

# Increasing global cash visibility and reducing risk

UPS uses Reval TMS + Fides to centralize banking for improved cash visibility and positioning.



## CUSTOMER PROFILE



**Company:** UPS

**Industry:** Global logistics & package delivery

**Headquarters:** Atlanta, Georgia

**Employees:** 454,000 + employees globally

**Website:** [www.ups.com](http://www.ups.com)

### Business Need

UPS needed a solution that would aggregate and automate bank and transaction information and present it in a manner that would enable treasury staff to make important decisions in real-time. Cash visibility, the ability to concentrate cash, and increasing the efficiency of global bank messaging and payments processing were all high priorities.

### Solution

Reval TMS with Fides ARS and Fides EFT

### Benefits

- Global cash visibility & concentration
- Centralization of banking services
- Reduced risk
- Streamlined business processes

## About UPS

UPS (NYSE: UPS) is a global leader in logistics, offering a broad range of solutions including transporting packages and freight; facilitating international trade, and deploying advanced technology to more efficiently manage the world of business. Headquartered in Atlanta, UPS serves more than 220 countries and territories worldwide.

### UPS' Business Need

UPS is a global organization, with bank accounts in 76 countries and 120+ banking partners. Many of those banking partners have their own electronic banking platforms. Prior to 2016, UPS leveraged a domestic US treasury system, a homegrown international system, and a large number of banking platforms to manage cash. This decentralized cluster of systems created several key issues: increased organizational risk, manual cash positioning, lack of global cash visibility, and an inability to physically concentrate cash.

Organizational risk was increased by the use of 90+ different electronic banking portals with 2,500+ users in business units around the world, making it extremely challenging to manage and control funds and impossible to track who had access to make payments on behalf of the company.

In addition to the risk, the systems environment created inefficiency. To fund UPS international operations each day, staff in the various business units would have to go into a web-based tool and estimate their daily receipts and disbursements. It was a manual and inaccurate process with hundreds of forecasts submitted daily.

Global visibility was a severe challenge as there was no central reporting and no global comprehensive repository. Staff had to cobble together information from multiple systems, through multiple people – which means a variety of inaccuracy was introduced. It's never good when the CFO asks you how much cash you have and you have to say "give me a week and I'll get you a good estimate."

Lastly, regulatory shifts were changing the landscape of how UPS could concentrate cash, putting over \$2B in international liquidity at risk if they could not replace their notional cash pooling structure with physical funds transfers.

## Searching for a TMS with bank connectivity

UPS has a global treasury team that is split into geographic regions, each of which are responsible for cash management. There are three regional treasury centers, plus an investment team that is responsible for investing all the global cash or raising debt. When UPS started looking for a TMS, they created an official treasury systems group to manage the project and all of the company's treasury technologies, acting as support for all of the other treasury teams to optimize processes and increase efficiency. Eli Brown, Treasury Process Controller, was appointed to lead the project.

The company desperately needed global cash visibility. Pooling cash on a notional basis, which the company had done up until this time, was no longer in favor from a regulatory standpoint. Brown quickly realized that in addition to a TMS, UPS would also need a service bureau/bank connectivity provider to implement global payment connectivity, with the ability to concentrate cash globally.

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***“A treasury management system on its own is useless if you can't route payment instructions and reporting information back and forth – and that's what Fides' bank connectivity provides.”***

***– Eli Brown, Treasury Process Controller, UPS***

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## **Solution:** Reval TMS with Fides ARS and Fides EFT

One of the main screening criteria for potential treasury management systems was that they must be cloud-based. On-premises software was automatically ruled out. UPS needed the flexibility, scalability and cost-effectiveness that a SaaS TMS offers vs. hiring additional in-house staff to manage and keep internal systems updated and innovative. Reval rose to the top of the list, delivering a cloud-based system and through its partnership with Fides, providing industry-leading global multi-bank connectivity capabilities. UPS was able to sign a single contract with Reval, making it easier for procurement.

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***“We did not want the overhead of an on-premises solution locally. It’s the same thing as me outsourcing that SWIFT administration [to Fides]. I don’t want to staff things that other companies can do just as well as I can.”***

***– Eli Brown, Treasury Process Controller, UPS***

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### **Planning for connectivity**

UPS started the project in April 2016, with an aggressive timeline of moving 80 percent of global cash balances by October of that year. That meant only a six month implementation timeframe to stand up the system and get bank connectivity to the first 200 accounts within banks located across 10 countries. That’s when they seriously engaged with Reval and Fides to plan this global roll-out.

UPS uses the SWIFT Network for all payment processing, leveraging the Fides BIC and their own corporate BIC. The option to use Fides’ BIC to make connections with the first wave of banks made it possible for UPS to meet its aggressive regulatory compliance-driven project implementation timeline. Fides was also able to assist UPS with getting its own BIC established, lightening the work for the treasury team.

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***“Fides allowed us to make our timeline by leveraging their BIC. Before we even had our own SWIFT BIC established, we could start working with this first wave of banks and get connected and start doing payment testing and file testing and move forward on our project timeline.”***

***– Eli Brown, Treasury Process Controller, UPS***

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There was no mechanism in place whereby UPS could pool their cash in one location and invest it from that location. Through Fides, they were able to set up payment connectivity to all of the various accounts that could concentrate cash plus many other accounts that weren’t part of their polling structure – and have it all connect back into their Reval TMS. In Reval, they can set target balances and triggers such as when a specific account has more than \$10,000 in it, the excess will automatically be transferred, via a payment message through Fides to the SWIFT network, to their concentration accounts.

Now, instead of having someone in Vietnam have to log onto a website and tell region treasury how much cash they have in their bank and how much money they need, the system automatically calculates that information. Standard Chartered in Vietnam sends an MT942 message through the SWIFT network to Fides to Reval, Reval sees that they have \$2M in that account. It also sees that the target balance is \$100,000 so it initiates a wire to move that money again through the SWIFT network and through Fides up to UPS’ in-house bank. The process is completely automated compared to somebody putting in a request and region treasury having to physically wire the money.

Fides also provides converters to UPS for MT101 payments and ISO messages. These converters are an added benefit of the Reval-Fides partnership for UPS: Reval can support a large number of native MT101 tags, but each bank is different. Fides can automatically convert the messages and send them on their way, allowing UPS to make payments with banks that would otherwise be impossible.

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***“Fides converters allow us to make payments with banks where otherwise we would be at an impasse. Without Fides being in the middle, our TMS wouldn’t be able to process all the non-standard messages, but Fides has programming that knows how to split items and provide the information in the format that each specific bank needs it in.”***

*– Eli Brown, Treasury Process Controller, UPS*

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### **A phased approach to implementation**

UPS used a phased approach for implementation, working with Reval and Fides to roll out functionality to approximately 18 countries at a time. The first wave was October/November 2016. The company onboarded 15 to 18 countries per month in February, March, April, and May 2017. The United States was one of the largest locations, with a large volume of bank accounts, and went live in June 2017. The only two countries remaining were Brazil and China. UPS decided to wait on those as they had RFPs out for new banking partners and didn’t want to implement with the legacy bank and then switch banking partners and have to implement again.

Fides’ banking connectivity solutions were able to lower UPS’ reliance on all the individual banking platforms, with the goal of ultimately phasing them out completely. With Fides in place, central treasury management no longer has to worry about control. Rather than having to use individual bank portals, all data flows through Fides into Reval.

This centralization saves a significant amount of time for treasury staff: having an automated payments process and a central repository eliminates the need for multiple complex spreadsheets and manually compiled data. This automation also significantly reduces human error, making the data cleaner and more accurate.

### **Multi-banking benefits**

On the first day that the new bank connections went live in November of 2016, UPS successfully moved \$1.6B from the local bank accounts into its concentration structure. Since then, they have made ~50,000 payments – 4,000 payments every month - using the Fides & Reval connectivity.

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***“On the first day that the new bank connections went live in November of 2016, we successfully moved \$1.6B from the local bank accounts into our concentration structure. That’s a lot of money to be moving through newly laid pipe - but it was a big success. All those payments cleared with the appropriate cutoff times, so that was a big win for us.”***

*– Eli Brown, Treasury Process Controller, UPS*

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Now, UPS receives prior day statements and current day statements from almost all of the bank accounts that they have connectivity to. For most of them they receive current day statements every 30 minutes. That gives the treasury team the insight they need to know not only what their balance was at the end of yesterday, but also what the balance is almost real-time. That real-time visibility allows them to report accurately and concentrate cash in the most effective way possible.

Previously it was challenging for UPS' treasury team to even answer the question of "How much cash do we have, and where is it?" Now, as a result of the near-real-time visibility achieved, it is easy to see how efficiently cash is being pulled. Where the team may previously have believed they would need a buffer of \$100,000 in one location, now that they can see the balances throughout each day, they know that location can really get by with \$10,000 - or even no money at all. That allows UPS to take that differential and invest it to get a return, or push it somewhere in the business that needs it.

UPS recently opened new accounts in China with a new bank, and the Reval + Fides implementation is part of the bank onboarding process. Everything has gone smoothly due to the communications and coordination between Fides, Reval, UPS and their Chinese banking partner.

### **Future planning**

UPS is working toward moving staff off of the bank platform and individual bank portals and onto their Reval TMS – something they would not be able to do without the bank connectivity provided by Fides. Many of these users only need to have read-only access, to quickly see how much money is in the bank or whether certain transactions have cleared. Now that that information is being fed from the bank into the centralized system, that eliminates the need for users to go to the banks' individual systems.

This also reduces risk. The various banking platforms don't all allow the ability to restrict the amount of money that any given individual can authorize. Previously it was nearly impossible to have a consistent standard because the technologies were different. With Fides + Reval, UPS can set up role-based access controls, so each user has the permissions appropriate to their role.

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***“The visibility provided by Fides has greatly increased our efficiency in managing cash and cash assets, which is ultimately what treasury is about.”***

*– Eli Brown, Treasury Process Controller, UPS*

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## About Fides

Fides is the global leader in multi-bank connectivity, enabling corporates to connect to any bank, in any region, through any channel. Fides helps more than 3,000 clients communicate with more than 10,000 banks globally within 170 countries. Whether you are using a Treasury Management System (TMS), Enterprise Resource Planning System (ERP), our Fides web applications, or any combination thereof, Fides is the only bank connectivity platform you need. As an independently operated subsidiary of Credit Suisse, Fides offers SWIFT connectivity to corporates who do not have their own SWIFT BIC code by leveraging the lead bank model. Fides also provides conversion, validation and security services. We are known for our outstanding project management and support services, ensuring a timely implementation and customer satisfaction. With Fides, clients can reach further, and connect faster.

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