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Doing Business in U.S.

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## United States Banking System



Banks are an essential part of the U.S. economy and come in many forms, including: holding companies, money center banks, regional banks, community banks, asset-based lenders, credit unions, trust companies and savings banks. In addition to the core services such as accepting deposits and making loans, banks offer access to capital markets, investment management, security trading, insurance and tax preparation services. Competition requires that banks apply up-to-date technologies to create differentiated products and services in order to retain customers and to reach new ones. Internet banking and electronic payment instruments are now essential products offered by the banking industry.

Over the years, many Canadian-based companies have looked south of the Canadian border to grow and expand. Due to the massive size of the U.S. market, the opportunity for growth is very enticing. Cross-border trade between Canada and the U.S. exceeds \$600 billion (U.S.) per year, forming the largest trading partnership in the world. While there are risks in entering the U.S. market, a brief review of some of the differences between the U.S. and Canadian banking systems will enable Canadian-based companies to make informed decisions relative to cross-border banking issues.

Inevitably, after a decision is made to expand and grow sales south of the border, banking topics that should be considered include the following:

- Will a Canadian bank continue to meet day-to-day banking needs?
- Will a Canadian bank provide financing with respect to those assets located outside of Canada?
- At what point should a Canadian company consider establishing a relationship with a U.S. bank?
- In what locale should a relationship with a U.S. bank occur?

Addressing these questions, and more, enable Canadian-based management to properly plan and execute a strategy for growing business south of the border.



M&T Bank was founded in 1856 and is among the top 20 banks in the nation, with \$55.1 billion in assets. M&T is the only U.S. bank with an International Trade Finance Group based in Maryland that provides a complete range of export financing and documentary services. M&T Bank ranked number one in the world in 2003 for the number of loans guaranteed by the Export-Import Bank. Our customers are able to bank at over 650 branches and have access to more than 1,500 ATM locations as well as state-of-the-art telephone and Web Banking. M&T Bank has been recognized for its financial strength and sound management.

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## Canadian & U.S. Banking System Differences



Unlike Canada, where five or six large banks with nationwide branching networks control over 95% of the assets held by banks, there are over 7,500 commercial banks in the U.S. with over 91,000 bank offices and branches and more than 400,000 automated teller machines. Despite the sheer number of banks in the U.S., no U.S. bank has the extensive nationwide coverage as compared to the top five Canadian banks. U.S. banks:

- Operate in smaller geographic regions
- At the end of the 2004, 14% of the commercial banks in the U.S. had less than \$1 billion in assets
- Given the sheer number of banks in the U.S., there is constant pressure on product pricing
- Bank management will often attempt to provide service as a distinguishing feature
- While pricing and service are positive by-products of a large number of banks, the U.S. banking system lacks some efficiencies of the Canadian banking system
- Due to the fact that most U.S. banks are smaller than Canadian banks, it is not unusual for many banks in the U.S. to lack the resources needed for infrastructure investment that will improve efficiencies

Check float is a primary example of an inefficiency of the U.S. banking system. Typically, checks in the Canadian banking system are cleared instantaneously via a national electronic clearing system – making funds available immediately. In contrast, checks deposited in U.S. banks may take up to three days or longer to clear through a manual check clearing system. The time it takes a check to clear is known as float, and delays the availability of deposits.

In an effort to smooth the transition into the U.S. market, it is suggested that Canadian-based companies select a U.S. bank that provides services and technology comparable to those provided by its Canadian bank. Some of the most common U.S. banking products

sought by Canadian companies include Deposit and Cash Management Products, Foreign Exchange Services, Trade Services and Trade Financing.



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## Deposit & Cash Management Services



### CASH MANAGEMENT

Whether you are meeting payroll, updating receivables, improving profitability through investment or paying down a loan, managing cash can be complicated. It requires dependable, accurate and timely banking services. An extensive host of products and services help speed collections, manage disbursements and facilitate cash flow management.

### INFORMATION SERVICES

Initiate transactions, view balance and float information and examine summary and detail transaction history (current day and previous day).

### CHECK IMAGING SERVICES

View images of paid checks online or via CD-Rom (for long-term storage) with Check Imaging.

### DISBURSEMENT /ACCOUNT RECONCILIATION SERVICES

Manage check payments in a timely, cost-effective manner with tools that help eliminate overdrafts and reduce check fraud.

### ELECTRONIC COMMERCE

Transfer funds electronically with accompanying information through a variety of tools – ACH (EFT), TaxTeL and Wire Transfer.

### COLLECTION SERVICES

Improve working capital by managing your deposits effectively and efficiently using collection services: Lockbox, Image Lockbox, Cash Vault Services, Cash Concentration and more.

## LOCKBOX

A Lockbox service is the most efficient way for you to collect your receivables. A lockbox is a post office box serviced by your bank. Your bank retrieves your mail and deposits the checks into your account for you. This improves your availability of funds by up to a full week, reduces your in-house cost of receivables processing, lowers the risk of internal fraud and provides you with accounts receivable information up to a full week faster than if you processed your own mail payments. Instead of your receivables passing through Canada Post, your bank Lockbox becomes your receivables collection point in the United States. Your funds are credited to your account sooner so they can begin working for you.

## MERCHANT CREDIT CARD SERVICES

To assist you in growing your U.S. sales, it may be advisable to offer your customers the convenience of paying by credit card.



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## International Trade Finance



In today's global marketplace, developing the right financial partnerships is critical to your success. Your bank can help you take advantage of global opportunities by facilitating trade and helping minimize risk exposure. Whether you are doing business across the border or around the world, your bank should be able to offer the expertise you need and the personal attention you deserve.

### Businesses Served

- U.S. Exporters: Any U.S. company, including manufacturers, re-sellers and trading houses that are interested in exporting goods and services to international markets.
- International Buyers: Any U.S. importer, including distributors, manufacturing facilities and systems integrators that are interested in importing goods and services from foreign countries.

### Trade Services

When selling goods or supplies into the U.S., you want the most favorable payment terms. Typically, the exporter must balance the need to offer competitive terms against international credit risk. Here are some commonly accepted solutions for the U.S. market.

- **COMMERCIAL LETTERS OF CREDIT**  
Commercial letters of credit are widely used in international trade transactions to facilitate the buying and selling of goods. With an export letter of credit, exporters are provided with assurances that they will be paid by the buyer. This lowers the transaction risk for both parties. A bank can also issue Import Commercial Letters of Credit that will allow you to:
  - Obtain goods and services from suppliers without cash
  - Negotiate with new suppliers without cash

- Receive better terms based on bank credit.
- DOCUMENTARY COLLECTIONS
  - When letter of credit or open account terms are not a fitting method of payment, using your bank for documentary collections may be a viable alternative. For imports, your bank receives the original shipping documents and payment request from the supplier. Your bank then transfers payment to the supplier's bank allowing your company to delay payment until the receipt of goods. For exports, your bank forwards original shipping documents to the buyer's bank giving your company control of the goods until your customer pays.



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