

# ZIRA Group

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Zero netting unlocked

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# Zero netting unlocked

## What is zero netting?

- **Financial closure method** in which mutual interconnection invoices/dues between telecom carriers are offset, resulting in minimal or zero cash movement
- Revenue invoices' amounts are offset by expense invoices' amounts and that amount presents netted amount
- Both sides (revenue/expense invoices) are **closed through virtual payments for the same netted amount**
- The most common case is that one side (e.g. expense) is fully closed and the other side (e.g. revenue) is partially closed
  - Open amount of partially closed side represents amount for which it is expected to be paid in standard manner



# Drivers of zero netting

## What is motivation behind introduction of zero netting in ZIRA solutions?

- **High number of invoices** in traffic interconnections
  - Most of operators which deals with bilateral/hubbing/refile agreements exchange traffic in both ways (revenue/expense) with same partners
- Different currency invoices exchanged between operators (e.g. for national operators)
- Cash flow optimization in which carriers need to **minimize working capital tied up in settlement**
- **Industry push for automation**, as all processes in invoice generation/reconciliation becomes automated – settlement is expected to follow it
- Large amount of money is spent on **bank fees** during payment of invoices





# Gains of zero netting

Why use zero netting?  
What are the benefits with zero netting in ZIRA solutions?

- **Reduced amount of needed in/out payments** since invoices can be financially closed without actual In/Out Payments
- **Reduced human effort of handling in/out payments** (Creation of it, linking with invoices etc...)
- **Less actual money involved in process of regular financial closure** – means more money available for other things
- **Reduced/no need for spending money** through paying high bank fee amounts
- **Reduce financial risk** – minimizing credit exposure
- **Process of zero netting can be applied to any service**
- Works best in high volume, balanced relationship

The screenshot displays the ZIRA BILLING software interface. The top navigation bar includes the ZIRA logo and 'BILLING' text. Below this, a 'Settlement Process' section shows details for a 'Finance Demo Account' with a 'Testing Prefix - 1010021...' and a date of '4/9/24'. The interface is divided into several sections:

- Settlement Proposal Total:** A table showing 'Cash Flow' with columns for 'Invoice Currency', 'Settled Amount (Inv. ...)', 'Settled Amount (Sett. ...)', 'Created By', 'Created', and 'Modified By'. It lists 'Revenue' and 'Expense' for 'EUR' and 'SAR' currencies.
- Settlement Proposal Balance:** A summary box on the right showing 'Revenue Amount (Sett. Curr.)' as 21.98, 'Expense Amount (Sett. Curr.)' as 65.28, and 'Total Amount (Sett. Curr.)' as -43.30.
- Allocated Invoices:** A table with columns for 'Reference number', 'Cash Flow', 'Dispute Ind', 'Total Amount', 'Paid Amount', 'CB/DN Amount', 'Open Amount', 'Invoice Currency', and 'Conversion Rate'. It lists several invoices with 'Expense' and 'Revenue' entries.
- Unallocated Invoices:** A table with similar columns to the Allocated Invoices, showing 'Revenue' entries for 'EUR' and 'SAR' currencies.

# Zero netting in numbers

## Sample of zero netting impact in Tier 1 operator

### ■ Agreement view

cca **85%** agreements in both direction

- 40% are near equal in both direction
- 26% have less than 20% difference
- 17% have less than 35% difference

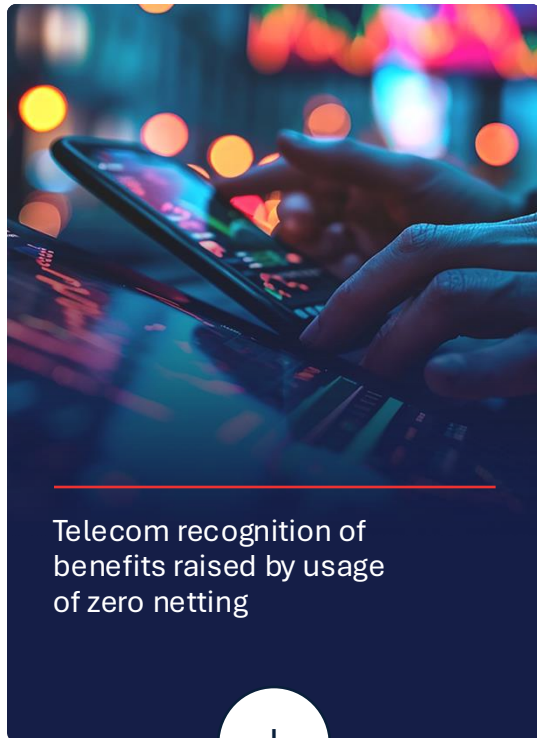
### ■ Amount view

cca **70%** money involved is equal in both direction



# Ongoing challenges of zero netting

## Key points to keep in mind



Telecom recognition of benefits raised by usage of zero netting

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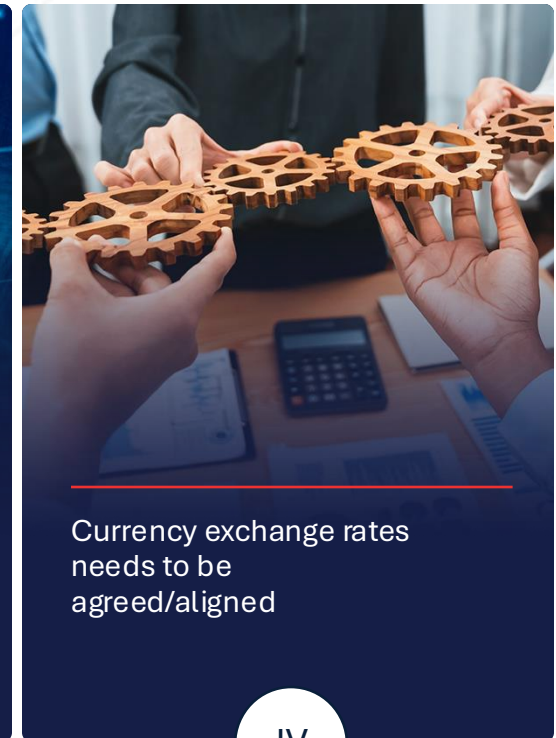
Require mutual trust and accurate reporting

II



Legal and regulatory frameworks might vary due to international character of operators

III



Currency exchange rates needs to be agreed/aligned

IV

# Thank you for your attention

