

## INTERNATIONAL TRADE AND FINANCE MASTERCLASS

PART 19 OF 25 · SECTION IX: THE CFO GLOBAL PLAYBOOK

# PART 19

## THE CFO'S GLOBAL FINANCIAL PLAYBOOK — ARCHITECTURE AND OPERATIONS

*Building and running the global finance function — treasury organizational design, global banking panel management, the financial control framework, the complete 30-point country entry checklist, and the FX hedging policy template.*

### IN THIS PART

- Global treasury organizational design
- Banking panel management and annual review
- The global financial control framework
- The 30-point country entry financial checklist
- The CFO's FX hedging policy — all ten required elements
- International finance organizational design at scale

### CASE STUDIES

*Each part includes fully worked case studies with detailed calculations, real-world context, and practical lessons for CFOs and finance leaders.*

## ■ BUILDING THE GLOBAL FINANCE FUNCTION

### The Architecture Decision: Centralized Versus Decentralized Treasury

One of the most important organizational decisions a CFO of a growing multinational must make is how to structure the global treasury function. The spectrum runs from fully decentralized — where each country subsidiary manages its own cash, banking, FX, and financing independently — to fully centralized, where a single treasury center manages all of these functions globally on behalf of every subsidiary. Neither extreme is optimal for most companies, and the right balance depends on the company's size, geographic footprint, regulatory environment, and management philosophy.

A fully decentralized treasury is typically appropriate only in the earliest stages of international expansion — when a company has one or two foreign subsidiaries and the complexity does not yet justify centralization. As the company grows to five or more countries, the inefficiencies of decentralization — duplicated banking relationships, inconsistent

FX execution, idle cash sitting in subsidiary accounts, and lack of group-level visibility — become increasingly costly. The transition to a regional or centralized model typically delivers financial benefits that dwarf the cost of the transition itself.

Model	Appropriate When	Key Benefits	Key Risks
Fully Decentralized	1-3 countries; early international expansion; highly autonomous subsidiary culture	Local relationships; local regulatory expertise; simple governance	Idle cash; inconsistent FX; no group visibility; duplicated bank fees
Regional Hub	5-15 countries grouped geographically; significant variation by region	Regional efficiency; local regulatory knowledge maintained; better control than decentralized	Coordination between hubs; still some duplication; complex intercompany structure
Centralized with Local Execution	10+ countries; significant FX and financing flows; strong group governance	Maximum visibility; best FX rates; optimal cash utilization; single control framework	Local relationship management required; regulatory restrictions in some markets
In-House Bank	20+ countries; \$500M+ revenue; significant intercompany flows	All benefits of centralized plus intercompany netting; best-in-class execution	Complex to implement; significant legal and tax structuring; TMS investment required

## Managing the Global Banking Panel

Every multinational company maintains a panel of relationship banks — the group of banks that provide credit facilities, cash management services, trade finance, FX execution, and other financial services across the group's global operations. Managing this panel effectively is a significant source of financial value that many CFOs underinvest in.

The global banking panel should be reviewed formally at least annually. The review should assess each bank's performance across all services provided, the pricing of those services relative to market, the quality of the bank's coverage network in the jurisdictions where the company operates, the strength of the bank's capital position, and the depth of the relationship relative to the wallet share allocated to that bank. Banks that consistently underperform should receive reduced wallet share — and banks that know they are being reviewed against this framework tend to perform better.

## The Complete 30-Point Country Entry Financial Checklist

Before committing capital to a new country operation, the CFO should work through a structured financial assessment that covers every dimension of the financial and compliance environment. The thirty questions below represent the minimum financial due diligence for any new country entry. Skipping any of them creates financial risk that is almost always more expensive to resolve after entry than it would have been to address before.

- 01 Entity Structure:** What legal entity type is optimal — branch, subsidiary, representative office, joint venture? What are the tax, liability, and control implications of each?

- 
- 02 Corporate Taxation:** What is the corporate income tax rate? Are there special economic zone benefits? What are the loss carryforward rules?
- 
- 03 Transfer Pricing:** What transfer pricing documentation is required? Are there safe harbor provisions? What is the audit risk profile?
- 
- 04 VAT/GST:** What is the VAT/GST rate? What is the registration threshold? What is the process for reclaiming input tax on imports?
- 
- 05 Withholding Taxes:** What are the withholding tax rates on dividends, interest, and royalties? Is there a tax treaty that reduces these rates?
- 
- 06 Repatriation:** What restrictions exist on dividend payments? What regulatory approvals are required? What is the IOF or similar transaction tax?
- 
- 07 Banking:** Which banks provide services in this country? What are the account opening requirements? Are there any restrictions on foreign-currency accounts?
- 
- 08 FX Regime:** Is the currency freely convertible? Are there capital controls? Is the exchange rate freely floating or managed?
- 
- 09 Capital Controls:** Are there restrictions on cross-border capital flows? What regulatory approvals are required for inbound or outbound investment?
- 
- 10 Employment Taxes:** What are the employer payroll tax and social security contribution rates? What is the mandatory benefit structure?
- 
- 11 Customs and Import Duties:** What are the import duty rates on the company's products? Are there FTZ or bonded warehouse opportunities?
- 
- 12 Trade Agreement Access:** What preferential trade agreements does this country have? Do the company's products qualify for preferential rates?
- 
- 13 Political Risk:** What is the country risk rating? What is the history of expropriation or regulatory interference? Is political risk insurance available?
- 
- 14 Currency Risk:** What is the historical currency volatility? Are forward contracts available? What is the cost of hedging?
- 
- 15 Legal System:** Is the legal system independent and reliable? What is the average time to enforce a contract? Is international arbitration available?
- 
- 16 Intellectual Property:** Is IP registration available and reliable? What is the history of IP enforcement? Are trade secrets protected?
- 
- 17 Financial Reporting:** What accounting standards are used? What are the statutory audit requirements? What is the financial reporting calendar?
- 
- 18 Audit and Compliance:** Who are the credible audit firms in this country? What are the audit cost benchmarks?
- 
- 19 Anti-Corruption:** What is the corruption perception index score? What does the FCPA require of US companies operating here?
- 
- 20 Sanctions Screening:** Does this country have any OFAC, EU, or UN sanctions exposure? Are there entities on sanctions lists in this market?
- 

## The CFO's FX Hedging Policy: The Ten Required Elements

Every company with material foreign currency exposure should have a written FX hedging policy approved by the board or audit committee. In the absence of a written policy, individual hedging decisions are made ad hoc, without a framework, and without the governance oversight that risk management requires. A written policy protects the CFO, provides clarity to the treasury team, and ensures that the board has approved the risk management approach. The ten elements below represent the minimum content of any effective FX hedging policy.

<b>1. Objectives</b>	State explicitly whether the policy's goal is to eliminate FX risk entirely, reduce volatility in reported earnings, protect cash flow, or a combination. The objective determines every other policy choice.
<b>2. Scope of Exposures Covered</b>	Define which currency exposures are subject to the policy — transaction exposures above a minimum threshold, forecast exposures, balance sheet exposures, net investment exposures.
<b>3. Hedge Ratio</b>	Specify what percentage of each exposure type must be hedged — for example, 75% of confirmed transaction exposures, 50% of forecast exposures.
<b>4. Tenor</b>	Define the maximum hedging horizon — for example, forward contracts up to 18 months, options up to 12 months.
<b>5. Permitted Instruments</b>	List explicitly which instruments may be used — forwards, vanilla options, zero-cost collars — and which are prohibited (exotic derivatives, leveraged instruments).
<b>6. Counterparty Limits</b>	Define maximum exposure to any single counterparty and minimum credit rating requirements for FX counterparties.
<b>7. Approval Authorities</b>	Specify who can approve hedges of different sizes — treasurer, CFO, audit committee.
<b>8. Reporting Requirements</b>	Define the frequency and content of hedging activity reports to the CFO and board.
<b>9. Hedge Accounting Election</b>	State whether the company will seek hedge accounting under ASC 815 or IFRS 9, and if so, which relationship types.
<b>10. Policy Review</b>	Specify when the policy is reviewed — at minimum annually, and whenever the business model changes materially.

#### ■ THE POLICY AS PROTECTION

A written hedging policy is not bureaucracy. It is the CFO's protection. When a hedge incurs a mark-to-market loss — which every hedge eventually does when rates move favorably — the CFO who can point to a board-approved policy that specified the exact hedge ratio, instrument type, and tenor is in a fundamentally different position from the CFO who made an undocumented, ad hoc hedging decision. The policy converts a potentially controversial judgment call into a documented, approved, and defensible risk management decision.