

Corporate Banking Services in the US *Getting Started*

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**ABOUT
SACC NEW YORK**

The Swedish-American Chamber of Commerce, Inc. in New York (SACC New York) is a private membership organization that was founded in 1906. As the first and leading Swedish-American Chamber, SACC New York provides a vast array of services aimed at promoting and advancing business relations between the U.S. and Sweden. By leveraging from its unique network and Swedish-American business-related experience, SACC New York is well positioned to assist and facilitate in various business matters. We are here to help you get and stay informed and connected.

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ABOUT SEB

The SEB Group is a North European financial group for 400,000 corporate customers and institutions, and 5 million private customers. SEB has local presence in the Nordic and Baltic countries, Germany, Poland, the Ukraine and Russia. Outside of these home markets SEB has offices in New York, London, Luxembourg, Warsaw, Paris, Sao Paulo, New Delhi, Beijing, Shanghai, and Singapore. Approximately half of SEB's customers use the internet for their banking transactions. As of March 31, 2009, the Group's total assets amounted to SEK 2,460bn while its assets under management totaled SEK 1,187bn. The Group is represented in some 21 countries around the world and has a staff of about 21,000.

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- Cash Management
- Corporate Financing
- Trade Finance
- Lease Financing
- Foreign Exchange & Derivative Trading
- Equities (SEB Enskilda)
- Treasury

Our customers are primarily American subsidiaries of Nordic & German companies, US Multinational companies with investments in the Nordic region and Financial Institutions.

INTRODUCTION

SEB has compiled this booklet in cooperation with SACC New York. The booklet provides an overview of basic banking conditions, services and practices in the United States.

The booklet is intended as a primer for Swedish companies that are new to the US and faced with the task of establishing banking relationships and opening corporate/business bank accounts. The subject matter is general in nature i.e. many of the concepts are oversimplified, so as to convey a basic understanding of the topics discussed.

We trust that this booklet will be useful to the reader. Should you have questions on anything contained herein, or should you wish to discuss matters outside the scope of this booklet, please contact SEB at:

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BACKGROUND

1.1 History of Banking in the United States

Organized banking in the United States has its roots in the late 1700s, when Alexander Hamilton, America's first Secretary of the Treasury, spurred the founding of the first central bank of the US. This central bank was replaced by newer versions through the early 1800s. In those days, banks received charters from their resident states and were thus regulated by the state governments. These state chartered banks were not allowed to operate outside of the states wherein they were chartered i.e. interstate banking was not allowed. In general state governments did not adequately regulate their charter banks. Further, there was during this time no common currency in the United States. Each bank issued its own currency, typically notes backed by actual holdings of gold and silver. This led to widespread counterfeiting and many depositors found themselves in possession of worthless paper. The combination of poor regulation by the states and lack of control of currency created an environment wherein thousands of banks regularly failed and hundreds of thousands of depositors lost their money.

This situation was corrected in 1863 when Congress passed the National Banking Act. This act, together with an amendment in 1865, did two important things; First, it created a new banking system which required all banks to be chartered under and regulated by the federal government. Second, it created the office of the Comptroller of the Currency, whose job it was to manage the regulation of the new banking system.

The OCC was (and continues to be) responsible for conducting periodic examinations of banks to ensure compliance with federal guidelines. This Office is also responsible for controlling the national currency. With this development, currency was no longer issued by individual banks but by the federal government. In its capacity the OCC sold bank notes to member banks. Banks deposited US government securities with the OCC in exchange for the bank notes. If a bank failed, the OCC sold the bank's securities and reimbursed holders of the bank's notes.

The responsibility to coin & print currency was given to the central bank in 1913, when congress passed the Federal Reserve Act. As of this date the central bank of the USA became known as the Federal Reserve (commonly referred to as "the Fed"). The Fed will be discussed further in a subsequent section of this booklet.

The next major development in the history of US banking occurred in 1933, as a direct result of the thousands of banks which failed during the Great Depression (1929 – 1933). The banks failed because of an unprecedented “run on banks”, whereby depositors all asked for their deposits at once. Since banks generally make money by lending out a percentage of the deposits it carries, many banks were unable to return the deposits and, thus, failed. This was, of course, disastrous to those depositors who were not repaid. In 1933 Congress passed a series of Acts dedicated towards ensuring the public that banks were safe. The most significant of these created federal deposit insurance whereby the federal government covered up to \$2,500 per depositor. Federal deposit insurance, managed by the Federal Deposit Insurance Corporation (FDIC), still exists today. The amount covered having been increased to \$100,000 per deposit. This means that, should a bank fail, each depositor is guaranteed to have his deposits returned up to a maximum of \$100,000.

The most significant development in US banking since the Great Depression is the passing of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994. This Act made it legal for banks, for the first time, to operate across state lines. As a result of this Act, the US banking industry has seen a flurry of mergers over the past decade. Many of the best-known names in US banking today are the result of mega-mergers e.g. JP Morgan Chase (JP Morgan, Chase Manhattan Bank, Chemical Bank, Manufacturer’s Hanover Bank), Bank of America (Bank of America, Nations Bank, Fleet Bank), Wachovia N.A. (Wachovia N.A., First Union National Bank). However, despite the mergers, there are still no banks with a physical presence in each state.

1.2 Types of banks

Today there are more than 7000 banks in the United States categorized as Retail, Commercial, Investment or a combination of these. Loosely speaking Retail banks provide services for private individuals and small businesses, Commercial or Corporate banks provide services for larger businesses or corporations and Investment banks assist companies in reaching the financial or capital markets. This booklet will deal with Commercial or Corporate banking.

2. PAYMENT ENVIRONMENT

2.1 Payment Instruments

There are four primary methods of making non-cash payments in the United States:

- Check
- ACH
- Wire Transfer
- Cards

One major difference between the US and Swedish banking environments exists in the payment instruments. Specifically, the check is the most predominantly used payment instrument in the United States. In Sweden, checks are rarely if ever used. In 1995 there were approximately 50 billion checks written in the US. Over the past decade this number has declined to just under 40 billion. The main driver for the decrease has been the growth in the use of domestic electronic payment instruments, namely ACH or Automated Clearinghouse payments. Regardless, checks continue to be the primary payment instruments used for business-to-business payments.

2.2 What is a Check?

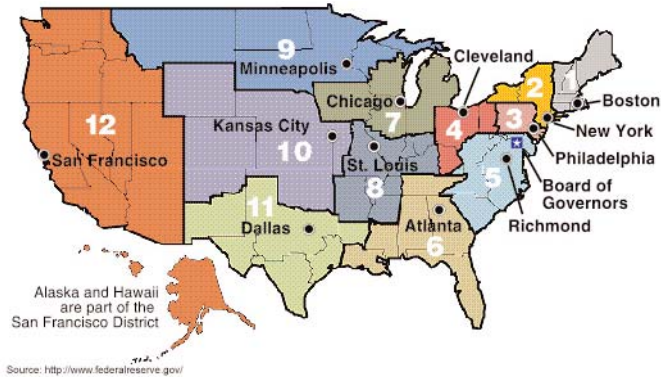
A check is a paper document which instructs a bank to take money from the account of the issuer (remitter) and pay it to the holder of the check (payee or beneficiary). The Federal Reserve operates the system through which checks clear and, often, this system is referred to simply as “the Fed”. To understand how checks clear, we must revisit the Fed.

2.3 The Fed as a check clearer

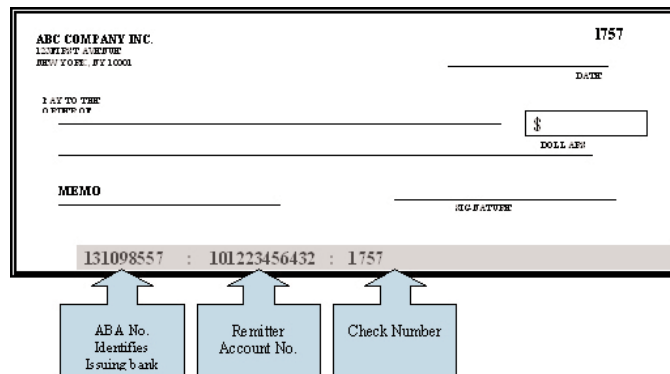
You will recall that the Fed is the central bank of the US. The Fed is comprised of 12 regional member banks, each representing one of 12 Federal Reserve districts. The Federal Reserve banks are located in the following cities:

- New York, New York
- Boston, Massachusetts
- Philadelphia, Pennsylvania
- Richmond, Virginia
- Cleveland, Ohio
- Atlanta, Georgia
- St. Louis, Missouri
- Chicago, Illinois
- Minneapolis, Minnesota
- Kansas City, Missouri
- Dallas, Texas
- San Francisco, California

The map below illustrates the 12 Federal Reserve Districts:



Recall that each bank receives its charter from the Fed. As the central bank the Fed provides banking services for its member banks. Each bank therefore has an “account” at the Fed. The Fed account number assigned to a bank is an ABA Routing Transit Number (“ABA number”). The ABA number identifies the bank responsible for payment of a check or other payment instrument. Every check written carries the ABA number of the bank on which it is issued. The ABA number is listed in the MICR line of the check. The diagram below illustrates the placement of the MICR line on a check:



The acronym MICR represents Magnetic Ink Character Recognition. The characters in the MICR line are printed by printers which use special magnetic ink toners. The magnetic ink

makes it possible for the characters to be read electronically. During the check clearing process, the MICR line is the part of the check used to provide payment information about the parties to the transaction. The characters in the MICR line have a characteristic font type, illustrated here:

2.4 Check Encoding

You may notice that the MICR line in the illustration above does not include the dollar amount of the check. Since the issuer may write the check for any amount, checks do not come with pre-printed amount fields in the MICR line. The amount field of the MICR line is put in by the bank where the check is deposited. This process is called 'check encoding'.

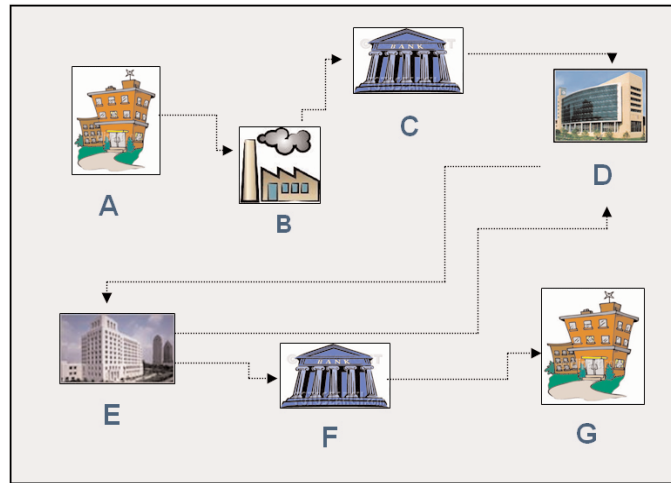
2.5 So, how do checks clear?

In simple terms, the Fed clears checks by transferring funds from the ABA# of the Issuing Bank (also called Drawee Bank) to the ABA# of the Receiving Bank (also called Payee Bank).

Example:

- Assume ABC Company sends a \$100 check to XYZ Company.
- ABC has an account at Southeast Bank in Atlanta and XYZ has its account at Midwest Bank in Minneapolis.
- XYZ will deposit the check into its account at Midwest Bank.
- Midwest Bank will encode the check (add the check amount to the MICR line) and update XYZ's account with a memo posting for \$100 (the money/funds will not be available for XYZ to withdraw since the check has not yet cleared).
- Midwest will then send the check to the Fed for clearing.
- The Fed, seeing that the drawee bank is Southeast, will debit Southeast's Fed account for \$100 and credit Midwest's for the same amount. The Fed will then send the check to Southeast and notify Midwest that the check has cleared.
- Southeast Bank, upon receiving the check, will see that it was issued by one of its customers, ABC Company. Southeast will debit \$100 from ABC's account. ABC has now paid.
- Midwest will make the \$100 credit available in XYZ's account. XYZ has now been paid.

The diagram below provides a more accurate illustration of the check clearing process. It shows how different regional Federal Reserve banks participate in the check clearing process.



- A. ABC Company in Atlanta sends the \$100 check to XYZ Construction in Minneapolis.
- B. XYZ deposits the check into its account at Midwest Bank. In five business days or less the money is available.
- C. Meanwhile, Midwest sends the check to the Minneapolis Fed, where it is credited to Midwest's (ABA) account.
- D. The Minneapolis Fed sends the check to the Atlanta Fed for collection.
- E. The Atlanta Fed deducts the \$100 from Southeast's (ABA) account, sends the bank the check, and pays the Minneapolis Fed for the check electronically.
- F. At Southeast Bank, ABC's account is reduced by \$100.
- G. ABC receives the cancelled/cleared check from Southeast Bank when it receives its next bank statement.

2.6 ACH

ACH is an acronym for Automated Clearing House (sometimes written as Automated Clearinghouse). An ACH payment is somewhat like a giro payment in Sweden. It is an electronic payment type used for making domestic USD payments. ACH payments are cleared and settled by the FED in much the same way as are checks. The drawee or issuing bank in an ACH transaction is

referred to as an Originating Depository Financial Institution (ODFI) while the payee or beneficiary bank is referred to as a Receiving Depository Financial Institution (RDFI). Basically, the FED settles an ACH payment by debiting the ODFI's ABA account and simultaneously crediting the RDFI's.

ACH payments are settled one or two business days after Origination i.e. date ODFI releases the payment to the FED. Business-to-Business payments are settled within one day while Business-to-Consumer payments are settled within two days.

The ACH network is regulated/governed by the National Automated Clearing House Association (NACHA). NACHA establishes the rules and standards for the ACH network. For example, NACHA provides the standard format that must be used for delivering ACH payment files. NACHA also sets, for example, the rules that must be followed by banks participating in the ACH network. Each year NACHA provides two "ACH Rules" books, one for Banks and one for Corporations.

2.7 How are ACH payments used?

ACH payments are typically used for high volume, low value, payments. The payments are typically made as bulk payments i.e. payment files. Companies create the ACH files in the NACHA format and then send the files to their bank for direct deposit of payments to various third parties. ACH payments are most widely used for salary or payroll payments. However, they are also used for vendor payments, Travel & Entertainment reimbursement payments and state and federal tax payments, among others.

2.8 Wire Transfer

Wire transfers or wires are the most commonly used vehicles for making payments internationally (cross-border). In the United States we refer to the well-known SWIFT payments (payments made via the Society for Worldwide International Financial Transactions messaging network) as International wires. This type of wire is used in Sweden and all other countries for making cross-border payments.

Domestic wires are used to make USD payments locally in the United States. These payments are made between US banks and are cleared by the Fed. As such domestic wires are referred to as Fedwires.

Fedwires settle immediately. They are same day payments and are typically used for urgent payments.

2.9 Cards

Cards are widely used to make payments in the United States. As a business you will need to establish a Merchant Services relationship with your bank or other provider if you wish to accept card payments from your customers.

Your Merchant Services provider will give you the means of receiving and validating card payments. For example, they will provide a retail store with the 'swipe' terminals to be used at the point of sale. For online or telephone payments, you may validate customer card payments via online software.

Many banks offer merchant services, but you may also use a non-bank merchant service provider, or merchant processor. In such a case you would need to provide your bank account information to the merchant processor, so that your customer payments may be credited to your bank account.

3. BANK ACCOUNTS

3.1 Accounts

Banking services are generally linked to Demand Deposit Accounts (DDA). A DDA (also called a checking or a current account) is so named because the account owner or "depositor" has the right to "demand" the funds on deposit at any time. Because of this feature, the account owner may execute payments from his DDA.

Banks also offer other account types, including savings, investment, and money market accounts among others. While these accounts are not traditionally accounts that offer depositors immediate access to all available funds on deposit, most banks do offer limited DDA features on these accounts today.

3.2 Credit Interest

Federal Reserve Regulation Q prohibits banks from paying interest on commercial demand deposits. As such, your bank cannot offer interest on the deposits in your account. Banks have found

a number of ways around this regulation and are able to compensate commercial customers for the balances left on their demand deposit accounts. The most common methods are “offshore sweeps” and “earnings credit”.

Offshore sweeps – Since US banking regulations prohibit paying interest, some banks establish branches in locations outside of US jurisdiction. Many banks have “branches” in the Bahamas, Grand Cayman and Bermuda for example, where the payment of credit interest is allowed. The bank would open an account for its customer in, for example, Grand Cayman. At the close of each business day in the US, the bank would sweep the deposit balance from the US account to the Grand Cayman account. The balances are swept back to the US account for the start of the following business day. The deposits earn “overnight” interest while in the Grand Cayman account. The bank would pay the credit interest amount to the Grand Cayman account and then transfer it to the US account.

Earnings credit – This is not actually considered a payment of interest, but many companies accept it as a way to use credit balances to offset bank fees. The bank offers the customer an interest rate, referred to in this case as an “earnings credit rate” (ECR). The bank calculates a credit interest amount based on the average daily balances in the demand deposit account. However, instead of paying the credit interest to the account, the bank reduces its bank fees by the amount of the credit.

3.3 Opening a bank account

The FED has established clear guidelines that banks must follow when opening an account for either an individual or a business. These guidelines focus on ensuring that the identity of the intended account owner is authentic and also on ensuring that the account will be used for legitimate activities. The guidelines include a number of measures aimed at preventing money laundering and terrorist funding.

Scandinavians may find the documentation required for opening an account in the US to be rather onerous. It is important to understand that there is no way around this. This process is not at the discretion of the bank. A bank that fails to follow the guidelines will likely face steep fines and worse, can have its charter or license revoked!

3.3.1 What is required to open a business account?

When opening an account, a bank may ask a business to provide the following:

Customer Identification – provides certain information about your company, including:

- Legal Name of the business entity
- Taxpayer ID Number
- Verification of legal status of the business (sole proprietorship, partnership, corporation, etc.)
- Verification of the location of the business
- Description of the principal line(s) of business and all types of business operations in which the customer engages
- An estimate of anticipated account activity
- Consideration of the source of funds to open the account

The bank may also ask for other information including financial statements and a list of your major suppliers and customers.

Corporate or Board Resolution - Designates the selected members of your staff with the authorization to conduct and effect various banking transactions on behalf of your company.

Form W8 - Certificate Of Foreign Status - Designates that your company is a foreign entity and not required to pay US taxes.

OR

Form W-9 - Request for Taxpayer ID Number and Certification - Designates that your company is a US entity and is required to pay US taxes. This form is required by the bank to file an information return with the IRS.

Certificate of Incorporation (Articles of Association) – this is your corporate registration document issued by the state wherein your company was formed and registered. If your company is Swedish, you would provide the bank with a copy of the Certificate of Registration issued by Bolagsverket (Swedish Companies Registration Office).

List of Authorized Signers – designates those members of your staff authorized to deliver instructions to the bank and otherwise sign on behalf of the company.

Government Issued Identification – the bank must receive a copy of such identification for each member of your staff who will have any power to act on behalf of the company to the bank. Examples of government issued IDs include Passports (picture page) and Driver's Licenses.

The bank may also require that you sign an Account Agreement which designates the agreement between your company and the bank.

3.3.2 Know Your Customer (KYC)

Your bank will need to demonstrate to the FED that it has a reasonable belief that it knows the true identity of your company. The bank must understand your business, who your customers are, where you will conduct business, your ownership structure and the financial position of the company, among others. Your bank officer will therefore ask many questions and ask for documents to support your responses. The bank officer may also desire to visit your place of business to confirm that it does exist and that the activity conducted there is consistent with the other information you had provided.

3.3.3 Anti-Money Laundering (AML), USA Patriot Act

The purpose of the KYC procedures performed by your bank is to conform with the provisions of the Bank Secrecy Act, which requires financial institutions to assist the government in detecting and preventing money laundering. These procedures are also consistent with aiding in the detection and prevention of terrorist-funding. KYC is an ongoing process during your relationship with your bank. Your bank will check all payments out of and into your account against certain lists of prohibited persons, entities and countries. These lists are compiled by the Office of Foreign Assets Control (OFAC) and are continuously updated.

AML, Patriot Act and the related KYC activities of banks comprise a very important aspect of your relationship with your bank and will dominate the account opening discussions.

4. SERVICES OFFERED BY BANKS

Banks offer a host of services for business or corporate customers. We will discuss the most common services here. These services are typically offered to larger companies but can be scaled down for small businesses. In general, small business services resemble a hybrid between corporate services and retail services.

4.1 Cash Management Services

Cash Management services (commonly referred to as Treasury Management Services in the US) are directly offered by all of the top US banks, and indirectly by many of the smaller ones. The different services discussed below fall into the following categories:

- Payments
- Collections

4.1.1 Payments

We have already discussed the different payment instruments commonly used in the United States and learned that checks are the most commonly used of these instruments. The preponderance of checks as a payment medium has given birth to a number of cash management payment services that are very widely used by companies in the United States:

Controlled Disbursements

This service allows a company to simplify disbursement funding by providing timely information about the total amount of checks that will clear (presentment) an account on a given day. Without controlled disbursement service checks may clear against your account throughout the day. Since you do not know which checks will clear, you must leave enough funds in the account equal to the total amount of outstanding (issued but not cleared) checks. This means that you are unable to effectively forecast your cash position. It also means that you typically have idle balances on your account(s) since US Banking Regulations prohibit banks from paying interest on corporate DDAs.

With Controlled Disbursement service your bank would notify you very early in the business day of the day's presentment.

Times may vary, but complete information is typically available between 8:00am and Noon. This allows you to correctly forecast your cash position for the day so that you may make investment decisions or other disbursements.

ARP (Account Reconciliation Processing)

Because checks are paper-based payment instruments, reconciliation is a typically manual process. With ARP service your bank can completely reconcile your check disbursements and provide you with reports in either electronic or hardcopy format.

Positive Pay

Positive Pay is an excellent way to maintain tight control of check issuance and payment, facilitating fraud prevention. Positive Pay complements the internal security measures you employ to ensure that only authorized checks are paid. With this service you provide your bank with a transmission of check issue data each day checks are issued. The issue file contains the account number, check number, dollar amount and issue date of each payment. It is also possible to include the payee's name.

As checks are presented for payment, they are matched against the issue database maintained by the bank. The account number, serial number, amount and payee name are the Positive Pay matching criteria. Items which match your issue data are paid. Items which do not match are flagged as exceptions for further handling, based on your pre-established guidelines.

4.1.2 Collections

Lockbox Service

The inefficiency of paper-based payments is magnified on the collection side. An efficient cash management operation should strive to reduce Days Sales Outstanding (DSO). A reduction of DSO will allow you to increase interest income and/or reduce interest expense. In other words, the quicker you collect incoming payments, the sooner you can fund your liabilities or investments, thereby maximizing the company's working capital. When your customer pays you with a check, it is possible that you can experience a collection float time of more than a week. There are three main components of check collection float: mail float, processing float and clearing float.

Mail Float – the time that elapses from the moment your customer puts the check into the post to the time the check arrives at your office.

Processing Float – the time that elapses from the moment you open the envelope to the time you deposit the check at your bank.

Clearing Float – as discussed in the previous section “How do checks clear?”, this is the time it takes for the deposited check to become available funds.

As you can imagine Mail Float is typically the largest component of your check collection float. It is also the component that you can least control. If your customer is located in the same town or city as you are, mail float could be as little as one day. Or two days if your customer is in another state. Or three to four days if on the other side of the country e.g. Tacoma, Washington to New York City. Or a week or two if your customer is in another country. You have little control over how long it takes to receive your mail. What you do know is that on average your mail float will be a few days at the minimum.

You can control your processing float. If you only receive a few checks you can have an employee open the envelopes, update your Accounts Receivables system, prepare deposit tickets and then go down to the closest bank branch to deposit the checks...all within a few hours. You would, of course, only really have a few hours since mail is typically delivered to your office after noon, on business days only. The deadline for depositing checks into your bank is 3PM. So you would typically have less than two hours to complete the processing. If you miss the 3PM deadline, that would add 1 day to your processing float.

Now imagine that you are receiving hundreds of checks daily. This typically means that you would not be able to deposit checks from today's mail until one or two days from today. Or more. Your processing float has now ballooned to a few days. Add that to your mail float and your collection float is now 4 – 6 days. 6 days since your customer put the payment in the mail and updated his Accounts Payable system to show that you were paid.

You cannot predict with certainty your clearing or availability float. As we know now, availability float depends on the geographical origin of the drawee bank. If both you and your customer have accounts at the same bank in the same city, availability float could be zero i.e. the funds are part of your available balance on that same day. In reality you would not be able to use these funds until the next business day. Availability could then range from the zero day instance all the way up to 7 or more days. Your total collection float is now in the neighborhood of 5 or 6 business days on the low end and almost two weeks on the high end. If you receive hundreds of thousands of dollars via check, think of what this does to your working capital. This is not an efficient process.

How does Lockbox service solve the check collection problem? Lockbox service basically reduces check collection float to 2 – 3 days. Your bank will help you to reduce each of the three collection float components.

Mail Float reduction

When you open a Lockbox with your bank, the bank will give you a special address which you are expected to provide to your customers as your payment address. A typical Lockbox address for a fictitious company named Swedish Company Inc. might look like this:

Swedish Company Inc.
PO Box 1234
Chicago, IL 99999-1234

Swedish Company Inc. would put this address on the invoices it sends to its customers. However, this is an address to the bank. Banks set up Lockbox Processing Sites in different cities around the US. In determining where to establish a Lockbox Site, banks work with the United States Postal Service (USPS) to determine which cities have the fastest mail times in the country. In other words, the USPS can perform a study to determine the length of time it takes for mail originating from all over the country to reach each city. Banks then choose the top cities to setup Lockbox Sites. The USPS then assigns unique zip-codes to these Sites. These unique zip-codes ensure that mail is delivered to the Sites before regular addresses in the given city. If we take the example above,

the first deliveries of mail to the City of Chicago will be to lockbox Sites. A business in Chicago will receive a mail delivery much later in the day. Further, while normal addresses receive one delivery of mail each day, Lockbox sites can receive more than 10 deliveries daily. This means that mail that would arrive at your office today could have arrived at a Lockbox Site a day or two earlier.

Another advantage afforded to Lockbox Sites is that close to 90% of the mail is delivered before 8:00 AM. This creates a processing window of many hours as opposed to the 2 – 3 hours you would have if you received the mail in your office. You can therefore see the immediate positive impact on mail float.

Processing Float reduction

A Lockbox Processing Site is a factory. These sites are typically large one or two story buildings. They typically employ hundreds of employees who do nothing other than process incoming checks. The mail is loaded into special machines that open the envelopes and extract the checks and remittance documents (invoices, check stubs etc.). Everything is scanned (envelope, check, remittance documents). This process takes a few seconds. During scanning the MICR line of the check is read and deposits are prepared. Depending on your lockbox service, the bank operators look at each payment and key additional remittance information to be provided to you. The operators also provide quality assurance, ensuring that all of the information captured is accurate. The checks/payments are then deposited into your account. For checks that arrive at the lockbox today, more than 90% of them are typically deposited into your account by 8:00 AM. Even if you receive thousands of checks daily. You can therefore see the immediate positive impact on processing float.

Availability Float reduction

As state before, it is near impossible to predict with any accuracy the availability float across your check receipts. However, through use of a lockbox, you can certainly reduce the total time it takes for your checks to clear and become available funds. During implementation of lockbox services your bank will ask you to select the lockbox site(s) you wish to have. All of the large banks offer multiple Sites. The most common cities are Pittsburgh, Atlanta, Chicago, Dallas and Los Angeles. Most banks

offer these and other cities. It is important that you select the Site(s) that is closest to your customers. If your customers are scattered around the country, you may be able to choose one centrally located Site such as Chicago. However, if you have a significant volume of incoming check payments, it is always wise to be more scientific in your approach to choosing Sites. Your bank can perform such a study based on the location of your customers and will tell you which are the optimal sites for your activity. The correct site is important for the minimization of both availability and mail float. Assume your company is in New York City and you have only one customer. Your customer is located in Seattle, Washington. If your customer mails a check to your office it could take 3 days to get to you (mail float), 1 day for you to get it deposited (processing float) and 3 days to clear (availability float). The availability is likely to be 3 days because your customer's bank is likely to be in Federal Reserve District 12. Since your bank is likely to be in District 2, you will likely face the longest availability times. If you instead open a Lockbox at a site in Fed District 12, say, in San Francisco, your clearing float is likely to be 0 – 1 days.

This is the value of Lockbox Service. You outsource collection of your checks to your bank, thereby significantly reducing your collection float related to check receipts.

Remote Deposit

Remote Deposit or Remote Deposit Capture is a relatively new product offered by some banks to aid in the efficiency of check collections. This service provides you with the ability to use image-based technology at your office to truncate checks and transmit directly to the Bank for electronic processing. This service can be used in conjunction with lockbox service or as an alternative when your volumes are relatively low.

To utilize this service you would need to purchase a special desktop scanner. When you receive a check in your office you would feed the check into the scanner. The scanner captures an image of the check and the MICR line information. This information is immediately transmitted to your bank, depositing the check into your account. The bank uses the image to clear the check through normal check clearing routines.

Benefits of Remote Deposit include:

- No need to manually prepare deposit tickets and make a trip to a nearby bank branch.
- Allows you to eliminate costly overnight deliveries to the lockbox.

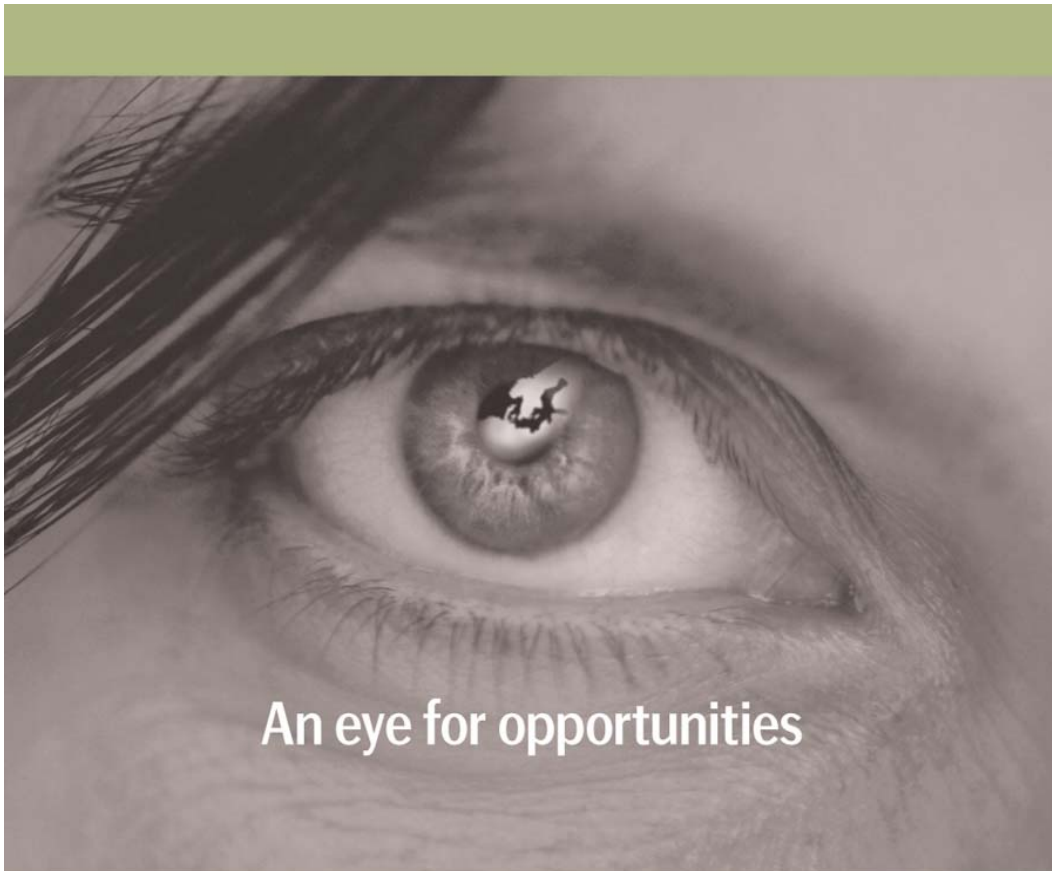
CONCLUSION

Banking in the US is in many respects quite similar to banking in Scandinavia. However, there are significant differences in the payment environments, due to the continued preponderance of checks as the primary payment instrument used for business-to-business payments. It is therefore very important that you understand the products and services that are available for handling checks most efficiently, as the float, administration and fraud associated with checks can be rather costly.

At the same time banking services are becoming more and more commoditized in the US. As such, banks are becoming more focused on customer service and relationship building as methods of differentiating themselves from their competitors. It is recommended that you seek a bank that is willing to 'hold your hand' as you get started.

We hope that this booklet has helped to demystify some US banking concepts, services and practices. Please do not hesitate to contact either SACC New York or SEB for any further information.

Good Luck!



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