

The Treasurer's Journey in Asia

Are best practices finally attainable?

At today's multinational corporation, the treasurer's journey starts with challenges to optimize treasury and deliver shareholder value. For any treasurer this is a complex strategic initiative in itself but is one that becomes exponentially more difficult when the organization is a multi-national corporation, seeking to practice strategic treasury in Asia.

This is where Gourang Shah's journey began in 2004. Charged with managing the treasury operations for Tyco in Asia, Shah faced the task of dealing with over 200 active legal entities in 18 countries across the region. Tyco was thriving with annual revenue of US\$40 billion, with Asia Pacific sales of US\$6 billion. The company had a vision to move from purely a holding to an operating company. This shift was made more complex due to the nature of Tyco's businesses, with a distributed geographical presence in all the major countries in Asia (over 90 worldwide), and a diversified product line which included engineering products, plastics and adhesives, fire and security, healthcare, and electronics.

Asia awash in liquidity

As Tyco was looking to centralize its treasury operations, cash management in Asia was undergoing its own transformation. In the years following the Asian crisis, many Asian corporates and government bodies had significantly restructured and dramatically improved their finances. Balance sheets across Asia were strong, which led to a stable environment that continues to fuel corporate liquidity and showed robust growth opportunities. In particular, China's growth was continuing and was rightly expected to remain a major driver for the rest of the region.

With the primary objective of centralizing

cash to obtain visibility of cash balances and have cash available when and where it was needed and in the currency it was needed, Tyco in Asia outlined its next steps. To achieve this goal, Tyco conducted a country-by-country analysis of bank networks, and account inventory to identify all the bank accounts and their purpose. Citi was identified as the regional lead bank to support operating companies, and to deliver cash visibility

while improving the liquidity management processes across the region.

The account analysis uncovered some astounding numbers—there were more than 150 banking relationships and 1,600 Tyco bank accounts in Asia. The same analysis determined that different pricing across entities and inconsistent banking service existed, resulting in sub-optimal cash utilization and minimal cash visibility and control.

Citi was deemed the right partner for Tyco due to its strong cash

management capabilities, its culture for innovation, and its relationship with the group. Other global banks were also considered, but Citi proved it could add significant value for the company, particularly through its footprint in Asia and its unique view of partnering.

Innovative partnerships

In today's environment, partnership between companies and financial service providers has continuously evolved. Nowadays companies and financial service providers work closer together to transcend present day needs to design innovative solutions that evolves as the business grows.

For a regional treasury function in Asia, the stake holders extend beyond internal parties to include financial institutions, tax authorities, auditors, regulators and even government appointees charged with overseeing various



Gourang Shah is the Assistant Treasurer of Tyco Electronics based in Berwyn, Pennsylvania. He is responsible for Global Banking and International Funding, a position he has held since July 2007. Prior to this role, he was the Director of Tyco International's Asia Pacific Treasury for 4 years supporting \$6

billion in revenue in 18 countries. His responsibilities included cash management, foreign exchange, banking relations, and contingent liabilities for the region. Outside of Tyco Electronics, Shah worked in the finance departments at Avaya and Lucent in the US and as a Product Development Engineer at Ford Motor Company in the US and Australia.

industry sectors. As a result, banking solutions need to reach beyond the traditional treasury area within a client's organization to more broadly support a multi-national's business imperatives, procurement practices, risk management and compliance areas, among other functions.

Before any strategic treasury solution could be proposed and implemented, buy-in was required from Tyco's senior managers in Asia and country finance managers. Tyco mounted an all-out campaign to educate internal finance managers in Asia on the benefits of a centralized treasury function, providing examples of benefits to local business as well as the firm.

Some local managers were skeptical and worried about control factors. However, through centralization they would be gaining real-time visibility and could focus time and effort on value added analytical activities through access to actionable information. With fewer banking relationships, Tyco could even realize cost savings through uniform pricing so that entities doing US\$2 million in revenues per year could get similar pricing to entities posting US\$200 million in annual revenues.

Visits bring insights

To spread this message and convince local treasurers, Shah completed road trips to over 60 Tyco locations in Asia to align the stakeholders and to enable the realization of Tyco's treasury management strategy. Although Tyco was driven by the desire to be the best-in-class operating company with a treasury strategy in place, it still lacked the internal tools to execute. For the treasury management solution for Tyco to work technology was viewed as the enabler. Solutions were sought that facilitated online access to timely, centralized information sourced from disparate systems while ensuring that a lengthy, costly implementation was not an option.

TreasuryVision®, Citi's award winning web based information and analytical service, was selected by Tyco to drive its best treasury objective to be best-in-class. TreasuryVision provides multibank, multi-currency, multi-asset information aggregation, which allows Tyco to achieve regional financial visibility and to monitor consolidated cash balances on a daily

basis. It also delivers powerful analytics reporting and workflow tools that enable Tyco to more effectively manage global liquidity and risk across the enterprise. TreasuryVision is a completely automated solution that could be tailored to a multinational's needs and growth strategy.

TreasuryVision gave Tyco the visibility to establish a control process. It provided the information to enhance implementation of automated sweeps and zero balance account (ZBA) structures for in-country pools subject to tax, legal and foreign exchange limitations and set up electronic pooling of bank account balances.

Treasury centralization was implemented in three phases with the largest countries (Australia, Hong Kong, Japan, New Zealand and Singapore) targeted first to ensure the largest impact within

the shortest time frame. This was followed by more challenging countries eventually covering the restricted countries like China and India.

The Value of a Global Banking Partner

In Tyco's experience, a global banking partner with a significant on-the-ground presence and strong relationships with regulators

facilitated the journey, helping to identify and surmount hurdles that came up along the way.

At the end of Shah's four-year Asian journey, Tyco had successfully implemented liquidity management in most of the countries in Asia. Through TreasuryVision, Tyco had achieved over 98% cash visibility across more than 200 entities in Asia. TreasuryVision allowed them to have quicker access to information that was more accurate. Subsidiary borrowing has largely been eliminated. Fraud prevention has been implemented. Tyco succeeded in its main goal of establishing best practices in treasury management in its operations in Asia and becoming an industry benchmark for treasury management.

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