Consolidating bank relationships and accounts can give corporates increased visibility and control, as well as the prospect of lower operating costs and potentially higher investment returns from surplus funds.

Corporates that have grown rapidly, either through acquisition or organically, often find themselves with large numbers of bank relationships and accounts around the world. Both relationships and accounts are often inherited following M&A activity. And it can be tempting to simply go with an existing relationship bank when entering a new country, only to discover a need to work with a different bank later on (to gain access to local clearing systems, for example).

Managing multiple bank accounts and relationships – some mid-sized companies can have up to 50 banks – is complex, time-consuming and can be costly. Each bank has a proprietary online banking system with different functionality than others in the market; treasury staff need to be trained on multiple systems and monitor liquidity across several banks and accounts on a daily basis. Moreover, each account, even if dormant, may incur a fee.

Consequently, many companies are taking stock of their bank arrangements with a view to improving efficiency, control and visibility. Typically corporates address their banking structures in a series of phases (although it is also possible to take a ‘big bang’ approach).
How to Consolidate Bank Accounts

Account rationalization is usually corporates' first step. Companies should work through their current account list with their banks to identify duplicate accounts for the same entity or other accounts that are no longer required, such as those that were set up for a specific transaction or client relationship. Banks are well placed to let clients know about specific account functions – a seemingly superfluous account may be necessary to access local clearing for payroll purposes, for example.

By streamlining the number of accounts, companies can not only save fees but also improve risk management by centralizing information about who has access and accountability for each account. Account rationalization can also make reporting more straightforward.

The second phase of any rationalization program is bank consolidation. When consolidating bank activity, it is important to consider all aspects of the relationship. Credit is obviously critical to companies. But product range and footprint should be equally important criteria when making decisions (few international banks have a significant presence across multiple Latin American countries, for example).

From a visibility and control perspective, it might be preferable to consolidate all activity to a single bank (assuming they serve the markets where the company is present). However, to ensure continued access to multiple sources of credit or to access specific markets, companies often find it advantageous to select a few relationship banks.

Rationalization Delivers Results

By reducing the number of bank relationships from as many as 50 to just a handful, corporates can gain a number of benefits. Using fewer online banking systems is considerably safer: there are reduced risks from having multiple SafeWord cards that could be used to make payments, for instance. Fewer banking systems are also easier for treasury staff to monitor and use. Moreover, banks' online banking functionality may allow corporates to view all balances and activity – including those from third-party banks – in a single window (information is sent between banks using communication standards such as MT940 messages).

Perhaps most importantly, by improving visibility of funds – either by reducing the number of portals or potentially consolidating all activity to a single screen – companies are in a better position to make best use of their liquidity. They may be able to offset debits and credits between different entities or jurisdictions within the organization (avoiding overdraft costs) and fund them more efficiently.