

Ant Group elevates customer experience with next-generation treasury structure



Adam Smith Awards Asia *Winner - Best Liquidity Management Solution*

About

Established in October 2004, Ant Group is a leading global online payments provider that aims to bring inclusive, transparent and cost-effective financial services to its customers, including individuals and small-and-micro enterprises, around the world.

Partnering with more than 250 global financial institutions worldwide, Ant Group provides online payment channels for 1.2 billion buyers and 2 million sellers in over 200 countries, servicing major global merchants and all 60 Alibaba affiliates.

The challenge

As Ant Group expanded its footprint globally and the volume of payments through its channels grew exponentially, it found increasing inefficiencies and limitations in its treasury functions in the form of:

- **Decentralized FX and liquidity management** which was being managed by local geographical entities as opposed to being centrally managed, resulting in a sub-optimal account and liquidity structure, and a lack of central visibility over fund movements.
- **Costly overdrafts (ODs) and funding shortage** as Ant's main funding currencies are U.S. dollars (USD) and Chinese Yuan (CNY) so it needed to constantly tap on ODs to cover any funding short-falls in local currencies (LCY) or had to sell USD (or CNY) to buy LCY on transactional basis, resulting in additional FX costs on top of OD costs.
- **Fund efficiency constraints** as Ant operated its global treasury funds solely from Singapore, resulting in value-dating that could only happen in Asia Pacific (APAC) hours. In addition, the speed of non-APAC collections and payment was compromised as they were done via accounts based in APAC.

The above challenges had knock-on impacts on Ant Group's customers including longer payment cycles, costly transaction fees and limited choice of settlement currencies.



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The solution

As a key part of the treasury transformation journey, Ant Group set up Alipay Global Markets Singapore (AGM) to centralize FX services, liquidity management and intra-group settlements for all of Alibaba's affiliates globally.

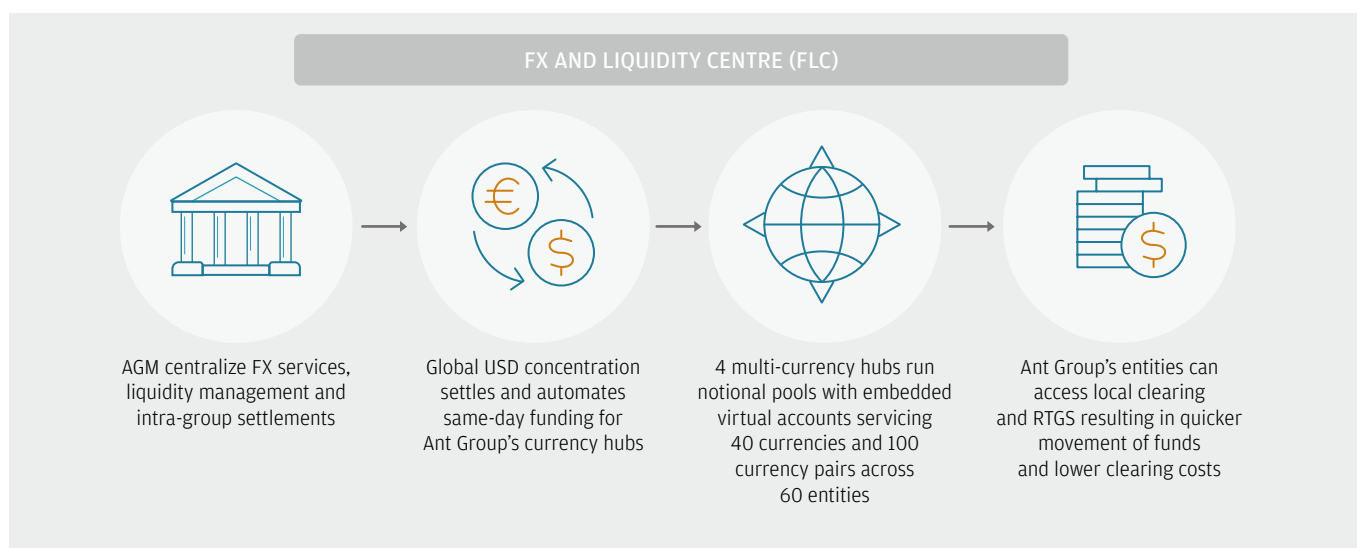
In collaboration with J.P. Morgan, Ant Group applied to AGM a comprehensive solution - the first-of-its-kind in scale, complexity and level of detail for a leading global payments company, including:

- Building a global FX and liquidity centre (FLC) structure for AGM by connecting five global treasury hubs in Singapore, Hong Kong, Luxemburg, New York and London, covering more than 40 currencies and over 100 currency pairs across 60 entities. The FLC structure includes:
 - Three levels of liquidity structure, including global USD cash concentration, multi-currency notional pooling, and local multibank sweeping structures - to accelerate the movement of funds, extend the operation window for fund movements and increase currencies coverage across the five hubs.
 - Access to local clearing systems to enable cross-border collections and allow local payments, resulting in quicker movement of funds and lower clearing costs.
 - A customized FX mechanism that facilitates the foreign exchange of 40 currencies and over 100 currency pairs to be centrally executed and settled in the fastest and most cost-effective manner; and value dates set at the earliest possible timings.
- Leveraging Virtual Account Management (VAM) to provide real-time visibility, insights and reporting to AGM at both the subsidiary and affiliate levels. Further deployment of J.P. Morgan's API technology, alongside Ant Group's artificial intelligence, data science and machine learning technologies for liquidity forecasting.

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The solution

J.P.Morgan



“We have established through strong and seamless collaboration with J.P. Morgan an industry landmark. Thanks to the global bank’s network and ability to invest and deliver innovative solutions, we have been able to achieve our vision, as a global tech giant, to bring inclusive financial services to customers and small-and-micro enterprises around the world, anywhere, anytime.”

- Kelvin Li, Head of Global FX & Liquidity Centre, Ant Group

J.P.Morgan

AVX rationalizes bank structure by 75 percent with full treasury transformation

The results

- **Significant cost savings and funding efficiencies**, with additional liquidity injected into Ant Group's global ecosystem.
- **Superior customer experience** with buyers and sellers now enjoying payments and settlement services that are cheaper and in real-time with full transparency, and in a wide variety of currencies.
- **Extended service window** with Ant Group being able to meet the funding requirements of certain industries that operate on a 5/24-hour or 7/24-hour basis, as well as the large funding needs during seasonal periods with high business volume.
- **Scalable and future-proof operating model** brought on by innovation such as artificial intelligence, machine learning, big data and API to support the exponential global growth of Ant Group and further ascertain Alibaba's leadership in the online payment industry.
- **Effective multi-currency liquidity risk management** that ensures any unexpected volatility of cash position will be automatically and fully absorbed by AGM and its FLC.

“The solution is truly transformational and not only positions Ant Group well for its strategic ambitions but also aligns with its ethos of financial inclusion and putting customers' values first.

The first-of-its-kind FX and liquidity real-time settlement ecosystem powered by innovation was meticulously tailored for Ant Group to meet its fast-expanding treasury needs, and was seamlessly executed within a period of six months amid an unprecedented pandemic operating environment.”

- Sridhar Kanthadai, Head of Wholesale Payments, Asia Pacific, J.P. Morgan





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