January 2008 while the SEPA Direct Debit is scheduled for launch on 1 November 2009. The latter will

provide a standardised single payments infrastructure across all countries in SEPA. At the same time, the Payment Services Directive (PSD) will be enacted, providing the legal framework. Under SEPA, a creditor debits a customer's account irrespective of the bank that holds the account: if the customer changes banks, the mandate is still valid.

Where the existing wording is already SEPA compliant, national scheme mandates can likely be carried forward into SEPA without modification, but in other countries, the wording in use may not be appropriate. Governments will be under pressure to introduce legislation covering the revision of existing mandates, or to allow banks to migrate mandates, despite the fact that they are not SEPA-compliant. **For more information contact Anthony Richter, Head of Business Development: anthony.richter@hsbc.com**