



Take Care Of Your Exporters And Importers

by [Steve Brown](#)

The big banks were in the news again last week, paying massive fines and admitting to criminal wrongdoing for their role in the rigging of the foreign currency exchange markets. It just makes us sigh. Just when the image of the banking industry was beginning to recover a bit, we read headlines of quotable quips from traders like, "If you ain't cheating, you ain't trying." The FBI notes that it found criminality on a massive scale. Wrongdoing occurred until January of 2013, so this was not just another moment of zeitgeist in the run-up prior to the financial crisis. The rate rigging also occurred after these same banks paid billions to settle claims of interbank transfer rate rigging. Can everyone please try to behave?

This is once again a problem created by the big guys but that causes reputational damage for everyone in the banking industry. It should not make community banks shy away from helping their customers with foreign exchange transactions though. Rather, it represents an opportunity for the good guys to differentiate themselves from the cheaters.

Place yourself for a moment in the shoes of your good business customers who are using foreign exchange services. It might be a manufacturer who exports machine parts to Europe, or a wine distributor who imports cases of precious liquid from France, Australia and South Africa. These customers are dependent upon foreign currency transactions being executed quickly and fairly. Assuming they read the headlines, it seems likely that their confidence could well be shaken over the operation of the system as a whole. This is an opportunity for your bank to help and an opportunity to remind your customers that your bank provides the services they need when it comes to foreign currency transfers.

This is assuming that the above statements are true, that your bank doesn't use big bank competitors to complete its forex transfers or refer your customers to them. If your bank does this, then it may be time to really examine the wisdom of that strategy. Let's talk about referring customers to a big bank competitor first. The competitor bank must open an account for your customer in order to comply with BSA/AML, so they already are taking business from your bank. This also opens the door for cross-selling and offers to refinance key business loans.

If your bank does foreign currency transactions for customers and clears through a mega bank, remember that those banks are not just correspondent banks but they are your bank's competitors with branches across the street. There have been cases of business clients of community banks receiving solicitations from the clearing correspondent who carried out a forex transaction for the bank. The correspondent has the information about the business and who they are sending money to as a part of facilitating the transaction. Be careful when sharing information with competitors.

So what is the answer? The answer is to use a correspondent that works for your bank and is owned by banks like PCBB. Our only customers are community financial institutions and we only exist to help you. We offer sophisticated International Services including foreign exchange transfers and we do not go through anyone else - we have our own SWIFT account and directly execute transactions for your bank. In addition, our convenient online system helps banks comply with Reg E requirements. In short, PCBB is your silent partner and will never contact your customer directly.

Want to learn more? As part of our ongoing series of webinars, PCBB will discuss its International Services on June 2 and 4.

Choose the webinar that is convenient for you:

Tuesday June 2, 2015 | 8:00AM (Pacific) | [Register Here](#)

Thursday June 4, 2015 | 1:00PM (Pacific) | [Register Here](#)

ECONOMY & RATES

Yesterday

Treasury yields fell 2bps as investors digested a significant amount of mixed data.

Today

So far yields are up 1bp in what should be a relatively quiet day for the market.

Rates As Of: 05/27/2015 11:14AM (PDT)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.01	0.00	0.00
6M	0.08	0.00	0.00
1Y	0.22	0.00	0.00
2Y	0.65	0.00	0.00
5Y	1.54	0.00	0.00
10Y	2.15	0.00	0.00
30Y	2.90	0.00	0.00
FF Market	FF Target	Fed Disc	
0.00	0.25	0.00	
Prime	Unemployment	Oil	
3.25	0.00	\$0	

[More Market Rates](#)

BANK NEWS

M&A Activity

1) Berkshire Bank (\$6.5B, MA) will acquire installment loan equipment financing company Firestone Financial (MA) for \$53mm in cash (25%) and stock (75%) or about 1.3x tangible book. 2) Wells Bank of Platte City (\$122mm, MO) will acquire the 80% remaining it does not already own of Bank CBO (\$62mm, MO) for \$5mm in cash.

Competition

MasterCard said it has launched a personal payments service called MasterCard Send that supports domestic and international payments. Consumers and businesses can now send payments and have funds credited to credit or debit cards, bank accounts or to money transfer centers.

More Capital

The FHFA will now require servicers of mortgages to have a minimum net worth of \$2.5mm plus 25bp of the unpaid principal balance of loans serviced. In addition, nonbank servicers must have a tangible net worth to total assets of at least 6%, have to hold 3.5bp on total agency servicing unpaid principal balance and hold 2% against nonperforming loans greater than 6% of their portfolio.

Rate Hikes

Various Fed speakers hit the airwaves recently indicating: "Fed economists expect the rate (Fed funds) will reach from 3.25% to 4.00% in three to four years" (Fed Vice Chair Fischer); the tightening process will be "gradual and relatively slow" (Fed Vice Chair Fischer); "If the data comes in according to my forecasts then the time is near where we're going to be wanting to raise rates" (Fed Cleveland President Mester); if the economy continues to improve "it will be appropriate at some point this year" to take the initial step to raise the Federal funds rate (Chair Yellen).

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