ZIRA

ZIRA Group

Zero netting unlocked

This Document and supporting materials contain strictly confidential and proprietary business information of ZIRA Group. These materials may be printed or photocopied for use in evaluating the project scope, but are not to be shared with the other parties.

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

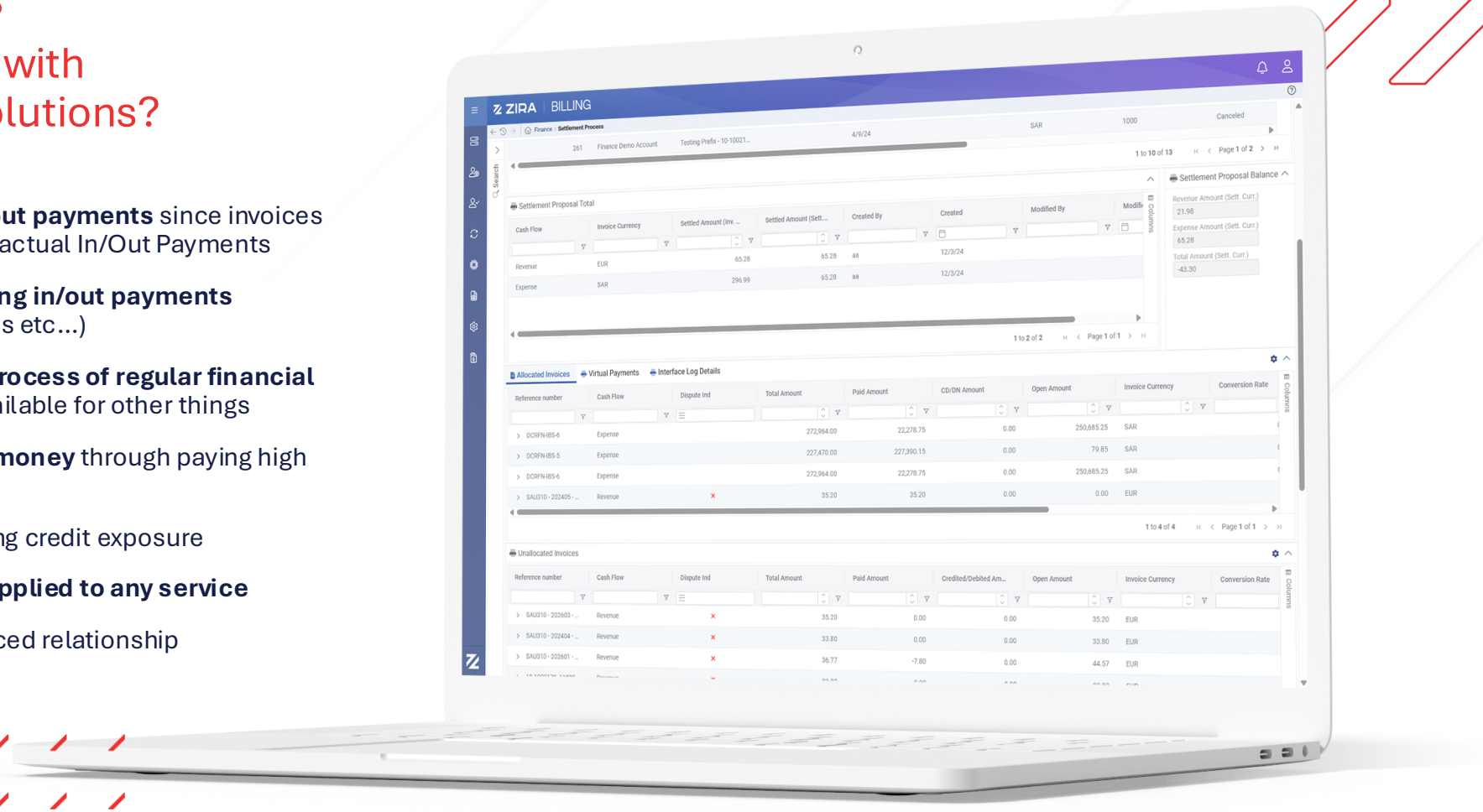
What is motivation behind introduction of zero netting in ZIRA solutions?

- **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



Zero netting in numbers

Sample of zero netting impact in Tier 1 operator

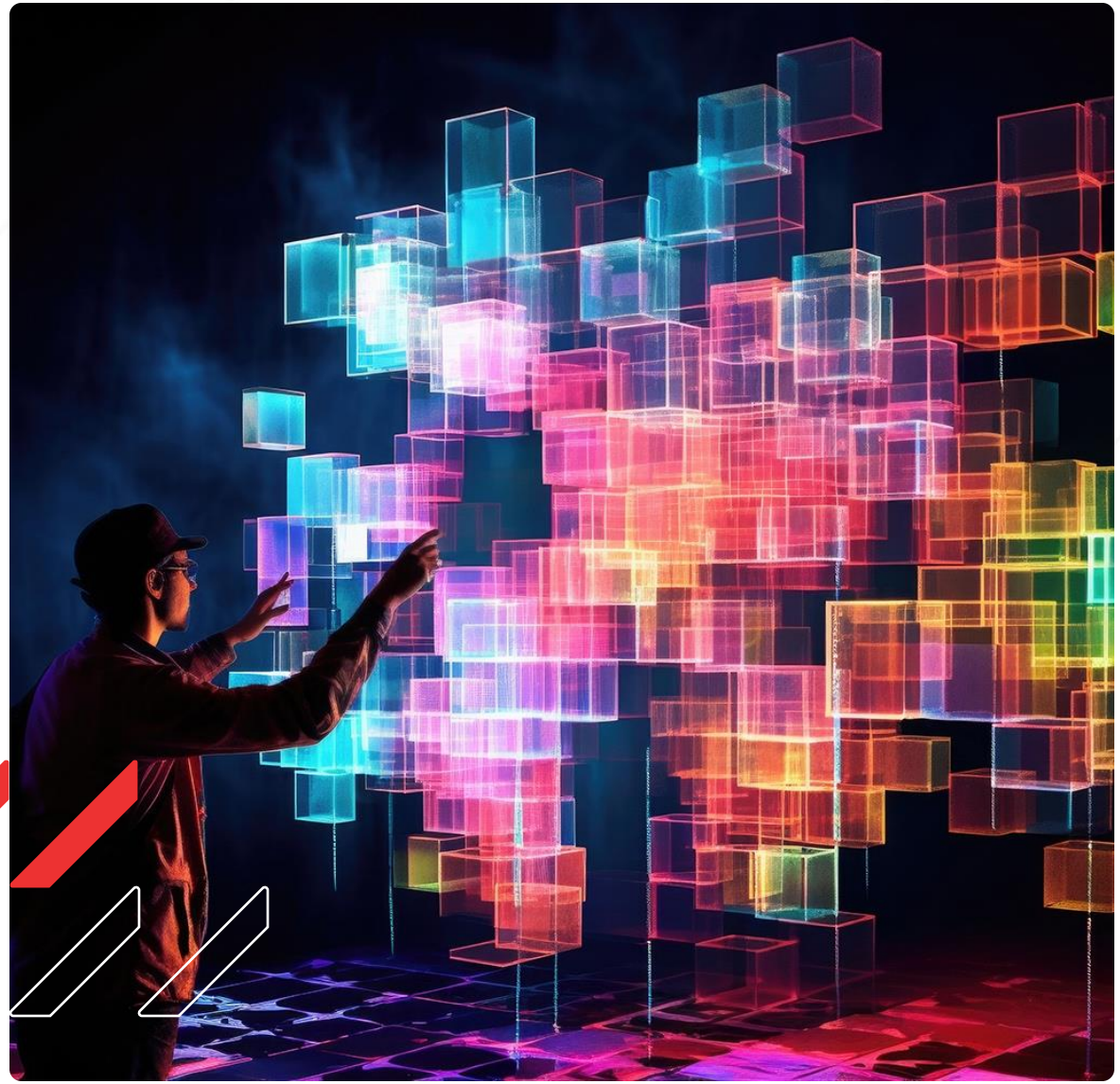
- Agreement view

cca **85%** **agreements in both direction**

- 40% are near equal in both direction
- 26% have less then 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

I

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

ZIRA

Thank you for your attention

Q&A

www.ziragroup.com