

## SEPA (Single Euro Payments Area)

### - SEPA for groups

For groups with subsidiaries in SEPA countries, SEPA offers several opportunities for optimization of both EURO liquidity management and payment processes. In this fact sheet we will advise you how use SEPA to your advantage.

#### Use SEPA payments

First and foremost you should use SEPA payments whenever possible.

You should do this because:

- SEPA Credit Transfers are at the payees disposal only one business day after execution
- SEPA payments ensure that the entire amount will arrive at the receiver without deduction of fees
- SEPA payments ensure that the Remittance Information that the payer includes can be seen in full by the payee. This makes for full automatic reconciliation of payments - end-to-end STP.
- SEPA Direct Debit is at the payees disposal on the due date.

#### Account structure

With SEPA in mind it is worth considering if your existing cash management structure is optimal. Should accounts and processes be centralized?

With SEPA your Group can, in principle, make and receive all payments from one euro account. Advantages to this, include interest optimization, effective processes, fewer fees and the possibility of standardising payment solutions.

#### Liquidity Management

Should the group still need domestic accounts or accounts for subsidiaries there are still options available to ensure that the group's liquidity is fully optimized e.g the accounts can be linked in a cash pool..

Furthermore, if bank accounts are held in a number of different banks it is possible to use SEPA Direct Debit for liquidity management. Danske Bank also offers other solutions for automatic monitoring of balances on accounts at foreign banks.

#### SEPA Group payments

If your group has companies with accounts in a number of SEPA countries, you may be making a large number of internal group payments.

Where some subsidiaries do not make the payments when due this can result in large outstanding payments and companies holding deposits where interest returns are low and other companies being drawn on funding lines where costs are high, consequently make it difficult to maintain effective liquidity management.

In that instance, SEPA Direct Debit can ensure that the borrowing company receives the payment on time and that the cash flow is optimized. Furthermore, SEPA Direct Debit has the advantage that the payment is transferred without loss of value dates, as the amount is withdrawn and paid on the due date.

It should be noted that, the request for withdrawal should be sent to Danske Bank the day before the transaction is to be executed.

#### Direct collection

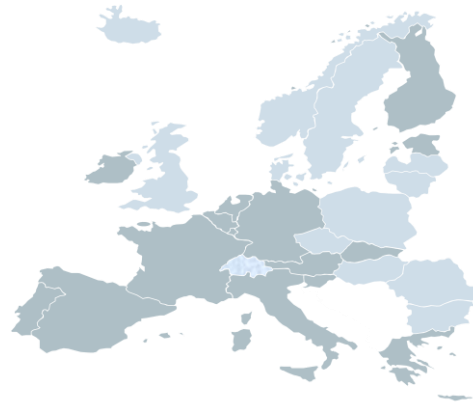
If you have recurring customers, it could be worth considering using SEPA Direct Debit. With SEPA Direct Debit you can easily centralize collections as SEPA Direct Debit is identical in all SEPA countries.

With SEPA Direct Debit you can draw the amount directly from the debtor's account on the due date with the funds being available to you the same day. This should result in more effective liquidity management and cash flow forecasting plus improving risk management as you will immediately receive a notice about any rejected collections if there is no cover on the debtor's account.

SEPA Direct Debit also optimizes the entire collection and reconciliation process since SEPA Direct Debit allows you to control the reference for the reconciliation of payments.

SEPA Direct Debit can also be used as a risk management tool that monitors whether or not your customers can pay, as you will be notified of declined collections immediately, if there is no cover on the debtor's account.

Direct Debit is widely used between businesses in Europe and you may want to consider using SEPA Direct Debit.



#### Payment factory

It has previously been difficult to build a payment factory as a central overview of all local payment options and formats was necessary.

With SEPA, it is possible to execute all payments from one account and with uniform formats and regulations across SEPA, setting up a payment factory is now much simpler. Changing banks has also become much easier.

This allows for an optimized payment process, thereby limiting cost while cash flow

forecasting and liquidity management is simplified.

#### More information

Please contact us if you would like to discuss how you can get the most out of SEPA.