

J.P.Morgan

ENGINEERING LIQUIDITY

Solutions architected
for your needs



Engineering Liquidity

In a volatile global operating environment, characterized by a varying interest-rate setting, optimizing liquidity management has become more important than ever for multinational companies. Idle cash balances need to be identified and mobilized for internal funding purposes and to optimize the cost of capital.

A treasury's liquidity management operations can:



Play a key role in helping to reduce corporate cost pressure



Improve operational efficiency



Free up working capital

But this requires a global treasury system that provides visibility over cash resources and supports real-time reporting and decision-making.

When it comes to liquidity solutions, the best approach is to treat the design and solution process as an engineering project. Engineering requires both precision and vision so that different working parts can be assembled into a single, unified structure. At J.P. Morgan, our team of experts focus on selecting a flexible, interoperable set of products. These are then combined to create an integrated operating solution that best suits each client's unique business footprint.

Global liquidity management must, by definition, be comprehensive. But it also has to be customized—taking into account the specific needs of the business and industry, as well as regional or local nuances.

We will take a closer look at how we tailor state-of-the-art capabilities into a suite of solutions that are aligned to meet our clients' diverse treasury requirements.

Precision



Vision



Understanding the unique needs of **your business**

A unique solution can only be constructed by taking a consultative approach—a creative dialogue between the client and our solution specialists. This implies a shift from product-focused delivery to an emphasis on identifying and understanding a client’s holistic needs.

An expert team of solution architects from across different functions works closely with clients to create a structure that addresses their immediate needs and supports future enhancements. The team starts by approaching the challenge from a company-specific, bottom-up view. Each client comes to us with different requirements and challenges, so understanding these is our priority. We reject a "one-size-fits-all" philosophy, which places a client into pre-prepared product boxes. We work the other way around, aligning our solutions to each specific business organization.

For example, a client might have an operational borrowing need in a particular currency or might be looking to manage their currency mix to optimize returns. After understanding this objective, we would redesign the standard pool system to meet that requirement rather than simply providing a pool and leaving the client to use a standard structure.

On an ongoing basis, we also take time to review structures to identify potential enhancements and ensure that the solution is still optimum in the current environment. This is part of what it means to design a holistic solution—to identify the entire spectrum of needs and benefits. For instance, in addition to the visibility and control features of mutli-currency notional pooling (MCNP), it can also bring benefits to the treasury’s currency operations. This is because our design enables instant access to the currencies within the notional pool without having to execute currency conversions or swaps. In this scenario, we would also bring in our specialist foreign exchange (FX) team colleagues to identify exactly where and when this is appropriate and help the client reassess their entire global FX strategy to save treasury time and money. This is how efficient, centralized pool funding leads us to optimizing multicurrency management. And the FX cost-savings are a result of our analysis and thorough understanding of client operations.



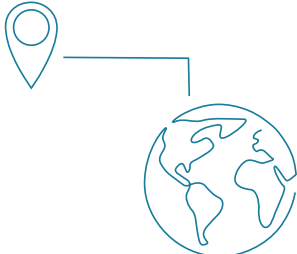
Leveraging expertise from across the franchise

Revealing the operational FX benefits of MCNP also demonstrates another strength of our approach—the coordinated input of various specialists across the breadth of our franchise to ensure a well-thought solution is structured. This includes leveraging our extensive knowledge and experience from different geographies and sectors.

We describe this as, "local in practice, global in reach." Different currencies and jurisdictions require different account structures and tools. Identifying and combining these various product features across borders is the key to creating a global, centralized liquidity solution that also caters to each of the client's individual account needs.

Recommended product solutions are also underpinned by detailed industry insights. We'll inform clients of evolving trends and patterns across the banking sector, as well as emerging trends in their own industry to help them set up cash management structures for the future.

Local in practice



Global in reach

The breadth of this expertise helps to support a client's strategic decision-making such as:



RTC

Evaluating the attractiveness of establishing a regional treasury center.



3PM

Or designing third-party money solutions to correspond with changing business models.

Our coordinated approach continues in the delivery phase, where dedicated teams of implementation specialists and service representatives guide clients in the project adoption, execution and go-live phases and throughout our business relationship.



Taking an engineering mindset

Taking all these different inputs and designing a product or solution that meets the individual needs of each client requires precision engineering.

Our approach to virtual account management (VAM) solutions is a good example of this. As in so many industries, the future of treasury is an evolving system that merges the physical with the virtual world. Virtual account structures improve cash visibility, help with reconciliation and reduce the number of physical accounts.

Accounts can mirror business operations by:



currency



subsidiary



location



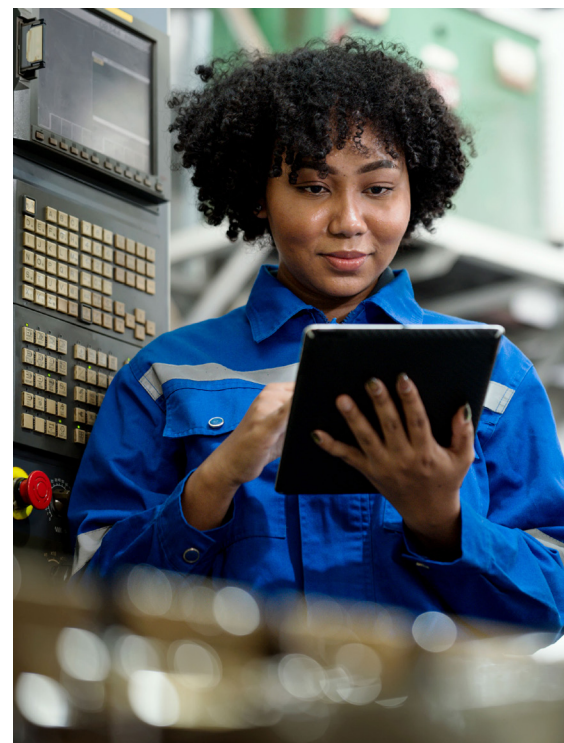
project

Alternatively, VAM can be used to help monitor and reconcile categories of cashflow activity, so accounts can be set up to represent the activities on the sub-ledger.

Our liquidity specialists design the best solution for each client use-case. A lot of our work goes into assessing the range of possible tasks and strategies that a product can facilitate, and then identifying and setting up an operational framework that supports the client's particular needs. This engineering ensures that liquidity and the account services solution aligns with a client's account structures and fulfills its potential as well as helps to optimize internal funding and reduce costs.

Cash concentration structures also inevitably require fine-tuning to be fit for purpose. This product usually lies at the heart of an advanced, centralized liquidity management system, and there are a variety of ways to construct pool structures. We engineer a pool that precisely serves each client's global corporate and balance sheet structure. Single or multi-entity, the number of pools and their location(s) are all tailored design choices informed by our understanding of the client's business, as well as relevant regional nuances.

It is also important to note that each company is inevitably in a different place when it comes to digital technology and automation—from manual input into Excel through to using powerful, multi-layered treasury management systems. The goal is to get to a place where the client is automating as much of their daily processes as possible, making it quick and simple for them to get a centralized view of their balances and understand how much liquidity is flowing through their ecosystem. This then allows them to make better decisions. However, we take great care to ensure that our solution is the best fit for where each client is along the automation spectrum.



Uniquely connected solutions

We view each product as a building block that addresses a particular need on its own, but we also have to ensure a perfect operational fit between products.

For example, regional pools may need to be created to suit a client's local treasury set up or for local markets management. A global structure can still be scaled by connecting these regional pools together to ensure group liquidity flows across the region. The nature of the flow of liquidity can be automated with parameters (target balance, time, direction of transfer, etc.) to ensure that clients have maximum control.

This setup can be combined with virtual solutions that help with:



Real-time centralization and visibility



Reconciliation of flows



Rationalization of physical bank accounts

This can be further enhanced with transactional FX and multicurrency management features to provide a robust structure that gives treasurers the right tools, information and help in making appropriate business decisions.

“We partnered with J.P. Morgan to provide a global Pay On Behalf solution in order to not only improve centralization of disbursement but also reduce cost by paying suppliers using local accounts and local clearing systems. With the global structure offered, as well as pooling arrangements, both target balance and notional pooling, J.P. Morgan not only delivered but exceeded our expectations by also working up a sweep solution for CNY between China and Singapore.”

Magnus Svensson
TE Connectivity



Scalability and sustainable value

Finally, any solution we build today has to include the potential requirements of tomorrow. This characteristic of a design is called scalability. Anything that we recommend will be scalable, meaning that our solutions will be engineered to grow in line with the client's business expansion plans. It's an exercise in future-proofing that is essential to the ongoing success of a treasury transformation. We partner with clients and co-create during this journey.

We also think of scalability in terms of geographies. A solution we build for a company focused on Europe, can be designed so that it can support the company's expansion plans in Asia, North America or Latin America. In addition, we analyze the client's business and assess the best time and places to implement solutions, in a phased manner if required, to ensure maximum benefits are reaped for the clients.

Scalability is not only a feature of our designs, it also applies to our client relationships. We may start by providing a subset of liquidity and account services solutions, but we can readily support treasury needs globally with a host of applicable payments-wide offerings. And our sales and solutions specialist teams are always ready to review a client's treasury structure to ensure that it is still fit for purpose, and to make any adjustments in light of changing conditions or new product developments. Liquidity management needs re-engineering as the world around us changes.





Treasury optimization is a journey. J.P. Morgan focuses on the long term.

We take a distinctive approach to the design of liquidity solutions. We have global specialist solutions teams that can engineer a suite of products that are aligned to each client's unique account structures and ideal cashflow movement. Achieving this requires a consultative approach and deep understanding of each client's requirements and treasury structures. It also involves fine-tuning individual products and fully exploiting product interoperability to create a holistic and integrated system. Importantly, we always aim to understand where our clients want to go in the future, so we can design solutions that support their growth plans, both now and in the coming years. Treasury optimization is a journey, and we believe in partnering for the long term so we can deliver sustainable value.

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