A global family-owned technology firm, Heraeus has a significant presence in China. With a goal of operating as efficiently as possible, the company was looking to simplify their cross-border lending between China and Germany. That’s when they turned to their core banking partner - HSBC - for guidance, based on their experience and relationships with local regulators.

About Heraeus
Founded in 1851, Heraeus is a family-owned portfolio company headquartered in Hanau, Germany. Their roots reach back to a pharmacy opened by the family in 1660. Today, Heraeus creates high-quality technology solutions for customers in the environmental, energy, electronics, health, mobility and industrial applications sectors.

The Business Challenge
The company wanted to optimise its RMB liquidity position in and across China. While they previously had both a domestic cash pooling and cross-border loan scheme in place, they wanted a fully automated daily cross-border solution. “We do a lot of business in China,” explains Sebastian Orth, Head of Corporate Treasury for Heraeus. “This includes more than 15 entities all with different cash positions.” The domestic cash pool Heraeus implemented with HSBC helped them optimise local RMB positions by centralising cash management in the corporate Treasury instead of spreading the responsibility across their subsidiaries.

“We really wanted something that was more automated to fit in seamlessly with our day-to-day processes,” says Mr. Orth. “That’s when we talked with the Global Liquidity and Cash Management team at HSBC, and they came up with a solution that helped us meet both our needs and China’s complex regulatory environment.”

The Solution
Based on their conversations and HSBC’s understanding of Heraeus’ business, the bank delivered a fully automated two-way cross-border sweeping solution – one of the first to be implemented. Since the scheme uses an internal rules-based system that ensures each transaction meets PBOC regulations, only a single approval process was necessary. HSBC also implemented an automated reporting mechanism for Inter-Company Lending for added visibility.

According to Mr. Orth, the implementation process went very smoothly. “We were facing some regulatory challenges, but HSBC helped us navigate the comprehensive application process. They gave us the right guidance at just the right point in time.” He goes on to say that once they received approval from the PBOC – everything moved forward quickly.

The Benefit
“Having this pool in place means we can easily move cash from one side to another, within a single day,” says Mr. Orth. “Before we needed a great deal of lead time because we had to submit an application for each transaction and wait for approval.”

The ease of use is key for Heraeus, whose operational strategy is to remain as lean and efficient as possible. “The process is basically no different than with any other cross-border cash pool scheme,” he says. “Once we got through the initial approval and managed the set-up, there’s no additional work on our part and no new or unique processes for us to manage.”

The solution is also designed in such a way that it can easily be adjusted based on regulatory updates – ensuring that Heraeus is always meeting the Chinese government’s requirements.

Why HSBC?
“HSBC is one of our core banks, with a strong global footprint as well as deep knowledge across Asia and in China,” says Mr. Orth. “We liked that they already operated our domestic RMB cash pools in China. Plus, we feel they have a good understanding of the regulations in China and can help us understand how to incorporate local requirements into our treasury strategy in the region.”

He also says Heraeus appreciates the collaborative relationship they have with the bank. “Either HSBC proactively brings us new cash management opportunities – especially in China – or we approach them with a need or idea, and they come back to us with a creative solution. That kind of partnership is an important value add to us.”