

# Flexibility - a critical success factor



**Frédéric Audigane, global cash management relationship manager at BNP Paribas Cash Management**

**I**n an interview with Frédéric Audigane, global cash management relationship manager at BNP Paribas Cash Management, Douglas MacKinney, global corporate treasurer at Thomson in Paris, outlines Thomson's centralised approach to treasury and localised approach to cash management.

#### **How is the treasury organised within Thomson?**

Within Thomson treasury is a very centralised function comprising 14 people worldwide. Our treasury staff are based in Paris and in two regional treasuries, one in Indiana for the Americas and a second one in Hong Kong for Asia. All treasury policies and procedures are set by corporate treasury in Paris. Execution is also quite centralised, with virtually all of our financing and most of the treasury and FX management handled centrally through Paris, except where local constraints require otherwise.

#### **How has the growth strategy of Thomson affected treasury operations?**

The company has changed significantly. We have gone from being a state-owned company to a publicly-quoted company and we have made quite a few acquisitions in recent years. We now have a lot more subsidiaries for whom we handle treasury and finance. This has not changed our focus or organisation within treasury - we are still quite centralised - but as we tend to organise cash management country-by-country we need to be much more flexible in our cash management operations. One critical issue for us, as a result, is that we need to have open solutions which allow us to



**Douglas MacKinney, global corporate treasurer at Thomson**

easily incorporate new subsidiaries. Anything that is very closed makes it quite difficult to change.

#### **What is your role as treasurer within Thomson?**

As global corporate treasurer, I am responsible for both treasury and financing for the group. This covers various areas of responsibility. The first and foremost is managing financial risks, including FX risks, interest rate risk, liquidity risk and financial counterparty risk. The second is ensuring the financings of the company, including equity and debt financing, bond issues, and so on. Third is cash management - optimising operations and ensuring cash is efficiently utilised. Another important responsibility is to maintain bank relationships and manage other external financial communications such as with rating agencies. Finally, treasury acts as an internal bank for affiliates by negotiating conditions for financings and we organise their cash management operations.

#### **What is Thomson's global banking strategy for cash management?**

Because we want our relationships to be global the first thing we look at is the fit between the banks and ourselves. We operate in more than 30 countries, so we want banks that have global reach and are located where we are located. The banks provide us with credit facilities and services, and we in turn try to do our business with those banks.

In terms of cash management we tend to have one or two local banks per country for domestic cash management, in addition to any overlay banks. The process of selecting those is managed

through Paris, working hand-in-hand with the subsidiaries to find the best local banking partner. We put the entire banking business together into one package - including cash management, payments, collections, and any other services we require - and then send out an RFQ for the business. Typically we look for a bank with a good local presence but which is also, ideally, one of our global banks.

#### **How does Thomson concentrate cash?**

Our objective is to pool all cash by country, selecting through RFQ a single bank to handle cash pooling. The main pooled account will be managed by either corporate treasury in Paris or one of the regional treasuries in the US or Asia. The regional treasuries manage the account day-to-day and look at whether it needs funding or whether we need to pull money out of that country. Then, where possible, with the euro, we try to automate the process. We already have automated pooling between Belgium, Germany and France - through a link using an overlay bank - and we plan to put that in place in Italy.

For foreign currency cash management, as the amounts are more sporadic and the cost of foreign currency bank transfers is often much higher than domestic transfers we are looking to globalise the process. At the moment we have a couple of banks that handle the transfer process, one of which is BNP Paribas. We would, however, like to have a single, global electronic banking system and use one single bank for bank transfers, and in addition set up cross-border pooling by currency - in US dollar, yen, British pound and euro.

Because a lot of our subsidiaries have foreign currency hedges with corporate treasury in Paris, we need to have an efficient way for subsidiaries to use those hedges. If we can pool by currency cross-border then we can negotiate conditions globally and more easily get foreign currencies to treasury so they can be converted into local currencies using the hedges.

#### **What do you expect from your cash management banks?**

We have several criteria for choosing a cash management bank. Price, what type of cash management systems and electronic banking they offer, and of course service. Quite often in the contract itself not only do we outline commitments on pricing and software installation, but also service commitments to ensure we receive the services we require. Another important criterion is the existing relationship that we have with the bank.

For the cash management business we typically set up contracts of two to three years, because it is a big investment for us and in concentrating all of our business with only one or two banks in a country,

we want to ensure that the banks are committed to the pricing and it is not going to change after six months. We would expect the bank to commit to price, technology levels and service levels for a three-year horizon, and we in turn commit to give the bank certain volumes of business.

#### **Why did you choose BNP Paribas as a cash management bank in France?**

We have a very long-standing relationship with BNP Paribas - it is one of the main banks in our banking group - an important factor in our selection of BNP Paribas as a cash management bank. The bank provides a lot of services and significant credit facilities to us globally. We also looked at price and at technology, and BNP Paribas is clearly competitive in both those aspects.

BNP Paribas is one of our main banks that we use for cash concentration in France. The other activity we do with them is in international foreign currency payments. For the latter, BNP Paribas was chosen through an RFQ about three years ago. With the criteria that we use - technology, pricing, service levels, and relationship - all of those came together in our choice of BNP Paribas. BNP Paribas is also our main bank for cross-border payments for French subsidiaries.

Moving away from treasury payments, the other part of our payment activity in which BNP Paribas is involved is supplier payments. This is managed by the strategic business units in co-ordination with treasury. There are already some shared service centres in place to manage this and we will continue to move towards a centralised approach.

BNP Paribas is one of our key relationship banks and will continue to be considered for any cash management and treasury business for which they have a core competency. ■



#### **THOMSON**

#### **The Thomson Group**

Thomson, headquartered in Paris, is the world leader in video content preparation providing a wide range of video (and enabling) technologies, systems, finished products and services to consumers and professionals in the entertainment and media industries. Although based in Paris, the company is truly global with operations in more than 30 countries.

#### **BNP Paribas Cash Management**



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