

TSI Says . . .

A U.S. MULTINATIONAL VIEW OF TRANSITION TO THE EURO

Treasury Strategies recently surveyed U.S. multinational corporations to ask how they are preparing for euro introduction on January 4, 1999. All these organizations have undertaken an EMU (European Monetary Union) study, and in virtually all cases the treasury department's role is significant in planning for euro introduction.

Some key findings of our study: Few U.S. multinationals plan aggressive euro adoption on January 4. Yet all respondents plan to transact in euro when requested by vendors or customers. Treasurers anticipate benefits from the euro:

- more effective short-term liquidity management across Europe reduced banking fees
- reduced FX conversion costs and simplified FX exposure management
- more competitive debt markets

Treasury professionals also see obstacles to reaping the benefits of euro:

- continuing tax and legal differences by country
- limited low-value, cross border payment systems
- continuing differences in bank conventions, such as pricing and value-dating

Treasury Strategies foresees significant change in European banking/treasury management. In addition to widely anticipated European bank consolidation, we expect: Increased competition in treasury management services. More pan-European cash management products delivered through bank alliances and pan-European banks. Improved products - better collection mechanisms for low value cross-border payments, cross-border pooling, improved transaction reporting / initiation. Fewer pan-European payment systems.

Along with increased standardization in legal, accounting, and tax practices, these changes will set the stage for the broad benefits anticipated by treasury professionals.

Treasury Strategies consults on global treasury management, payment systems, treasury performance and organization, and short-term liquidity.

CONTACT: Susan Skerritt, Partner
susan_skerritt@treasurystrategies.com

309 W. Washington Street
Suite 1300
Chicago, IL 60606

312.443.0840
312.443.0847 [fax]

www.treasurystrat.com



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