Building Efficient Global Cash and Liquidity Management Structures from Basic Building Blocks

FINANCIALEDGE

What Should We Consider?

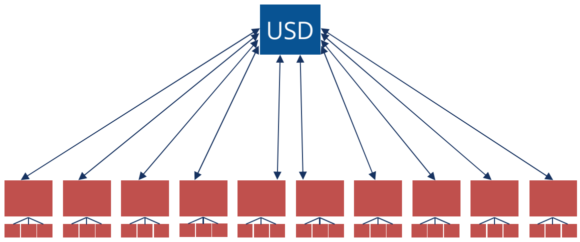
The best cash management solutions consist of selecting well packaged products and services that fit together to provide corporate treasury and subsidiaries with:

- Minimum number of bank accounts and bank relationships (the right accounts in the right country with the right bank in the right currency)
- Automated settlement processes for payments, receipts and risk management activities
- Straight through payment processing with “no touch”
- Optimal liquidity solutions in single and multiple currencies (cash concentration and notional pooling)
- Deep and liquid markets in tradable currencies
- Optimal use of technology both through ERP and TMS as well as connectivity, formatting and standards (SSCs, Payment Factory, In-House Bank, payments on behalf of (POBO), receivables on behalf of (ROBO))
- Ability to scale up or change with minimal disruption
- Uses changing banking infrastructures to best advantage (e.g. SEPA)

FINANCIALEDGE

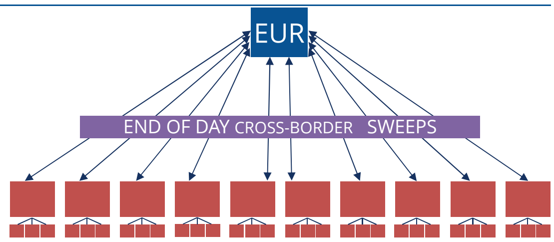
Let's Look at Our Liquidity Options

In-country cash concentration (single currency)

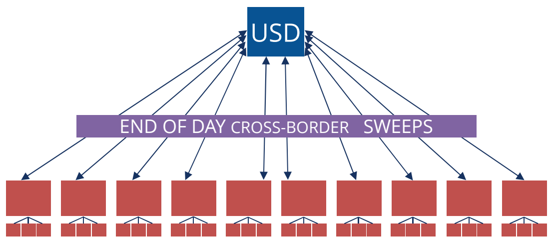


Let's Look at Our Liquidity Options

Cross border cash concentration (single currency)



Cross border cash concentration (single currency)



Let's Look at Our Liquidity Options

Cross border cash concentration (multiple currencies)

X

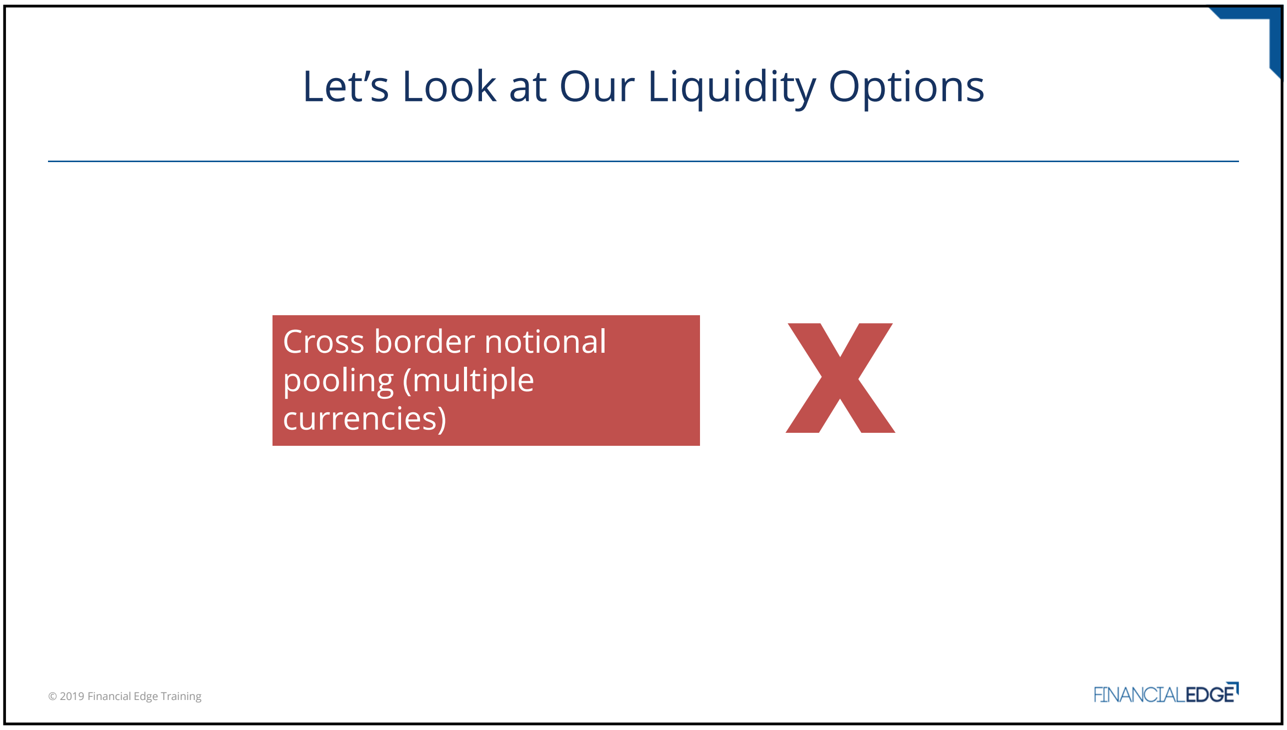
Let's Look at Our Liquidity Options

In-country national pooling (single currency)

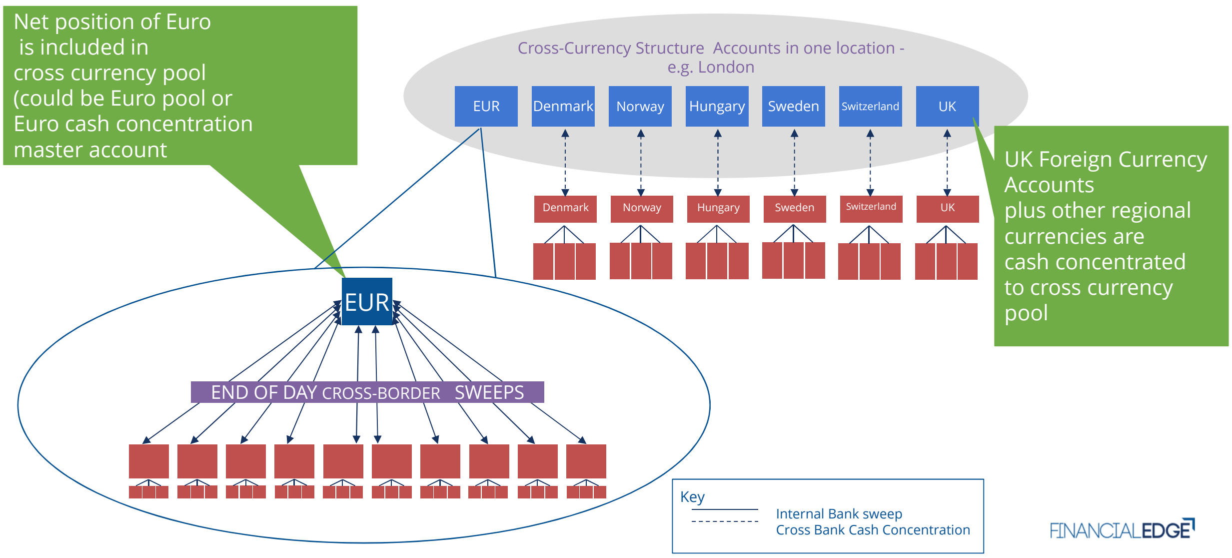
GBP GBP GBP GBP GBP GBP GBP GBP

FINANCIALEDGE


Let’s Look at Our Liquidity Options
In-country notional pooling (multiple currencies)
EUR
DKK
NOK
HUF
SEK
CHF
GBP
USD
© 2019 Financial Edge Training
FINANCIALEDGE


Let’s Look at Our Liquidity Options
Cross border notional pooling (multiple currencies)
© 2019 Financial Edge Training
FINANCIALEDGE

Cross Currency Pooling



FINANCIALEDGE

Optimising Interest on a Cross-currency Basis

Concept:

- Works by narrowing the bank spread between debits and credits (to the extent that credit balances cover debit balances)
- Optimal solution [?] No actual FX involved, notional only FX calculations for conversion purposes
- All interest calculations conducted in original currency for transparency

Liquidity Vision:

- Multi-currency pool based in London/Amsterdam/Dublin – Optimization of Interest
- Optimized Interest balances physically moved to single financial centre
- Enhanced Interest balances remain in-country
- Virtual Multi-currency pool based in country – Enhancement of Interest

FINANCIALEDGE

Optimising Interest on a Cross-currency Basis

The domicile of the optimized cross currency pool must meet the following criteria:

- Pooling must be permitted from a legal perspective
- Banks must have the ability to report pooled balances on a net basis from a regulatory capital reporting perspective
- Clarity of operational and documentary requirements
- Deep and liquid markets in tradable currencies
- Exploit time zone advantage to enable end of day cash concentration to take place wherever possible
- Care re: Basel III / CRD IV

Interest Enhancement on a Cross-currency Basis

- Enhanced interest is simply a method of enjoying preferential pricing across a group of accounts. It helps corporates improve rates of credit and debit interest based on agreed parameters (tiered balance thresholds)
- No need to physically move balances since enhanced interest converts into notional base currency
- Each participant accrues standard or preferential daily interest on its underlying balance in its original currency, depending upon conditions
- Interest is settled at local level
- Unlike optimized interest it does not take into account coverage of debit and credit balances
- Attractive for corporates with a mix of working capital balances in unregulated and regulated countries/currencies where surplus funds are trapped


FINANCIALEDGE
www.FE.training
Please do not redistribute these materials without the express permission of Financial Edge Training.
© 2019 Financial Edge Training
FINANCIALEDGE