

# Highly Commended Winner First Class Relationship Management Sinotruk Finance Co Ltd

Zhen Huang, General Manager



Sinotruk Finance Co Ltd was established in October 1987 as a banking financial institution upon the approval of the Peoples' Bank of China.

## New partner bank relationship pays dividends in just four months

### The challenge

Operating for more than half a century with a global footprint that includes China, South Asia, the Middle East and Africa, China National Heavy Duty Truck Group Co Ltd has been using Sinotruk Finance as an in-house bank (IHB) for treasury functions such as intra-company liquidity support and deposit investments for group entities.

However, Sinotruk Finance is limited in its capability to serve as a fully licensed bank that covers global treasury functions such as centralised FX hedging, investment management, and global supply chain management. These limitations restrict its ability to support the group's global strategy. By establishing treasury functions to overcome these limitations, Sinotruk Finance will pave the way for a global treasury centre.

### The solution

In April 2021, Sinotruk Finance mandated to its bank, Standard Chartered, a SAFE-approved cross-border cash pool and its business for a Hong Kong based regional treasury centre (RTC). The tailor-made proposal covers almost all group treasury functions, providing optimised account structures and host-to-host system connectivity, cross-border cash pooling, interest optimisation, trade finance, working capital optimisation, FX hedging, investment management and capital market financing.

Implementation of the bank's proposal began in May 2021. The project has been completed step by step with stable cash flow, trade flow, and FX flow established on a cross-border basis within just four months from the initiation of the implementation.

### Best practice and innovation

**Foresight** – the COVID-19 pandemic led to increased FX volatility which adversely affected Sinotruk Finance Co Ltd because the group's main business is export related. The management and treasury team, which was newly appointed, decided to break through the status quo of its current banking relationship (a local Chinese bank) to increase exposure to foreign banks due to their more globalised networks and better FX solutions.

**Proactivity** – the management and treasury team knew exactly what it wanted from its new bank

partner. It proactively contacted various teams at Standard Chartered for support and advice on global macroeconomic considerations, a multi-currency cash pool, offshore regional treasury centre development, cash and liquidity management, FX exposure hedging and capital market investment solutions.

**Communication and problem-solving** – this arrangement involved many different stakeholders. The management and treasury teams of Sinotruk Finance Co Ltd exhibited strong communication and relationship management ability in dealing with its bank.

The company clearly expressed its needs and advice on proposed solution adjustments. The Sinotruk team identified the critical issues and sought support from the correct parties for the correct solutions. Finally, it only took four months for Sinotruk Finance Co Ltd to complete the setup of multi-currency cash and an offshore RTC, including a new client onboarding process. This has been one of the most effective and efficient broad-scoped implementations of services.

### Key benefits

- Fast implementation – just four months.
- RTC established.
- One-stop service.
- Excellent relationships forged.
- Delivers solid foundation for future collaboration.
- Provides platform to transition from single finance function to a IHB.

Establishing a new banking relationship is a big task. Transforming from a single-function finance company to a comprehensive IHB with cross-border capabilities is a monumental undertaking.

"In just four months, working closely with our banking partner, we realised our vision to expand our banking relationships to support our strategic objectives. Key to success was how we established and developed the banking relationship, working across many stakeholders to convey our requirements and get the right solutions for our needs. This illustrates bank relationship management at its best, as evidenced by the continued evolution and growth of our relationship," says Zhen Huang, General Manager.

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Standard Chartered partnered with Sinotruk Finance to set up a Hong Kong-based treasury centre to manage the global treasury needs of their group companies. This is a SAFE (State Administration of Foreign Exchange) approved cross-border cash pooling structure. The solution, apart from facilitating foundational treasury function needs, also helped realise trade finance working capital optimisation, management of foreign exchange risk, investment management and capital market financing. A swift implementation of this solution across multiple locations transformed Sinotruk from a single-function finance company to a comprehensive in-house bank. It is a testimony on how companies can untangle supply chain finance complexities and optimise treasury functions.

**Ricky Kaura, Head of Transaction Banking, Asia Pacific, Africa and the Middle East, Standard Chartered**