

# European ventures require knowledge and insight

## As Canadian businesses target Europe, RBC advises planning for banking needs

For Canadian companies looking to go global, Europe is an increasingly attractive destination. Europe is already Canada's second largest commercial partner after the U.S., and according to Foreign Affairs and International Trade Canada, our merchandise exports to Europe rose over 25% in 2007. Exports of Canadian goods to the European Union (EU) were \$39.6 billion, with goods imported from the EU totalling \$42.5 billion.

So, how should Canadian companies prepare for entering this potentially lucrative market? In part, by getting ready for the banking environment.

Perhaps because of the euro and close ties within the EU, "many foreign companies perceive Europe as more homogenous than it is," says Daniel Reynolds, director and head of developed markets, global financial institutions, for RBC Capital Markets® in London. "That isn't the case today when it comes to banking practices and clearing systems."

To ensure their success, he says, Canadian firms doing business in Europe need to understand and plan for European markets — including banking practices.

**"Our clients' horizons are widening beyond North American borders, and we're keeping pace. We'll continue to be wherever they need us, providing the advice and global capabilities to support their success."**

Shauneen Bruder  
Executive Vice-President  
Business and Commercial Banking  
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### 1. Do your homework

Start with tapping into the available expertise, which includes government sources like Foreign Affairs and International Trade Canada, Industry Canada and the Canadian Trade Commissioner Service. Their personnel and online resources can provide guidance on countries throughout Europe.

For instance, Foreign Affairs and International Trade Canada notes that Western Europe and the Nordics are investing heavily in environmental industries, bio-industries and clean energy. This creates new market and partnership opportunities for the growing number of Canadian companies specializing in clean technologies.

Whatever your industry or market, engage local professionals (e.g. lawyers, accountants and tax advisors) well in advance. "That can help with decisions around setting up a branch, subsidiary or rep office and choosing an optimal location," says Martin Broadhurst, director, business banking, RBC Capital Markets in London.

Canadian financial institutions are another valuable resource to guide you through banking issues and European financial systems, and can provide broader information on global trade.

Your bank may already have capabilities abroad, like RBC®, which offers commercial banking and capital markets services in London. Whether linking clients with local resources or offering direct assistance, RBC understands European banking, and can provide businesses in Canada with the information and help they need.

### 2. Learn the quirks of the market

One development that will make life easier for companies, says Reynolds, is

SEPA (Single Euro Payments Area). SEPA will improve the efficiency of cross-border payments by creating a zone for the euro where all electronic payments are considered domestic and cost the same.

The ability to receive or make euro payments anywhere within SEPA on the same basis will mean faster settlements, simplified processing, improved cash flows and reduced costs. Three SEPA payment instruments (credit transfers, direct debits and cards) will operate alongside existing national processes; full migration will happen at the end of 2010. So for now, domestic payment systems are still dominant.

"Although there is some harmonization developing, the European banking environment can still be complex," notes Reynolds.

Consider, for instance, that central bank reporting requirements can vary significantly between countries, with no sign of this changing soon. (In certain countries, transactions of over 50,000 euros have to be reported.)

Countries also have different practices and clearing rules for payments. One example of divergence is in the U.K. and Netherlands where companies are allowed to send payment instructions directly to the clearing organization, whereas in most other countries low value domestic payments are processed through a bank first.

The opening and operating hours of payment systems also vary across Europe. That should be no surprise considering that every country has its own banking hours too.

Another quirk: companies need to keep track of two levels of account numbers: IBAN (International Bank Account Number) for cross-border banking in

addition to each country's own account number structure for domestic payments. That may be a surprise and a nuisance to companies that expect a common type of account number to already be in use across Europe.

Companies also need to be aware of local customs. When it comes to payments, for instance, some differences might have implications for your operations.

According to an online report by Europedia, half of Europeans prefer to pay in cash, 36% by card, 7% by cheque and 5% by transfer. But this varies across Europe. While just over 60% of the Dutch and Swedish prefer to use their bank cards, only 4% of Greeks do. And while cheques are seldom used in some countries, like the Netherlands, they're much more prevalent in others, like France and the U.K. So whether or not you need a lockbox will depend on where you're doing business.

### 3. Think ahead

When setting up banking operations for Europe, Brendan Reilly, head of country product management in Northern Europe for Deutsche Bank, recommends that Canadian companies consider the following:

- ▶ What are the country's primary payment and collection methods?
- ▶ Do your needs differ per country, or are there common threads?
- ▶ How can your organization take advantage of SEPA to simplify your banking operations?
- ▶ How will your organization manage its liquidity and funding needs?

It really boils down to one question, says Reilly: "How much pain can a bank take away from you?"

Payment and collection needs depend on the nature of your business and location. But thinking ahead also means anticipating your growth, in terms of the products and services you might require, and expansion across different countries.

While Canadian companies often begin their European presence in the U.K. or France, they eventually expand elsewhere

### Online Resources

Foreign Affairs and International Trade Canada: [international.gc.ca](http://international.gc.ca)

Industry Canada: [strategis.ic.gc.ca](http://strategis.ic.gc.ca)

Canadian Trade Commissioner Service: [infoexport.gc.ca](http://infoexport.gc.ca)

across the continent. In other cases, doing business in the EU can lead to even more global opportunities.

Recently in an article from CanadExport magazine titled "The EU: World's largest single market," Ken Sunquist, chief trade commissioner with Foreign Affairs and International Trade Canada, stated, "The EU is a springboard to extend further commercial activities in North Africa, the Middle East and Asia. When a Canadian company expands into Europe, they are, in fact, opening doors to new business throughout the world."

"Some companies make the mistake of thinking too small," says Monie Lindsey, who heads the London office of the consulting firm Treasury Strategies. "They'll start with a local bank that doesn't necessarily have a pan-European cash management and treasury solution," says Lindsey. "That can limit you."

She says harmonization of payment methods will give corporations in Europe a chance to streamline their banking structures and relationships. "This is leading many companies to manage liquidity more aggressively on a global basis."

### 4. Explore integrated banking solutions

RBC reports that 28% of its small business and commercial clients are already doing business around the world, and another 10% are looking to do so within the next two years. While most of this business activity is with the U.S., 15% now involves Europe.

As more and more companies go global, they're looking for integrated solutions from their financial institutions — and many are delivering. In May 2008, RBC announced that it is partnering with Deutsche Bank to leverage their extensive financial services infrastructure in Europe (as well as in Asia-Pacific).

"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, ACH Direct Deposits in the relevant currency, collections — lockboxes and ACH Direct Debits for example — 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 in Canada 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 of business and commercial banking for RBC Royal Bank®. "We'll continue to be wherever they need us, providing 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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