

OVERALL WINNER

Best Short-term Investing Solution

JD.COM

China

Jeff Yu, Group Treasurer



Kheng Leong Cheah, J.P. Morgan Asset Management and Jeff Yu, JD.COM

Solution delivers increased returns for onshore and offshore cash holdings

Company profile

JD.COM is the largest online direct sales company in China and the largest retailer by net revenue. The company is also the first Chinese internet company to make the Fortune Global 500 list.

The challenge

Security and liquidity for cash investment are the priorities for this treasury department. As a new economy company, liquidity investment at JD is quite different from traditional industries, especially in terms of scale and frequency. How to expand more channels for cash investment within the scope of security and liquidity is always the concern. Currently, one of the major products is wealth management products (WMPs) from JD.COM's different bank partners. When investing in deposits or WMPs, their team evaluates different criteria such as term, counterparty risk, yield and liquidity, which is a systematic process for decision making. Jeff Yu, Group Treasurer of the company explains, "Our treasury team also saw the need for broader, more innovative liquidity solutions, an outgrowth of concerns about WMPs, particularly. Overall evaluation and elaborate analysis is always a must when choosing the products given the number of banks and products in the market; as our business grew both domestically and internationally, the absence of WMP equivalents in developed markets where we operate denied us a consistent global cash investment strategy."

The solution

The treasury team was determined to include a cross-border liquidity solution covering both US dollar and renminbi. With the accelerating pace of globalisation and their own growth and expansion, they wanted to establish a global cash investment platform for a diversified investment portfolio in mainland China, Hong Kong, Singapore and the US. A partner with seamless liquidity solutions across multiple countries was critical. "J.P. Morgan Asset Management's global presence and resources, expertise in a broad range of investment capabilities and dedicated client advisors in the region were well suited to our needs," recalls Yu.

The proposal was to invest in short-term cash investment strategies, including a US onshore Government money market fund (MMF), an offshore USD Liquidity Fund, and a China onshore AAA-rated RMB MMF (T+1) to reduce risk exposure and expand current investment channels. The headquartered treasury team also needed an efficient, real-time snapshot of the onshore and offshore investments. Utilising one global online investment portal, the proposal offered a convenient real-time snapshot of their cash investment holdings in multiple countries.

Best practice and innovation

This project highlighted the team's expertise and experience in delivering an innovative and creative solution to their treasury

operation, demonstrating best practice among their peers. The project's components included:

- Setting up fund accounts covering major markets globally.
- Setting up a global online investment platform that allows trades to be placed online. Account information, transaction history and enhanced reporting can be accessed across various currencies 24 hours a day, seven days a week.
- Regularly conducting service reviews and market update discussions with investment partners to ensure smooth daily operations.

Yu concludes, "The solution leveraged our investment partners' global reach, local expertise and robust credit and risk management processes. It will continue enhancing the efficiency of our liquidity management in various regions and across currencies. After reviewing various duration liquidity strategies our investment partners offered, we now also have an optimal cash segmentation strategy. Finally, outsourcing our liquidity management, including credit and risk analysis, to a trusted liquidity partner has given our treasurers time for investment decision-making."

Key benefits

- More time dedicated to investment decisions.
- Increased returns of approximately 20% on offshore USD cash holdings.
- Increased returns of approximately 10% on onshore RMB cash holdings.
- Reduced counterparty risk.
- Utilised partner's liquidity experts to develop an enhanced cash segmentation strategy, giving exposure to broad range of liquidity solutions spanning ten currencies and varied duration cash investment strategies (eg liquidity funds, managed reserves funds and short-term duration bond funds).