



TreasuryPulse

Passion to Perform

FX4Cash Brings New Efficiencies to Global Cross-Currency Payments in China and India



By
Kefei Chang
Head of FX4Cash, Asia-Pacific
Kefei.Chang@db.com

FX4Cash is a platform that provides an automated solution for handling global cross-currency payments, whether large or small, recurrent or infrequent, giving corporate treasuries the tools to greatly improve efficiency in this area.

As the globalisation of business continues unabated, corporates around the world are taking a keen interest in cash management best practices. The growing need to conduct transactions in a wider range of currencies has put the management of foreign exchange and cross-currency payments under the spotlight, and corporates are exploring what new efficiencies and cost savings can be gained in this arena with the latest advances in technology.

Common Challenges in Global Cross-Currency Payments

Corporates face many challenges in achieving the best possible value when managing cross-currency transactions. For example, it has been a common practice for corporates to maintain individual bank accounts in the various currencies they need to transact in. This gives rise to a greater likelihood of idle balances as well as increased costs and inefficient account administration and reconciliation.

Cash balances held in multiple currencies and distributed across numerous accounts are exposed to a greater degree of mark-to-market risk than more streamlined, consolidated account structures and are more vulnerable to market volatility.

In addition, with their working capital distributed across several accounts, corporates are not able to avail themselves of the economies of scale that could be achieved when undertaking larger foreign exchange (FX) trades. This makes it difficult for corporates to secure the best possible conversion rates on their cross-currency payments, and the overall lack of account visibility, rate transparency and control also hinders their broader cash management efforts. Further, in a typical cross-border cross-currency payment, the underlying FX trade and the cross-border payment are separately processed, and this makes it inefficient, time-consuming, labour-intensive and error-prone.

The Solution

The FX4Cash platform was designed to overcome issues such as these.

It enables corporates to consolidate their foreign currency accounts into a single funding account from which their cross-currency payments, along with the FX trades needed to undertake them, generally speaking, can then be executed in over 125 target currencies. The actual number of currencies available in a particular market depends on the prevailing local foreign exchange regulations. Corporates can send payment instructions directly to the platform via a range of channels and have the FX trade executed at a live market rate. At the same time, their corporate base account is debited and instructions for payment are issued to the target beneficiary.

Access to these live market prices enables treasurers to maintain much tighter controls over the rates they receive, while full automation removes the high costs associated with manually inputting these transactions. And concentrating funds into a single account offers the potential for aggregating payments, therefore increasing purchasing power and allowing corporates to achieve better value for money.

As well as providing full automation, the FX4Cash platform is designed to be user-friendly and flexible. Clients can choose to simply initiate payments and let Deutsche Bank undertake the FX trade on their behalf, or they can use the platform to look up FX rates and execute the trade themselves. FX4Cash has been designed to be compatible with existing corporate cash management structures and programmes. The end-to-end process of making a global cross-currency payment, along with the underlying FX trade, is streamlined and a new level of efficiency achieved.

FX4Cash in India and China

FX4Cash was launched in 2008 and is currently being used by many top-tier corporates and financial institutions across the globe. It is now being made available to

corporates in India and China for the first time, giving them the opportunity to benefit from Deutsche Bank's market leadership in foreign exchange and superior technology.

The FX4Cash platform has been customised to take into account local needs and demands, as well as all local FX regulations in the markets where it is available. Plans are under way to introduce the platform into a number of other regulated Asian markets — such as Thailand and Malaysia — in late 2011.

Positioned for Greater Growth

FX management will continue to play an increasingly critical part of corporates' business strategy as the globalisation of business gains momentum. FX4Cash provides corporates with a tool to reduce costs and improve liquidity management, allowing substantial savings in the short term while also enhancing overall cash management in the medium- to long-term — all vitally important as corporates position themselves for growth in a competitive business environment.