

## Client case study

# KLA has leveraged both cash pooling and digital liquidity to assist in streamlining its global treasury management

### About KLA

KLA is a Fortune 500 global technology leader with more than 15,000 employees, which develops and manufactures process-control and process-enabling solutions that accelerate tomorrow's electronic devices. It creates solutions that accelerate progress and transform industries through the provision of leading-edge technology and devices using advanced inspection tools, metrology systems, and computational analytics.



### Client objectives

- To facilitate more efficient intercompany transfers within the group
- To optimise idle balances across regional entity accounts
- To mitigate the impact of time difference when transferring between US money market accounts and Asia Pacific entities

### Products used



In-house Cash  
Pooling Structure



Citi® Token Services  
for Cash

### Business challenge

One of the most challenging and critical things facing the treasury teams at any fast-growing global corporates is moving money between entities. KLA had been managing its treasury function globally, which created widespread inefficiencies in terms of time and money. “In the past we had a lot of intercompany loans set up individually between KLA subsidiaries, explains Jerry Kua, Treasury at KLA in Singapore. “Drafting an intercompany agreement and then getting it signed off sometimes could take up to one to two months.”

This was not the only problem. By having surplus funds sitting at individual account levels, the company was sitting on roughly US\$30 million of idle cash in a rising interest rate environment. This meant that it was losing out not only on interest revenue but also on other efficiency benefits that would come from a single group-wide interest calculation and settlement.

KLA's global footprint means that it must not only mitigate the challenge of moving money between entities but between time zones too. In the past, whenever there was a transfer to or from US money market funds involving entities in Asia Pacific, the request had to be made the business day before, meaning that one full day's interest yield was lost – or during a weekend or holiday this could extend to two or more days.

The team was keen to explore any solutions that could help address this challenge. They were also very aware of the need for buy-in from the local finance teams for any change. Building a centralized treasury function would involve setting up new infrastructure, systems, and governance frameworks – and there was also the question of where this team should be located.

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Citi has a strong global presence, complemented by deep local expertise. This is one of the main reasons we chose Citi. Whenever we have any regulatory questions, we always reach out to their local experts to help us.”



## Why KLA chose Citi

A global firm like KLA needs a global bank, and Citi's network and strong global outreach are key to the collaboration with KLA. Having held several workshops to buildout the desired structure, Citi worked quickly to establish an in-house global cash pool in Singapore. Phase One saw the establishment of a US\$ pool which initially involved just the Asia Pacific entities, but once the cash sweeping mechanism was proven to effectively work, it expanded to include the European entities as well. The bank is now working on expanding the solution to add a EUR pool and then a pool for semi-restricted markets, starting with a domestic RMB pool.

## Results

With the establishment of the in-house bank, funding, investment and FX activities are now centralized, resulting in more standardized and efficient treasury management. The cash pool structure has helped KLA to optimize the idle balances across regional entity accounts, significantly adding between US\$1.2 million and US\$1.5 million to interest income per year. Manual accounting and payments have been minimised thanks to the automated cash pool interest calculation and automated interest settlement. "On top of the cash pooling project, we've recently launched intercompany netting. With support from Citibank, we've been able to streamline the process and eliminate manual settlements," explains Jerry. "Our broader objective is to generate at least US\$5 million

to US\$8 million in incremental value annually through increased interest income, lower transaction fees, and enhanced operational efficiencies," explains Jack Yue, Global Treasurer.

KLA eventually addressed the challenge of same-day investment and redemption in US money market funds by using a UK cash pool that sweeps into the main header account in Singapore, leveraging overlapping time zones. It has retained Citi's digital liquidity solution Citi® Token for Cash as a contingency solution during, for example, UK public holidays or when the UK daily operating limit is exceeded. This solution underscores the trust, credibility and collaboration that exists between Citi and its client, where Citi's digital liquidity solutions allow the bank and the client to innovate together.

## Citi Services

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