

# Certificate in International Cash Management

TREASURY, RISK  
AND FINANCE  
PROFESSIONALS

ACT

## Section one: Reviewing the basics

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### Chapter 1 – Introduction to cash management

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#### Chapter 1 – Introduction to cash management

Chapter one examines the role of the treasurer and where cash management fits within that role. It also looks at the evolution of cash management and why it is important in sustaining a company's healthy operations. In addition this chapter discusses the basic cash management functions as well as the different definitions of the term.

#### 1.1 Introduction

#### 1.2 The treasurer and cash management

#### 1.3 The role of the treasurer

- Currency management
- Funding management
- Investment management
- Bank relationship management
- Risk management
- Cash management

#### 1.4 Corporate definition of cash management

#### 1.5 Bank definition of cash management

#### 1.6 Comparison of the definitions

#### 1.7 Benefits of good cash management

- Better control of financial risk
- Opportunity for profit
- Strengthened balance sheet
- Increased confidence in company
- Improved operational efficiencies

#### 1.8 Role of cash management in different types of companies

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## Chapter 2 – Important cash management concepts

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### Chapter 2 – Important cash management concepts

Chapter two reviews many important concepts for cash managers including the operating cycle, the cash flow cycle, the nature of cash flows, the importance of liquidity, finality, availability and lastly, float; where it arises, what causes it and how to reduce it.

#### 2.1 Introduction

#### 2.2 The nature of cash flows

#### 2.3 The operating cycle and the cash flow cycle

#### 2.4 The importance of liquidity

Sources and uses of liquidity

The cost of liquid assets

#### 2.5 Other important cash management concepts

Value

Availability

Finality

Security of principal

The opportunity cost of funds

Time value of money

#### 2.6 Float

Float throughout the supply chain

Order received and goods dispatched

Invoice issued

Credit period

Payment due

Payment made

Payment received

Payment banked

Funds available

Funds moved to concentration account

Advice of funds availability

Why does float arise?

How to reduce float

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## Chapter 3 – Introduction to the company

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### Chapter 3 – Introduction to the company

Cash manager must understand the corporate context and environment in order to be effective in the role. The type of company influences the cash management techniques and structure. Chapter three reviews the characteristics of a company that impact cash management most. It also describes the basic financial statements and how they can be used by cash managers to better understand the company. Finally, the topic of corporate governance and control is discussed with a focus on how this impacts the treasury functions.

#### 3.1 Introduction to the company

#### 3.2 Introduction to financial statements

#### 3.3 Published and management accounts

#### 3.4 Key accounting concepts

#### 3.5 The balance sheet

Typical balance sheet terminology

#### 3.6 The statement of comprehensive income

Typical statement of comprehensive income terminology

#### 3.7 Statement of changes in equity

#### 3.8 Statement of cash flows

Statement of cash flow items

#### 3.9 Important ratios for cash managers

Liquidity ratios

Gearing and leverage ratios

Performance measures

#### 3.10 Weighed average cost of capital (WACC)

#### 3.11 Internal controls and governance

Corporate governance around the world

Sarbanes-Oxley (SOX)

Main provisions of SOX

Main effects of SOX

The role of independent directors

The role of independent auditors and financial reporting

SOX and its impact on treasury

SOX and its impact on firms

Professional conduct for treasury

Controlling the treasury environment

#### 3.12 Accounting standards

IFRS sample statements

Published financial accounts versus management accounts

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## Chapter 4 – Introduction to working capital management

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### Chapter 4 – Introduction to working capital management

Chapter four explores the link between corporate cash management and the business as a whole, and in particular the link between liquidity and working capital management. It is necessary, for liquidity and profit reasons, to make sure that monies due in (receivables or debtors) are received as early as possible, and monies due out (payables or creditors) are paid as late as possible. Nonetheless, the cash management aspects have to be managed within a broader business context. The cash manager must also take into account the commercial relationship, the economic environment, the business environment, (whether domestic or international), the banking environment and also the company's own corporate culture and organisation.

#### 4.1 Introduction to working capital management

Net working capital = Current assets – Current liabilities

#### 4.2 The cash conversion cycle

Calculating the CCC

Interpreting the information

#### 4.3 Receivables management

Responsibility

Costs of outstanding receivables

Cross-border collections management

Improving receivables

#### 4.4 Payables management

Achieving a commercial balance

Method of payment

Trade discounts

Calculating the value of trade discounts

Improving payables

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## Chapter 5 – Introduction to banking

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### Chapter 5 – Introduction to banking

Chapter five looks at the basics of banking. In addition to the role of the bank, different types of bank account and how account ownership affects documentation required to open the account, we also examine how a bank pays interest and charges fees as well as the challenges banks face in managing their balance sheet.

#### 5.1 Introduction

#### 5.2 Role of the central bank

#### 5.3 The main duties of a bank

#### 5.4 Types of bank

#### 5.5 Types of bank account

- Current account

- Deposit or savings accounts

- Composite accounts or interest-bearing current accounts

- Money market deposits

- Overdrafts

- Loan accounts

#### 5.6 Types of account holder and documentation

- Personal customers

- Joint accounts

- Sole traders

- Partnership accounts

- Limited liability companies (public corporations)

- Trustee accounts

- Resident and non-resident accounts

#### 5.7 Understanding domestic interest calculations

- Value dates

- Interest calculations

- Stepped or banded

#### 5.8 Bank charges

#### 5.9 Reducing bank charges

- Understand charging methods

- Review types of payments and method of submission

- Review existing arrangements

- Use better cash management techniques

#### 5.10 Bank risk and balance sheet management

#### 5.11 The impact of anti-money laundering/ anti-terrorism legislation

- Legislation – Anti-money laundering

- Legislation – Anti-terrorism

- Impact of the legislation

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## Chapter 6 – Basic banking services

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### Chapter 6 – Basic banking services

Chapter six looks at the various payment instruments that are used domestically, i.e. within a country's borders. It also examines specialised bank services designed to manage float. The next chapter will look at instruments designed for making payments and collections across border.

#### 6.1 Introduction

#### 6.2 Domestic paper-based payment instruments

- Cash
- Cheques
- Paper-based giros
- Bills of exchange
- Promissory notes
- Banker's drafts

#### 6.3 Domestic electronic payment instruments

- Wire transfers
- Automated clearing house
- Standing orders
- Direct debits
- Electronic bills of exchange
- Financial EDI (FEDI)
- Bill payment

#### 6.4 Cards

- Charge cards
- Credit cards
- Debit cards
- Payment cards
- Smart cards
- Using cards

#### 6.5 Comparison of payment instruments

#### 6.6 Regional preferences

#### 6.7 Banking services designed to control float

- Lockbox
- Retail lockbox
- Wholesale lockbox
- Electronic lockbox
- Lockbox cost/benefit analysis
- Lockbox benefits for giro credits
- Zero balance accounts
- Intervention accounts
- Remote disbursement
- Controlled disbursement account
- Direct collections

#### 6.8 Impact of payment and collection instruments on cash flow

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## Chapter 7 – International payment vehicles

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### Chapter 7 – International payment vehicles

Chapter seven looks at a number of specialised services used for international payments, collections and international trade payment vehicles

#### 7.1 Introduction

#### 7.2 Complexities of international cash management

#### 7.3 Non-electronic payments and collections

- Foreign currency cheque collection

- Collection method

- Direct collection method

- Negotiation method

- Making foreign currency cheque collections more efficient

#### 7.4 Foreign currency cheque payments

#### 7.5 Electronic payments and collections

- International wire transfers

- International ACH

- International collections via credit/charge card

- Outsourcing international payments and collections

#### 7.6 International trade terms

- International trade payments

- Documentary collections

- Letters of credit

- Features of letters of credit

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## Chapter 8 – Settlement and clearing systems

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### Chapter 8 – Settlement and clearing systems

Chapter eight examines the main types of clearing and settlement system types found worldwide and a couple of systems that perform unique functions such as the foreign currency settlement systems in the UK and Hong Kong. While the details may vary from country to country, in most cases the basic format and same principles apply.

#### 8.1 Introduction

#### 8.2 Settlement and clearing systems

#### 8.3 Settlement types

#### 8.4 Net settlement systems

The Lamfalussy standards

The Cheque and Credit Clearing Company – UK

#### 8.5 Developments in check clearing and processing

Cheque truncation

The impact of imaging

#### 8.6 Real-time gross settlement systems

Clearing House Automated Transfer System – Hong Kong

#### 8.7 Hybrid clearing and settlement systems

#### 8.8 Continuous Linked Settlement

Herstatt risk

The CLS system

Participants

CLS processing cycle

Implications for banks

Implications for non-bank financial institutions and corporates

#### 8.9 Credit card clearing and processing

#### 8.10 Currency settlement outside of the currency centre

UK C&CCC currency Clearing

Euro clearing

Hong Kong foreign currency clearing

# Section two: Cash management fundamentals

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## Chapter 9 – International banking infrastructure

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### Chapter 9 – International banking infrastructure

Chapter nine looks at the international banking infrastructure, the major players, their roles and the different ways in which international funds transfers are affected.

#### 9.1 Introduction

#### 9.2 Correspondent banking

#### 9.3 SWIFT

- Overview of SWIFT
- SWIFT standards
- SWIFT currency codes
- SWIFTNet

#### 9.4 International payments using SWIFT

- Serial method
- Cover method
- Third party payments via SWIFT
- Concentrating funds via SWIFT

#### 9.5 Multi-bank reporting via SWIFT

#### 9.6 Corporate access to SWIFTNet

- Corporate access through TRCO
- Corporate access through a MA-CUG
- Corporate access through multiple MA-CUGs
- Corporate access through SCORE
- Connecting to SWIFT
- Benefits of corporate access

#### 9.7 Standardisation of international bank account numbers

#### 9.8 Making international payments

- Using the local payment systems
- Making cross-border payments using a correspondent bank
- Making cross-border payments using a network bank
- Making cross-border payments using a banking alliance
- What is the best option for international transfers?

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## Chapter 10 – Spotlight on international systems

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### Chapter 10 – Spotlight on international systems

Chapter ten looks at clearing and settlement systems in a few selected locations, either because those countries are significant in terms of world trade, such as the US, or unique in terms of scope, such as the Eurozone.

#### 10.1 Introduction

#### 10.2 US payment and collection systems

Background

The regulatory environment

Cheque clearing in the US

Cheque collection process

How a non-US-based company can make better use of US cheques

The automated clearing house (ACH)

Access to the ACH from outside the US

The Fedwire system

The Clearing House Interbank Payments System (CHIPS)

Access to CHIPS and Fedwire from outside the US

Comparison of US payment systems

#### 10.3 Eurozone payment systems

Introduction

EU Payment Services Directive

Trans-European Automated Real-time Gross Settlement Express Transfer System 2 (TARGET2)

The Euro Banking Association/EBA Clearing

National systems within the European Union

The future of payments in the Eurozone

Summary

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## Chapter 11 – Foreign currency accounts

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### Chapter 11 – Foreign currency accounts

Chapter eleven reviews the circumstances under which it is advantageous to open a foreign currency account and the issues that need to be considered when evaluating the effective use of currency accounts. It also explores the operational reasons why an account should either be held centrally (in one location with all other accounts) or locally in the country of the currency (the currency centre).

#### 11.1 Introduction

#### 11.2 When to open a foreign currency account

Example: Company in Singapore

Example: Company in the United States

Example: Company in Hong Kong

Example: Company in Germany

#### 11.3 When to close currency accounts

#### 11.4 Where to hold currency accounts

Available locations

Considerations in currency account location

Considerations when making payments from a currency account

#### 11.5 Terms and conditions for a currency account

#### 11.6 Bank charges on currency accounts

Value dating

Commission charges

Commissions in lieu of exchange charges

Transaction charges

Turnover charges

Lifting fees

Account maintenance fee

Cable or telex charges

Correspondent charges

#### 11.7 Billing/account analysis

#### 11.8 Multi-currency accounts

#### 11.9 Regulatory issues

Differentiation between resident and non-resident accounts

Interest on bank accounts

Withholding taxes on interest paid and earned

Stamp duties on loans

Notional pooling and concentration

Thin capitalisation

Central bank reporting

#### 11.10 Account ownership

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## Chapter 12 – Treasury technology

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### Chapter 12 – Treasury technology

Technology is an increasing part of every treasurer's and cash manager's role, automating processes, performing sophisticated calculations and communicating with both internal and external partners. Chapter twelve, we look at some of the opportunities which technology creates, including some of the ways in which a treasury management system (TMS) might be used as well as the electronic delivery of banking services. It looks at the growing role of ecommerce and security considerations in using technology. Finally, it looks at issues of integration and how information can be passed between systems.

#### 12.1 Introduction

Role of technology

#### 12.2 Systems used in treasury

Spreadsheets within treasury

Types of system

#### 12.3 The role of the TMS

TMS functionality

Workflow management

Business unit communication

Example: Multilateral netting

Example: Cashflow forecasting

Options for licensing a TMS

#### 12.4 Electronic banking systems

Electronic balance and transaction reporting systems (EBR)

Electronic funds transfer systems (EFT)

#### 12.5 E-Commerce: Portals and exchanges

Banking portals

Multi-bank dealing portals

Exchanges

#### 12.6 E-Commerce: Working capital management

Invoicing

Payments/collections processing

#### 12.7 System security

Encryption

Digital signatures

Certificate authorities

#### 12.8 Integration and standards

XML

Standards groups

#### 12.9 The future of treasury technology

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## Chapter 13 – Liquidity management Part 1: Forecasting

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### Chapter 13 – Liquidity management Part 1: Forecasting

Chapter thirteen examines the more common methods used for cash forecasting. A good forecast is an essential tool in managing a company's liquidity, not just for short-term day-to-day cash management but also for medium-term investment and borrowing. It is also instrumental in managing risks, enhancing returns and maintaining financial controls. Cash forecasting techniques range from the simple spreadsheet, bearing in mind the frequent errors found in spreadsheets mentioned in section 12.2.1, to sophisticated computer models integrated into a company's enterprise-wide resource planning (ERP) system. What is most important, however, is that the technique selected is appropriate for the purpose, reliable and accurate.

#### 13.1 Introduction

- Liquidity management
- Minimising cost of funds
- Maximising interest earnings
- Foreign exchange risk management
- Working capital management
- Financial control
- Setting and monitoring longer term investing and funding strategies
- Preparing budgets for capital expenditure
- Monitoring and setting strategic objectives
- Components of a 'good' cash forecast

#### 13.2 Cash forecasting time horizons

- Short-term forecasts
- Medium-term forecasts
- Long-term forecasts

#### 13.3 Sensitivity

#### 13.4 The process

#### 13.5 Short and medium-term forecasting techniques

- The receipts and disbursements model
- The moving average
- Exponential smoothing
- Regression analysis
- The distribution model 23

#### 13.6 Long-term forecasts

- Pro forma statement method

#### 13.7 Systems for cash forecasting

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## Chapter 14 – Liquidity management Part 2: Short-term investment

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### Chapter 14 – Liquidity management Part 2: Short-term investment

Chapter fourteen discusses the investment process and looks at some commonly used investment instruments. It also teaches some of the essential calculations used for computing yields and differentiates between methods used for different instruments. Due to the intertwined nature of the borrowing and investment topics (one company's debt is another's investment) many subjects that are covered in this chapter also apply to borrowing.

#### 14.1 Introduction

#### 14.2 Investment guidelines

#### 14.3 The decision process

#### 14.4 The yield curve

#### 14.5 Investment strategies

#### 14.6 Selecting an investment

- Assessing risk

- Assessing liquidity

- Assessing return

#### 14.7 Overview of the money markets

- Day basis and year basis

- How rates are quoted

- Bases of interest calculations

- Comparing yields

#### 14.8 Short-term investment instruments

- Government issuers

- Bank and broker vehicles

- Corporate instruments

#### 14.9 Money market funds

- Money market funds in the US

- Money market funds in the UK

- Money market funds in Europe

- Money market funds in Asia

- How treasuries use money market funds

#### 14.10 Comparison of investment instruments

#### 14.11 How short-term funds are being invested

#### 14.12 Investment calculations

- Interest calculation

- Yield calculations

- Calculating proceeds

- Converting the year basis

#### 14.13 Linking investment management with cash forecasting

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## Chapter 15 – Liquidity management Part 3: Short-term borrowing

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### Chapter 15 – Liquidity management Part 3: Short-term borrowing

Many of the instruments discussed in the previous chapter on short-term investment also apply to short-term borrowing, as one company's investment is the issuer's source of funds. In chapter fifteen we consider the borrowing process and look at both internal and external sources of funding. We also differentiate between the different types of funding available and how to calculate the all-in cost of borrowing.

#### 15.1 Introduction

#### 15.2 The financing decision process

#### 15.3 Availability of financing instruments

#### 15.4 Internal funding

#### 15.5 External short-term funding

#### 15.6 Issues when selecting financing options

#### 15.7 Debt instruments

- Short-term bank financing

- Financing offered by the financial markets

- Financing offered by the commercial market

#### 15.8 Preferred borrowing methods

#### 15.9 Factors that influence the cost of borrowing

#### 15.10 Calculating the all-in cost of borrowing

- All-in cost of borrowing using commercial paper

- All-in cost of borrowing using a committed credit line

#### 15.11 Loan documentation

- Covenants, restrictions and requirements

# Section three: International cash management tools and techniques

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## Chapter 16 – Cross-border liquidity management Part 1: Netting Techniques

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### Chapter 16 – Cross-border liquidity management Part 1: Netting techniques

The netting concept was introduced in Chapter 8 as the basis for one of the settlement system types, NSS. This chapter looks at how netting techniques are used for managing cross-border liquidity company-wide. Although a very simple concept, netting can be more complicated when more than two parties are involved. It is becoming one of the main tools used by companies with a centralised treasury or an in-house bank. Although the major emphasis in this chapter will be on intercompany netting, it is also a technique that is used to realise considerable cost savings in industries where there are frequent two way flows between participants.

#### 16.1 Introduction

- Bilateral netting
- Multilateral netting

#### 16.2 The benefits of multilateral netting

#### 16.3 Netting drivers

- Intercompany transactions
- Third party trade payables
- Third party trade receipts
- Financial flows

#### 16.4 Quantifying the benefits of netting

- Step 1: Aggregate transactions and convert to base currency
- Step 2: Calculate gross receipts and payments
- Step 3: Determine net receipts and payments and flows eliminated
- Step 4: Estimate the annual benefit of netting

#### 16.5 Structural issues

- Country level netting
- Regional or global netting
- Netting with an in-house bank

#### 16.6 Netting policies

- Currencies
- Credit period
- Settlement dates
- Exchange rates
- Conflict resolution

#### 16.7 The netting cycle

## **16.8 Netting service options**

- Bank managed services
- Company managed services
- Internet-based netting

## **16.9 Foreign exchange matching**

## **16.10 Leading and lagging**

## **16.11 Which option is right?**

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# **Chapter 17- Cross-border liquidity management Part 2: Pooling and cash concentration**

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## **Chapter 17 – Cross-border liquidity management – Part 2: Pooling and cash concentration**

Chapter seventeen examines the complex concepts of notional pooling and cash concentration and how these essential cash management techniques are used by companies for cross-border liquidity management. In addition to helping manage the surpluses and funding requirements of their different subsidiaries these tools also improve a company's overall balance sheet.

### **17.1 Introduction**

### **17.2 Notional pooling**

- Benefits of notional pooling
- Disadvantages of notional pooling
- Notional pooling for credit purposes
- Notional pooling for interest earning purposes
- Interest apportionment
- Using a master account

### **17.3 Interest rates on notional cash pools**

- Calculating the pooling benefit

### **17.4 Notional pooling structures**

- Single currency, one-country pooling
- Single currency, cross-border pooling
- Multi-currency, one-country pooling
- Multi-currency, cross-border pooling
- Requirements for multi-currency pooling

### **17.5 Notional pooling considerations**

### **17.6 How banks charge for pooling services**

- 17.7 Implementing a notional pool**
  - The pooling agreement
  - Cross-guarantees
  - Legal right of offset
  - Tax indemnity
  - Linking accounts for interest calculation purposes
  - Interest apportionment and allocation
  - Additional requirements for cross-border pooling
- 17.8 Notional pooling case study**
  - Case study 1 – Multi-currency pooling
- 17.9 Interest enhancement**
- 17.10 Cash concentration**
  - The role of forecasting
  - Advantages of cash concentration
  - Disadvantages of cash concentration
- 17.11 Zero balance accounts**
- 17.12 Target balance accounts**
- 17.13 Threshold accounts**
- 17.14 Nordic cash pooling**
- 17.15 Cash concentration considerations**
- 17.16 Using reference accounts**
- 17.17 Overnight sweeps**
- 17.18 Location of the concentration account**
- 17.19 Notional pooling or cash concentration?**

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## **Chapter 18 – Cross-border liquidity management Part 3: Tax and regulatory implications**

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### **Chapter 18 – Cross-border liquidity management – Part 3: Tax and regulatory implications**

Chapter eighteen looks at the tax and regulatory implications of cross-border liquidity management. Like any other business transaction, when doing business in an international environment the cash manager needs to be aware of the tax implications, some of which may be very different from those in the home country. The tax consequences of any transaction will not only depend on the nature of the transaction, but also on the specific circumstances of the company or companies involved as well as the country of residence of the parties involved. This chapter is intended as a general introduction to taxation issues, to make the cash manager tax aware rather than attempting to deal with the tax aspects in detail. Although, as a general rule, cash management is not the driving factor behind tax planning, any and all cash management activities and structures will have either positive or negative tax consequences. These need to be taken into account when deciding on an appropriate cash management structure.

#### **18.1 Introduction**

#### **18.2 Tax treaties**

#### **18.3 Double tax relief**

#### **18.4 Withholding taxes**

WHT on dividends and royalties

WHT on bank interest

WHT on intercompany loans

WHT on payments 'in lieu'

Residency issues

Calculation of WHT due

WHT rate

Tax credit or refund

#### **18.5 Transfer pricing**

#### **18.6 Arm's length principle**

#### **18.7 Value-added taxes**

#### **18.8 Stamp duties**

#### **18.9 Permanent establishment**

#### **18.10 Thin capitalisation**

#### **18.11 Deemed dividends**

#### **18.12 Controlled foreign companies**

#### **18.13 Passive versus active income**

#### **18.14 Tax on foreign exchange gains and losses**

## **18.15 Summary of tax implications for pooling and concentration**

Notional pooling  
Cash concentration

## **18.16 Implications of treasury centre location**

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# **Chapter 19 – Foreign exchange and risk management**

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## **Chapter 19 – Foreign exchange and risk management**

Chapter nineteen examines why a cash manager needs a basic knowledge of foreign exchange (FX) and the risks that arise from doing business in foreign currencies. It provides a basic introduction to some of the terminology of foreign exchange, the techniques used and the basic tools for managing risk. While conventions for quoting rates differ from country to country, the basic principles still apply. The language has been kept deliberately simple and nontechnical where possible.

### **19.1 Introduction**

### **19.2 Financial risks to the business**

### **19.3 Foreign exchange risk**

### **19.4 Risk management**

Hedging versus speculation

### **19.5 Foreign exchange risk management tools**

### **19.6 Foreign exchange and international cash management**

### **19.7 Reading foreign exchange rates: spot rates**

FX bid-ask spread  
FX bid-ask spread practice  
How FX rates are quoted

### **19.8 Reading foreign exchange rates: forward rates**

Premium, par and discount  
Determining the forward outright rate  
FX forwards practice  
Some notes concerning points

### **19.9 Reading money market rates**

### **19.10 The swap**

Example of a funding transaction  
Pricing the swap  
Methodology for swap calculations  
Effective borrowing rate  
Using swaps for cash concentration  
Considerations in using swaps

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## Chapter 20 – Treasury organization

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### Chapter 20 – Treasury organisation

This chapter looks at the different ways a treasury can be organised and discusses the major issues, both financial and non-financial, that shape treasury structures and locations. This section brings together many of the areas already discussed and looks at the treasury organisation from the internal corporate perspective. In Chapter 22 the treasury organisation will be discussed in terms of efficient bank account structures.

#### 20.1 Introduction

#### 20.2 Centralised versus decentralised treasury

- Central policy, local execution
- Centralised execution
- Regionalised execution, centralised policy
- The road to centralisation

#### 20.3 Payment factories

#### 20.4 Collection factories

#### 20.5 In-house bank

- In-house bank overview
- In-house bank functions
- In-house bank systems
- Impact of in-house banks on the banking industry

#### 20.6 Shared service centres

#### 20.7 Application service providers

#### 20.8 Outsourcing to a Business Service Provider

#### 20.9 Future impact of ASPs and BSPs

#### 20.10 Regional treasury centres

#### 20.11 Treasury centres

- Making the business case
- Strategic decisions to be made
- Staffing the treasury centre
- Treasury centre location
- Specific locations
- Profit centre or cost centre

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## Chapter 21 – Bank relationship

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### Chapter 21 – Bank relationship management

Chapter twenty-one looks at bank relationship management and the bank selection process. Banks can play several different roles and it is important to recognise the precise nature of the relationship in the selection process. While it is recognised that certain transactional services are increasingly being offered by non-bank providers, this chapter focuses on the criteria and process for selecting cash management banks.

#### 21.1 Introduction

#### 21.2 Types of banking relationship

#### 21.3 Selecting a global/regional cash management bank

- Relationship with the group
- Branch network
- Payment cut-off times
- Value pricing
- Cash management culture
- Operational quality and customer service
- Credit and related risks
- Delivery systems
- Cash management products and services

#### 21.4 Selecting a local bank

- Location
- Clearing capability
- Scalability
- Service quality
- Electronic/Internet banking capabilities

#### 21.5 The bank selection process

- Identify key objectives
- Reviewing existing operations
- Request for information
- The request for proposal
- Analysing the proposals

#### 21.6 Service level agreements

#### 21.7 Issues with bank tendering

- The right bank staff
- Customisation of the RFP
- Evaluating pricing
- When to use a consultant

#### 21.8 The account analysis

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## Chapter 22 – Efficient account structures

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### Chapter 22 – Efficient account structures

This final chapter brings together many of the elements discussed in previous chapters:

- Foreign currency accounts.
- Liquidity management techniques.
- Treasury organisation.
- Bank relationship management.
- Regulatory constraints and legal issues.

Putting together an efficient international banking structure is a topic with infinite variations, and one where banks have been very creative in putting together solutions for their corporate customers. This chapter examines the different structures that have evolved, both traditional and new, to satisfy the operational and liquidity management needs of organisations. There are no universal solutions, however, and each company needs to construct an account structure that best meets its own unique set of requirements in the light of its treasury goals and corporate organisation.

#### 22.1 Introduction

#### 22.2 Considerations when selecting account structure

#### 22.3 FCY account structures

- Local currency account
- Domestically domiciled FCY accounts
- FCY accounts in the currency centres
- FCY accounts in a regional treasury centre
- FCY accounts in a decentralised organisation

#### 22.4 Liquidity management account structures

- Notional pooling structures
- Cash concentration structures
- Pragmatic account structure
- Use of currency swaps

#### 22.5 Other account structures

- In-house bank structure
- The overlay structure
- The MT101 structure
- The US account structure

#### 22.6 Variations on structures

- Concentration to a multi-currency pool
- Cross-border 'notional pooling' with a network bank
- Cross-border 'notional pooling' with a non-network bank

#### 22.7 Selecting the right bank

#### 22.8 Systems