

CAPTURING OPPORTUNITIES IN INTERNATIONAL MARKETS

IN THIS ISSUE

PRODUCT SPOTLIGHT

Learn about the full range of services and support PNC Bank Canada Branch provides to meet the financial needs of U.S. businesses operating in Canada.

p4

QUICK TIPS

Start preparing yourself for a move into international markets with these key considerations.

p7

BY THE NUMBERS

Take a look at the number of U.S. companies trading internationally and what industries are experiencing the greatest growth.

p8

COMMERCIAL PAYMENT TRENDS

Catch up on the latest news in payments and revisit topics from previous issues.

p9

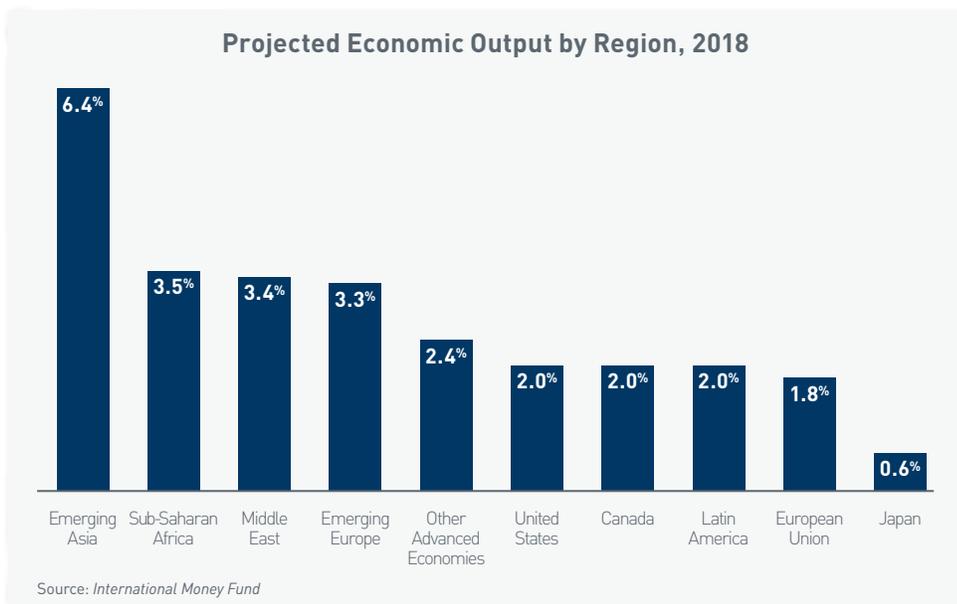
PAST ISSUES

A NOTE FROM JEFF FELSER, SENIOR VICE PRESIDENT



In this issue of *PNC Payment Solutions News*, we're focusing on the opportunities for U.S. companies trading with—and operating in—international markets, as well as the range of services and support that PNC can provide to these companies.

The extended period of stagnation following the Financial Crisis in 2008 appears to be ending. Global output is expected to accelerate from 3.1% in 2016 to 3.5% in 2017 and 3.6% in 2018¹, led by developing economies.



Along with the global economy rebound, growth in global trade volume is also expected to rise to nearly 4% in 2018.



In the U.S., while trade volume fell in recent years (in large part due to the rise in value of the dollar relative to the major world currencies), there are recent signs that trade is on the increase. For the first seven months of 2017, U.S. exports were up 6.0% y/y, while imports grew by 6.7%.²

The U.S. is the world's largest importer and the second-largest exporter, and there are more than 400,000 U.S. companies engaged in international trade.³

Of course, U.S. company involvement in international markets is not limited to trade. Many U.S. companies directly invest in overseas firms, while international companies also invest in U.S. firms. Between 2007 and 2015, the U.S. direct investment position abroad rose 68% to more than \$5 trillion.

CHALLENGES FOR U.S. FIRMS IN INTERNATIONAL MARKETS

While operating in international markets can offer huge opportunities for U.S. companies to grow revenues and reduce dependency on the domestic market, companies also

face a wide range of operational challenges. Many of these challenges are due to a lack of experience in operating in other countries and include dealing with different languages, legal and regulatory systems, as well as business practices and cultures. There are also differences in financial systems and customs. Fortunately, many companies can look to their financial providers to provide solutions and support that can help them address their challenges and capture opportunities in international markets.

PNC SERVICES AND SUPPORT FOR CLIENTS OPERATING IN INTERNATIONAL MARKETS

Middle market firms operating in international markets face increasing complexity and want resources to help them solve international business challenges and attain greater efficiencies. To meet this need, PNC provides a broad array of financial solutions (including treasury management), strong account management support and timely content such as research and country portfolios that enable our clients to develop greater understanding of doing business in various international markets.

International Payment Services

PNC provides a range of international solutions to our clients, including trade finance, letters of credit, multi-currency accounts, and a range of international payment services (dollar payments as well as cross-currency payments in 50+ currencies).

We also provide additional treasury management and payment services in key international markets, including:

- **Canada:** Through our PNC Bank Canada Branch (PNC Canada), we provide services and support to our clients doing business in Canada. Please see this issue's [Product Spotlight](#) for more information.
- **Europe:** More than half of PNC's international clients have a European presence. In 2016, we launched Europe Express, which enables clients to receive payments made through local, low-value channels (SEPA, Faster Payments and BACS). We offer commercial payment solutions to these clients through our Multinational Card Program in partnership with Barclays. We also operate a treasury management office in London which works with partner banks to open local accounts and integrate information and payments via PINACLE®, our top-rated corporate online and mobile banking portal.
- **Asia:** PNC offers a variety of payment options in varying currencies. We also offer multi-currency accounts in many Asian currencies such as Hong Kong Dollar, Singapore Dollar, Japan Yen, Chinese Yuan Renminbi, Thai Bat, etc. PNC also operates a representative office in Shanghai, China, which helps clients set up accounts with local banks, convert U.S. dollars to renminbi, or hold onshore renminbi accounts.

Dedicated Client Support

PNC's consultative approach for international commercial payments involves collaborating with our clients as they grow their international presence. A dedicated team provides services and support. The team is typically led by a Treasury Management Officer (TMO), who acts as a single point of contact for our clients. An integral element of our approach is to conduct a detailed analysis of our clients' payment activity and make recommendations based on this analysis. In addition, clients use PINACLE to keep up-to-date on international payments activity. We also provide best practices when operating in different markets and advise on how payments systems and practices operate in these markets.

International Resources

PNC seeks to increase our clients understanding of—and comfort with operating in—international markets by providing a range of information. This includes:

- AFP Country Profile reports for 32 countries (sponsored by PNC). Each profile focuses on the country's financial environment as well as its banking and cash management systems
- Regularly updated international economic reports on PNC's focus markets, including [Canada](#), China, European Union, India, and Latin America
- Webinar presentations on international topics (e.g., "Best Practices in International Cash Management")
- Content on international topics, which is published in the "Go International" section of PNC's Ideas, Insight & Solutions content hub on our website. Recently-published content include articles on "[International Payments: Best Practices](#)" and "[Navigating a World of Payment Solutions](#)", as well as a webinar on "[Managing Foreign Exchange Risk](#)"

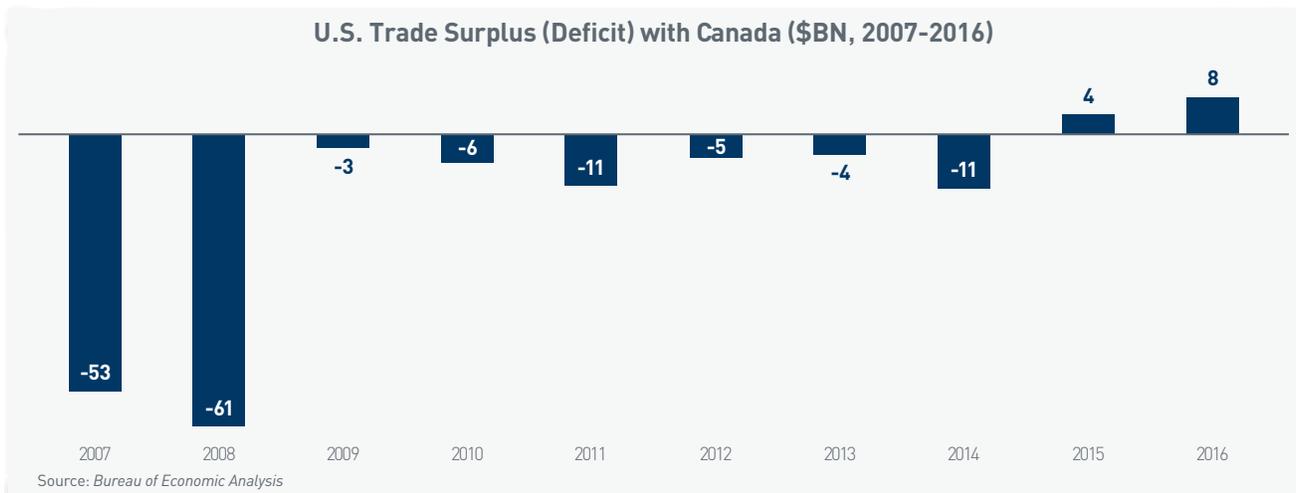
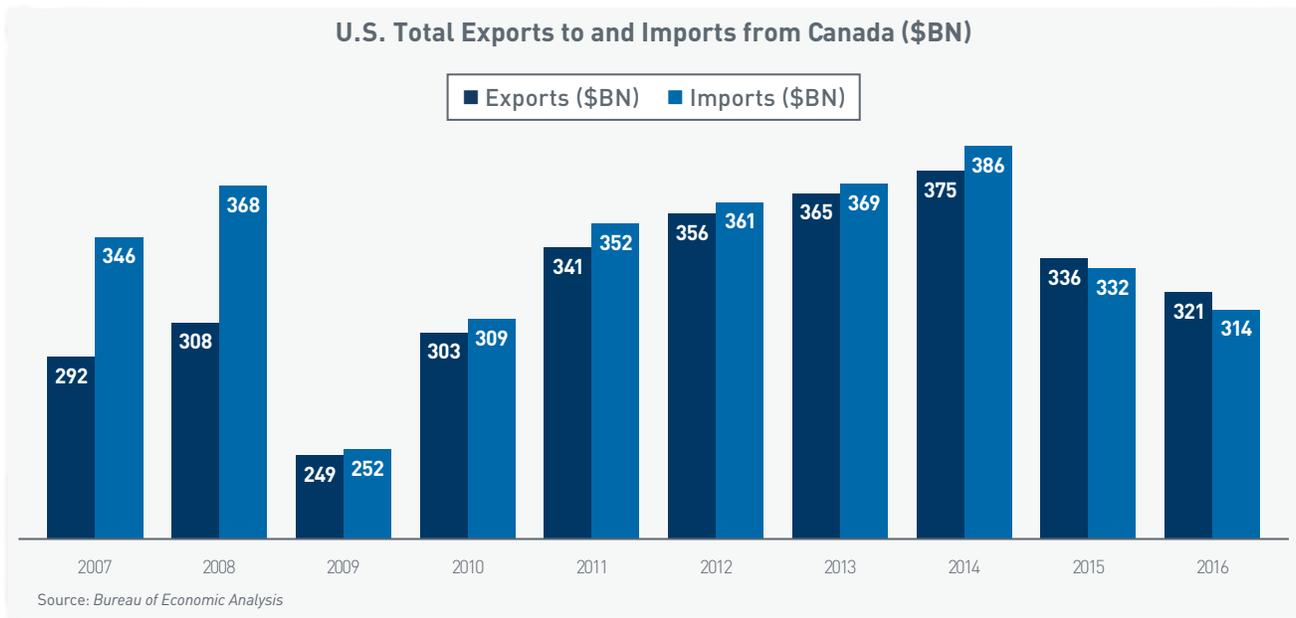
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Contact your PNC Treasury Management Officer or Account Manager, or visit pnc.com/treasury.

OPPORTUNITIES FOR U.S. COMPANIES IN CANADA

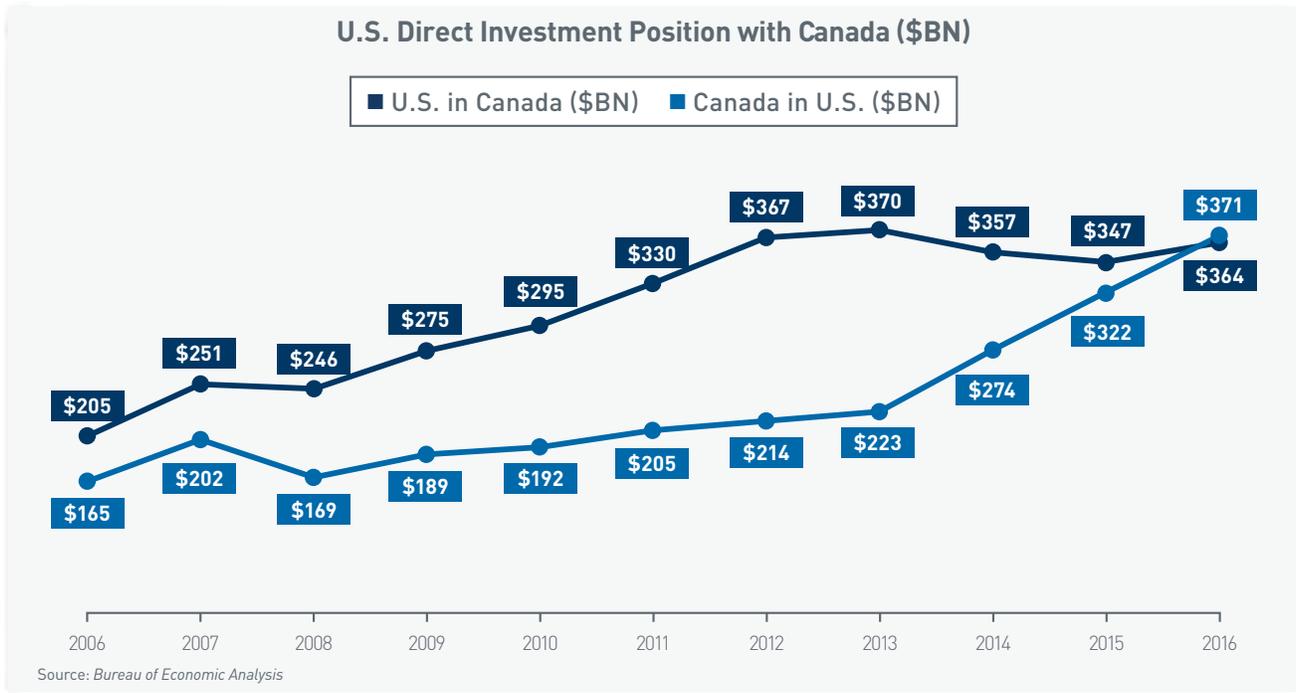
Canada and the U.S. not only share the world's longest border, but also one of the world's most important economic relationships. Canada is the U.S.'s largest export market (\$321 billion in 2016⁴), and its third-largest source of imports (\$314 billion in 2016⁵).

More than 89,000 U.S. companies exported to Canada in 2015.⁶



The economic relationship between the U.S. and Canada is not limited to trade.

- As of 2016, U.S. companies had \$364 billion invested in Canada (up from \$205 billion in 2006), while Canadian companies' direct investments in the U.S. totaled \$371 billion (up from \$165 billion in 2006).⁷
- In 2014, U.S. multinational enterprises (MNEs) employed 1.19 million people in Canada, while there were 621,400 employees of Canadian MNEs in the U.S.⁸



Canada Payment Systems

Although there are many similarities between the U.S. and Canadian banking systems, there are important differences. For example:

- Many companies hold both Canadian dollar (CAD) and U.S. dollar (USD) accounts for payables and receivables. This is readily supported in Canada as both CAD and USD clearing systems are available for wire, ACH and check. The USD system is unique and independent from the U.S. clearing channels (e.g., the Fed). For this reason, a USD check issued on a bank in Canada cannot clear through U.S. systems and is not eligible for remote deposit in the United States.
- Addenda information is very limited for ACH transactions in Canada, which can cause problems for companies trying to reconcile payments.

Canada is currently undergoing an expansive payments modernization⁹ project spearheaded by Payments Canada, a Canadian government-backed non-profit organization that is responsible for Canada's clearing and settlement infrastructure. It will include a new core clearing and settlement system, which will replace the legacy systems. The many benefits of this project include faster payments, expanded and standardized information to accompany those payments, and transparency throughout the payment process.

About PNC Canada

Companies operating on both sides of the U.S.-Canadian border have a range of significant financial needs, especially in areas such as foreign exchange, import and export services, trade finance, treasury management, and commercial banking services. To address these needs, PNC operates the PNC Bank Canada Branch (PNC Canada), a full-service foreign bank branch providing an array of commercial banking services.

PNC has been doing business in Canada since 1988 and has had a longstanding presence in the Canadian market. Originally operating as a lending branch, PNC received a full-service license in 2014 to provide financial services in Canada to companies and government entities.

PNC Canada's services include:

- Corporate banking:** PNC Canada's Corporate Bank provides a wide range of competitively-priced committed and uncommitted revolving and term loan facilities and standby letters of credit in Canadian dollars. Available in both Canadian and U.S. dollars to corporate and commercial clients, facilities can assist with operating expenses, capital equipment purchases, acquisition/expansion activities, and more.
- Equipment financing:** PNC Equipment Finance offers financing solutions to large corporations, as well as

governmental agencies on a wide range of equipment assets. We provide operating leases, loans or capital leases to clients, assisting companies in acquiring the assets they need to run their business. In addition, we offer manufacturers, distributors and equipment resellers finance programs that have proven to increase sales and provide a competitive advantage.

- **Asset-based lending:** PNC Business Credit offers cross border financing for U.S.-based companies and domestic financing throughout Canada for mid-sized companies.
- **Treasury management:** PNC Canada's treasury management services complement PNC's U.S. products and services so clients with cross-border operations can utilize services such as PINACLE, PNC's corporate online and mobile banking portal; Payables Advantage (ACH, check and Positive Pay); PINACLE FX for CAD and US wires; and A/R Advantage, PNC's wholesale lockbox solution, to support operations in both countries. PNC Canada is also developing a Canadian-issued commercial card product offering as an alternative to our U.S.-based CAD solution.

PNC Canada Treasury Management Services

PNC Canada's Treasury Management unit is focused on serving U.S. companies with operations in Canada. Because PNC Canada provides both a broad range of treasury management solutions (including branch deposits, and payables and receivables solutions), as well as strong implementation and program optimization support, U.S. clients can consolidate their U.S. and Canadian treasury management needs in one financial institution.

PNC Canada is continually enhancing its treasury management solutions.

- In 2015, we opened a **wholesale lockbox processing center** in Toronto, thereby enabling U.S. companies doing business in Canada to consolidate their U.S. and Canadian receivables, and extending the availability of advanced services options that were previously only available in the U.S. PNC Canada also enables clients to conduct transactions (deposits, wires, EFT, etc.) in either U.S. dollars or Canadian dollars.

PNC operates a lockbox site in Ontario, Canada, offering the same capabilities available through the U.S. National Lockbox Network, including Remittance On-Site (ROS). ROS is a remote deposit solution which allows clients to scan both check and related remittance documents received in local offices across Canada into the PNC site for processing.

- In 1Q 2018, PNC will be launching the Canadian Commercial Card to serve both U.S. and Canadian companies. The cards will feature:
 - Dual-language (English and French) collateral and customer service
 - Dual-language access to the Visa IntelliLink® spend management tool
 - Access to Visa IntelliLink Compliance Auditor to support card monitoring and compliance
 - Available for commercial, corporate and purchasing cards and can be billed as individual accounts
 - Benefits and insurance protection customized for the Canadian market
 - Comprehensive implementation and program optimization support
 - Ability to support all Canadian-based companies and Canadian subsidiaries
 - Chip-and-PIN functionality

PNC Canada Treasury Management Client Support

In addition to offering a strong product set, PNC Canada focuses on strong service delivery to meet the needs of U.S. treasury management clients operating in Canada. Each client has a U.S.-based relationship manager who acts as single point of contact for U.S. and Canadian treasury management needs and coordinates support from dedicated implementation and optimization teams. This seamless integration is an important point of differentiation from other U.S. or Canadian banks that use different systems and account teams to serve the needs of clients operating in both countries. In addition, clients can easily manage their DDA accounts with a single login to PINACLE, our online and mobile banking portal.

Along with the ongoing support provided by our relationship managers and dedicated account teams, PNC publishes regular content on trends, opportunities and challenges in the Canadian market. This information is especially valuable to U.S. companies, as Canada is often the first country into which U.S. companies expand internationally. Some recent Canada-related topics include:

- A series of articles on industry-specific opportunities in Canada, covering [agriculture](#), [energy](#), [infrastructure](#), [manufacturing](#), and [forestry](#)
- A white paper on "[Optimizing Your Cross-Border Financial Relationships with Canada](#)"
- A video that provides guidance on "[Choosing a Bank to Support Expansion in Canada](#)"

PNC's commitment to supporting the needs of our clients doing business both in Canada and the U.S. has led to the introduction of several new payment solutions, including our lockbox site in Canada and the Canadian Commercial Card. Moving forward, treasury management clients can look forward to innovative services to support their growth in Canada and help them operate amongst new payment methods and technologies.

KEY CONSIDERATIONS FOR EXPANDING INTO INTERNATIONAL MARKETS

Expanding into international markets can be—and has been—an excellent opportunity for many businesses. Part of the secret to success is to make sure the decision is strategically based, and that the potential strengths and challenges of such an undertaking have been carefully assessed. Here are some important areas to consider.

Conduct due diligence to assess whether expansion is right for your company.

- Size the likely opportunity for your product or service in specific countries or regions
- Profile the business environment in your target markets to ascertain the business culture, infrastructure, legal and regulatory environment, language(s) spoken, etc.
- Assess the level of in-country competition
- Research the internationalization efforts of your key competitors in the U.S.

Create an internationalization plan.

- Incorporate a detailed SWOT analysis to identify potential strengths, weaknesses, opportunities, and threats
- Establish a dedicated in-house team with the requisite international experience and expertise to add immediate value to the company's efforts
- Secure and promote senior executive support for your internationalization expansion
- Create an initial expansion path starting with more familiar markets (e.g., those that are geographically close or share common languages or business practices)
- Evaluate the optimal level of investment to reach different markets, e.g., through exporting, joint venture or other partnerships, or through acquisition of in-market assets
- Determine the desired distribution network for your products and services, e.g., developing a relationship with in-market distributors or by acquiring/building your own distribution assets
- Establish a multi-year plan, with annual, measureable milestones

Leverage information from key centers of influence.

- Take advantage of the variety of information available from trade promotion organizations (in the U.S. or in overseas markets), industry associations, channel partners, and chambers of commerce
- Reach out to your financial services provider for guidance. Your PNC account management team has extensive experience and expertise in providing solutions for clients' international payments needs

Go International with PNC

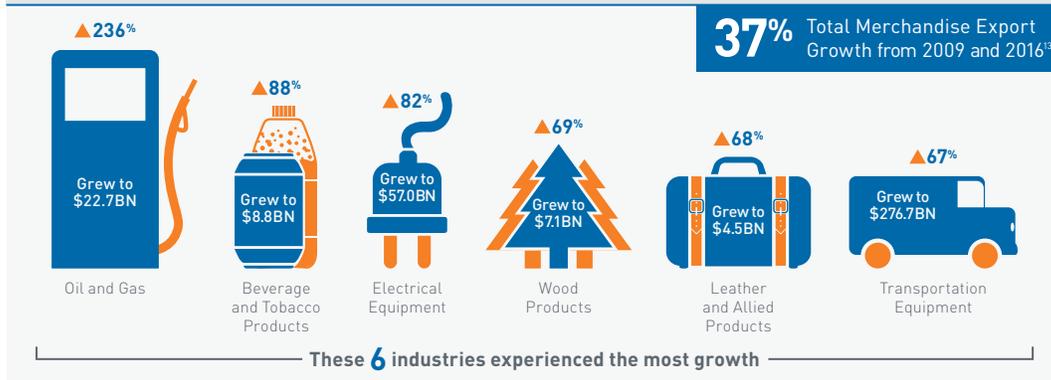
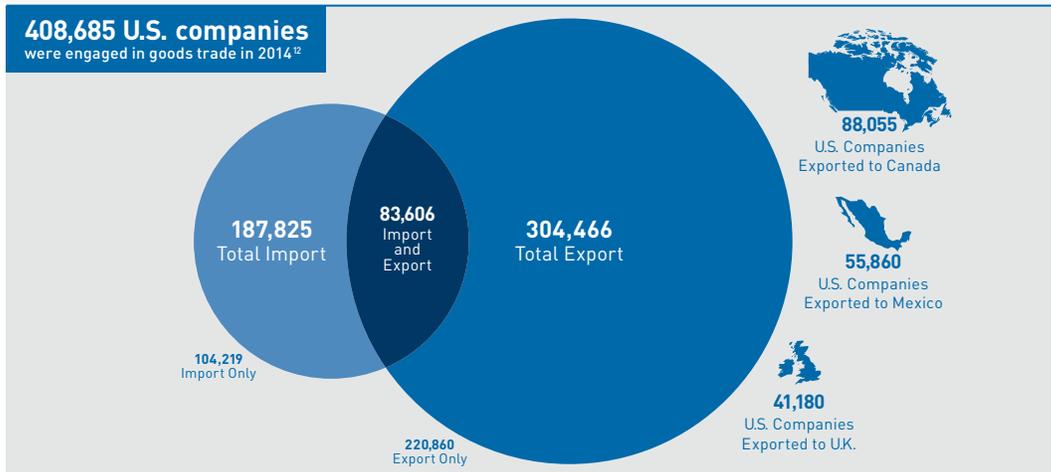
Explore international cash management options, global economic trends, and more via PNC's "[Go International](#)" portal.

Ask your relationship manager about the Country Profile Reports developed by the Association for Financial Professionals with details on 30 countries, including local payment and cash management information. These country profiles are also available to PNC clients using our PINACLE® commercial banking portal.

Avoid errors and delays by incorporating our [Best Practices in International Payments](#), including general payment instructions, understanding local rules, tax implications and using local currency.

INTERNATIONAL TRADE

U.S. companies trade their goods and services around the world, with international trade volume at \$5 trillion.¹⁰ Our latest infographic shows the number of U.S. companies trading and the industries that are experiencing the greatest growth.



COMMERCIAL PAYMENTS NEWS UPDATE

Commercial Payment Topic	Recent News/Trends	Topic Covered in Previous Issues of PNC Payment Solutions News
<p>ACH</p>	<p>A report published by NACHA and the CRF projected that ACH's share of B2B payments received will rise from 32% in 2017 to 45% in 2020.¹⁴ According to NACHA, \$11.6 trillion was transferred via ACH in 2Q17, up 6% y/y.</p> <p>The Electronic Payments Association announced the launch of same-day ACH for debit payments.</p>	<p><u>Winter 2016 issue:</u> discussed the launch of same-day ACH for ACH credits in September 2016, and same-day ACH for debits in September 2017.</p>
<p>Technology</p>	<p><i>Top Tech News</i> published an article on "Five Technology Trends in Business Payments," including faster payments and streamlined cross-border payments.¹⁵</p>	<p><u>Fall 2016 issue:</u> focused on the need for faster payments to mirror the increased pace of business, and summarized PNC's investments in technology-based solutions.</p>
<p>Mobile Payments</p>	<p>According to research by Zynstra, 65% of retail executives reported that mobile payments technology is the innovation most in-demand in their organizations.¹⁶</p>	<p><u>Summer 2017 issue:</u> as part of a broader discussion of its corporate card solutions, PNC announced the introduction of mobile payments functionality for its corporate cards.</p>
<p>Business Travel</p>	<p>The Global Business Travel Association reported that U.S. businesses spent \$424 billion on domestic business travel in 2016. The average amount spent per business trip fell 2% to \$520.</p> <p>The GBTA projected that global corporate spend on business trips will reach \$1.6 billion in 2020.¹⁷</p>	<p><u>Summer 2017 issue:</u> concentrated on business travel, identifying challenges and opportunities for businesses, and summarizing PNC's range of payment solutions to serve the needs of both business travelers and travel program administrators.</p>
<p>Commercial Cards</p>	<p>The <i>Nilson Report</i> published data on 2016 corporate card and purchasing card volume for Visa/Mastercard issuers. Purchasing and fleet card purchase volume rose 6.3% to \$248.3 billion. Corporate card volume rose 10.3% to \$46.9 billion.¹⁸</p>	<p><u>Summer 2017 issue:</u> highlighted the key features and benefits of PNC's corporate card suite.</p> <p>(PNC grew its corporate card purchase volume by 29% in 2016, and has consistently outpaced industry growth by considerable margins in recent years.)</p>

Commercial Payment Topic	Recent News/Trends	Topic Covered in Previous Issues of PNC Payment Solutions News
EMV®	<p>Visa® published chip card statistics for June 2017.¹⁹</p> <ul style="list-style-type: none"> ▪ 449 million Visa chip cards in circulation (+37% y/y). 62% of Visa credit and debit cards are chip cards. ▪ 2.3 million merchant locations accept chip cards (+77%). 50% of U.S. storefronts now accept chip cards. ▪ 1.2 billion Visa chip transactions (+151%) ▪ \$58.4 billion Visa chip payment volume (+101%) 	<p><i>Spring 2015 issue:</i> published statistics on the emergence of EMV in the U.S.</p> <p><i>Winter 2014 issue:</i> discussed enhanced versions of PNC corporate cards, including the addition of EMV functionality.</p>
Dynamic Discounting	<p>Paystream Advisors published the 2017 AP & Working Capital Report, which focused on dynamic discounting.²⁰</p>	<p><i>Winter 2016 issue:</i> announced the introduction of the Dynamic Discounting module as part of A/P Advantage.</p>

- 1 World Economic Outlook, April 2017, International Monetary Fund
- 2 "U.S. International Trade in Goods and Services: July 2017," U.S. Census Bureau and U.S. Bureau of Economic Analysis, September 6, 2017
- 3 U.S. Trading Companies in 2014, International Trade Administration, April 2016
- 4 Bureau of Economic Analysis
- 5 Bureau of Economic Analysis
- 6 "A Profile of U.S. Importing and Exporting Companies, 2014 – 2015," U.S. Census Bureau News, April 4, 2017
- 7 Bureau of Economic Analysis
- 8 Bureau of Economic Analysis
- 9 Payments Canada
- 10 U.S. Bureau of Economic Analysis, U.S. Department of Commerce
- 11 U.S. Bureau of Economic Analysis, U.S. Department of Commerce
- 12 "U.S. Trading Companies in 2014," International Trade Administration, U.S. Department of Commerce
- 13 International Trade Administration, Department of Commerce, 2017
- 14 NACHA (June 26, 2017). ACH Transactions to Top Checks as Top Form of B2B Payment by 2020: New Survey [Press Release]. Retrieved from www.nacha.org/news/ach-transactions-top-checks-top-form-b2b-payment-2020-new-survey
- 15 "Five Technology Trends in Business Payments," Top Tech News, May 2, 2017
- 16 "Survey: Mobile payments top retailers' tech priority lists," Retail Dive, April 17, 2017
- 17 GBTA (July 17, 2017). "Business Travel Responsible for \$547 Billion in U.S. GDP in 2016, Creates Over 7.4 Million Jobs" [Press Release]. Retrieved from www.gbta.org/foundation/pressreleases/Pages/rls_071717.aspx
- 18 The Nilson Report, July 2017
- 19 Visa Chip Card Update: June 2017.
- 20 "Dynamic Discounting A Must For More AP Departments, Report Finds," PYMNTS, August 24, 2017.

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