

# THE SIMPLE CASH POOLING SOLUTION

After operating a number of cash pooling systems with other banks, UniCredit Group was found to be the most efficient and supportive, maximising liquidity and catering to the company's very specific requirements, **Peter Rösch** from manroland AG and **Angelika Ertl** from UniCredit tell FDE.



When manroland AG, the world's second-largest manufacturer of printing systems and the world's market leader in web offset printing became an independent company in June 2006, it faced the cash management challenge of maximising its liquidity with cross-border cash pooling within Europe and throughout its markets in 75 other countries.

'We were looking for a solution that would allow us to work with one or two German house banks to concentrate our liquidity in a master account here in Germany,' explains Peter Rösch, cash manager.

'Equally, we wanted to be able to collect money from our many subsidiaries without losing any value.'

When manroland had been part of the MAN group, its parent had operated a series of different cash pooling agreements between a diverse range of banks for all its subsidiaries. Rösch says, however, that it had simply not been practical for the newly independent manroland, with 40 subsidiaries worldwide, 22 of them in Europe, to work with these arrangements. His treasury team's task was further complicated by accretion of diverse banking relationships that had built up as a result of a series of mergers and acquisitions.

'The cost of setting up individual pooling agreements with different banks was also an issue,' he recalls. 'Each bank makes its own charges and they all want to stretch the value date for transfers. So besides being complex, it also threatened to be

expensive to increase the control of our cash.'

## Supportive from the start

There was a range of critical success factors for manroland's effective creation of its own cash pooling. Rösch recalls that the first task in establishing efficient cash management was to collect all the details of the different bank accounts operated by all manroland subsidiaries, their MT940 transactions, account statements and cashflows – whether in euros or foreign currencies.

'We defined the role we could play and as usual, we also created tailor-made solutions for our customers. That is very important for every cash management project that we do.'

'Before we could think about cash pooling, we needed to pool the core information.' He confesses that the task would have been long and arduous had it not been for manroland's banking relationship with HypoVereinsbank in Offenbach, part of UniCredit Group of banks. They offered to look at the challenge, define what manroland's treasury

required, and offer a solution.

'They provided us with consulting support from the very start,' says Rösch. 'UniCredit came to us and worked quickly and efficiently.'

'This initial stage is of course very important,' explains Angelika Ertl, international cash management sales, Germany, at UniCredit.

'You have to investigate thoroughly the customer's goal of optimising liquidity. You have to identify the countries where cash pooling is worth doing. Then you design an overlay structure that embraces many different banks in many different countries.'

The normal approach, she adds, is that the customer seeking a cash pooling solution is obliged to open accounts with a single bank group that will link to the master account. But because of UniCredit's solution and its partnership with the 11 other International Banking – One Solution (IBOS) banks, this was not necessary for manroland.

## Speed and efficiency

After the initial research had been done into the tranches of cash going in and out worldwide with manroland subsidiaries, what really impressed Rösch was the speed with which UniCredit worked to implement its recommended solution.

'In less than four weeks they had helped us to arrange pooling contracts with our subsidiaries and their banks. When we started we had nothing. We were excellently supported by

UniCredit. They helped us to start our pooling activities with the aim that we collect the liquidity here in Offenbach, which is not needed by our subsidiaries and serves the subsidiaries from our side when they need liquidity. That meant it was not necessary to keep a credit line in a lot of countries with a lot of banks.'

'We set up a dedicated UniCredit cash management team in manroland,' says Ertl. 'We defined the role we could play and, as we usually do, we also created tailor-made solutions for our customers. This is very important for every cash management project that we do. There is no effective one-size fits all solution.'

The key to the swift and efficient implementation of European cross-border cash pooling, says Ertl, is UniCredit's own network of branches as well as its position as one of the 12 partner banks in the IBOS.

'Once the arrangement is in place for automatic pooling, you check to see that it works and you never have to look at it again. You get the credit and debit information which links straight into our SAP systems.'

## Low maintenance system

The cash pooling contracts among IBOS banks are standard agreements, says Rösch, easy and clear to work on. They have already been agreed by all IBOS banks. There is no need to re-negotiate to establish another cash pooling arrangement. Nor are there different and complex IT adjustments to be made to hook the new account into a treasury system.

'Once the arrangement is in place for automatic pooling, you check to see that it works and you never have to look at it again. You get the credit and debit information, which link straight into our SAP systems. This means that we can work with a very small number of staff to handle

pooling and inter-company accounts. It is so easy and clear and a very effective procedure to provide the liquidity for our own company and for our subsidiaries. But it is only workable if you have partner banks at both ends who are also aligned and have existing pooling agreements. It is very important to us that if we want to start a new pooling agreement with a bank, we can ask the people at UniCredit if it can be done, and if it can, how it can be set up.'

The cash pools established by UniCredit and UniCredit for manroland offer cheap, fully automated transfers with same-day value and late cut-off times.

The company now runs several physical cash pools with UniCredit and IBOS partner banks. UniCredit has set up pools for the company in Italy, the Czech Republic, Austria, Slovenia and Spain, while IBOS

partner banks operate pools for it in Portugal, Spain, Belgium and Finland. 'All 22 of our European subsidiaries now have pooling agreements and only two of them are not with UniCredit or IBOS. One of those we cannot move because we have already have a good pooling agreement but the other one will be changed to the IBOS partners.'

Rösch says it is not easy to calculate the savings manroland has made by working with UniCredit and the other IBOS banks, in part because the company had no previous cash management structure with which to compare it. 'Nevertheless, with the workable pooling agreement that we now have, your subsidiaries are always

## IBOS MEMBERS

1. Banco Santander
2. Banco Santander Totta SA
3. HSBC France
4. HypoVereinsbank (member of UniCredit Group)
5. Intesa Sanpaolo SpA
6. JPMorgan Chase Bank NA
7. KBC Bank NV
8. Nordea Danmark A/S
9. Royal Bank of Scotland
10. Scotiabank
11. Silicon Valley Bank
12. US Bank

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able to pay their invoices when they want to. They don't have to negotiate a loan with a local bank for a month and run up fees and charges, because the money they need is controlled by UniCredit Group. On the other side, we collect the money from all our subsidiaries and deposit it with UniCredit, where we earn interest. We also use UniCredit's electronic banking platform here in Offenbach and among our subsidiaries.'

Rösch takes some satisfaction from the fact that manroland's cash management was established on a sound footing before the financial downturn.

'We had it right before things went wrong,' he says. 'Now if one of our European subsidiaries wants to open a bank account, it has to be with UniCredit or one of the other IBOS partner banks.' FDE

## Further information

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