

Destination Asia – Right planning helps companies go global, say RBC experts

For a growing number of Canadian companies, going global means doing business in the Asia-Pacific region. According to RBC®, 16% of its business clients are active in China and other parts of Asia-Pacific. Another 10% anticipate entering the international arena within the next two years, with Asia-Pacific as a prime target.

How can your company help ensure its own success? By seeking advice to help you understand and plan for the Asia-Pacific markets, and recognizing some key differences – banking among them.

1. Do your homework

Start with tapping into the available expertise, which includes government websites like Foreign Affairs and International Trade Canada, Industry Canada and the Canadian Trade Commissioner Service. Their personnel and websites can provide guidance on countries throughout Asia-Pacific.

Other good sources are bilateral trade groups, such as the Canada-India Business Council, Indo-Canada

Chamber of Commerce, Hong Kong-Canada Business Association, and Canada-China Business Council.

To deal with banking and business regulations across Asia-Pacific, it's also vital to engage local professionals (e.g. lawyers, accountants, tax advisors), well in advance wherever you're planning to do business.

2. Rely on your Canadian bank

Canadian financial institutions are another valuable resource that can guide you through specific banking issues and provide broader information on global trade.

“Your bank may also be able to link you with the right institutions abroad,” notes Jessie Yu, director, RBC Capital Markets® in Beijing. “RBC, for instance, has a broad reach in Asia-Pacific, including cooperative relationships with major foreign banks.” RBC also has its own capabilities in the region through a long-term presence in some key markets and a newer association with Deutsche Bank AG.

Whether linking clients with local banks, consultants and other supporting institutions, or offering direct assistance, RBC understands the financial systems in Asia-Pacific, and is in a position to provide businesses in Canada with the information and help they need.

3. Learn the quirks of the market

Banking practices and regulations tend to be quite complex across the region, notes Leif Simon, who heads the payment and cheques product group for Deutsche Bank in Asia-Pacific.

According to the Singapore-based Simon, “With the sheer number of countries in the region, and the fact that each has its own rules and clearing systems, there is far less harmonization than in the eurozone and North America.” He adds, however, that there are some jurisdictions, such as Hong Kong, Singapore, Australia and New Zealand, which have a banking experience that's more in line with Europe and North America.

As a business operating in Canada, you're used to operating within one of the most efficient financial systems in the world, and may need to adjust your expectations regarding FX (foreign exchange) transactions, payment methods and cheque clearing. Depending on where you'll be operating, your firm will need to get a handle on the nuances of the market.

For example, Yu notes that China's regulatory framework controls FX transactions very tightly compared to other countries in the region (i.e. Australia).

Simon adds that in most countries, currency conversions have to be effectively connected to some underlying commercial contract. “That means that operating from a non-resident account is sometimes permissible, but only if you fulfill certain reporting requirements to the central bank,” says Simon.

Payment instruments across the region also have tremendous variance. While cheques dominate in India, for example, electronic payments are more prevalent in Hong Kong and debit card transactions are common in China.

Across the region, wire payments tend to be credited to the beneficiary's account on the same day, faster than ACH Direct Deposits, which usually take one day longer. ACH payments tend to be used for non-urgent payments and there is often a maximum value, forcing those of higher value to be sent as wires.

The varying nature of clearing practices and the size of some countries can have a significant impact on a company's access to funds, possibly affecting liquidity, increasing funding costs and in turn, affecting relationships with suppliers and customers.

Simon notes that India has approximately 10,000 cheque clearing zones. No single bank can handle cheque clearing nationwide. While some cheques settle the same day in India, others can take 40-60 days. In China, meanwhile, cheques are used primarily within the same city, as cheques expire within 10 days and clearing inter-city takes longer than that. “Companies need to be aware of these and other banking differences, and adapt accordingly,” emphasizes Simon.

4. Navigate the paperwork

“Beyond the differing practices across the Asia-Pacific region, even routine paperwork can be more strenuous than firms are used to in North America”, says Manoj Mistry, director, Global Financial Institutions for RBC Capital Markets in Singapore.

Simon points out that banking service agreements tend to follow standards that are often imposed by the local government or regulators. General business terms are not negotiated; clients occasionally seek clarification of terms, but not changes to them.

In general, requirements for foreign companies to operate abroad can be strict, notes Kalpana Pareek, manager,

Online Resources

Foreign Affairs and International Trade Canada: international.gc.ca

Industry Canada: strategis.ic.gc.ca

Canadian Trade Commissioner Service: infoexport.gc.ca

Canada-India Business Council: canada-indiabusiness.ca

Indo-Canada Chamber of Commerce: iccc.org

Hong Kong-Canada Business Association: national.hkcba.com

Canada-China Business Council: ccbc.com

Business Accounts and Packages, RBC Royal Bank®. In addition to arranging the appropriate documentation for banking, she says that Canadian companies in India, for example, might also require licences and permits to operate in certain industries.

The range of the banking and market requirements make it vital for firms to get the right support when pursuing global opportunities.

5. Explore banking solutions

As Canadian companies go global in rising numbers, Canadian financial institutions are looking for ways to provide more integrated business solutions.

In May 2008, for example, RBC announced that it is partnering with Deutsche Bank to leverage their extensive Asia-Pacific financial services infrastructure.

“With RBC as the single point of contact for their international banking needs, Canadian companies can access a full range of global treasury management solutions,” explains Jana Henderson, director of Global Solutions at RBC. “These solutions include in-country deposit accounts, in-country ACH Direct Deposits in the relevant currency, in-country collections – lockboxes and ACH Direct Debits, for example – in-country cheque printing and distribution, and online balance and transaction reporting.”

Establishing banking arrangements abroad can often be a complex process. RBC can act as a single point of contact to facilitate this process and provide a more consistent and predictable banking experience.

“Our clients' horizons are widening beyond North American borders, and we're keeping pace,” adds Shauneen Bruder, executive vice-president, Business and Commercial Banking for RBC Royal Bank. “We'll continue to be wherever they need us, providing the advice and global capabilities to support their success.”

For more on how RBC can help you take your business around the world with confidence, call 1-800 ROYAL® 2-0.

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