New wave of Chinese enterprises going overseas: Building cross-border treasury management system

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With the acceleration of global economic integration, an increasing number of enterprises are incorporating international business strategies and overseas market expansion into their development plans, positioning them as new growth drivers. On 9 December 2024, the Central Economic Work Conference emphasized that "expanding high-level opening-up and stabilizing foreign trade and foreign investment" will be a key priority for the coming year.

As enterprises expand globally, fund management takes the lead. Given the diverse regulatory requirements and market environments across different countries, the integrated capital operation, optimized resource allocation and risk management capabilities of multinational enterprises emerge as critical pillars supporting their global endeavors. By examining global treasury management trends and best practices from leading enterprises, EY team explores how Chinese enterprises can enhance their overseas treasury management to align with the demands of the new era, providing insights and guidance for multinational enterprises to strengthen and deepen their treasury strategies.

I. Challenges and risks in cross-border fund management

When managing cross-border funds, Chinese enterprises must navigate diverse legal and regulatory landscapes, financial systems and business environments in different countries. The key challenges fall into three main categories:

Country-specific policy restrictions Challenges and risks of cross-border fund management Complex financial systems Diversified shareholders structure

01 Country-specific policy restrictions

- A few international financial centers have more loose restrictions on foreign exchange and cross-border fund management.
- Most countries and regions have set up certain control measures in foreign exchange management, offshore account settlement and "three anti" compliance.
- Diversified foreign exchange control policies make it difficult to pool offshore funds.

02 Complex and dynamic financial systems

- The countries and regions involved in overseas business have complex financial systems and a large number of commercial banks.
- There are discrepancies in account management, settlement process and technical standards for bankenterprise direct link.
- Heavy reliance on local banks for settlement transactions in some regions.
- A high proportion of accounts require high costs for direct combinations and effective monitoring.

03 Diversified shareholders structure

- Complex and diversified shareholder constitution of the company's foreign invested enterprises and a large number of high-value related party transactions were involved in the pooling of funds.
- The enterprise completes deliberations at the board of directors and shareholders' meeting levels and adequate communication and coordination of shareholder relations is the key.

1. Country-specific policy restrictions

With the internationalization of Chinese enterprises accelerated, their business development has extended to more diversified countries and regions. Except for a few international financial centers where restrictions on foreign exchange and cross-border fund management are looser, the rest of the countries and regions have set up certain control measures in foreign exchange management, offshore account settlement and "three anti compliances". Diversified foreign exchange control policies lead to offshore fund collection being less frequent and efficient than that of domestic finance companies, market players need to combine the policy requirements of each country and carry out "one enterprise, one policy" for fund collection.

2. Complex and dynamic financial system

The countries and regions involved in overseas business have complex financial systems, a large number of commercial banks and different account management, settlement processes and technical standards for bank-enterprise direct link. Therefore, it takes a lot of time and money to realize a high proportion of direct account connection and effective monitoring. Especially for some countries and regions with relatively incomplete financial systems, enterprise funds settlement transactions rely more on local banks, and if the relevant banks do not have sufficient technical support for Society for Worldwide Interbank Financial Telecommunications (SWIFT) protocol, the effectiveness of account monitoring will be affected to a certain extent.

3. Diversified shareholder structure

Enterprises with overseas investments often have complex and diverse shareholder compositions, leading to a high volume of high-value related party transactions. Implementing centralized fund management in such cases requires careful deliberation by the board of directors and shareholders, as well as thorough communication and coordination among shareholders. Additionally, if a listed company's overseas business involves investment schemes, capital market regulations may further impact centralized fund management.

II. The direction of fund management transformation and improvement suggestions for enterprises going overseas

In the context of globalization, how to consolidate the safety and compliance management of cross-border funds, how to realize the efficient intensive operation and flexible allocation of global funds, how to maximize the prevention of liquidity and foreign exchange risks, as well as how to give full play to the supportive role of treasury as a pool of resources for the group's decision-making and strategy implementation, are the focus of enterprises' long-term exploration and practice.

By benchmarking against the advanced concepts, systems and tools employed by world-class enterprises in global integrated treasury management, we have conducted a thorough driver analysis, identified key success factors and summarized the following three recommendations:



Global integrated operation model of treasury management

 Treasury management overtakes the traditional financial value, proactively enhances business value and strives to realize strategic value, which has become the consensus of many leading enterprises.



Centralized fund arrangement facilitates efficient and active resource allocation

 Global fund centralization has become a common consensus among worldclass enterprises. Through the establishment of a global account structure covering all currencies, it can effectively mitigate the liquidity risk of crossborder enterprises, coordinate the allocation of resources, save the cost of funds and improve the efficiency of turnover.

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Capital security and compliance ensure value creation

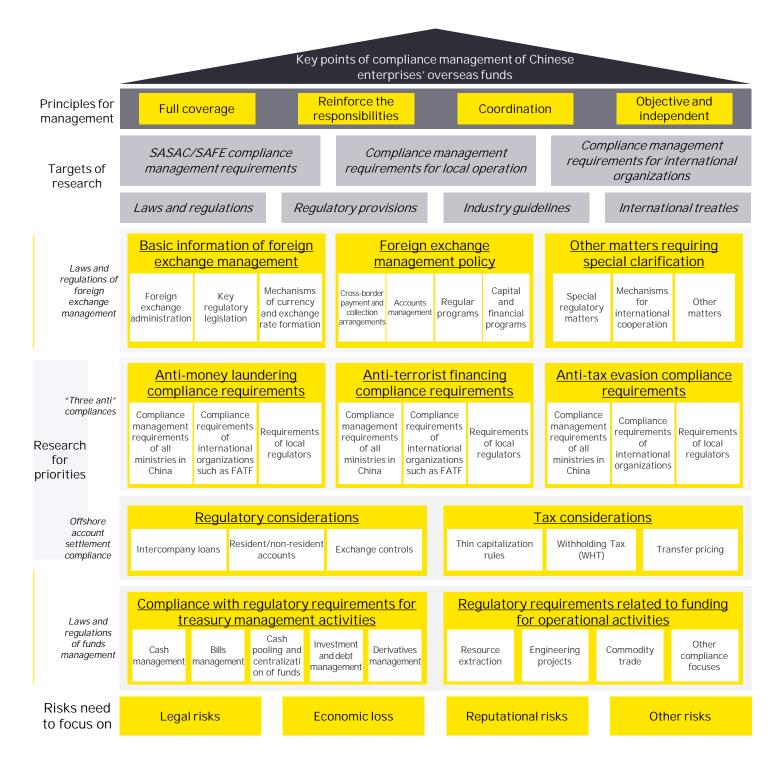
 Compared with domestic fund management, the market and regulatory environment faced by enterprises going overseas is more diversified and complex, which puts forward higher requirements for ensuring fund management compliance and risk control.

1. Continuously innovating the operational mode of treasury management

Treasury management has transcended traditional financial value to proactively enhance business value and strive for strategic value realization—an approach that has become a common consensus among leading enterprises. When multinational enterprises plan and develop their regional or global treasury systems, they must take a holistic approach, considering factors such as the direction of overseas business expansion, cash flow across operations, currency coverage, as well as regulatory and tax policies in different countries. A well-structured, integrated global treasury organization should be established at a strategically selected location, leveraging a unified management model, standardized operational processes, digital algorithms and an integrated IT system. This enables comprehensive treasury functions across the entire group, including funds management, capital market operations, asset acquisitions and foreign exchange risk control. By unlocking potential and expanding both domestic and international funding resources, treasury functions play a crucial role in supporting the implementation of corporate strategies. Through the cultivation of internal fund management and operational capabilities, treasury teams are evolving into key controllers of balance sheet management. This transformation helps enterprises achieve a treasury model that is secure, efficient and value-driven in their global funds and liquidity management.

2. Capital security and compliance are the top priority

Compared with domestic fund management, the market and regulatory environment faced by enterprises going overseas is more diversified and complex, which puts forward higher requirements for ensuring fund management compliance and risk control. The compliance management involved in cross-border fund management should include the following aspects:



First, meeting the requirements of local foreign exchange management laws and regulations, including cross-border payment and collection arrangements, account management, current account, capital and financial account, special regulatory matters and international cooperation mechanisms.

Second, offshore account settlement compliance related regulations, including inter-company loans, resident or non-resident accounts, exchange controls and other regulatory considerations, as well as tax considerations such as thin capitalization rules, withholding tax and transfer pricing.

Third, "three anti compliances", including anti-money laundering, combating the financing of terrorism and anti-tax evasion compliance requirements of various regulators in local as well as international regulatory organizations such as Financial Action Task Force on Money Laundering (FATF).

Fourth, compliance with fund compliance regulations related to business characteristics, for example, some countries may impose restrictive requirements on regulatory accounts and fund repatriation for specific businesses such as mining and finance.

3. Centralized management and allocation of funds

With the concept of lean developing, the centralization of global funds has become a consensus among the world leading enterprises. By establishing a global account structure covering all currency types, building a system of cross-border two-way, domestic and foreign entities and nominal cash pools for global operation, setting up global or regional corporate treasury centers (CTCs), payment factories, internal banks and other solutions and planning treasury security (including anti-fraud) and controlling protocols, we have achieved the rationalization of the account structure of the whole group, centralized and manageable funds at home, visible and controllable funds abroad. Centralized income and expenditure settlement, active allocation of capital resources to balance the cost pressure, accurately and timely get the distribution, stock, flow and direction of global funds, effectively mitigate the liquidity risk of cross-border enterprises, coordinate the allocation of resources, save the cost of funds and improve the efficiency of turnover.

III. Building a global integrated treasury management system to form domestic and foreign resource pools

Considering the key success factors for the benign development of overseas capital operation and resource allocation of leading enterprise groups, multinational enterprises can build an integrated treasury management system that match their own business characteristics and global or regional scheme planning in stages, thus pave the way of their overseas operations and developments.



1. Master planning the treasury management system and creating a pool of corporate resources

By benchmarking the treasury management system of world-class enterprises, identifying the positioning of its own treasury management, clarifying the scope of management, building a global or regional CTCs with integrated operation, planning the site selection scheme, defining the functions, duty and responsibility interface of the domestic and foreign treasury organizations and standardizing the treasury management policy and operation mechanism, enterprises can thoroughly integrate and centralize the capital resources internally and externally and build a resource pool that can support the implementation of their strategic objectives.

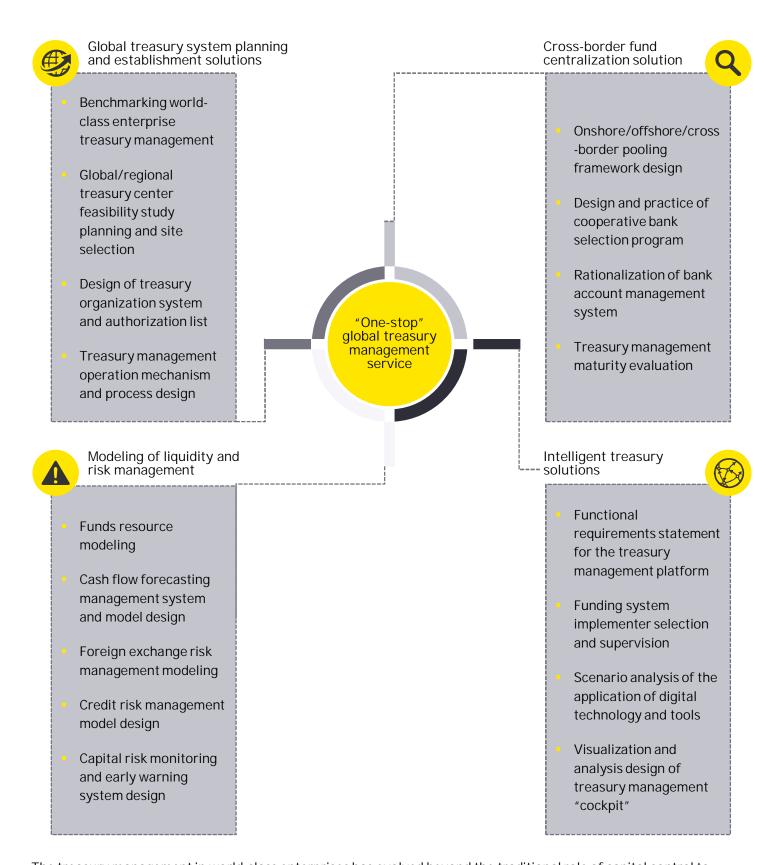
- 2. Implementing the capital operation requirements step-by-step and consolidating global financial resources By designing a globally integrated cash pool framework, enterprises can facilitate the unified operation of onshore and offshore physical cash pools as well as notional cash pools. This enables the timely consolidation and efficient allocation of funds on a global scale while ensuring visibility into funds held in countries with currency controls. Additionally, through cross-border two-way cash pooling, enterprises can connect onshore physical cash pools, offshore physical cash pools and offshore notional cash pools. This integration enhances economies of scale, enabling centralized fund management, flexible liquidity deployment and seamless coordination across global operations.
- 3. Algorithmic models to drive intelligent upgrades for dynamic liquidity control

Replacing traditional cash management measures with algorithmic models enables enterprises to optimize financial operations through core tools such as fund allocation models, financial risk exposure management models, cash flow forecasting models and bank selection models. By continuously integrating internal and external data, enterprises can enhance long-term resource allocation capabilities, improve rolling cash flow forecasting, rationalize global account management structures and intelligently monitor credit and foreign exchange risks. This data-driven approach maximizes operational efficiency, minimizes financing costs and strengthens risk control in funds management.

4. Implementing platform-based and intensive solutions to facilitate the transformation of digital treasury management

Combining the needs of global treasury management, enterprises should considering the following points while planning the their cross-border digital platform: sorting out the informatization landing requirements, embedding data, scenarios, algorithms and rules into the platform, giving full consideration to the data interaction with the enterprises' internal treasury management system, business system, as well as with the external banks and external transaction systems, supporting the realization of full penetrating monitoring of cross-border capital business and the integrated allocation of global capital and financial resources. Meanwhile, they should leverage the cloud computing, big data, RPA, machine learning, big model and other new technical to empower and upgrade the enterprises' treasury management mode, deeply explore the value of data, further enhance the support for enterprises' strategic decision-making and financial control and provides greater possibilities for the realization of intelligent treasury.

For enterprises going overseas, it is necessary and inevitable to broaden the scope of treasury management and evolve a centralized resource pool for the integrated management of assets and liabilities. EY team can provide enterprises with "one-stop" global treasury management services, laying a solid foundation for their overseas endeavors.



The treasury management in world-class enterprises has evolved beyond the traditional role of capital control to become a key driver of value creation, with its strategic partnership role being increasingly prominent. By leveraging a globally integrated treasury management system, enterprises can enhance their capacity to seamlessly integrate and allocate resources, thereby achieving their strategic objectives and initiatives more effectively.

For more information, please contact us.

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