Navigating the Global Liquidity Maze: *A Treasurer's Guide to Cash Concentration*

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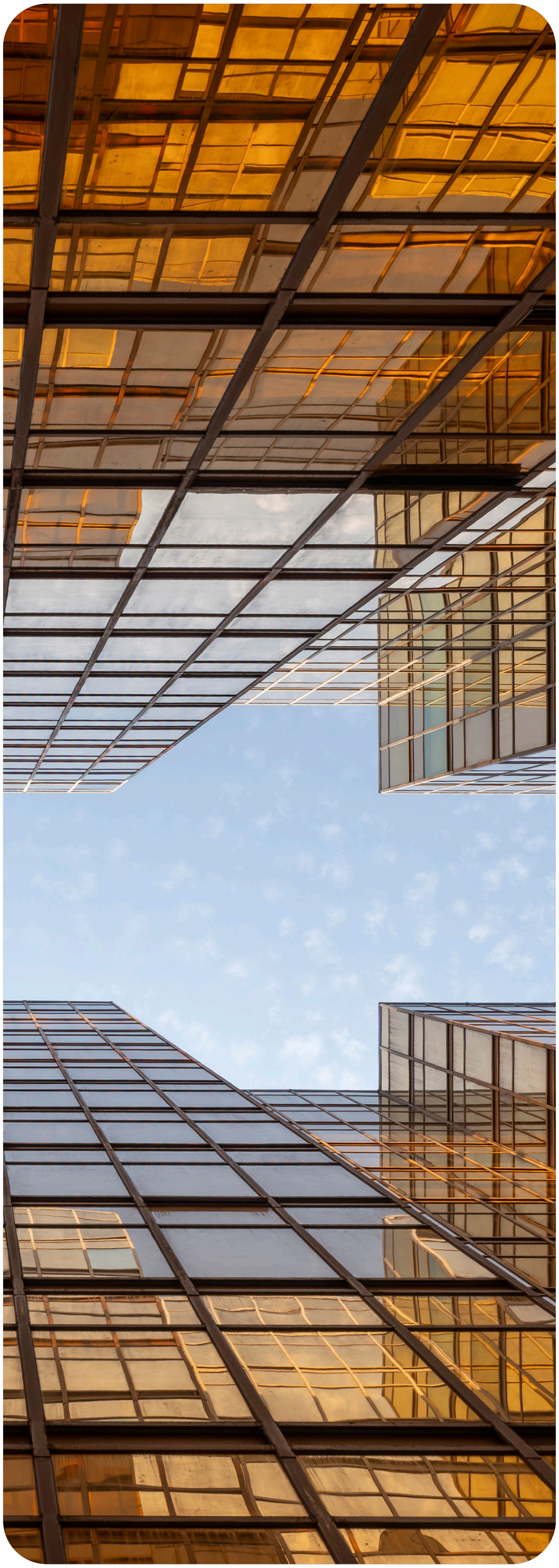
The Hidden Cost of Fragmented Liquidity

For many global organizations, liquidity is not constrained; it is fragmented. Cash accumulates across entities, currencies, and markets, often sitting idle in some parts of the business while other areas rely on external funding.

This disconnect can contribute to inefficiencies across the balance sheet, from underutilized cash and suboptimal returns to increased borrowing costs and foreign exchange exposure. Managing this complexity, and addressing the challenge of trapped cash, remains one of the central priorities for corporate treasurers operating globally.

Against this backdrop, building an effective cash concentration strategy requires not only the right tools, but a clear framework for understanding how liquidity can and cannot move across markets.



A Simple Framework: The Three Types of Markets

While global liquidity challenges can appear complex, they are often predictable. Based on our observations, we have identified that markets tend to fall into three broad categories based on the ease with which cash can be mobilized across borders.

Liberal Currency Markets
These jurisdictions, including most of Europe, the United States, Hong Kong, and Singapore, offer a high degree of flexibility. Both local currency and foreign currency can typically be moved freely, making them well suited for regional treasury centers and cross-border cash concentration structures.

Semi-Restrictive Currency Markets
In these markets, local currency is often not freely convertible or available offshore. Direct cross-border sweeping is limited or requires approval. Treasury teams typically rely on converting balances into a transferable currency before moving funds offshore.

Restrictive Currency Markets
These environments impose significant capital controls. Cross-border pooling is highly constrained or not permitted. The focus shifts to optimizing liquidity in-country and repatriating funds through regulated channels such as dividends or royalties.

This classification provides a practical starting point for designing a global liquidity strategy.

From Framework to Action: A Liquidity Playbook

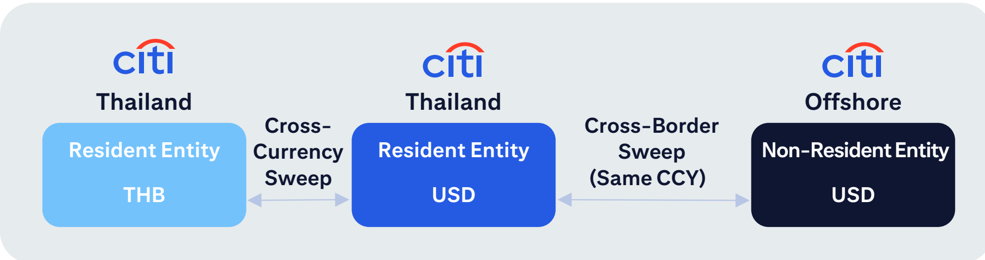
The applicability and effectiveness of each approach will depend on regulatory requirements, market conditions, and organizational structure.

Liberal Currency Markets – Concentrate Liquidity
Treasury teams can centralize liquidity through cross-border sweeping and multi-currency pooling, supporting improved visibility and enabling more effective deployment of funds.

> *"A well-designed cash pool is more than just a treasury tool; it is a strategic asset that can help unlock value across the organization."*
>
> **– Designing the Optimal Cash Pool: Managing Global Liquidity**

Semi-Restrictive Currency Markets – Convert and Mobilize

Treasury teams often rely on structured FX conversion and intercompany lending to mobilize liquidity. Solutions such as Citi's Cross-Currency Sweeps can help support a more automated and consistent approach to conversion and mobilization, while helping manage foreign exchange exposure.



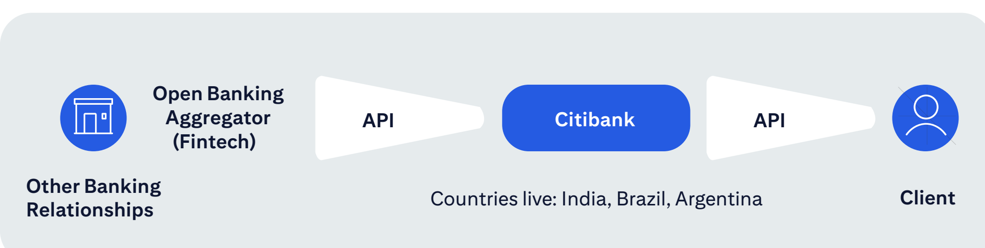
For illustrative purposes only. Example of structure between Thailand and an offshore location leveraging an automated FX solution, Cross-Currency Sweeps, to help multinational corporations to concentrate excess funds in base currency.

Restrictive Currency Markets – Optimize In-Country

Liquidity must largely remain onshore. Treasury teams often focus on enhancing returns on local balances and helping improve visibility and control across banking relationships. Solutions such as **Citi Interest Optimization (CIO)** structures which enable the aggregation of balances for improved yield calculation may help improve returns on in-country balances within regulatory constraints,

For illustrative purposes only. In restrictive currency markets, local balances may be non-interest bearing or with low return. In a Citibank Interest Optimization structure, even non-interest bearing accounts may contribute to an overall better yield on interest bearing accounts.

while **Real-time Multibanking** capabilities can support near-instant visibility and control across multiple banking relationships.



For illustrative purposes only. In highly restrictive currency markets such as Argentina or India, where transferring funds between banks can be complex, a Real-Time Multibanking solution can provide real-time visibility into balances and automate fund movements, streamlining operations and mitigating counterparty risk.

How This Plays Out Globally

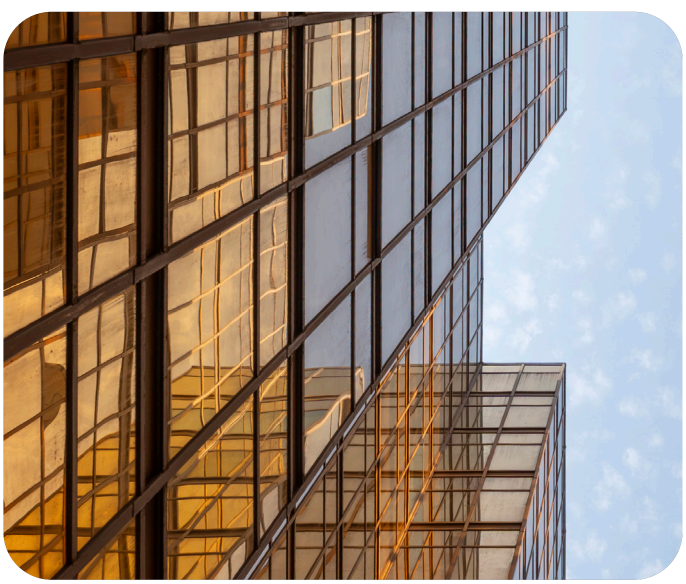
While the framework is consistent, its application varies across regions due to differing regulatory and market dynamics.

Europe
Whilst there can be nuances at a country level, we have observed that Europe can be a very permissive region for liquidity management, supporting centralized treasury structures.

Latin America
The region can present as a fragmented landscape, where markets such as Mexico and Chile offer relative flexibility, while others require more constrained, locally focused solutions.

Middle East and Africa
The region can range from liberal financial hubs such as the UAE to more restrictive currency markets, where intercompany lending and cross-border movement may be more tightly controlled.

> *"Understanding the nuances of each market's regulatory landscape is the first step to unlocking global liquidity."*
>
> **– A Framework for Managing Restricted Cash**



Asia-Pacific: A Significant Liquidity Opportunity

Asia-Pacific can appear to be one of the most dynamic and complex regions for liquidity management and presents a significant opportunity for optimization, particularly given the concentration of semi-restrictive and restrictive currency markets.

Liberal Currency Hubs
Financial centers such as Hong Kong and Singapore, and to a lesser extent Japan and Australia, can serve as the region's liberal liquidity hubs. Their open regulatory environments and freely convertible currencies make them natural locations for regional treasury centers, where liquidity can be centralized through cross-border sweeping and multi-currency pooling structures.

Navigating Semi-Restrictive and Restrictive Currency Markets
Across the broader region, treasury teams must apply more structured approaches to mobilize liquidity, often combining regulatory awareness with targeted use of conversion and funding mechanisms.

- **China:** China has progressively introduced cross-border cash pooling programs governed by regulators such as SAFE and the PBOC. These frameworks allow two-way sweeping of both foreign currency and RMB between China and offshore hubs, typically within defined quotas and qualification requirements.
- **South Korea:** Cross-border pooling is generally permitted for foreign currency, often subject to prior approval from the Bank of Korea. Intercompany lending within pooling structures is typically subject to aggregate limits, which can influence how liquidity is mobilized.
- **India:** India remains a market where cross-border pooling is restricted. Treasury strategies therefore focus on domestic liquidity optimization, with repatriation typically achieved through channels such as dividends, requiring careful planning and coordination.
- **ASEAN Markets:** Outside of liberal Singapore, the region presents a varied landscape. Markets such as Indonesia, Malaysia and Thailand generally allow foreign currency cross-border movement through intercompany lending structures, subject to documentation and regulatory conditions. Cross-border pooling is however restricted in a market such as Vietnam.

In many of these markets, treasury teams rely on FX conversion and intercompany arrangements to mobilize liquidity. Executing these strategies across jurisdictions often requires both local regulatory expertise and a global banking network. As a result, liquidity management in Asia-Pacific often requires a more tailored and coordinated approach than in more liberal regions.

"Across Asia, we are seeing clients take a more dynamic approach to liquidity management as they respond to increased volatility and more continuous operating models. Rather than relying on static buffers, many are actively adjusting balances and funding positions in real time. This is often supported through closer collaboration with liquidity specialists and the use of more flexible, real-time-enabled structures across markets."

– Rupa Mankad, Asia South Liquidity Management Services Business Head

Applying the Playbook: A Client Example

A multinational organization operating in China and Japan faced a classic but critical dilemma with a large cash surplus in China while the Japanese headquarters was burdened with external borrowing and high funding costs in Japan.

With repatriation options limited, Citi responded to the opportunity with a first-of-its-kind FTE Account Upgrade pilot solution, fully approved by the People's Bank of China. By implementing a structured approach incorporating on-demand cross-border sweeping and foreign exchange conversion, the organization was able to lend a substantial portion of its liquidity back to Japan. This helped support improved balance sheet efficiency, enhance cash visibility, and help reduce reliance on external funding.

Client results may vary.

Executing Effectively: Key Considerations[1]

Particularly in semi-restrictive and restrictive currency markets, a successful liquidity strategy also requires careful execution. While the framework provides a clear direction, implementation can depend on how you navigate several practical considerations, including the following.

- **Tax implications:** Withholding taxes, transfer pricing, and local tax rules can impact the efficiency of liquidity structures
- **Regulatory requirements:** Documentation, reporting, and approval processes vary significantly across markets
- **Intercompany frameworks:** Robust legal agreements are required to support lending and pooling structures
- **Technology and visibility:** Treasury systems and banking platforms can help improve visibility and support more efficient liquidity management

These considerations often play a critical role in determining how effectively a global liquidity strategy can be implemented.

From Fragmentation to Opportunity

Optimizing global liquidity is an ongoing process rather than a single solution. The reality is that a fully centralized global cash structure remains constrained by regulatory fragmentation and market-specific limitations.

However, this fragmentation also creates a clear opportunity. By understanding how liquidity is accessed, mobilized, and deployed across different market environments and applying a structured approach, organizations can improve how cash is positioned, deployed, and utilized across the enterprise.

The most effective liquidity strategies are not built around a single structure, but around a flexible model that adapts to local constraints while supporting global objectives.

Next Steps

Organizations operating across multiple markets may benefit from taking a structured view of where liquidity is held, where it is constrained, and how it can be more effectively mobilized.

A review of existing structures can help identify opportunities to:

- improve visibility across fragmented balances
- enhance the efficiency of internal funding flows
- and better align liquidity with business needs

[1] Citi clients should seek independent advice on managing tax, accounting and regulatory elements of design and implementing a cash pooling and liquidity management structure.

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