



TREASURY AND PAYMENTS

Transforming treasury with a state-of-the-art designn



treasury today

Adam Smith Awards 2021

Combining bank and non-bank solutions, ACWA Power simplified its USD bank structures and automated funding across a large corporate structure. Fully realizing return on investment (ROI) after only one year, its award-winning best-in-class treasury has delivered on its mandate to prepare the firm for growth with a scalable operating framework.

About

ACWA Power is a developer and operator of power generation and desalination plants sustaining organizations and populations across 13 countries in the Middle East and North Africa. The firm leveraged partner solutions to transition to in-house banking for its complex asset-based business model to reduce complexity and accommodate growth.

The challenge

Like many firms with asset-based business models, ACWA Power relies on a complex corporate structure - comprising holding companies and special purpose vehicles (SPV) to manage capital allocation and financing, segregate operations and control risk. With a large corporate structure of 200+ entities, treasury was burdened with very high bank account administration and KYC overhead.

With an account landscape exceeding 600 across more than 65 banking relations, liquidity management required significant effort. Creating the foundation for a fully-automated and resilient treasury operating model built on centralization, ACWA Power, J.P. Morgan and other non-bank providers were mobilized to produce an integrated best-in-class solution, comprising in-house bank infrastructure, bank-agnostic connectivity and virtual accounts

The solution

The solution ACWA Power implemented in its treasury transformation project was three-fold:

1. Automated through a new best-in-class treasury management system (TMS), providing in-house bank infrastructure for payments, intercompany tracking, accounting, forecasting, screening and reconciliation
2. Simplified multibank connectivity through Swift for Corporates (SCORE) for payment delivery and reporting
3. Centralized offshore USD bank account structures through a multi-entity virtual account structure with J.P. Morgan underpinning a single USD bank account with virtual accounts at group company level. Segregated cash management activities while achieving real-time cash pooling without sweeping.

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The key objectives ACWA Power achieved through the solution applied were:

- Simplified complex capital structures, bank structure and improved ROI
- Introduced a treasury operating framework
- Achieved 100% visibility over global balances across multibank, multi-currency and multi-country landscape
- Streamlined funding management and reduced costs
- Improved yield on group liquidity cash placements
- Reduced cost of banking account services
- Automated corporate actions and intercompany settlements
- Implemented controls to ensure compliance with Anti Money Laundering (AML) laws

“Improved working capital from freed trapped cash and recovered ROI, a transition to a scalable, highly efficient centralized model with no business interruption, and 100% visibility over all bank accounts - both physical and virtual. The savings have already paid for the investment cost.”

- ACWA Power Communications Department

The Results

ACWA Power's pioneering project in Saudi Arabia - one of the most innovative bank solutions in recent years - produced impressive results for the firm:

Strategic:

1. Increased utilization of existing working capital available across the structure and achieved 100 percent visibility over all accounts across the group
2. This solution established the transition to an IHB operational framework with minimal friction as the information generated from the virtual account reports removed any operational adjustments that stakeholders had to make
3. Avoided reputational and financial impacts by experiencing zero business interruption to treasury operations during transition to work from home due to the pandemic because of the automations enabled by the treasury project

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Financial:

1. Recovered ROI for the program in one year due to the operational and bank charges savings by migrating to automated processes and using virtual accounts
2. Freed trapped cash and improved rates of USD cash placements of available liquidity due to real-time cash concentration provided by the multi-entity VAM structure
3. Reduced requirements of credit facilities in both direct borrowing and related costs by using virtual accounts instead of physical accounts that eliminated need for overdrafts and intraday lines
4. Reduced bank account fees by approximately 50 percent and transaction fees by 30 percent through virtual accounts that enables cashless intercompany settlements instead of cross-border wires

Operational:

1. Reallocated resources to strategic functions with automation slashing manual activities
2. Significantly reduced time required for closing accounting period
3. Reduced annual IT administration overhead by establishing single bank-agnostic multi-bank connectivity standard



Recovered ROI for the program in one year

The operational efficiencies realized by migrating to automated processes and introducing real-time cash pooling with virtual accounts slashed account maintenance fees by 50% and need for cross-border transaction fees for intercompany settlements by 30%.



Increased utilization of existing working capital by 75%

Achieved 100% visibility over all accounts across the group and increased utilization of existing working capital by approximately 75% within the structure through the real-time cash pooling delivered by in-house bank centralisation.



Strengthened risk management controls

Strengthened transaction processing and AML controls through TMS screening module and eliminated operational risks from human error by transforming to entirely automated payment, reconciliation and intercompany management processes.



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Zero business interruption during COVID pandemic

Through integration of vendor (TMS), infrastructure (SCORE) and bank (VAM) solutions, ACWA Power transitioned from a heavily manual to a completely automated cash management operation that saw no business interruption during COVID pandemic and the transition to work-from-home.

The solution and demonstrable achievements realized by ACWA Power's project can be replicated by other industries and businesses. The vendor, market infrastructure and bank solutions applied here to create a best-in-class treasury are affordably available to firms of all sizes - most notably, when SaaS models and strong global bank partners are used to provide the product and professional services to achieve the much desired result to transform treasury.

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