

J.P.Morgan

Auto technology leader Garrett Motion frees trapped capital in China with fully automated treasury overhaul



About

Garrett Motion (Garrett) creates technologies and innovations for every kind of automobile, with more than 100 million vehicles worldwide using their products¹. This includes applications for all types of powertrains, from gas to diesel to electric. In 2018, Garrett spun off from American conglomerate Honeywell International, and was looking to rebuild its cash management infrastructure; and specific to Asia Pacific, its regional treasury team in Shanghai had two key priorities.

The challenge

Garrett's main priority was to mobilize regional cash to its headquarter treasury (HQ) in Switzerland. While Garrett had established cross-border sweeps to move funds from Japan and Australia to its HQ in 2020, most of its liquidity remained trapped in China, where the company faced strict regulatory requirements governing cross-border movement of funds. Garrett's footprint across the region meant there was a pressing need for a centralized management of global activity and funding.

Secondarily, the company also wanted to place standardized treasury processes across the five APAC markets in which it operates: Australia, China, India, South Korea and Japan. Garrett's regional finance teams were using multiple e-banking portals to initiate vendor payments, which created a fragmented and inefficient process. The teams maintained vendor information across disparate portals, which introduced a controls risk because data could potentially be altered.

Garrett turned to new banking provider J.P. Morgan to help the company address these two key treasury priorities.

The solution

J.P. Morgan created a comprehensive cash management solution that combines pooling, sweeping and connectivity mechanisms to seamlessly move funds between Garrett's entities in China to its HQ pool. This solution complemented existing cross-border sweeps from Japan and Australia, creating a truly seamless global funding structure, sweeping liquidity into the HQ pool.

Working closely with Garrett to navigate China's intricate cross-border funding regulations, the bank helped obtain regulatory approval for a cross-border sweeps structure under the Shanghai Free Trade Zone scheme that allows Garrett to concentrate its domestic Chinese yuan funds, and subsequently further mobilized to its HQ via cross-border sweeps.

Further, Garrett alleviated its dependence on e-banking portals by adopting SWIFTNet host-to-host connectivity. That allowed the business to streamline its end-to-end bulk transmission of domestic and cross-border payments and FX initiation. Supporting documents were also updated, standardizing Garrett's payments processes across Australia, China, India, South Korea and Japan.

The results

Garrett's solutions were designed to be highly scalable, which allows the organization to connect with markets and entities as it expands.

With J.P. Morgan's assistance, Garrett successfully transformed its regional treasury from highly manual to completely automated. At the same time, the treasury processes across the five key markets in APAC has been standardized. Instead of grappling with a fragmented system of local and global banks and file formats, treasury is now equipped with a single pipeline and a single file format, supported by JP Morgan. The company also used SWIFTNet to automate standardized processes and centralized its vendor information, and as a result, eliminated manual initiation and improved security controls to prevent fraud. SWIFTNet is now in place across Garrett's APAC locations, with new markets quickly onboarded via J.P. Morgan's processes.

The quick turnaround demonstrates the regional treasury team's quest to deploy treasury best practices, while positioning the region as a strong contributor to meet global funding needs. By connecting Garrett's regional liquidity with HQ, the firm established a cost-effective avenue to unlock working capital in restricted markets like China, allowing the firm to effectively utilize internal working capital to fund pressing needs as and when needed.

The newly built cash management infrastructure, which combines powerful mechanisms across pooling, sweeping and host-to-host connectivity, has also enabled Garrett to automate processes across domestic and cross-border payments and collections, as well as liquidity management.

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