



Treasury Leadership

For a company with the size and scope of LG Electronics, overhauling its treasury was a challenging endeavor. But with a clear goal, self-belief and help from Citi, the results are showing.

S H. Koo, LG Electronics' Global Treasurer, who oversees the electronic giant's entire cash and liquidity management structure in 82 countries, has a complex role. In 2005, Koo was faced with the challenging task of standardizing its global cash and liquidity management, including the establishment of a global treasury center. For any company the size of LG Electronics, this would be no easy task but not impossible.

As its goal, the global electronics manufacturer was looking to support its 82 subsidiaries across four core businesses through a global treasury center, as opposed to its existing network of regional treasury centers. As part of its treasury evolution, LG Electronics also needed to consolidate many existing relationships to make this happen.

"We wanted to reduce interest costs and various bank fees, while optimizing cash balances, and establish common processes that would leave subsidiaries 'cash free' and able to concentrate resources on core tasks," says Koo. "Furthermore, we needed greater visibility over our global daily cash position."

To achieve a standardized and streamlined cash and liquidity management structure, LG Electronics took the first step by replacing local bank-supplied systems and manual cash processes with the installation of a global treasury management system. Its global treasury center was then established as an in-house bank, wherein centralized inflows from subsidiaries and centrally initiated external payments led to common processes across the firm.

To complete the treasury upgrade, LG Electronics mandated Citi to support its new structure and implement a global multi-currency notional pool to consolidate liquidity.

With increased controls, visibility and standardized transaction flows, LG Electronics also turned to Citi and other international banks to establish a global payment factory to consolidate payments from subsidiaries into a single file for routing and execution.

The end result has been highly successful. LG Electronics has now implemented a streamlined, end-to-end treasury structure consistent with Koo's goals. With this structure in place, the company positioned itself for future efficiencies. Through conviction and its relationship with Citi, LG Electronics' Koo standardized and centralized the required functions, becoming a shining example of an Asian multi-national with global cash and liquidity operations.

MAXIMIZE CASH BALANCES

For LG Electronics and increasing numbers of Asian multinationals looking to centralize and streamline cash and liquidity management structures, Citi provides an array of solutions including cross-border sweep without value loss, multi-currency notional offset solutions that leverage an interest-parity framework to replicate FX swap benefits. In addition, Citi adopts a consultative approach to review the account structure being implemented in view of the diversity of regulatory frameworks involved.

For an Asian multi-national client like LG Electronics, Citi offers solutions for managing excess liquidity in numerous currencies. Aside from optimizing liquidity through USD and EUR, Citi can now incorporate cash flows from exotic currencies into a single pool. In our experience, this helps growing Asian multinationals capture a larger percentage of surplus funds for investment while achieving balance sheet purposes in the process.

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