



Should You Decentralise Your Funding Strategy?

Magnus Lind, European Treasurers' Peer Group - 24 Feb 2009

What effects do government bail-out packages have on your funding strategy?

When the previously global banks need support from their own central banks, the global strategy becomes local. They need to lend the money in the central bank's country otherwise it does not make sense. We are starting to see this protectionism everywhere and it's pure logic.

What does this mean for your funding strategy? If you have centralised your funding in the treasury at corporate headquarters, you will probably find yourself with fewer banks to borrow from. 'Foreign' banks leave you to take care of the needs of their home country. This may create a lack of banks to borrow from and a too high concentration factor, especially in many of the small countries in Europe.

A potential strategy I have started to discuss with treasurers is to decentralise funding. For example, if you have your headquarters in a European country and large operations in the US, divide the funding between the two. In this way, you can tap both regions for capital. We need to embrace protectionism and make it work in our favour.

Posted by:	Post
<p>25 Feb 2009 - 14:50 Corporation, United States</p>	<p>You do not need to decentralize to be able obtain funding from various sources. The central treasury should keep contact with various banks and tap different regions. If the credit standing of the group is bas nobody will lend to a stand alone subsidiary, if your credit is good you will increase only your cost of funds borrowing at subsidiary level. In case of protectionism corporate treasury can always arrange financing on behalf of subsidiary. Walter Ochynski</p>
<p>17 Mar 2009 - 15:42 Corporation, United Arab Emirates</p>	<p>The previous two comments reflect two different approaches. If the problem of the group is liquidity, the decentralised funding is a better way to attract funds locally due to proximity. If the group has wide access to funds, centralised financing is cheaper and can be used to optimise you cost of fund in particular taking into accounts tax effect in certain jurisdiction. Frederic Marret</p>