

Innovative products crucial to success

INNOVATIVE PRODUCTS TO HELP CORPORATES STREAMLINE THEIR CASH MANAGEMENT ARRANGEMENTS WERE CRUCIAL THROUGHOUT THE CRISIS AND REMAIN KEY TO TRANSACTION BANKING SUCCESS, SAYS **TIMOTHY MERRELL**.

The economic crisis of late 2008 and 2009 placed unprecedented pressures on corporate cash management arrangements, moving day-to-day liquidity management to the top of the agenda for many. These events also raised the prominence of the treasurer in many organisations, as well as affecting the way in which corporates interact with their banking partners. In this respect, end-to-end solutions that allow corporates to proactively manage all aspects of their payments and cash were key to effectively weathering the crisis and subsequent downturn.

It is in this context of a holistic approach to treasury management that Deutsche Bank has developed a set of products and solutions that allow corporates to concentrate on the strategic goals of centralising, rationalising and automating processes, while also addressing more tactical issues such as minimising bank fees and achieving the best foreign exchange (FX) rates on cross-currency

payments. For example, Deutsche Bank recently extended its product range into the merchant acquiring business in order to complete its suite of receivables products, and launched a solution for cross-currency payments – known as FX4Cash – designed to cut costs and increase transparency for corporates making large numbers of low-value cross-currency payments.

FX4CASH Making large volumes of low-value cross-currency payments can be problematic for both corporates and financial institutions. They present a range of difficulties. First, the costs of executing such transactions is often based on the number of interactions the executing body must make with the institution handling the payment – an area that can be shrouded in a lack of transparency. For example, the payment and FX conversion elements of the transaction may be handled separately and corporates may also have to hold and fund numerous accounts in order to pay beneficiaries in different currencies – something that can present a real obstacle to streamlining cash management arrangements.

Furthermore, the perceived lack of transparency surrounding transactions of this type can be exacerbated by common practices among providers that leave clients unsure as to whether they have achieved the best possible deal. For instance, with FX information not being provided upfront but after the payment has been made, the applied rate may have the appearance of being arbitrary, or taken from a notional fixing far from where the market levels are.

GREATER TRANSPARENCY Despite the issues surrounding payments of this type, they are, of course, extremely prevalent, and volumes are set to rise steadily. Responding to this clear need, in 2008 Deutsche Bank launched the FX4Cash initiative to address some of the problems surrounding cross-currency payments.

FX4Cash is a payments platform developed through a cross-business collaboration between Global Transaction Banking (GTB – responsible for payments) and Global Markets (GM – responsible for foreign exchange) and has been designed to reduce costs and to deliver efficiency and transparency benefits to both corporates and financial institutions.

While the platform was launched in 2008,



Deutsche Bank has continued to make investments in the infrastructure to ensure that clients have the best tools at their disposal to negotiate recent turbulent market conditions and capitalise on economic recovery. Indeed, FX4Cash was recently enhanced with the addition of 50 new currencies, and users can now make payments to over 150 different countries.

An additional enhancement has made the platform available for converting incoming cross-currency payments. Clients are issued with a unique identifier which they distribute among potential remitters. How incoming funds are converted can then be specified. This level of flexibility is one of the hallmarks of the FX4Cash platform, which can work with a range of access channels including SWIFT, Eurogiro and Deutsche Bank's proprietary e-commerce platform db-direct internet. Indeed, FX4Cash's flexibility means that it has applications across a range of industry sectors and scenarios and, since the launch in 2008, more than 500 clients from around the world – including many household names – have signed up to use the platform.

CHANGING BEHAVIOUR Aside from an impressive take-up of this new solution from clients, we also observed several other trends accelerating throughout the crisis and downturn as corporates sought to make the best of the challenging conditions. For example, demand for cash concentration and pooling tools has increased as corporates seek to make the best use of idle cash balances, and an increased awareness of the importance of the financial health of key trading partners has led to a greater take-up of financial supply chain management tools such as supplier financing.

Increased corporate attention to the financial health of – and the risks presented by – counterparties has not just extended to trading partners but also to banks. Given several high-profile failures in 2008 and 2009, banks' business models have, unsurprisingly, come under increased scrutiny from existing and potential clients. Corporates are implementing tighter counterparty limits, and seeking guarantees from senior management at their banks.

Indeed, with many banks undergoing periods of restructuring and recapitalisation, some corporates have shown concern that these institutions – especially those that have taken government support – will be forced to concentrate on home markets, as well as curtailing investment spend on platforms, systems and product innovation.

Of course, Deutsche Bank has had to deal with many of the same challenges as its peers, yet the Global Transaction Banking brand remains strong and enquiries from potential clients rose during the crisis. Having successfully weathered the storm through continuing to innovate and invest in line with client expectations, Deutsche Bank will persist in bringing innovative products and solutions – such as FX4Cash – to market to ensure that clients have the necessary tools to deal with the changing economic landscape.



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The international thought-leadership forum

18 March 2010, Munich

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Led by panels of senior corporate treasury practitioners, the forum will provide an ideal platform for sharing expertise with your peers and debating the latest challenges facing treasury today.

CASH AND LIQUIDITY MANAGEMENT

■ Working Capital

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This ACT breakfast briefing will offer a practical overview of the tools and techniques to improve working capital management, with a focus on:

- recent trends and challenges in working capital
- strategies for staying liquid in the current environment
- planning your cash flow in an uncertain market
- effective risk management in the working capital cycle

THE TREASURY PROFESSIONAL

■ ACT Annual Conference

Shaping the future

27-28 April 2010, Manchester

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