Delivering visibility into FedEx’s global cash position

Adam Smith Awards
Winner – Best Cash Pooling Solution
FedEx integrated two legacy global cash management structures to attain visibility and control of its global liquidity and lay the foundations for automated and scalable cash management processes globally.

About

Founded in 1973 and headquartered in Memphis, Tennessee, FedEx provides customers and businesses worldwide with various shipping, e-commerce, and business services. FedEx already had a significant air transportation network and aimed to expand its capabilities further. The company set its sights on TNT Express, which provided global solutions and transportation via an extensive European road network. When FedEx acquired TNT Express in 2016, they merged their strengths, which opened up opportunities for their employees, customers and shareholders. While this strategic acquisition empowered FedEx to support business connections and customers around the globe, integrating two cash management processes was a challenge.

The challenge

With cash balances in many currencies around the globe, FedEx was burdened with a complex system for managing its global liquidity. Repatriation of cash was costly, time-consuming, and sporadic. The company operated multiple liquidity pools across various non-functional currencies and banking platforms, as well as complex cross-regional liquidity flows, which created a high operational burden with significant Foreign Exchange (FX) exposures.

FedEx faced many challenges after acquiring TNT Express. The physical movement of balances from Asia to Europe or the U.S. made it difficult to preserve good liquidity value on international cash. In addition, treasury struggled with cumbersome processes for efficiently using excess cash in its global structure due to trapped cash and the need to maintain significant liquidity buffers. The team needed a solution that would allow them to use foreign liquidity in the U.S. without the need to repatriate funds and/or declare dividends. Further, the solution needed to be comprehensive in meeting the needs of various stakeholders from legal, tax, accounting, and IT.
The solution

An automated global liquidity overlay structure consisting of two multi-entity multi-currency pools in Luxembourg and Hong Kong helped solve FedEx’s global liquidity challenges. These pools were interconnected via end-of-day U.S. dollar sweeps. Each of the regional pools centralize the relevant region’s excess liquidity via automated multi-bank sweeps from in-country accounts.

The solution resulted in the simplification, integration and automation of FedEx’s various legacy cash management structures into one globally connected cash management solution. This overlay structure allows treasury to focus on more value-added strategic objectives. In addition to being highly effective, this solution was also timely, as it greatly assisted the smooth management of liquidity.

The results

The global liquidity overlay delivered:

- **Visibility** into the company’s global cash position and follow-the-sun access to cash. As a result, FedEx has mobilized far more liquidity from their businesses around the world than they previously did.

- **Efficient consolidation and control** of global liquidity through a single platform without disrupting operations, while allowing treasury to minimize expensive FX swaps.

- **Platform flexibility**, which enables treasury to continue to automate feeds into the pool and manage more liquidity.

- **Alignment** between FedEx and TNT Express through education and communication, empowering teams to move in unison towards a common goal.

- **Scalability**, supporting the FedEx’s ambitious treasury transformation goals including expanding the use of the pool with multi-bank sweeps and options like blockchain for real-time money movement.

FedEx also took the opportunity to maximize supporting functions and embarked on a Legal Entity Simplification (LES) project to integrate the legacy structures of FedEx and TNT while simultaneously creating a global clearinghouse to facilitate the consolidation of their global cash. As part of this project, they staffed a Luxembourg office to manage liquidity and successfully released valuable liquidity from markets such Japan, UAE, Mexico, and southeast Asia.
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