



## Creating an efficient and scalable global liquidity structure for Iberdrola

As one of the world's largest utilities, Iberdrola continued to expand its network, acquiring UIL Holdings in 2015 and creating a new U.S.-listed company, Avangrid. However, this acquisition also came with a new set of challenges.

Given the globality of Iberdrola's business, the use of a multi-currency notional pool (MCNP) had become an essential part of their Treasury toolkit, allowing their lean team to manage short-term funding and liquidity across a vast business in an efficient, automated manner. Following continued international growth and U.S. expansion, it became evident that they needed a new banking partner to help them.

### Iberdrola's goals

Led by Treasury Manager Vanessa Edesa, the team wanted a new banking provider that could offer and commit to a sustainable MCNP structure, providing global visibility, control, and a flexible funding source. Based on the scale of Iberdrola's needs, it was key that the banking provider's balance sheet could accommodate their requirements, as well as comply with U.S. Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS).

These considerations led the company to award the business to Bank of America (BoFA). In collaboration with Iberdrola, and after detailed due diligence for the participating jurisdictions, the bank proposed a centralized multi-entity MCNP structure using a single umbrella credit facility to cover all subsidiaries in the pool — across all the relevant Iberdrola subsidiary jurisdictions.

### Achievements

BoFA's recommended liquidity overlay structure enabled Iberdrola to minimize disruption by maintaining operational accounts with their existing banking partners. To facilitate a smooth transition, the BoFA team implemented the solution with impressive speed, going from mandate to 'live' in just three months.

Based in London, the MCNP is funded by transfers from 11 group entities, across 7seven geographies and four time zones. Supporting a broad range of currencies, including Iberdrola's core (USD, EUR, GBP and CAD) and non-core currencies (RON and HUF), the MCNP provides Iberdrola with a net notional position in a single currency. Balances in the participating accounts are notionally converted using transparent Reuter's mid-market rates.

The MCNP mitigates intercompany loans and provides a flexible working capital funding source for group entities in multiple currencies — all through a single pool of funds accessible to all participant entities. In addition, Iberdrola is able to efficiently manage currency flows and mitigate the need to perform up to 400 foreign exchange (FX) transactions and/or swaps per year required to fund short term requirements. This has resulted in significant cost reductions, streamlined and minimized the administrative burden of FX transactions, and reduced correspondent banking costs.

Iberdrola now has true global visibility of its cash position from its participating entities, via a single global platform. This complete solution meets their immediate needs, with the scalability of a sustainable, long-term solution.

**Winner:** [Treasury Today Adam Smith Award 2018 for Best Liquidity Management Solution.](#)

