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Driving Best Practice for Regional Cash Management in Asia

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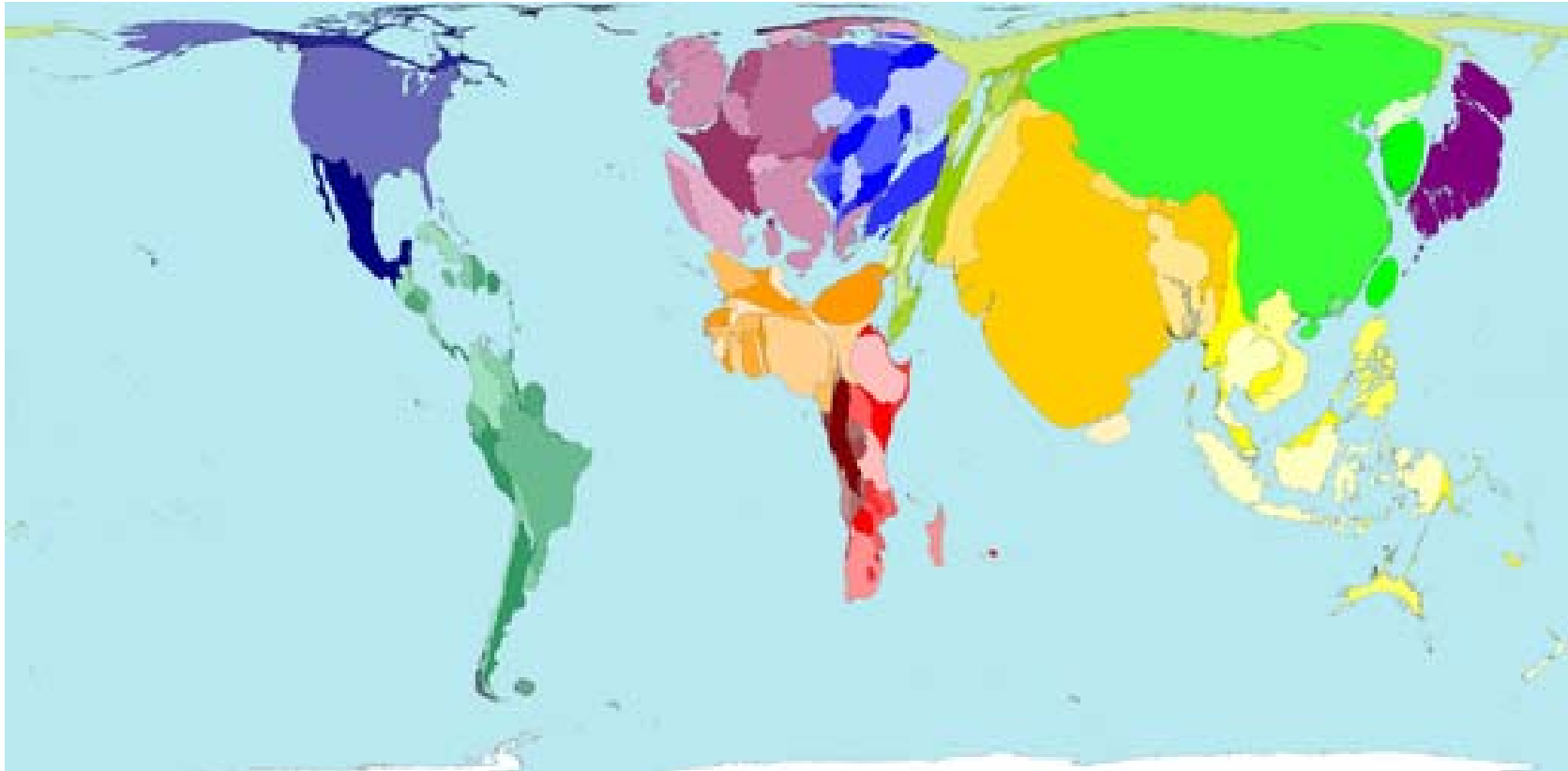
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MARKET OVERVIEW

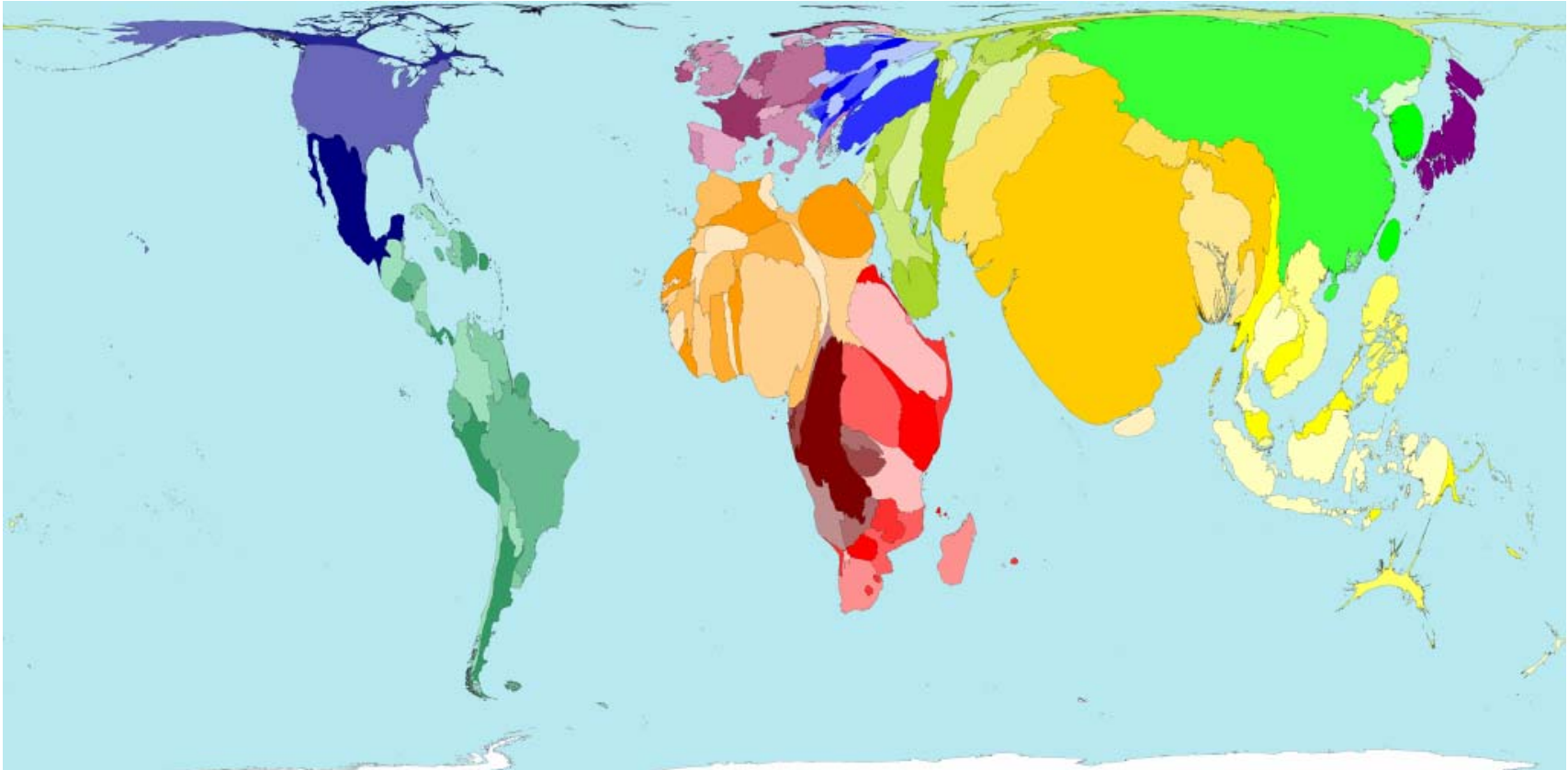


Population in 1960



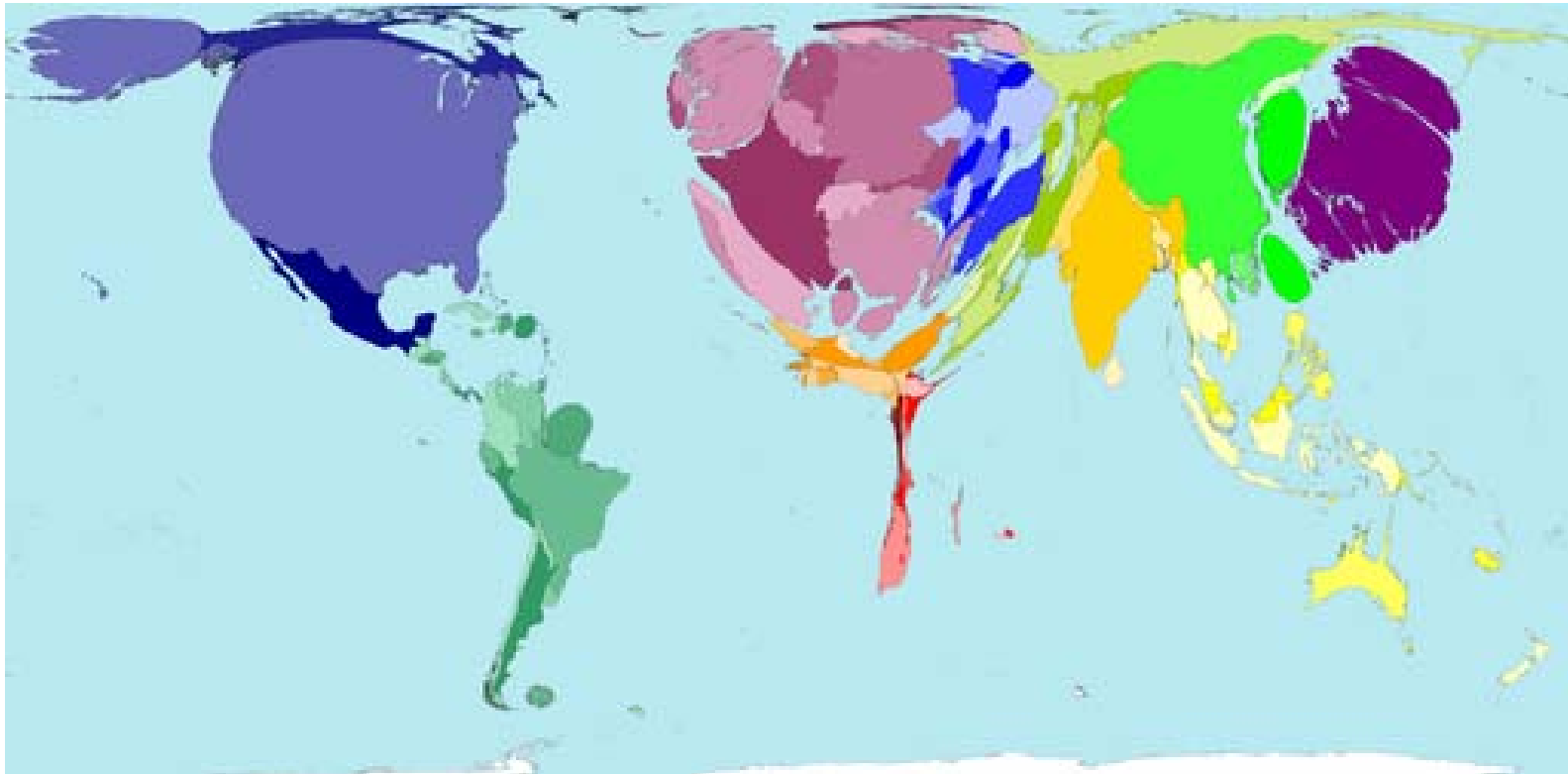
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Population in 2050



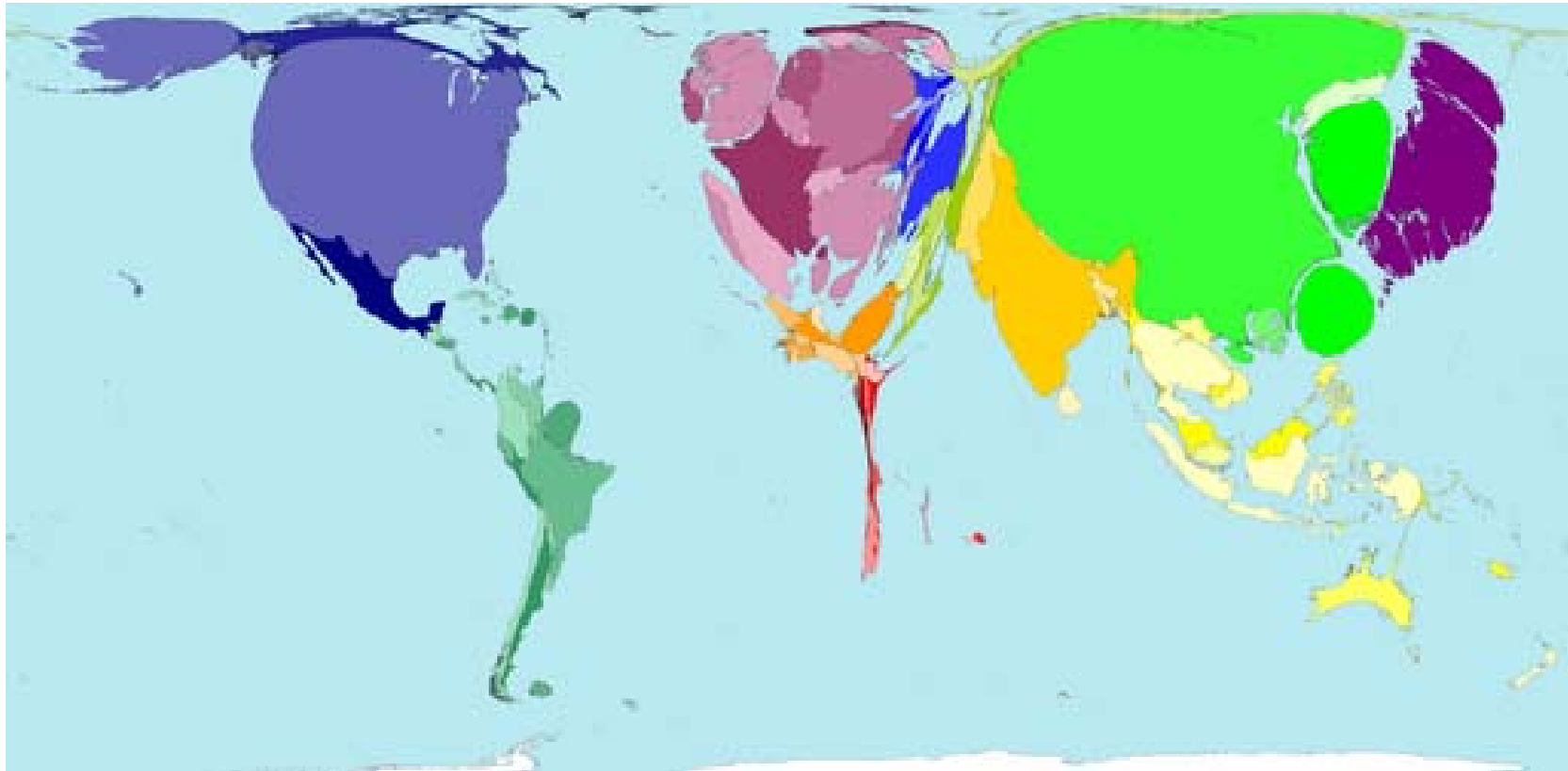
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GDP in 1990



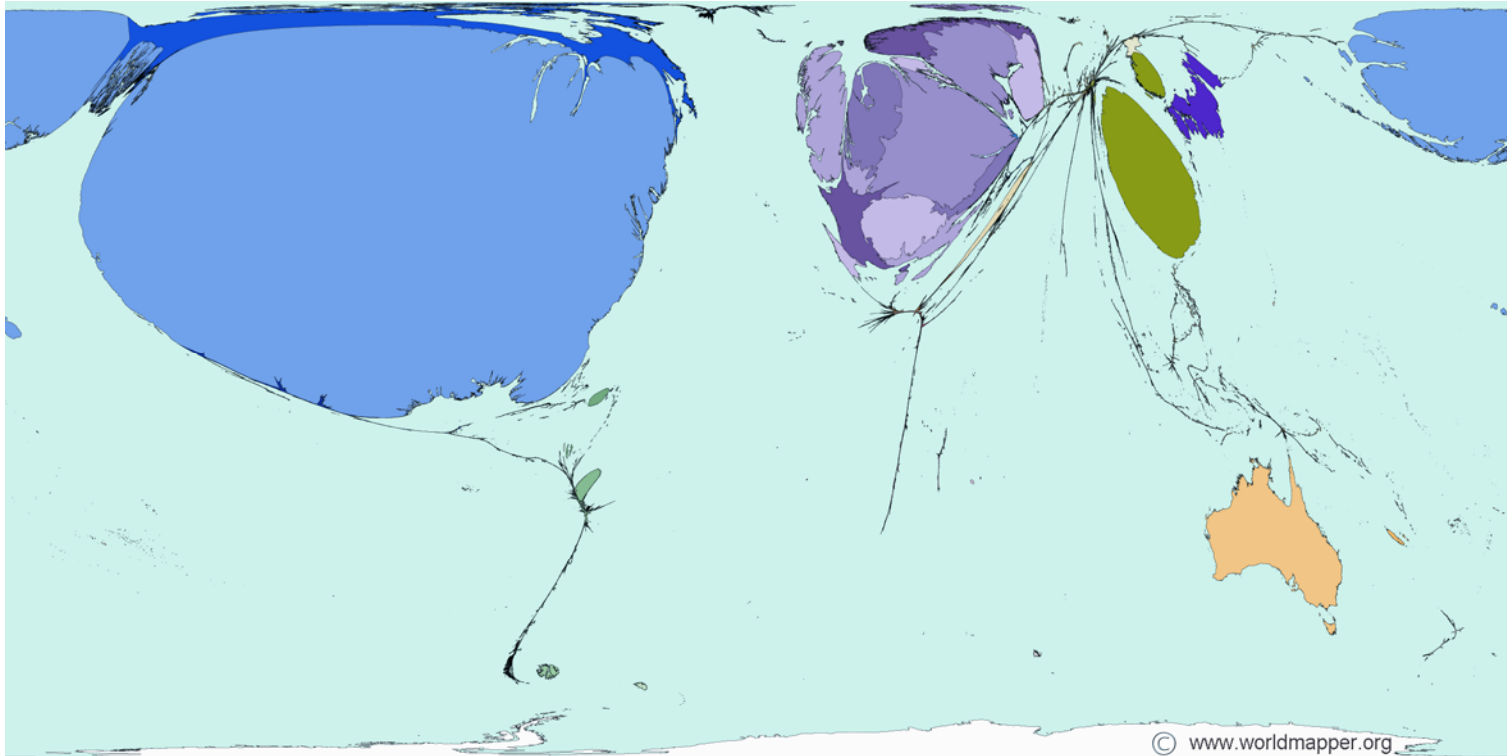
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GDP in 2015



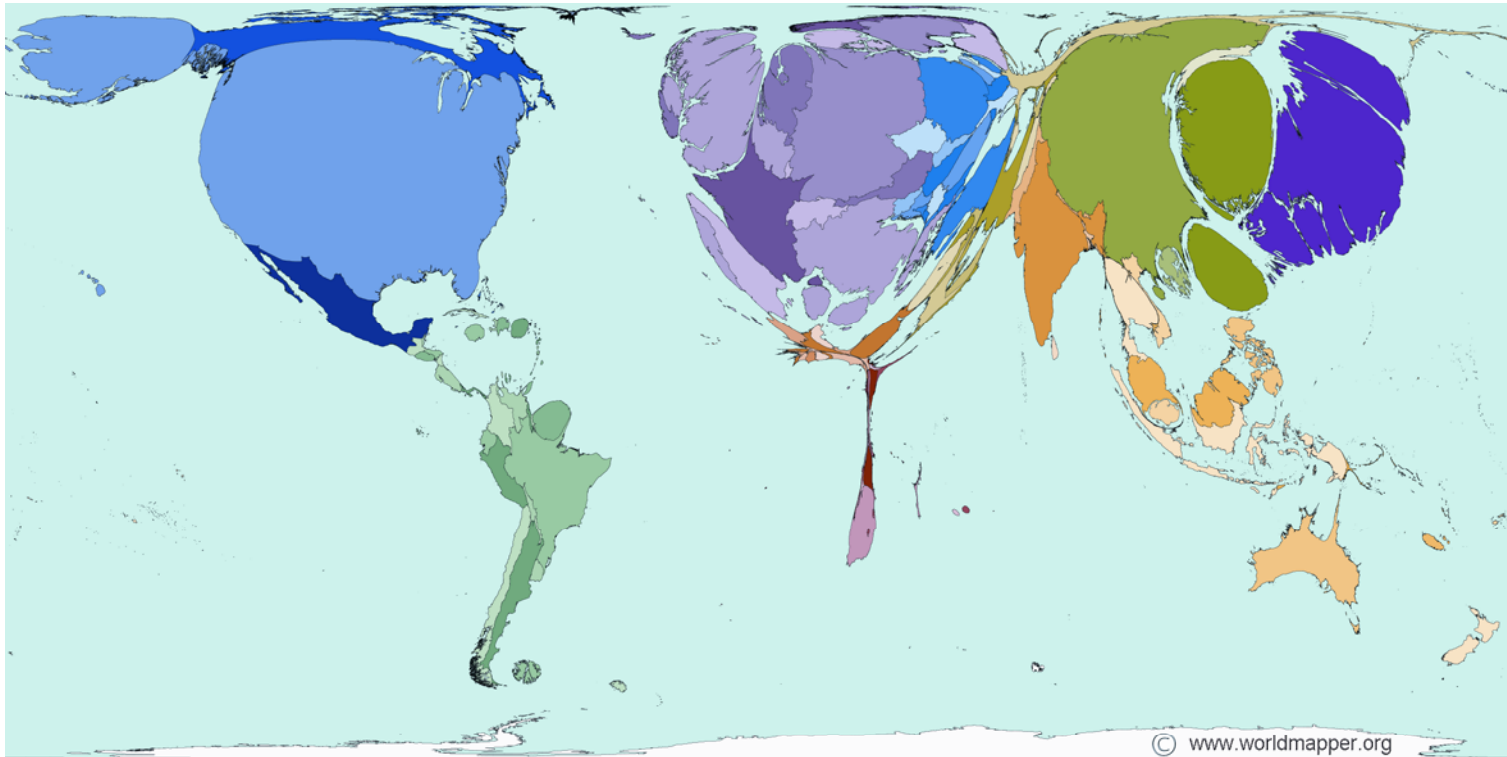
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Internet Usage 1990



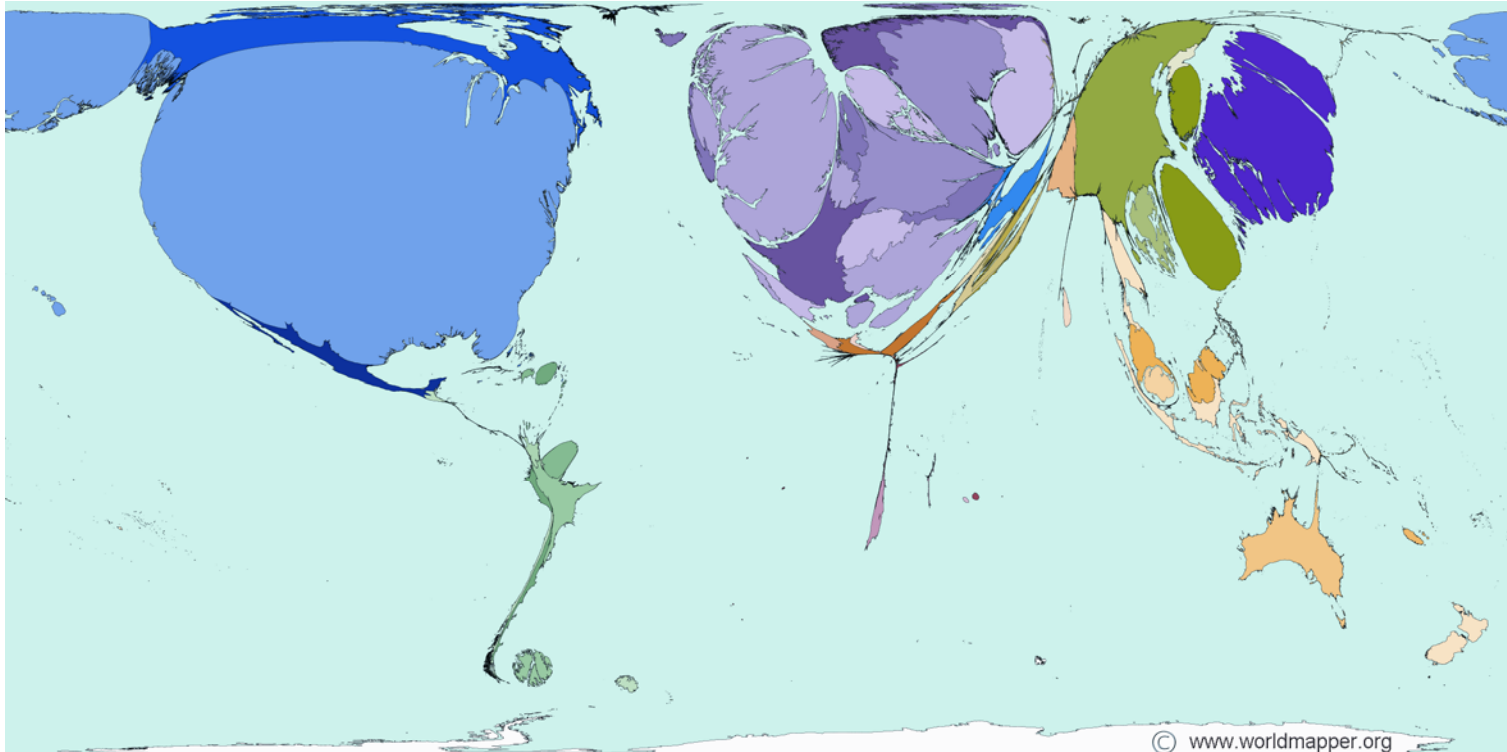
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Internet Usage 2002



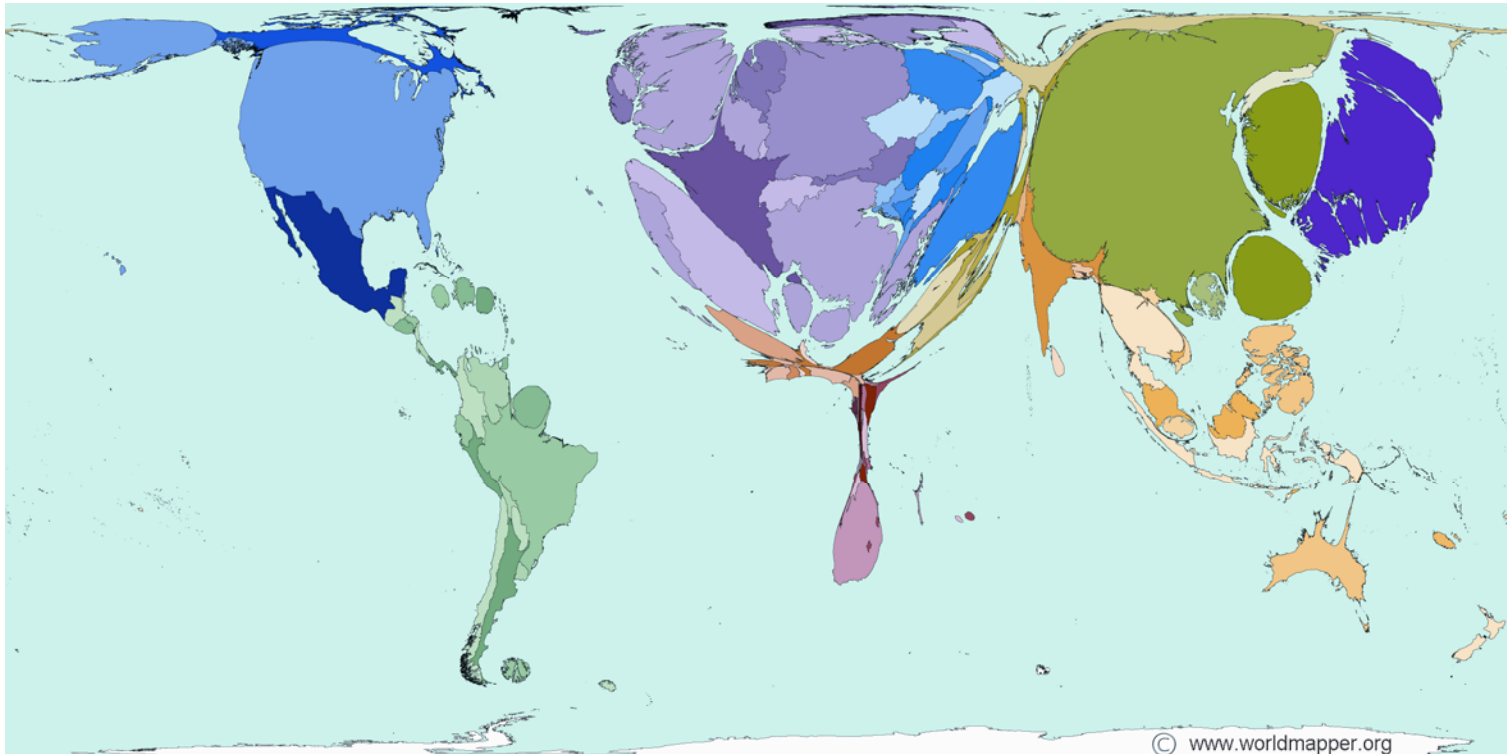
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Cellular Phone Usage 1990



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Cellular Phone Usage 2002



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CURRENT TRENDS IN THE ASIA PACIFIC MARKET

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Focus on Working Capital Management

- Corporates are investing more time and resources on working capital management
- Influenced by:
 - tightening of market liquidity
 - access to bank funding
- Increased attention to the cash conversion cycle with accounts receivable, accounts payable
- Review of regional liquidity management and requirements for supplier financing

Standardization of Connectivity

- Corporates have emphasized the importance of “bank neutral” solutions for account management
- Increased interest in:
 - SWIFT as a secure global network to connect with banking partners
 - utilizing global formats such as XML and SWIFT to standardize file formats for payments and reporting

China – RMB Internationalization



- First Stage of Internationalization:
 - April 2009 - allowing cross border trade settlement to settle in RMB
 - June 2010 - Program expanded and settlement volume exceeded RMB 506 billion during 2010
- Second Stage of Internationalization 2010:
 - RMB investment is expanded with the offshore RMB market in Hong Kong and Singapore and the opening of the onshore RMB inter-bank bond market
- Third Stage of Internationalization :
 - Future development of the RMB as a top global reserve currency. 1st and 2nd Stages are helping to move the RMB toward a reserve currency

India – Paper to Electronic Payment Processing



- Reserve Bank of India (RBI) has taken initiatives to move from paper based transactional banking to more automated electronic processes
 - Phasing out of the paper based High Value Clearing System
 - Compulsory payment of statutory taxes via electronic means
 - Extension of payment cut-off times
 - Expansion of electronic transactions and processes, both nationally and regionally within India

Singapore



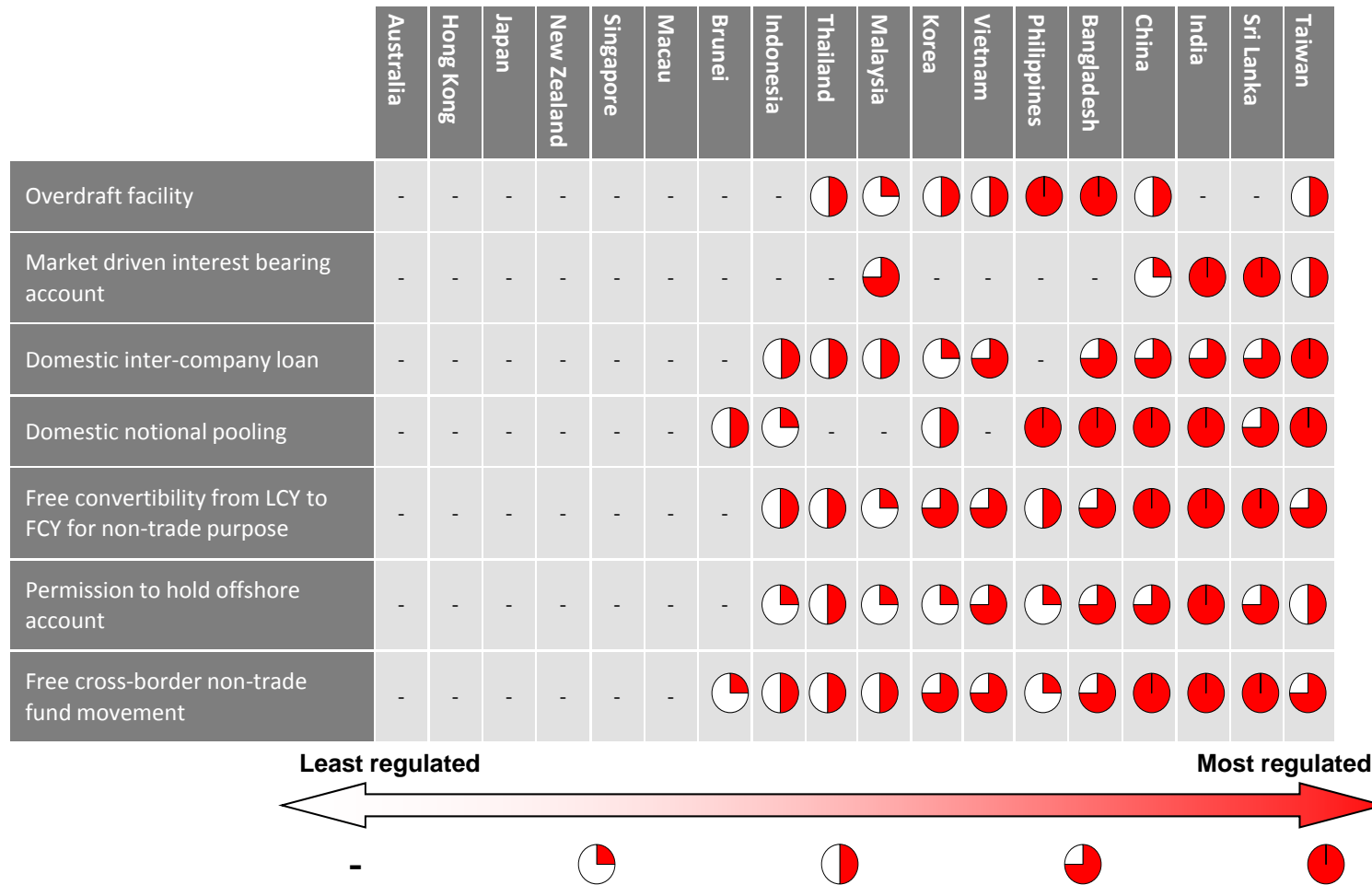
- Singapore has benefitted from the relaxation of RMB regulations and has become a center for offshore RMB trade settlement
- Government establishment of the Economic Strategies Committee (ESC) - May 2009
 - to develop strategies for Singapore to maximize opportunities in a new world environment with the aim of achieving sustained and inclusive growth

Other Key Asian Markets


- Japan:
 - The Bank of Japan decided to adopt zero interest rate policy on October 5, 2010 by cutting its key interest rate to virtually zero
- South Korea:
 - The government is continuing its policy of gradual deregulation, as witnessed by legislation such as the Financial Investment Services and Capital Market Act promulgated in 2007 and the government's intention to raise the shareholding cap on non-financial company ownership of banks
- Taiwan:
 - The government is keen to make Taiwan an attractive regional center for multinational companies and to that effect is reviewing the current tax regime

Regional Liquidity Management

Asia Regulatory Landscape



Note: The table is for illustrative purpose only and it is derived from HSBC's experience in establishing liquidity management structures in Asia Pacific.



The Yahoo! Story

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What is Yahoo!?

Yahoo! is
the premier digital
media company.

Yahoo! Mission

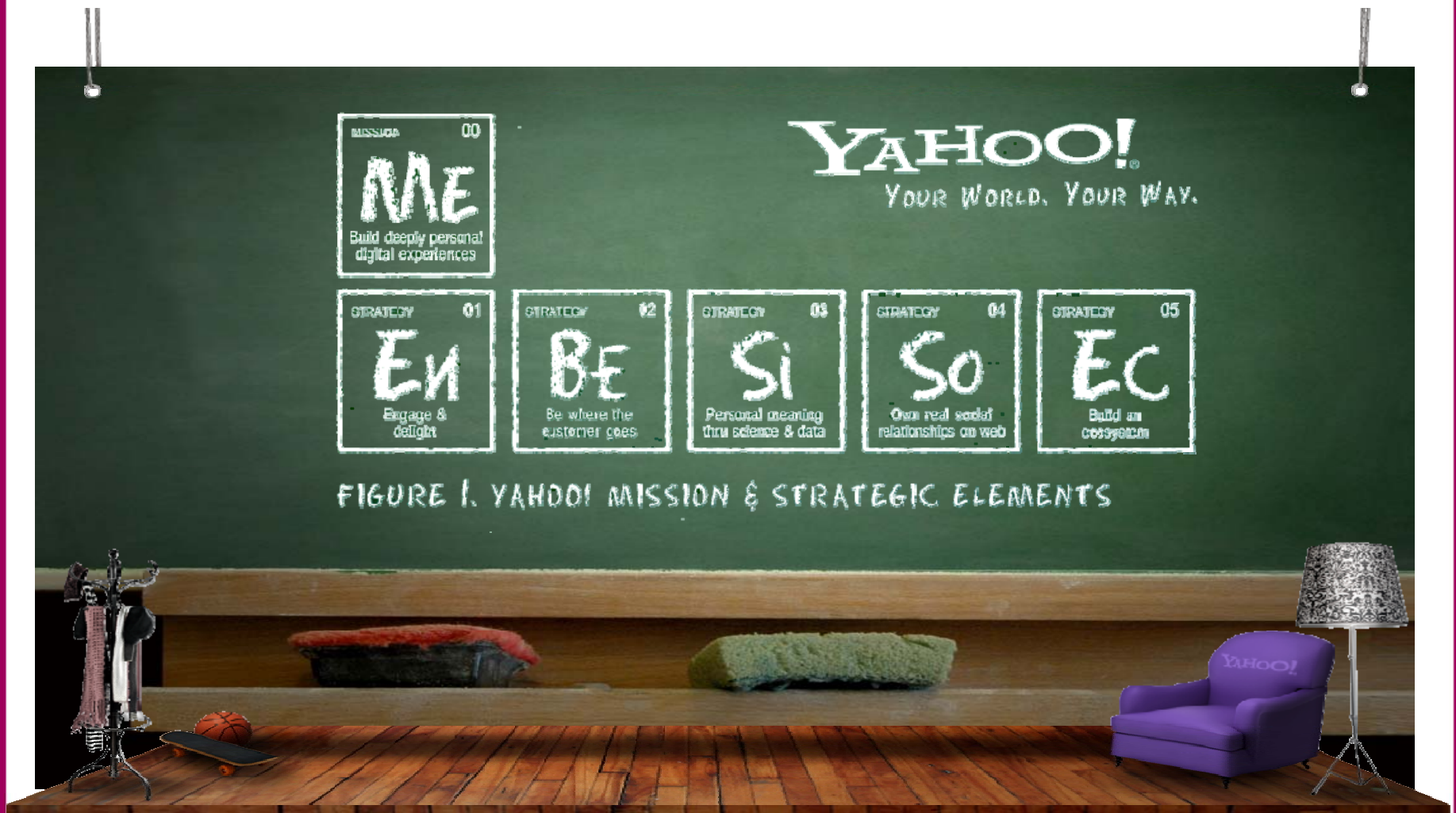


FIGURE 1. YAHOO! MISSION & STRATEGIC ELEMENTS

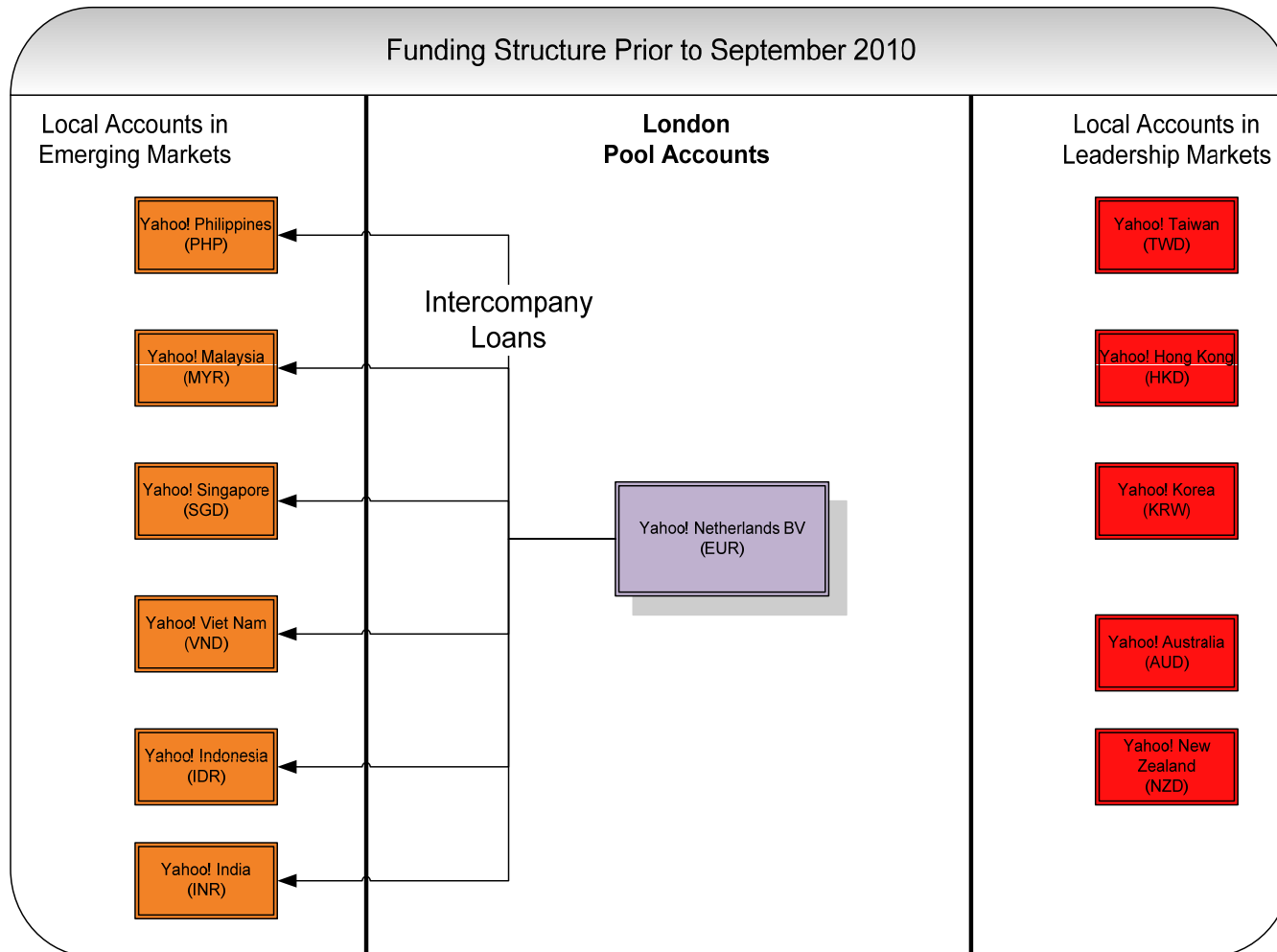
Yahoo!'s Asia Pacific Footprint



Asia Pacific Region at a glance:

- Attracts more than 150m unique visitors each month
- 22% growth in Revenue year-over-year

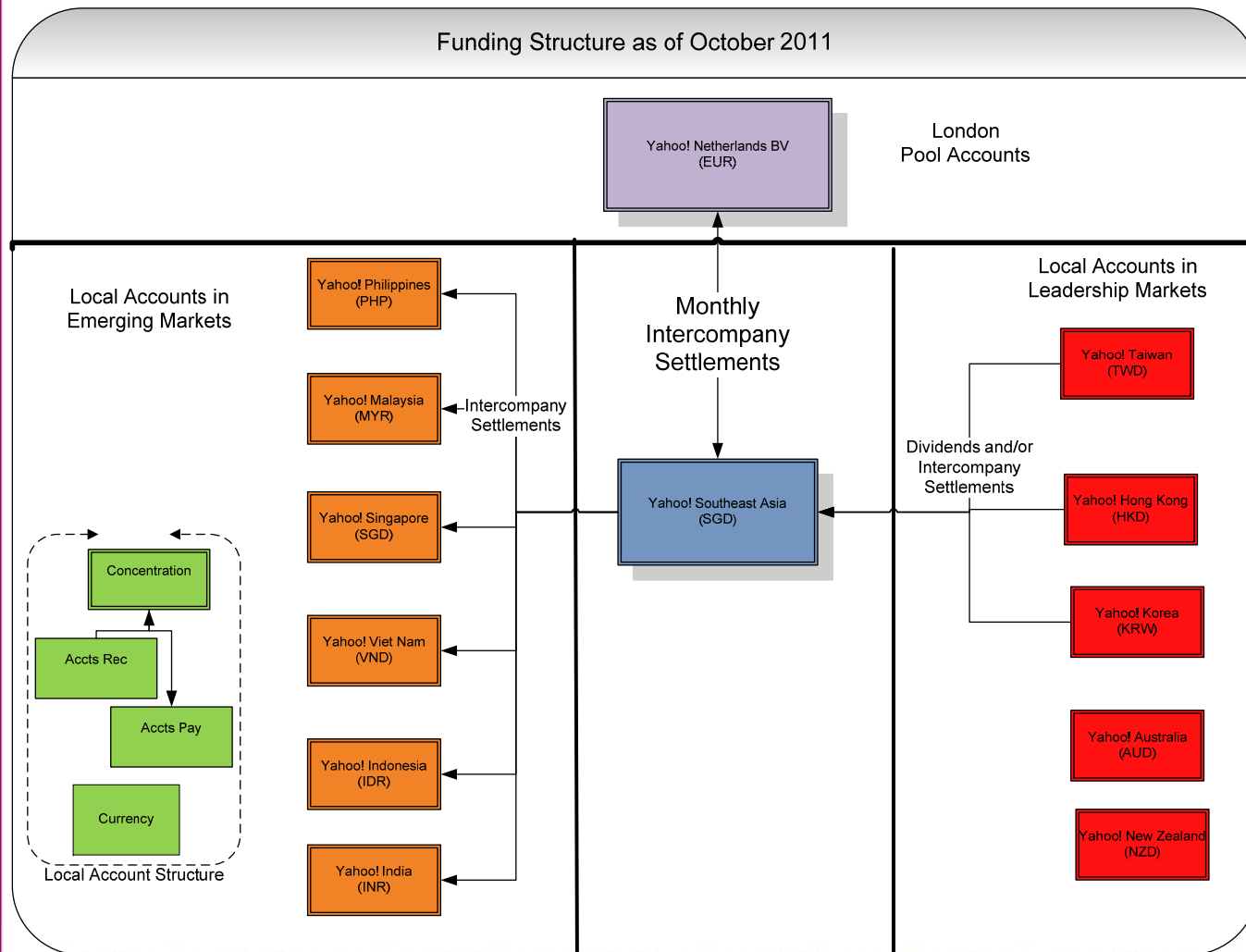
Yahoo! Asia Pacific Cash Flow – Before



Challenges:

- Banking operations split between multiple banks
- Funding needs require cash in emerging markets
- Cash trapped in established markets
- Organizational restructuring
- Controllership outsourcing

Yahoo! Asia Pacific Cash Flow – After



Solutions:

- Banking operations consolidated with one primary banking partner
- Asia Tax Restructure
- Automated Intercompany settlement process implemented
- Understand, monitor and manage Foreign Exchange Risks
- Reorganized Controllership Structure

Yahoo! Treasury Results & Next Steps

Objective	Completed	In-Progress
Create Operational Efficiency	Bank accounts split by function in all Asia Pacific markets	AP/AR/GL Migration and Automation
Centralize Cash	<p>Asia Tax Restructure:</p> <ul style="list-style-type: none"> •Provide cash to entities in investment mode •Concentrate excess cash into European Cash Pool 	
Manage Foreign Exchange Risk	<ul style="list-style-type: none"> •Regular booking and diligent settlement of intercompany transactions •Consolidated reporting, execution and settlement of restricted currency spot trades 	Effective hedging of NDF transactional balances

Trends in the Marketplace in Asia Cash Management

Considerations for multinationals looking to improve efficiencies in the region

Current trends

- Commoditization of traditional cash management products
- Rationalization of cash management providers with increased focus on regional and global credit relationship management
- Focus on China (RMB Internationalization) and India (Project focused initiatives such “Paper to Electronic”)
- Regional Treasury / Shared Service Centers
- Electronic payments replacing paper payments
- Post-financial crisis increasing value of internal liquidity leading to increasing demand of in-country & regional liquidity structures
- Growth of treasury processes outsourced to banks
- Treasury systems integration with banking system
- Straight through processing for FX and MM – trading, matching, confirmation and settlement

Emerging trends

- Demand for standardization (XML, Rosettanet, Twist)
- Increased focus on A/R business process re-engineering opportunities
- Outsourcing SSC operations (offshoring – led by US names)
- Value creation for clients’ customers and suppliers
- Rising number of Asia Pacific parented MNCs
- Swift for Corporate / SCORE after “XML, Rosettanet, Twist”
- Multi-currency liquidity structure becoming more established

Questions?

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