

# Best-in-Class Treasury Management: Be Smart about Liquidity

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All treasurers are on a journey. Their quest begins by taking an objective look at the current state of their treasury operations and benchmarking it both in relative terms against similar companies and in absolute terms of liquidity and risk.

## LIQUIDITY IMPROVEMENTS: A FULL ITINERARY

Treasurers who have traveled the long road of transformation know there is no silver bullet when it comes to cost savings, efficiency gains, higher yields, or better management of working capital. What's more, while virtually all treasuries share a final destination, the routes they follow can be quite different because they must be harmonious with their company's unique needs and culture.

That said, streamlining access to "organic" liquidity by mobilizing excess cash lands on the itinerary of every treasurer.

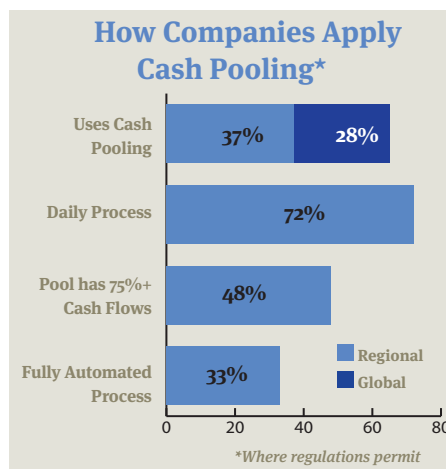
## IMPLEMENT A HOLISTIC LIQUIDITY STRUCTURE

In the end, establishing a corporate cash discipline that facilitates having liquidity when and where it is needed requires laying the groundwork and gaining support for mobilizing liquidity via a pooling structure.

Cash that is centralized in a pool can be used to offset long and short positions in participating accounts, as permitted by local regulations. Pooling balances also helps eliminate costly bank borrowing and makes it possible to strategically direct excess balances to service debt or to make short-term investments.

Pooling also can help reduce certain risks. Counterparty risks can be reduced, for example, by linking a cross-border pooling structure with centralized, automated investments in money market funds. Likewise, cross-border pooling structures that enable balances to be moved from one market to another can help reduce sovereign risks.

Cash pooling is prevalent in markets where regulations permit but the scope and automation of pooling structures varies, leaving plenty of opportunity for improvement for most organizations.



## INCREASE AUTOMATION, REDUCE FRAGMENTATION

The scope and automation of pooling structures vary based on a company's business profile, enterprise systems and their banking providers. Bank-offered pooling provides the latest possible cut-off times, ensuring the maximum value, i.e. the end-of-day value, is mobilized cross-border with no liquidity left behind. Depending on the size of the bank's network, more of a company's cash can be harnessed with the same day value regardless of countries, currencies, and time zones. When evaluating solutions some of the top considerations are the ability to access more cash with the same day's value and the ability to automate & integrate the solution into existing treasury processes and infrastructure.

## FUNDAMENTALS OF AN EFFECTIVE LIQUIDITY MANAGEMENT PROGRAM

Citi is on the forefront of offering modular cash mobilization and concentration solutions on a global scale, allowing companies to capture more of their liquidity in-network without loss

of value. Realizing that sometimes companies cannot, for relationship or operation reasons, consolidate their banking with one provider, Citi also includes automated multi-banking services as part of its portfolio of liquidity management solutions. It also offers a host of customizable processing rules that can control and limit cash movements. With keen focus on reconciliation and straight-through processing, these tools are designed to facilitate integration with treasury and accounting systems. These services are complemented by our depth of in-country experience and the ability to apply these tools within regulatory and tax considerations as well as unique operational considerations.

Whether a company operates on a domestic, regional or global scale, its successful journey to liquidity optimization will be defined by its ability to:

- Lay the groundwork for efficient liquidity management and to reduce fragmented liquidity across its bank account network
- Establish a corporate cash discipline that helps subsidiaries and business units make the best use of liquidity and improve their cash forecasting
- Take advantage of liquidity solutions to harness cash in respect of regulatory and tax considerations
- Leverage banking providers' straight-through processing capabilities to integrate and optimize deployment of cash within defined risk tolerance
- Extract the full value of its cash.

