



# TreasuryPulse

*Passion to Perform*

## A Positive Year for Asian Cash Management



By  
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The uncertainties of recent years largely diminished in the first half of 2011, making the period a positive one for Asian cash management. The region has demonstrated resilience throughout the global recession, with growth expected to reach nearly 8% in 2011 and 2012 following 9% growth at the height of the crisis. In addition, regulatory changes such as the RMB Trade Settlement scheme are paving the way for more efficient Asian treasury practices, making us optimistic about the foreseeable future.

At Deutsche Bank, while our focus has primarily been multinational corporations (MNCs) and very large local corporates, there has been a gradual but distinct growth in the level of business we do with Asian corporates compared to their EU and US counterparts, previously the staple of our Asian cash management activities. This is driven by the steady emergence of many more new home-grown Asian MNCs, not just from China and India but also from some of the region's smaller economies.

### Enhancing Liquidity

As in 2010, enhancing liquidity and risk controls while minimising costs remain key areas of focus for corporates, largely by re-engineering existing payables and receivables processes. Certainly, corporates prepared to take a medium- to long-term view and invest in their processes are finding significant opportunities in the current Asian landscape to further enhance cash conversion cycles such as days sales outstanding (DSO) and days payable outstanding (DPO).

Financial supply chain management (FSC) is a related focus, where corporates are constantly seeking to better utilise their own working capital by extending it to their

value chain partners for mutual benefit. This is certainly a growth area for Asia, in which it can catch up with its US and EU counterparts despite our more fragmented economic landscape in terms of languages, currencies and regulatory regimes.

## Evolving Cash Management Landscape

Yet corporate investment in cash management infrastructure requires innovation from banks, which is certainly a key focus for Deutsche Bank. One recent development is ***FX4Cash*** — a fully automated, global cross-currency payments platform developed as a cross-business initiative between the Global Transaction Banking (GTB) and Global Markets divisions of the Bank. Corporates can consolidate their foreign currency accounts into a single funding account from which their cross-currency payments, along with the foreign exchange (FX) trades, can be executed across a very broad range of currency pairs. The platform provides real-time pricing on transactions of all sizes, and clients can choose to use the platform to look up FX rates and execute the trade themselves, or to simply initiate payment and let Deutsche Bank undertake the associated FX trade on their behalf.

Such technological innovation is crucial for the Bank's continued expansion into Asia. It's a key differentiator based on our principles of ease of use, single-window access and full integration capabilities with corporate Enterprise Resource Planning (ERP) systems. Already, we are receiving strong feedback that this is an area in which we have a strong lead — a position we hope to extend with the imminent unveiling of one of our biggest technology investments, which will represent a significant improvement in the user experience for our clients.

## RMB — the Key Development

The key development in the region has, of course, been the liberalisation of the rules governing the use of the Chinese renminbi (RMB) for cross-border trade settlement. It has made profound changes to the economic landscape in Asia and is proving to be a driver for changing corporate behaviour. Mainland Chinese importers and exporters with mainland designated enterprise (MDE) status, along with their overseas trading partners, can now choose to denominate their trade transactions in RMB, which has boosted efficiency and minimised unnecessary foreign currency exposure for many corporates.

While actual volumes of offshore-RMB cash management activity remain low, steady growth is likely for the remainder of this year and next — leading to systems that can handle RMB efficiently being developed. Certainly, improved technology platforms should address concerns regarding complexity — and this will drive up volumes. We have made the necessary investment in our software and systems, and are "RMB-ready" in all the key Asian markets including Hong Kong and Singapore.

## Asia a Key Pillar

Asia is one of the four key pillars of Deutsche Bank's global strategy, and our in-country brick-and-mortar branch network continues to expand, as does our network of correspondent banking relationships. Our offering of strong on-the-ground expertise and market-leading technology continues to differentiate us, as does the customisability of our solutions and products.