Liquidity Management Strategies
Moving towards Integration, Visibility and Agility
流动性管理策略：向集成、可预测性和高效转变

Alvin Poh
Head of Liquidity Solutions, Asia Pacific
Treasury Services
J.P. Morgan
Challenges Faced by Treasurers Today
当今司库面临的几大挑战

<table>
<thead>
<tr>
<th>Category</th>
<th>Challenge</th>
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<tbody>
<tr>
<td>Regulatory / Political Landscape</td>
<td>Good grasp of impact to treasury operations due to political developments and regulatory changes</td>
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<tr>
<td>Agility and Scalability</td>
<td>Able to adapt quickly to changes in business models &amp; regulatory landscape, and liquidity model that is scalable as business expands</td>
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<tr>
<td>Liquidity Management</td>
<td>Have full visibility of cash balance, enhanced forecast capability and an optimal liquidity model</td>
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<td>Operating Efficiency</td>
<td>Achieve operating efficiencies with fewer bank accounts and increased automation with reduced headcount</td>
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<td>Foreign Exchange</td>
<td>Dynamically manage FX exposure as unreliable rate sources may expose you to unnecessarily FX risk or mispricing in the local currencies</td>
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<td>Risk Management</td>
<td>Increased focus in risk management as business grows and expand into new countries</td>
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<tr>
<td>Transformation of Treasury Role</td>
<td>Transition of role from treasury support to business partner to develop business strategies and achieve sales growth</td>
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Key Market Themes and Implications

几大市场主题及影响

In 2016 we learnt to expect the unexpected, a surge of regulations, low or decreasing interest rates in key markets, except in the US where the rates are trending up.

### Regulatory Development

- **China** – gradual relaxation over cross border flows & internationalization of RMB

- **Malaysia** – new FEA rule states that exporters need to settle domestic payments in MYR, immediately convert 75% of export proceeds into MYR

- **India** – the government demonetized high-value notes to fight "unaccounted" income and counterfeit notes and move to a more cashless economy

### Market Trends

- **$34 trillion**
  
  Forecasted value of cross-border payments in 2018, up 54% from 2013¹ leading to increased international payments business to manage globally

- **40% of respondents**
  
  Report they have significantly reduced the number of correspondents with whom they carry out cash transactions with over the last five years²

### Interest Rate Movement

- **Rising Rates of the USD**
- **ECB and BoJ to continue to expand balance sheets**
- **Negative interest rates being applied for Euro and Japan**

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¹ Aite Group Cross-Border Payments: Challenges and Trends, 2015
² Bishopsgate Financials Payments Survey 2016
Develop an Optimal Level of Cash Buffer & Mobility

Market fragility witnessed last year is expected to continue with heightened levels of uncertainty. Measures to ensure liquidity is optimized with the “right” buffer is crucial in times of prolonged volatility.

Optimal Level of Operating Liquidity

- Analyze trends and ensure data quality to produce **accurate cash flow forecasting**
- Determine **optimal level of cash** for the business across subsidiaries / regions
- Build in **cash buffer** that can be easily deployed within the firm.
- Optimize returns while protecting principal
- Minimize offshore earnings build-up. Maximize utilization of restricted cash locally

Benchmark Liquidity Structure

Treasury action plans

- Conduct cash flow analysis to understand the operating liquidity requirements to meet working capital fluctuations
- Determine local and regional account requirements and optimal liquidity structure to increase visibility
- Adjust existing structures to the target model, including the built-in level of optimal cash buffer
- Consolidate accounts and bank relationships where possible and ensure cash can be injected and repatriated as nimbly as possible given the regulatory boundaries

Utilize liquidity solutions to **build in mobility** and allow for **local / regional authority** to optimize funds.
# Key Liquidity Management Toolbox

## 流动性管理主要工具

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Liquidity Management Products</th>
<th>Key Benefits</th>
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<tbody>
<tr>
<td><strong>Multiple local banking relationships</strong></td>
<td>Centrally control cash without interrupting local operations &amp; banking relationship</td>
<td>- Reduce local bank counterparty exposure</td>
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<td>- Minimize manual operations</td>
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<td><strong>Uneven cash balance across accounts of the same currency</strong></td>
<td>Manage cash against target balances, automate centralized balance management</td>
<td>- Automate sweeps based on pre-defined parameters</td>
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<td>- Single consolidated cash position</td>
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<td>- Reduce overdraft costs</td>
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<td><strong>Unused idle balances on local currency accounts</strong></td>
<td>Automatically swap balances from non-functional currencies to functional currency</td>
<td>- Centralize control and automate booking of FX</td>
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<td>- Reduce exposure to low, negative yielding or volatile currency</td>
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<tr>
<td><strong>De-centralized cash management across multiple currencies</strong></td>
<td>Achieve benefits of cash concentration without FX swap</td>
<td>- Increase natural FX hedge</td>
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<tr>
<td></td>
<td></td>
<td>- Enhance deployment of group cash</td>
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<td>- Gain visibility and control, while entities retain operation autonomy</td>
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Leverage Treasury Solutions to Stay Agile and Improve FX Efficiencies

利用头寸解决方案保持应变能力，提高外汇交易效率

- Traditionally solutions such as cash concentration, pooling and multi bank sweeps were implemented to help increase visibility and control of liquidity across the region.
- As cross currency needs have grown and regulatory considerations have increased along with demand for automation across our clients new innovative solutions have been added to complement the existing options.

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**‘Just-in-Time’ Funding**

- **USD** Functional currency
- **LCY*** Payment currency

- Minimize restricted country trapped cash

**Cross-currency Sweeping**

- **USD** Functional currency
- **LCY*** Collection and payment currency

- Maximize functional currency liquidity

**ACCESS FX**

- USD
- GBP
- EUR
- VND
- KKR
- HKD
- TWD
- RMB

Low volume x-currency payments

Eliminate FCY bank accounts

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Flexible, modular solutions to holistically address your treasury challenges and stay agile in today’s market conditions

* Please reach out to your J.P. Morgan representative for applicable currencies and geographies.
Automate Cash Deployment via Just-in-Time Funding
通过资金实时拨付实现现金配置自动化

Common Challenges

- Manual process to forecast funding requirements of accounts in different countries and currencies, and fund transfer
- Need to be mindful of the cross currency FX cut off time

J. P. Morgan Just-in-Time Funding – Automated sweep with embedded currency conversion

Process flow

1) Submit payment files to J.P. Morgan for processing
2) At designated time J.P. Morgan automatically checks for funding needs based on payment file received and will fund based on pre-determined parameters
3) J.P. Morgan automatically books and settles FX trades, and funds the payment account on value date
4) The payments are processed on value date
5) Automated same-day reporting available
Efficiently Convert and Centralize Balances via Cross Currency Sweep
通过自动外汇交易实现高效货币兑换和余额集中管理

Common Challenges

- Accuracy of forecasting incoming volumes resulting in unplanned excess balances
- Increased manual effort for treasury to manage excess cash balances
- Prolonged negative interest rate environment that could incur additional costs

J. P. Morgan Cross-Currency Sweeps – Automated sweep with embedded currency conversion

Illustrative

1. Incoming transactions
2. Automatically move and convert balances from an account in one currency to an account in another currency
3. Excess balances maintained in preferred currency
4. Online reporting is available

Configurable solution giving maximum control

- Choose from range of currencies including but not limited to G10
- Pre-agreed timing of sweeps
- Zero or Target balance settings
- Minimum and maximum limits available for the sweep
- Online / Host to Host and SWIFT reporting options

Benefits

- Fully automated solution with online reporting
- Visibility and control over FX rates and spreads
- Simplify account structure and consolidate duplicate bank accounts
- Scalable and flexible to meet changes in your business model

1 The exact number of payment currencies may vary by branch location
Gain FX Rate Transparency and Improve FX pricing
提高汇率透明度、优化外汇定价

**FX Rate Visibility**

- **Make payment decisions effectively**
  - Input minimal payment details
  - View indicative rates*
  - Pricing engine delivers refreshed rate every 30 seconds
  - Leverage streaming rates that are live for two minutes for up front contracting needs
  - The indicative rate* displayed reflects the client pricing and is consistent with the spread applied to existing FX payments

**FX Pricing Optimization**

- **Gain pricing benefits**
  - **Aggregated FX Pricing**
    - Group together multiple payments of the same currency pair for execution at the same time
    - FX rate determined by the aggregate notional value of the transactions
  - **Netted FX transactions**
    - Net same currency pairs executed at the same time to minimize unnecessary FX purchase***

**Process Improvement**

- **Simplify reconciliation**
  - See your final FX rate at the time of payment release**
  - Know the exact debit and credit value of your transactions
  - For payments executed at the same time receive a consistent FX rate for same currency pair transactions
  - Knowledge of applied FX rate** at time of transaction execution results in expedited reconciliation

* Availability of online rates is subject to local regulatory approval in each country. The rate at which the FX transaction will be executed may differ from the indicative rate displayed. You should not regard any indicative rate provided to be an offer to enter into an FX transaction at that rate.

** The applicable foreign exchange rate determined by J.P. Morgan includes a profit to J.P. Morgan (or its affiliates) and an additional spread, and may include other fees.

*** FX spread will be applied based off the netted amount. In limited circumstances, this may result in the application of a higher spread to the netted amount.
Enhanced Visibility & Data Analytics Capability via J.P. Morgan ACCESS® InsightSM
通过摩根大通ACCESS® InsightSM 提高清晰度和数据分析能力

J.P. Morgan ACCESS® InsightSM makes the process more efficient, flexible and accurate.

Key features

- Create a customized worksheet that can be automatically populated with your bank account data, or use data extract definitions to populate your existing spreadsheet
- Refresh balance, transaction and payment/receipt data – including multibank – whenever you choose, for greater accuracy and control
- View balance, transaction and payment/receipt detail directly from your spreadsheet making further research fast and easy
- Save historical data to analyze your cash flow trends

Benefits

- Minimize access to multiple bank portal online and retrieve bank balance
- Improve operation efficiency with automated update of bank balances
Case Study: Follow the Sun Liquidity Structure & Cash Concentration at In-House Bank (IHB)

Key client’s challenges:
- 3 separate treasury centres globally, with de-centralized cash management, resulting in low visibility of global cash position
- Large number of bank accounts across 30 different banks and no proper counterparty risk control
- Manual processes for funding, sweeping, foreign exchange and investment transfers
- Client wanted to simplify banking structure, reduce accounts & concentrate cash at In-house bank

J.P. Morgan solution:
- Separate cash concentration structure in the respective region that enables maximum cash concentration and full visibility globally, but with minimal disruption to local entities’ operations
- J.P. Morgan implemented a streamlined account structure:
  - In-country collections & payments to benefit from local clearing
  - Multibank sweep for countries that need to maintain 3rd party banks
  - Multicurrency notional pool in Singapore & London, and physical cash concentration in New York (global master account in New York)
Q&A
问答