Following is an overview of key treasury management, foreign exchange and trade issues, strategies and tools to consider as your business goes global, based on presentations by Bank of America Merrill Lynch experts at our nationwide 2010 Business Forums.

**TREASURY MANAGEMENT**

**Align your treasury operations and objectives.**

Whether you seek to buy from foreign suppliers, sell to international customers or establish a physical presence overseas, aligning your treasury operations and strategic objectives outside the U.S. is an important initial step. What banking capabilities, controls and account structure will best match your needs? How will you view and manage offshore balances from your office in the U.S.? How can you effectively make and receive international payments? Forecast and manage cash flow? Mitigate exposure to foreign exchange and trade counterparty risks? Satisfy compliance, auditing and reporting requirements?

Going global is not a simple process, but it can be a profitable one with the right approach and insight. This is where the assistance of a financial advisor who understands both your business and the international marketplace can prove highly beneficial. Your banker should help you identify and answer the right questions, ideally leveraging the expertise of colleagues with on-the-ground knowledge of the local and regional competitive environments in which you seek to do business.

**Consider industry best practices.**

As you develop your global treasury strategy, there are several industry best practices that have proven effective in helping businesses like yours expand and enhance their international trade.

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**Bank of America Merrill Lynch Contributors**

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
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<tbody>
<tr>
<td>Tom Beube</td>
<td>Product Manager</td>
</tr>
<tr>
<td>Brian Bonds</td>
<td>Sales Director</td>
</tr>
<tr>
<td>Joe Boyle</td>
<td>Product Manager</td>
</tr>
<tr>
<td>Pankti Desai</td>
<td>Global Sales Analyst</td>
</tr>
<tr>
<td>Fiona Deroo</td>
<td>SVP Industry Lead</td>
</tr>
<tr>
<td>Scott Kaiser</td>
<td>Product Manager</td>
</tr>
<tr>
<td>John Mullett</td>
<td>Global Sales Analyst</td>
</tr>
<tr>
<td>Bob Pescod</td>
<td>Sales Associate</td>
</tr>
<tr>
<td>Josh Quiroz</td>
<td>Sales Associate</td>
</tr>
<tr>
<td>Joann Ribery</td>
<td>Vice President</td>
</tr>
<tr>
<td>Ines Romo</td>
<td>Vice President</td>
</tr>
<tr>
<td>Sebastian Sintes</td>
<td>Sales Associate</td>
</tr>
<tr>
<td>Ling Wang</td>
<td>Product Manager</td>
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*Most mid-sized and growing businesses see vast potential in expanding their vendor and customer base beyond the U.S. border. Many have already begun to varying degrees. But what may have once been a competitive advantage is now a critical necessity for those seeking to reduce costs and broaden revenue streams in a truly global marketplace. Navigating the complexities and risks of doing business globally—and achieving the competitive gains you envision—starts with a strong fundamental understanding of the international arena.*
• **Build a highly capable treasury staff** with strategic thinking skills, project management acumen, international knowledge and the ability to work in a dynamic environment.

• **Continue migration from paper to electronic payments and receipts** and leveraging banking relationships and tools that can enhance straight-through processing.

• **Automate information reporting and analytics** and improve visibility into your cash positions at multiple banks and locations with a modern, fully integrated web-based global banking portal.

• **Evaluate, standardize and document global policies and procedures** for both internal and external auditing requirements.

• **Create an efficient global bank structure** that enables you to view, manage and optimize your funds everywhere and effectively position your business for success in foreign markets.

• **Develop a long-term plan** for your treasury operations that is aligned to your corporate strategies, including enhanced technologies and expertise, plus utilization of performance measures to drive accountability.

**Anticipate key challenges and plan ahead.**

Businesses expanding their global reach often cite compliance and regulatory requirements among the most burdensome and complex issues they have to face. Rules and governance vary by country, and tend to be highly stringent and more paper- and process-intensive than in the U.S., particularly for non-indigenous companies.

If you’re considering opening an offshore account, you can’t simply walk in with your bank documents and walk out with an account. The process usually requires more time and documentation than opening a domestic account, with myriad country-specific nuances and possibly local language hurdles to overcome as well. Having a bank with an on-the-ground presence can be an advantage in helping you understand and address these issues.

Cost is another key challenge. Doing business overseas is more expensive than in the U.S. Additionally, all fees are typically debited directly to the account, although in some regions the banks are permitted to pay hard dollar interest. So, you’ll also need to consider funding these accounts to make sure you have enough balance to cover these fees.

Doing business offshore, you’ll be operating on a global clock. Whether it’s scheduling a call with your treasury controller in London, speaking with your bank in Tokyo, or meeting the needs of your customers or vendors in various international cities, it’s important to have people and processes in place to help you be highly responsive and competitive. You may decide to give authority and entitlements to controllers or associates on the ground to facilitate local decision-making.

**Build a strong banking relationship.**

Choosing a bank to help you expand your trade internationally is a multifaceted decision. Here are some questions to consider when selecting your global financial provider:

• Do you prefer to work with a global bank that offers broad coverage and capabilities, or multiple banks across various countries and continents?

• Does your bank have the financial strength and stability you seek globally?

• Will your bank continue to invest in the best technologies to help your business thrive and grow?

• Can you get the same level of service globally as you do in the U.S., with the ability to pick up the phone or send an email and get the answers you need?

• Are you confident in the global knowledge, insight and guidance you’ll get from your banking relationship outside the U.S.?

**FOREIGN EXCHANGE**

**Understand your FX risk exposure.**

Once you’ve established your global accounts and start to do business, you’ll be exposed to some level of foreign exchange (FX) risk. In basic terms, this means that a change in the currency exchange rate can make your trade more costly than anticipated. The increased volatility of global currencies in recent years has made the ability to assess and mitigate FX exposure a significant priority for businesses engaged in international trade. The FX exposure may not be obvious, however, which is why constant close examination of global economic, industry, market and political events by a trusted advisor can be critical to your ongoing success.
In the case of Asia, currencies that were once pegged to the U.S. dollar and regulated have begun to move. Companies who thought that doing business with Asian vendors in U.S. dollars made them immune to foreign exchange risk are now finding increased exposure due to changing dollar prices. Paying $1.20 instead of $1 per unit, for example, can have a significant financial impact if you didn’t see it coming.

Whether you ask the vendor to price in Chinese Renminbi, pursue a hedging strategy in the U.S. or take another approach depends on a myriad of factors that an experienced foreign exchange advisor can help you evaluate. An advisor’s job is to help you be aware and pay attention to the potential pitfalls and to provide the best tools available to help you manage the risk.

**Consider your options (and forwards).**

Forwards and options are two of the most commonly used instruments for hedging currency risk. Just as its sounds, a **forward contract** locks in a price for a transaction to be completed on a specified future date or within a defined window of time. The majority of U.S. businesses conducting international trade regularly employ forward contracts as they are a relatively simple and there is no cost of entry. The difference between the agreed-upon forward price and the actual cash or “spot” price at the time of the transaction will result in either a profit or loss by the purchaser, which will offset the existing accounts receivable or accounts payable position. This tool will provide the seller the benefit of guaranteed pricing regardless of adverse changes in rates.

When you use a **currency option** to reduce FX risk, you are entering a contract that gives you the right (but not the obligation) to buy or sell currency at a predetermined exchange rate during a specific time period. These can be structured to provide insurance that the currency won’t move against you while retaining unlimited upside potential, in exchange for a premium to the broker. Or, if you believe conditions will appreciate in your favor, currency options can be structured without a premium and with a measure that enables you to take advantage of some upside potential.

**Take advantage of the right tools and insight.**

For businesses with burgeoning international needs, be sure your bank offers an integrated web-based portal designed to facilitate your treasury management activities locally and globally. In addition, your bank should offer low value currency accounts to accommodate your FX transactions. For more sophisticated users, look for a bank with an advanced FX trading and settlement system that enables you to make international payments in a wide range of foreign currencies, and supports forward swaps, block trades and other hedging activities.

Likewise, a financial institution with strong research capabilities in both the U.S. and abroad can help you gain a more rounded perspective. For timely insight and added convenience, look for a bank that offers online access to a wide range of economic and market research as well as currency forecasts by analysts with a recognized track record.

**GLOBAL TRADE SERVICES**

**Know how and when you’ll receive payment.**

Working with a new trade partner in a foreign market requires more than a leap of faith. Do you know who they are? Do they pay their bills? Have you or another respected business sold to them before? Is there a secure method of payment? In addition to researching your potential counterparty—seeking referrals and getting comfortable with how they do business and with whom—you need assurance they will meet your negotiated terms and timeframe.

Whether you seek to mitigate the risk of nonpayment or are comfortable with your counterparty and simply want to conduct international trade as efficiently and securely as possible, there are several trade tools designed for your objectives.

**Letters of credit (LCs)**

Given the distance between you and your counterparty, country-specific laws and nuances and the difficulty in knowing each party personally, LCs are frequently used in international transactions. An LC is issued by the importer’s bank to guarantee payment upon presentation of the invoice, bill of lading, and other specified trade documents. The bank reimburses the supplier upon confirmation of shipment. Conversely, a standby letter of credit is used as
a backstop by the seller, providing a guarantee of payment from the bank in the event the buyer does not fulfill its contractual obligations directly.

A good trade advisor bank should help you be vigilant about discrepancies between the LC and the trade documents. However, there remains the risk that the actual goods will not be satisfactory, especially with an unproved trading partner.

**Documentary collections**

A documentary collection effectively creates an international cash-on-delivery transaction in which the buyer pays for the goods when they are received. Only in this case, your bank serves as the intermediary, collecting payment from the buyer in exchange for the transfer of documents that enable the holder to take possession of the goods. The bank, however, does not act as surety of payment but rather as collector of funds for the documents.

**Open account payments**

If you are working with a highly trusted trade partner you know will accept and pay for the goods upon receipt, open account enables you to ship the product and agree to payment at a future date. Choose a trade bank with settlement solutions and document management expertise that can make your open account payments more efficient and streamlined.

**Banker’s acceptance**

If you are purchasing goods from overseas and cannot obtain financing from your trade partner, a banker’s acceptance can provide the credit you need to complete the transaction. In this scenario, you issue a time draft in which your bank is responsible for making a specified future payment to the seller. In return, you agree to repay any drafts the bank accepts, according to your negotiated terms. As a negotiable instrument, the bank may decide to hold the acceptance or sell it in the secondary market, neither of which impacts your trade transaction.

**Government financing**

Established in 1934 to promote U.S. exports and job creation, the U.S. Export-Import Bank (Ex-Im Bank) provides trade financing to U.S. companies of all sizes. Ex-Im Bank provides pre-export financing in the form of working capital guarantees to banks for up to 90% against foreign receivables and up to 75% against export inventory. This includes work in progress (WIP) such as raw materials that have been worked on but are not yet a marketable finished product. As the official credit agency of the U.S. government, Ex-Im Bank can assume credit and country risks that may not otherwise be accepted by private sector financing sources. In addition to working capital guarantees, Ex-Im Bank also provides export credit insurance, loan guarantees and buyer financing for virtually any size transaction.

**Grow your trade expertise with a trusted advisor.**

While much of the world has conducted international trade for thousands of years, the U.S. only entered the global arena on a large scale following World War II. Internationally, your biggest competitors may be those companies based outside the U.S. who have been active in foreign trade and currency exchange for years, and may be more adept at negotiating and pricing in their customers’ currencies.

Whatever your comfort level with international trade, an experienced trade bank should be a strong ally in helping you mitigate the risks of nonpayment, reduce the costs of payment, optimize your days payable outstanding and accelerate your cash flow locally and globally.

**Broden your opportunities worldwide.**

If you seek to initiate or expand international trade, please contact your Bank of America Merrill Lynch representative for a timely view of current trade conditions, trends and solutions specific to your business.

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