

DAY 2: INTERNATIONAL CASH MANAGEMENT TOOLS

Description: This workshop builds upon the foundation course and reviews the important topics of foreign exchange, when and where to hold foreign currency accounts and introduces the major vehicles for organizing treasury for greater efficiency. It also discusses the important topics of liquidity and net working capital management. Exercises are used throughout to reinforce the concepts and practice their application.

Learning objectives:

- Learn how to read FX spreads and how Continuous Linked settlement has eliminated much FX risk
- Review when to open foreign currency accounts and where to hold them
- Appreciate the structures available to make treasury more effective
- Understand the basics of liquidity and net working capital management

Prerequisites: A desire to know more about foreign exchange and how to organize treasury for optimal efficiency. This session builds on the concepts covered in Day 1, “International Cash Management Basics”, taking them to the next level of complexity.

BRING A CALCULATOR TO THE COURSE!

Takeaways: Solutions for the group exercises

Checklist: Questions to ask when opening a new account
Centralized versus decentralized treasury
Useful sources of information on ICM

8:30am INTRODUCTION

8.35am BASICS OF FOREIGN EXCHANGE

- Why do cash managers need foreign exchange?
- Understanding how to read foreign exchange rates
 - Spot
 - Forwards
- FX premiums and discounts
- Herstatt risk
- Continuous Linked Settlement (CLS)

Exercise

10.30am BREAK

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- 10.45am FOREIGN CURRENCY ACCOUNTS**
- Why foreign currency accounts are needed
 - When to open one
 - Where to hold the FCY account
 - Multicurrency accounts
 - What to ask when opening an account
 - Regulatory issues with FCY accounts
- Exercise**
- 12.00pm LUNCH**
- 1.00pm TREASURY VEHICLES**
- Payment and collection factories
 - Shared service center (SSC)
 - Enterprise resource planning (ERP)
 - In-house bank
 - Application service provider (ASP)
 - Business service provider (BSP)
 - Treasury centers
- Exercise:** Centralized versus decentralized treasury
- 2.30pm Break**
- 2.45pm LIQUIDITY MANAGEMENT**
- The importance of managing liquidity
 - The difference between liquidity and cash management
 - Cash flow in business
 - How much liquidity does a company need?
 - Definition of liquidity
 - Cash conversion cycle
 - Sources and uses of liquidity
 - The float factor
 - Net working capital management
 - The theory of intercompany lending
- Exercise:** Liquidity funding exercise
- 4:30pm CLOSE**

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