

U.S.-bound businesses plan for success

RBC trade expert says Canadian firms need time and advice to prepare for new banking and market environment

For Canadian firms looking to do business abroad, the U.S. is a natural destination. After all, from language to culture, we're familiar with the country. While the two markets have many similarities, companies who want to help ensure success south of the border need to recognize some key differences too — banking among them.

"The U.S. system is unique, and differs in every state," says Ray Kohler, senior manager, U.S. markets, Treasury Management and Trade Finance, RBC Royal Bank®.

Before heading to the U.S., he says, Canadian companies need to take the time and get the advice that will help them to fully understand and plan for the American environment.

1. Rely on expert resources

Start with tapping into the available expertise. Government websites like Foreign Affairs and International Trade Canada (www.international.gc.ca), Industry Canada (www.strategis.ic.gc.ca)

and the Canadian Trade Commissioner Service (www.infoexport.gc.ca) provide guidance on the U.S. market. Canadian consulates can also offer advice, and help you connect with the local business community.

"If you have a Canadian bank with a U.S. entity, like RBC, all the better. They're operating in both countries, so are very aware of what it takes to be successful."

**Dave Robertson
Partner, Treasury Strategies Inc.**

To best deal with U.S. banking systems and business regulations, it's critical to connect with local professionals, e.g. lawyers, accountants and payroll services, wherever you're in business. Your financial institution is another valuable resource, and should be able to guide you through both specific banking issues and broader information on global trade.





“Take advantage of your bank’s experience and expertise,” says Dave Robertson of the Chicago office of consulting firm Treasury Strategies Inc. “If you have a Canadian bank with a U.S. entity, like RBC®, all the better. They’re operating in both countries, so are very aware of what it takes to be successful.”

Online Resources:

Foreign Affairs and International Trade Canada:

www.international.gc.ca

Industry Canada:

www.strategis.ic.gc.ca

Canadian Trade

Commissioner Service:

www.infoexpert.gc.ca

2. Get an introduction

Every company, depending on the nature of its business, will have its own particular needs. But some cut across all types of enterprises. The first step is finding the right U.S. bank. Here’s where your Canadian bank can prove invaluable. “Speak to your banker in Canada and get an introduction to a bank they know,” says Kohler.

Some Canadian banks already own a U.S. financial institution. RBC for instance owns North Carolina-based RBC Bank (USA), formerly known as RBC Centura®. In any event, your Canadian bank can help open doors.

3. Start early

In general, opening a U.S. account for a Canadian company is time consuming and complex. “There’s

significant due diligence and a heightened sensitivity to things like money laundering,” says Robertson.

You need to provide detailed information about your business, even if you’re not looking for lending, and even if the U.S. bank is already affiliated with your Canadian bank. It’s also advisable to obtain a U.S. tax ID, which is mandatory for Internet banking.

4. Ensure you get the most benefit from excess cash

In Canada, companies that happen to have an interest-bearing account will negotiate current account rates with their Canadian banks. Once your U.S. account is active, however, remember that American banks typically pay low or no interest on demand deposit accounts due to government regulations. Keep that in

mind if you'll be carrying substantial excess balances. Kohler notes that such clients will have to arrange daily "sweeps" to their investment accounts with their U.S. banks, or choose CDs (certificates of deposit), money markets or other investment options.

5. Manage your cash flow

In Canada, cheques get processed pretty much overnight. But in the U.S., it can take two to three business days or longer for cheques to clear. That has multiple implications.

"You need to ensure sufficient funds are in your account to cover outstanding cheques," says Walter Ricks, director of Specialty Lending at RBC Bank™ in Raleigh,

North Carolina. "Similarly, if you're borrowing, you need to be aware that you may need to borrow more, or set up a line of credit that covers cheques automatically, because it takes longer to receive the value of cheques that you deposit."

Smaller businesses especially, Ricks says, need to be on top of their account balance as it will be artificially inflated as cheques are issued.

Direct payments (e.g. pre-authorized debits) are common, but businesses must report an unauthorized withdrawal much more quickly in the U.S. than in Canada, within as little as two days. Many U.S. banks offer "ACH debit block" or "electronic payment

authorizations" (i.e. debit filters) to prevent unauthorized ACH (automated clearing house) transactions.

6. Consider your collections

Payment by cheque is more common in the U.S. than in Canada, and you want to be able to collect receivables as quickly as possible.

For example, many companies, especially mid-size and larger, rely on lockboxes. Ricks knows of one Canadian firm that has a sales operation in Texas. Every night, the controller in Toronto receives a scan of cheques that have gone through a Dallas lockbox.



“That can be costly, but you weigh it against the administrative savings in your receivables department, and the fact that you receive value faster,” says Ricks.

For businesses with lower cheque volumes, Remote Deposit Capture allows cheques to be scanned and deposited to a bank account from the client’s office, no matter where it is located.

Some businesses, such as retailers, will also require merchant services to accept payment by credit card. If you’re an online retailer, for example, you’ll need to arrange to price goods in U.S. dollars, accept credit cards (without having foreign exchange applied to your customers’ transactions) and have the proceeds deposited into a U.S. bank account.

7. Think about financing

Many Canadian companies finance their U.S. operations through their domestic operations. In the U.S., demand lines are rare. Instead, American banks offer committed lines of credit with one to five year terms. “That will probably be more expensive in terms of legal costs, but interest rates may be lower,” says Ricks.

Entering a new market can open exciting opportunities. So to capitalize on them and reduce frustration — whether it’s around banking relationships or other facets of expanding to the U.S. — get the right support.

“Our knowledge, advice and contacts — on banking, the local markets and business strategies — can make things much simpler,” says Kohler. “You don’t have to go it alone.”

That’s proven every day, adds Shauneen Bruder, executive vice-president of Business and Commercial Banking at RBC Royal Bank.

“Our clients aren’t standing still and neither are we,” says Bruder. “Most trade continues to flow north-south, where our clients have access to a wide array of RBC’s global capabilities — the advice and services they need to help them seize opportunities beyond Canada’s border.”

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Ray Kohler
Senior Manager, U.S. Markets
Treasury Management
and Trade Finance
RBC Royal Bank

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