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Advances in Multinational Cash Flow Consolidation and FX Risk Control Using Tiered Treasury Architecture

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Abstract*—This review explores the advances in multinational cash flow consolidation and foreign exchange (FX) risk control through the implementation of tiered treasury architecture. Multinational corporations (MNCs) face significant challenges in managing global cash flows and mitigating FX risks due to varying regulatory environments, currency volatility, and complex operational structures. Effective cash flow management and FX risk control are crucial for optimizing financial performance, ensuring liquidity, and safeguarding against currency fluctuations.The concept of tiered treasury architecture is examined, which involves the integration of centralized, decentralized, and hybrid treasury models to streamline treasury functions across multiple jurisdictions. This architecture enables MNCs to consolidate cash flows from various subsidiaries, enhancing visibility and control over global liquidity positions. Moreover, it allows for more efficient management of FX risk by centralizing risk management strategies, optimizing hedging techniques, and ensuring uniformity in currency exposure across borders.Key methods for cash flow consolidation, such as cash pooling and cash concentration strategies, are discussed, along with the role of real-time data analytics and digital platforms in enabling efficient management. This also highlights the various FX risk management strategies, including hedging tools like forwards, options, and swaps, and the way tiered treasury systems can integrate these strategies for more effective control.The integration of technological advancements such as cloud-based Treasury Management Systems (TMS), machine learning, and AI for predictive analytics is also addressed as crucial enablers for the future of multinational treasury operations. Ultimately, this provides insights into how tiered treasury architecture can drive improvements in both cash flow consolidation and FX risk management, offering a strategic framework for MNCs to navigate global financial complexities.

***Keywords*—Advancement, Multinational, Cash flow, Consolidation, FX risk, Tiered treasury, Architecture**

I. INTRODUCTION

Multinational treasury management is a critical function within global corporations, tasked with overseeing and optimizing the financial operations of a company's subsidiaries across different countries (Shapiro and Hanouna, 2019; Adekunle*et al*., 2021). The role of the corporate treasury has expanded significantly with globalization, and modern treasurers are expected to manage diverse risks, including liquidity management, foreign exchange (FX) risk, and cash flow consolidation. As multinational corporations (MNCs) operate across multiple jurisdictions, managing cash flows and controlling FX exposure can be complex due to fluctuating currencies, diverse regulatory environments, and varying financial practices (Harris and Rajgopal, 2018; Zubairuand Iddrisu, 2019). In this context, the need for advanced systems and strategies to streamline treasury operations has never been more pronounced.

Effective cash flow consolidation and FX risk control are crucial for MNCs as they directly impact the financial health, operational efficiency, and risk mitigation strategies of the organization (Madura*et al*., 2018; Oxelheim*et al*., 2020). Cash flow consolidation allows organizations to centralize and manage liquidity, providing real-time visibility into the company's global cash position. This, in turn, enables better decision-making and more efficient allocation of funds across subsidiaries. However, without effective management of foreign exchange risk, multinational companies are exposed to currency fluctuations that can lead to significant financial losses. Thus, establishing robust systems for cash flow optimization and FX risk control is essential to maintain operational stability and ensure competitiveness in the global marketplace (Jonasson*et al*., 2018; Kazbekova*et al*., 2020).

The purpose of this is to explore the concept of tiered treasury architecture, an advanced approach that has emerged to address the challenges of multinational cash flow consolidation and FX risk control. Tiered treasury architecture incorporates centralized, decentralized, and hybrid treasury models that provide MNCs with the flexibility to adapt to local and global financial landscapes while ensuring efficient financial management. This aims to highlight the role of tiered treasury architecture in improving the management of multinational cash flows and FX risk by examining the key principles, strategies, and technological advancements that contribute to its effectiveness. Through this exploration, this will demonstrate how this advanced treasury approach can optimize liquidity management, improve FX risk hedging, and enhance financial performance across multinational firms.

Ultimately, this will provide insights into the importance of tiered treasury architecture in modern multinational treasury operations and offer recommendations for organizations seeking to optimize their treasury strategies in an increasingly complex global economy. By exploring real-world examples, technologies, and strategies, this will emphasize the growing need for advanced treasury systems to navigate the challenges posed by the global financial environment.

II. METHODOLOGY

The PRISMA methodology for this systematic review on "Advances in Multinational Cash Flow Consolidation and FX Risk Control Using Tiered Treasury Architecture" is structured to ensure a transparent and comprehensive synthesis of the relevant literature. The search strategy was designed to capture studies published across various databases, focusing on key aspects of multinational treasury management, specifically cash flow consolidation, foreign exchange (FX) risk control, and tiered treasury architecture. Key databases such as Scopus, Web of Science, JSTOR, and Google Scholar were utilized, with search terms including "multinational treasury," "cash flow consolidation," "FX risk management," "tiered treasury architecture," "liquidity management," and "foreign exchange risk control."

The initial phase of the review involved the identification of relevant studies based on their titles and abstracts. The inclusion criteria were studies that discussed methodologies, models, or case studies on multinational cash flow management, FX risk control, or treasury architecture in the context of global corporations. Articles were included if they provided insights into either theoretical advancements or practical applications of tiered treasury systems in managing multinational financial operations. Articles were excluded if they focused solely on domestic treasury management or did not involve multinational corporations. Studies published in peer-reviewed journals, books, and conference proceedings between 2000 and 2023 were considered for inclusion.

Following the initial identification, the full-text review process was conducted to evaluate the methodological rigor and relevance of each study. This phase ensured that studies included in the review were aligned with the scope of the research questions. Only studies that demonstrated sufficient data quality, robustness of methodology, and relevance to the objectives of this review were included for analysis. For each study, information was extracted concerning the treasury strategies employed, technological solutions implemented, and outcomes related to FX risk control and cash flow consolidation.

Data synthesis was conducted through a qualitative analysis, identifying common themes, trends, and gaps within the literature. Particular attention was paid to the practical application of tiered treasury architecture and its role in addressing the unique challenges faced by multinational corporations, especially those operating in volatile markets. Additionally, any disparities in the effectiveness of the approaches across different geographic regions, as well as industry-specific practices, were highlighted.

The final stage of the PRISMA methodology involved the assessment of the overall quality and reliability of the studies reviewed. This assessment informed the synthesis of best practices in cash flow consolidation and FX risk management using tiered treasury architecture, with an emphasis on the scalability of these systems across various organizational structures and international environments. Through this structured methodology,

the review aims to provide a comprehensive overview of the advances in multinational cash flow consolidation and FX risk control, offering valuable insights for corporate treasury managers and policymakers seeking to enhance global treasury operations.

2.1 Background of Cash Flow Consolidation and FX Risk

Cash flow consolidation and foreign exchange (FX) risk management are critical components of financial operations in multinational firms, particularly those that engage in cross-border transactions. In an increasingly globalized economy, effective management of cash flows and FX risks is vital to ensure financial stability, optimize liquidity, and protect against adverse market movements (Sikarwar, 2018; Avdjiev*et al*., 2019). This explores the significance of cash flow consolidation and FX risk management, the challenges involved in these processes, and the importance of developing effective strategies to mitigate associated risks.

Cash flow consolidation refers to the process of combining and managing the cash flows from different subsidiaries or branches of a multinational corporation (MNC) into a single, unified structure. This process allows companies to streamline financial reporting, improve liquidity management, and reduce the overall financial costs associated with currency exchange and cross-border financing. By consolidating cash flows, MNCs can better understand their global liquidity position, prioritize capital allocation, and optimize working capital. Furthermore, centralized cash flow management facilitates easier access to financing and helps companies avoid unnecessary borrowing costs, as surpluses from one region can offset deficits in another (Madura*et al*., 2018; Chen*et al*., 2019).

The significance of cash flow consolidation lies in its ability to enhance visibility and control over a company's global financial operations. Through efficient consolidation, MNCs can reduce cash holding costs, enhance financial forecasting, and improve cash deployment strategies. This allows for more effective strategic decision-making, such as determining when and where to deploy capital or when to repatriate funds. Consolidating cash flow also allows MNCs to streamline their accounting processes and ensure compliance with local and international accounting standards. The ability to manage cash efficiently is crucial for multinational firms operating in competitive and volatile global markets.

Foreign exchange (FX) risk management is equally important for multinational firms that engage in cross-border operations. FX risk arises from fluctuations in exchange rates that affect the value of revenues, expenses, assets, and liabilities denominated in foreign currencies (Okika*et al*., 2018; Rao*et al*., 2020). This risk can be particularly significant for companies that operate in multiple regions with unstable or highly volatile currencies. FX risk exposure can result in significant financial losses, especially if currency fluctuations occur unexpectedly. Therefore, effective FX risk management strategies are essential to protect against adverse currency movements and maintain profitability.

The importance of FX risk management lies in the fact that even minor fluctuations in exchange rates can significantly impact a multinational corporation's bottom line. For example, a sudden depreciation of a foreign currency against the home currency can increase the cost of imported materials, reduce the value of foreign earnings when converted back into the home currency, and affect the overall financial stability of the company. On the other hand, an appreciation of the local currency can reduce the competitiveness of a company's products in foreign markets, making it more difficult to maintain market share and profitability.

Managing FX risk requires a comprehensive approach that includes both natural hedging strategies (such as matching revenues and costs in the same currency) and financial hedging instruments like forwards, futures, options, and swaps (Bash*et al*., 2018; Ramadugu*et al*., 2020). Companies also use netting and consolidation techniques to manage currency risk by offsetting their currency exposures across different markets. These strategies help minimize the impact of exchange rate fluctuations, ensuring that the company can remain competitive and maintain a stable financial position.

However, managing cash flows and FX risks across borders presents significant challenges. Currency volatility, one of the most prominent challenges, can lead to unexpected swings in exchange rates, making it difficult for MNCs to predict cash flows and plan for future expenses (Bartsch, 2019; Yavasand

Malladi, 2020). This volatility can also result in higher hedging costs and increase the complexity of managing FX risk.

Additionally, the regulatory complexity associated with cross-border transactions presents another challenge. Different countries have varying financial regulations, tax policies, and compliance requirements that can complicate the process of managing cash flows and FX risk. These regulatory differences can create inefficiencies in the flow of capital across borders and introduce legal and operational risks for multinational firms. Furthermore, local banking systems, capital controls, and restrictions on currency convertibility can hinder the movement of funds and add another layer of complexity to cash flow management.

Cash flow consolidation and FX risk management are essential for multinational firms to operate effectively in the global marketplace. The process of consolidating cash flows allows MNCs to gain greater visibility and control over their liquidity, while FX risk management strategies help mitigate the negative impact of currency fluctuations. However, these processes are not without challenges, including currency volatility, regulatory complexity, and differing local market conditions (Cumming*et al*., 2019; Nor*et al*., 2020). To overcome these obstacles, multinational firms must implement sophisticated treasury management systems and develop comprehensive risk mitigation strategies to protect their financial interests and ensure operational efficiency.

2.2Tiered Treasury Architecture: Concept and Structure

Tiered treasury architecture is an advanced approach to treasury management, especially for multinational corporations (MNCs) operating across diverse geographical locations and financial markets. This system seeks to optimize the management of cash, liquidity, and foreign exchange risks, while ensuring compliance with regional regulations and financial requirements as shown in figure 1. The tiered structure enables the centralization and decentralization of treasury operations, allowing MNCs to balance global financial control with regional flexibility (Telukdarie*et al*., 2018; Zhang*et al*., 2019). This explores the concept of tiered treasury architecture, its structural components, the integration of treasury functions across regions and subsidiaries, and the role of technology in enabling its efficient operation.

Tiered treasury architecture refers to a hierarchical system for managing financial operations within multinational organizations. The system is designed to provide a clear framework for the management of cash flows, foreign exchange (FX) risks, liquidity, and financial reporting across various subsidiaries, business units, and geographical regions. In a tiered structure, treasury functions are distributed between different levels of the organizationcentralized at the corporate headquarters, decentralized within regional subsidiaries, or a hybrid of both. Each level plays a distinct role in the treasury process, and the integration of these functions enables seamless coordination and optimization of financial resources.

The central concept of tiered treasury architecture is to create a system that maximizes control at the top level while granting the necessary operational flexibility at the local level (Wontner*et al*., 2020; Hashim*et al*., 2020). This system helps organizations manage diverse financial needs, ensure efficient allocation of capital, and respond quickly to local market conditions and risks. By doing so, it supports the overall strategic objectives of the multinational organization, including financial stability, cost optimization, and risk mitigation.

In the context of tiered treasury architecture, three primary models are often utilized: centralized, decentralized, and hybrid treasury models.Centralized Treasury Model, the treasury function is concentrated at the corporate level, typically at the headquarters of the MNC. The central treasury unit manages all key financial activities, such as cash management, liquidity, and foreign exchange (FX) risk, across the entire organization. This approach provides greater control and oversight, reduces duplication of effort, and optimizes the management of global cash resources. Centralization enables the company to negotiate better financing terms and establish more efficient capital allocation practices. However, it may lack the flexibility to respond swiftly to regional market fluctuations or local regulatory changes.

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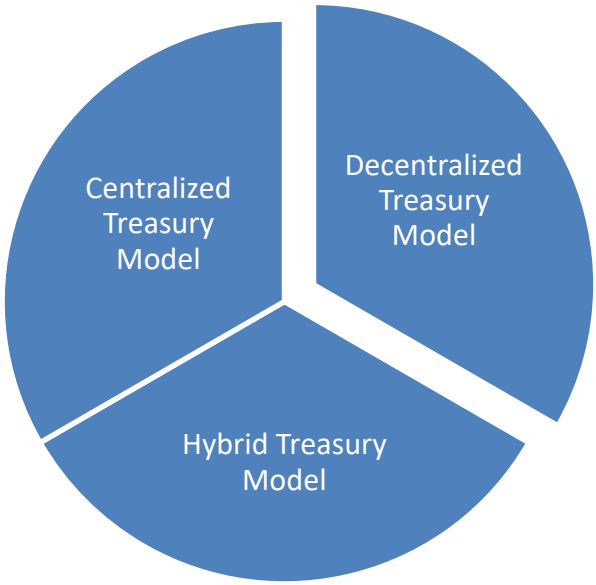

Figure 1: Tiered Treasury Architecture

Decentralized Treasury Model, here, treasury operations are distributed across various regional or subsidiary units. Each region has its own treasury team responsible for managing cash, liquidity, and local risks independently of the corporate treasury. This model allows for greater responsiveness to local conditions, regional market dynamics, and compliance with local regulations. However, it may lead to inefficiencies due to duplication of effort, lack of coordination, and increased administrative costs. Additionally, decentralized systems may face challenges in ensuring consistent financial reporting and governance across the organization (Zachariadis*et al*., 2019; Rikken*et al*., 2019).

The hybrid model combines elements of both centralized and decentralized treasury operations. In this model, strategic decisions and high-level cash management functions are handled centrally, while operational activities and regional risks are managed locally. The hybrid approach balances the need for control and efficiency with the requirement for regional flexibility and responsiveness. This model is ideal for MNCs that operate in diverse regions with varying economic conditions, regulatory environments, and financial needs.

A key feature of tiered treasury architecture is its ability to integrate various treasury functions across regions and subsidiaries. The integration enables the multinational corporation to optimize cash flow management, streamline liquidity forecasting, and ensure that capital is allocated effectively across the organization (Alhadhramiand Nobanee, 2019; Polak*et al*., 2020). Centralized treasury functions, such as cash pooling and cash concentration, allow the company to consolidate funds from various subsidiaries into a central account, which can be used to finance global operations. This reduces the need for external financing and helps minimize idle cash holdings in low-interest markets.

At the regional level, subsidiaries are empowered to manage day-to-day operations, such as local currency cash management, payments, and receivables. Local treasury teams can respond to market fluctuations and make decisions based on their regional expertise. The hybrid approach ensures that subsidiaries have the flexibility to manage local risks, such as FX volatility, while maintaining alignment with global financial strategies. This integration of local and central functions enables efficient risk management, improves liquidity forecasting, and enhances financial decision-making across the organization.

Technology plays a crucial role in enabling the effective operation of tiered treasury systems. Modern treasury management systems (TMS) and enterprise resource planning (ERP) software integrate financial data from various regions and subsidiaries, providing a unified platform for cash management, liquidity forecasting, and financial

reporting. These systems allow treasury teams to track cash positions, monitor currency exposures, and execute transactions in real time, improving decision-making and ensuring better control over financial resources.

Automation tools and digital platforms are also integral to the operation of tiered treasury models. Furthermore, cloud-based treasury solutions allow for real-time data access and collaboration among treasury teams across different regions, enabling seamless communication and coordination (Nicoletti, 2018; Ubaldi*et al*., 2019). This technological integration enhances the efficiency and scalability of treasury operations, enabling multinational firms to adapt to the complexities of managing financial resources across diverse markets.

Tiered treasury architecture provides an effective framework for multinational corporations to manage cash flow, liquidity, and FX risk across diverse regions. By leveraging centralized, decentralized, or hybrid models, MNCs can optimize financial operations and align their treasury functions with their global strategic objectives. The integration of technology further enhances the efficiency of tiered systems, enabling real-time decision-making and streamlined financial management. As multinational corporations continue to navigate complex global financial landscapes, the adoption of tiered treasury systems will play a critical role in enhancing financial control, minimizing risk, and improving overall operational performance.

2.3 Cash Flow Consolidation in Multinational Firms

Cash flow consolidation is an essential component of effective financial management for multinational corporations (MNCs) (Dumanskaand Ponomaryova, 2019; Arnoldand Lewis, 2019). It involves the integration of cash flows from various subsidiaries, business units, and geographical regions into a centralized framework, allowing for a clearer view of the company's global liquidity position as shown in figure 2. By efficiently consolidating cash flows, MNCs can optimize their financial operations, reduce the cost of external financing, enhance liquidity management, and ensure compliance with both local and international financial regulations. This explores the techniques used for consolidating global cash flows, the challenges associated with cash flow consolidation, and the role of real-time data analytics and digital platforms in enhancing the consolidation process.

Effective cash flow consolidation requires the use of robust techniques that allow multinational firms to manage their global liquidity efficiently. Among the most widely used techniques are cash pooling systems and cash concentration strategies.

Cash pooling is a technique used to optimize the management of cash across different subsidiaries by centralizing the firm's cash balances into one or more pooled accounts. There are two primary types of cash pooling systems: physical and notional.

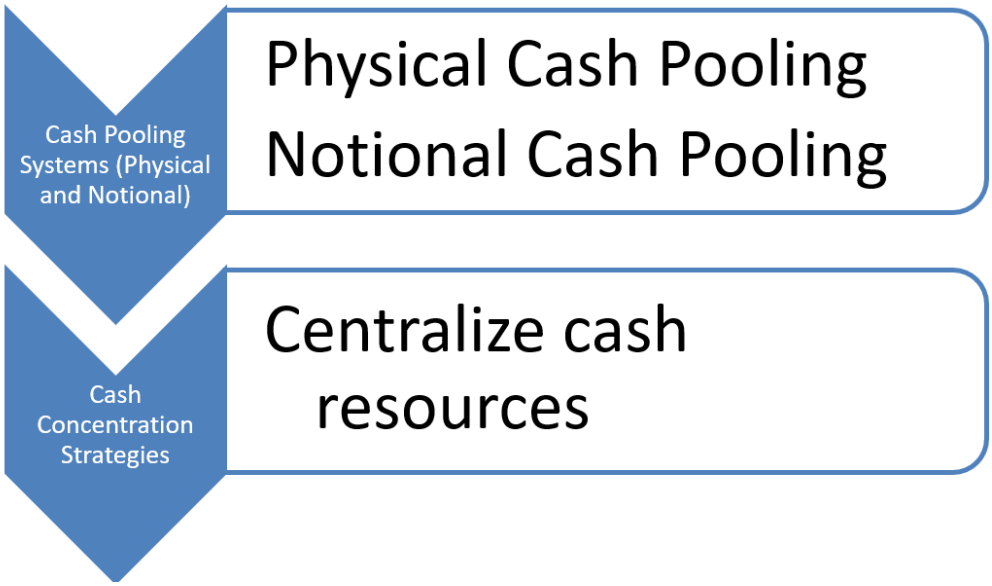

Figure 2: Techniques for Consolidating Global Cash Flows

Physical Cash Pooling, in this system, actual cash from various subsidiaries is transferred into a central account. The central treasury then manages the pooled funds, which can be used to settle obligations, make investments, or fund operations across the corporation. Physical cash pooling allows for a more tangible centralization of funds and reduces the need for external borrowing. However, it requires careful management of intercompany loans and can be subject to local regulatory restrictions.Notional Cash Pooling, unlike physical pooling, notional cash pooling allows the firm to offset the positive and negative cash positions of its subsidiaries without the actual transfer of funds (Daoand Maggi, 2018; Mucelli*et al*., 2020). The central treasury calculates the net balance of each subsidiary's account, and interest is paid on the net balance. This system is more flexible than physical pooling, as it avoids the complexities of fund transfers and intercompany borrowing, but it still provides the benefits of cash concentration. However, notional pooling is only available in jurisdictions where local regulations permit it.

Cash concentration involves the systematic movement of funds from regional or local accounts to a central account. The objective is to centralize cash resources to ensure liquidity optimization and to reduce borrowing costs. This strategy typically involves the use of overnight sweeps, where excess cash is moved into a central account at the end of each business day. Cash concentration enables MNCs to leverage their centralized cash positions for investments, debt repayment, or funding other subsidiaries. The key challenge, however, is managing cross-border transfer fees, tax implications, and compliance with different countries' financial regulations.

Consolidating cash flows across multiple regions and jurisdictions presents several challenges, many of which arise due to the complexities of international operations.
Different countries have varying regulations governing cash management, currency controls, and repatriation of profits. For example, some regions may have restrictions on cross-border payments or taxes on intercompany transfers, making cash pooling or concentration strategies more difficult to implement. Ensuring compliance with local tax laws, exchange controls, and banking regulations is a critical challenge for multinational firms that wish to maintain smooth cash flow consolidation operations (Wadesango*et al*., 2018; Prichard*et al*., 2019).

Multinational firms often operate in regions with different currencies, exposing them to significant foreign exchange (FX) risk. Currency volatility can complicate cash flow forecasting and cash pooling strategies, as fluctuations in exchange rates may affect the value of funds held in local accounts. Managing FX risk is therefore an essential component of global cash flow consolidation, and MNCs must employ hedging strategies, such as forward contracts or options, to mitigate this risk.

Consolidating cash flows from multiple subsidiaries requires coordination across different departments, regions, and time zones. Differences in accounting systems, reporting standards, and local banking practices further increase the operational complexity of cash flow consolidation. Ensuring that each subsidiary complies with corporate policies and maintains accurate and timely financial records is essential for a successful consolidation process (Zhang*et al*., 2019; Root, 2019).

To overcome these challenges, multinational firms should adopt a set of best practices to optimize their cash flow consolidation processes.
A robust treasury policy is crucial for guiding the cash flow consolidation process. This policy should define the roles and responsibilities of the corporate treasury, subsidiaries, and regional units, establish standardized procedures for fund transfers and reporting, and outline guidelines for managing FX risk and liquidity. Additionally, firms should ensure that policies are adapted to local market conditions and comply with jurisdiction-specific regulations.

Technology plays a key role in streamlining the cash flow consolidation process. Treasury management systems (TMS), enterprise resource planning (ERP) platforms, and cash management tools can automate cash flow tracking, forecasting, and reporting. By using integrated platforms, MNCs can gain real-time visibility into global cash positions, enabling better decision-making and improving the efficiency of consolidation (Telukdarie*et al*., 2018; Sklyar*et al*., 2019). Furthermore, these platforms can facilitate the transfer of funds between subsidiaries, reducing the time and costs associated with manual processes.

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The use of real-time data analytics and digital platforms has revolutionized the approach to cash flow consolidation. With advancements in data analytics, MNCs can now analyze vast amounts of financial data to gain insights into their liquidity positions, forecast cash needs, and optimize cash management strategies. Real-time monitoring of cash positions and FX exposures allows for quicker responses to market fluctuations, enabling MNCs to maintain optimal cash levels and reduce the need for short-term borrowing.

Digital platforms, such as cloud-based treasury management systems, enable seamless communication and coordination between corporate and regional treasury teams, ensuring that cash flows are consolidated efficiently. These platforms also allow for better risk management by providing timely alerts on changes in currency values, interest rates, and liquidity conditions. The ability to access real-time data helps multinational firms make informed decisions regarding intercompany transfers, hedging strategies, and investment opportunities, ultimately enhancing overall financial performance (Tallman*et al*., 2018; Ozcan, 2018).

Cash flow consolidation is a critical function for multinational firms, ensuring that global liquidity is optimized and that financial resources are allocated efficiently across the organization. Techniques such as cash pooling and concentration, along with the integration of real-time data analytics and digital platforms, play a vital role in streamlining this process (Fredson*et al*., 2021; Alonge*et al*., 2021). By addressing challenges related to regulatory compliance, currency risk, and operational complexity, MNCs can enhance their cash flow management strategies and improve financial performance across regions. As multinational firms continue to expand globally, the effective consolidation of cash flows will remain essential for driving financial efficiency and ensuring sustainable growth.

2.4 FX Risk Control: Techniques and Strategies

Foreign exchange (FX) risk is a significant challenge faced by multinational corporations (MNCs) operating in multiple countries with different currencies. FX risk arises from fluctuations in currency exchange rates that can impact a company's financial performance and overall competitiveness a shown in figure 3. The management of this risk is crucial for maintaining profitability, particularly for corporations that engage in cross-border transactions, hold foreign assets, or derive revenue from international markets (Chukwuma-Eke*et al*., 2021; Adekunle*et al*., 2021). This explores the different types of FX risks faced by MNCs, the hedging strategies employed for risk mitigation, and the role of tiered treasury architecture in managing FX risks. Additionally, it examines the coordination of hedging strategies in centralized and decentralized treasury models.

MNCs are exposed to various types of FX risks, each with distinct implications for financial performance. These risks can be categorized into three main types: transaction exposure, translation exposure, and economic exposure.

Transaction exposure arises from the effect of exchange rate fluctuations on a company's obligations resulting from foreign currency-denominated transactions. These transactions may include the purchase of goods and services, the borrowing or lending of funds, or the sale of assets in foreign currencies (Alonge*et al*., 2021; Adewale*et al*., 2021). Changes in exchange rates can lead to gains or losses depending on the timing of the transaction and the exchange rate fluctuations between the contract date and settlement date.

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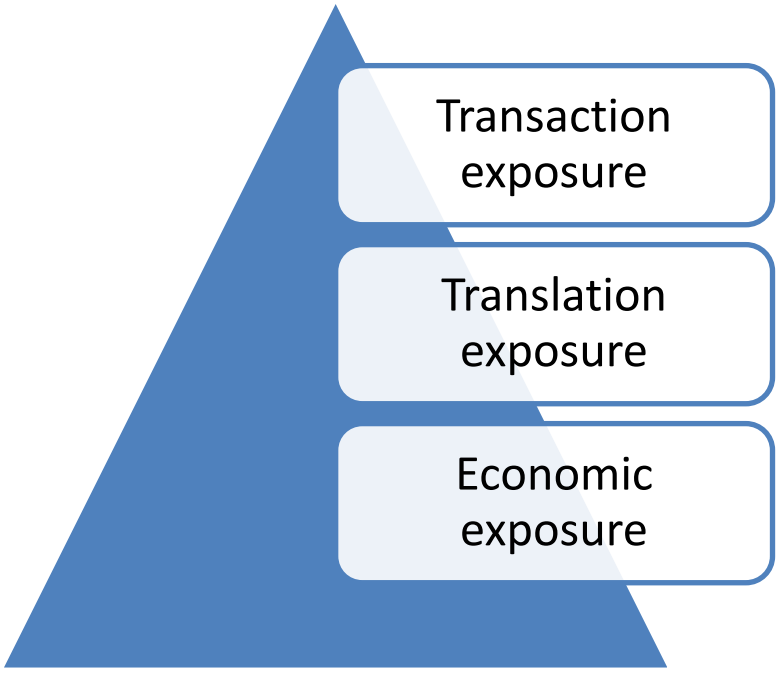

Figure 3: Various types of FX risks

Translation exposure occurs when a company consolidates financial statements from subsidiaries operating in foreign countries. The need to convert foreign currency-denominated financial statements into the parent company's functional currency creates translation risk. This type of exposure impacts the reported financial results and may affect the company's balance sheet, income statement, and equity, even though there is no actual cash flow impact (Hassan*et al*., 2021; Elumilade*et al*., 2021).

Economic exposure refers to the risk that fluctuations in exchange rates may affect the company's competitive position in the global market. This type of exposure is often long-term and affects the company's market value and future cash flows. For example, a company that competes in the international market may see its products become more expensive or cheaper depending on currency fluctuations, which can influence demand, sales, and profitability.

To mitigate FX risks, MNCs implement hedging strategies that protect them against the negative impact of currency fluctuations. Several tools and financial instruments are used for this purpose, including forward contracts, options, and swaps.

Forward contracts are agreements between two parties to exchange currencies at a specified future date at a predetermined exchange rate. This strategy helps MNCs lock in a favorable exchange rate for future transactions, thereby reducing the risk of currency fluctuations (Alonge*et al*., 2021; Egbuhuzor*et al*., 2021). Forward contracts are often used to hedge transaction exposure, providing certainty about future cash flows in foreign currencies.

FX options give the holder the right, but not the obligation, to exchange currencies at a predetermined rate on or before a specified date. Unlike forward contracts, options offer greater flexibility, as they allow MNCs to benefit from favorable exchange rate movements while protecting against unfavorable ones. Options are often used to hedge both transaction and economic exposures, especially when the company faces uncertainty about future exchange rate movements.

Currency swaps are agreements between two parties to exchange cash flows in different currencies. Typically, one party will agree to pay a fixed or floating interest rate in one currency while receiving interest payments in another currency. Currency swaps can be used to hedge both transaction and economic exposures, particularly for MNCs that have long-term foreign currency liabilities or assets (Ajayi*et al*., 2021; Akhigbe*et al*., 2021).

Tiered treasury architecture is a sophisticated approach to treasury management that involves the

centralization of key treasury functions while allowing for regional or local autonomy in certain areas. This approach is particularly beneficial in managing FX risk across multinational corporations, as it enables the efficient coordination of hedging activities and cash flow management.

In a tiered treasury model, the central treasury typically oversees the global liquidity position and manages the company's overall FX risk exposure. It sets policies, approves hedging strategies, and implements centralized cash management and liquidity pooling systems (Agbede*et al*., 2021; Odio*et al*., 2021). Meanwhile, regional treasuries or local subsidiaries may have the responsibility for managing day-to-day operations and executing specific hedging strategies in compliance with the corporate policies set by the central treasury.

The tiered treasury model streamlines FX risk management by providing a structured framework for hedging decisions and ensuring consistent risk management practices across the organization. It enables the central treasury to monitor global FX exposures, implement macro-level hedging strategies, and manage relationships with external financial institutions while allowing regional teams to adapt to local market conditions.

MNCs can adopt either a centralized or decentralized approach to manage FX risk, each with its own set of advantages and challenges.
In a centralized treasury structure, the global treasury function is centralized at the corporate headquarters, which is responsible for managing the company's overall FX exposure. The central treasury develops and implements hedging strategies, oversees the use of financial instruments, and ensures compliance with corporate policies. This approach offers several benefits, such as economies of scale in hedging and better visibility of the company's total FX exposure. However, it may lack flexibility in responding to local market conditions and could result in slower decision-making in decentralized regions (Nwaozomudoh*et al*., 2201).

In a decentralized treasury structure, regional or subsidiary treasuries have more autonomy and responsibility for managing their own FX risk exposures. Regional treasuries are better positioned to respond to local market conditions and make hedging decisions that align with regional financial strategies. However, this approach can lead to inefficiencies, as local subsidiaries may lack the global perspective needed to optimize overall FX risk management. Additionally, a decentralized approach can result in higher costs, as each region may have to negotiate its own hedging contracts and manage its own FX exposure (Abisoyeand Akerele, 2021; Adewale*et al*., 2201).

The hybrid approach, which combines centralized oversight with decentralized execution, can offer a middle ground. This allows MNCs to maintain control over overall risk management while empowering regional teams to act autonomously when necessary.
FX risk management is a critical aspect of treasury management for multinational corporations operating in diverse and volatile currency markets. Through the use of hedging strategies such as forward contracts, options, and swaps, MNCs can mitigate the risks associated with transaction, translation, and economic exposure. Tiered treasury architecture plays a significant role in streamlining the management of FX risk by centralizing key functions while allowing for local flexibility. The choice between centralized and decentralized approaches depends on the specific needs of the organization, and a hybrid model often offers the best of both worlds. Effective FX risk management is essential for ensuring financial stability, enhancing competitiveness, and protecting profitability in a globalized marketplace (Oyeniyi*et al*., 2021; Fredson*et al*., 2021).

2.5 Benefits of Tiered Treasury Architecture for Cash Flow and FX Risk Management
The role of treasury management in multinational corporations (MNCs) has evolved in complexity as businesses continue to expand across borders and engage in more sophisticated financial activities (Ogungbenle and Omowole, 2012; Faith, 2018). One key strategy for effective financial management in MNCs is tiered treasury architecture, which integrates centralized and decentralized functions to enhance the management of global cash flows and foreign exchange (FX) risks. This architecture provides numerous benefits, ranging from improved visibility and control over global cash positions to better coordination of financial strategies across subsidiaries. In this review, we explore the key advantages of tiered treasury architecture for managing cash flow and FX risks.

One of the primary benefits of tiered treasury architecture is enhanced visibility and control over global cash positions. Multinational corporations often face challenges in managing liquidity across different jurisdictions due to the complexity of local banking systems, varying regulations, and different financial practices in each region. With a tiered treasury structure, companies can centralize the oversight of cash positions while maintaining the flexibility of regional treasury functions. This centralization allows for real-time tracking and consolidation of cash flows across subsidiaries, providing corporate treasuries with a holistic view of the company's global liquidity position.

Centralized treasury systems allow for better monitoring of excess or idle cash in different regions, which can then be redistributed across subsidiaries or invested to optimize returns. With greater visibility, corporate treasurers can make more informed decisions regarding cash management, ensuring that liquidity is allocated effectively to meet operational needs, strategic investments, and financial obligations. Additionally, centralizing cash management helps in identifying potential risks related to currency fluctuations and regulatory changes, which can be proactively addressed (Shapiroand Hanouna, 2019; Belkeand Beretta, 2020).

Foreign exchange (FX) risk is an inherent challenge for multinational corporations operating across different currency zones. FX risk can arise from transaction exposure (e.g., payments or receipts in foreign currencies), translation exposure (e.g., consolidation of foreign subsidiaries' financial statements), and economic exposure (e.g., changes in exchange rates affecting long-term competitiveness). Effective management of FX risk is critical for maintaining profitability and financial stability. Tiered treasury architecture offers significant advantages in managing FX risks through centralized oversight and coordination.

In a tiered treasury structure, the corporate treasury takes a central role in formulating and implementing FX risk management strategies. This centralized approach ensures that the company's hedging activities are coordinated globally, optimizing the use of financial instruments such as forward contracts, options, and swaps. By consolidating FX risk management, MNCs can benefit from economies of scale when negotiating with financial institutions, reducing transaction costs and increasing the efficiency of their hedging programs (Fletcherand Purvey, 2018; Jacque, 2019).

Moreover, centralized oversight ensures consistent implementation of hedging strategies across subsidiaries, preventing discrepancies in hedging practices and minimizing exposure to currency fluctuations. Regional treasuries, while maintaining local autonomy, operate within the framework set by the central treasury, ensuring that all units are aligned with the global risk management strategy.

Cross-border financing and liquidity management are two of the most significant challenges faced by multinational corporations. The need for efficient management of cash flows across borders is driven by factors such as differing tax regimes, currency controls, and local liquidity conditions. Tiered treasury architecture can significantly improve efficiency in this regard by facilitating the coordination of funding and liquidity management across jurisdictions (Ajibade*et al*., 2018; Ikechukwu, 2018).

Centralized treasury systems enable MNCs to optimize their global liquidity position by allowing for the pooling and concentration of cash from various subsidiaries. With cash pooling techniques such as physical and notional pooling, corporations can reduce their reliance on external financing by redistributing funds internally. This not only reduces financing costs but also ensures that subsidiaries have the liquidity they need to operate without having to rely on external credit lines.

Furthermore, tiered treasury systems allow for more effective management of cash flow across borders. For example, companies can centralize their foreign currency exposure and optimize their use of financial instruments to reduce the costs of holding and transferring funds across jurisdictions. This integration of regional treasury operations into a centralized system improves cash flow forecasting and liquidity planning, enabling better decision-making and resource allocation across the organization.

Tiered treasury architecture enhances the alignment of financial strategies across subsidiaries, ensuring

consistency in the management of both cash flows and risks (Treasury, 2018; Francis, 2019). MNCs face the challenge of balancing global financial objectives with regional operational needs. Without a coordinated approach, different subsidiaries may adopt conflicting financial strategies, leading to inefficiencies, increased exposure to financial risks, and missed opportunities for cost savings.

A tiered treasury system ensures that financial strategies, including liquidity management and FX risk mitigation, are aligned with the company's overall corporate goals. Centralized control of treasury functions allows the corporate treasury to set global policies and frameworks for cash management, risk mitigation, and financial reporting, which are then implemented by regional treasuries within the boundaries set by the corporate office. This ensures that subsidiaries operate within a unified financial strategy while still having the flexibility to adapt to local market conditions.

Moreover, by aligning financial strategies across regions, companies can better manage and mitigate risks such as geopolitical volatility, regulatory changes, and economic shocks. A centralized approach enables faster response times to market changes, as the central treasury can quickly adapt its strategies and communicate changes to regional teams. This alignment also allows for more consistent monitoring of risks, ensuring that potential threats are identified and managed proactively.

Tiered treasury architecture provides substantial benefits for multinational corporations seeking to streamline their cash flow management and FX risk mitigation processes. Through enhanced visibility and centralized control over global cash positions, MNCs can improve their ability to manage liquidity efficiently across subsidiaries and regions. The integration of centralized FX risk management ensures that hedging strategies are consistent and effective, reducing the risks posed by currency fluctuations. Furthermore, tiered treasury systems enhance efficiency in cross-border financing and liquidity management, while aligning financial strategies across regions to create a unified approach to global risk management (Qiu*et al*., 2019; Kick*et al*., 2020). As multinational corporations continue to expand and operate in increasingly complex environments, adopting tiered treasury architecture will be crucial to maintaining financial stability and maximizing profitability.

2.6 Technological Advancements Supporting Tiered Treasury Architecture

In an increasingly globalized and interconnected financial environment, multinational corporations (MNCs) face mounting challenges in managing their cash flows and foreign exchange (FX) risk exposure across various regions. To address these challenges, many firms are adopting advanced treasury management systems (TMS) and leveraging emerging technologies such as artificial intelligence (AI), machine learning (ML), and cloud computing (Dogo*et al*., 2019; Ahmad*et al*., 2020). These innovations are helping MNCs optimize their treasury functions, particularly in cash flow consolidation and FX risk management. This explores the role of technological advancements in supporting tiered treasury architecture, specifically focusing on the contributions of cloud-based TMS, AI, and real-time data reporting in managing multinational treasury functions.

Cloud-based treasury management systems (TMS) have revolutionized the way multinational corporations manage global cash flows and FX risks. Traditional, on-premise systems often suffer from limitations related to accessibility, scalability, and integration with other financial systems. Cloud-based TMS, however, provide a flexible and scalable platform for managing treasury functions in a decentralized environment. By using a cloud-based system, firms can consolidate cash flows from subsidiaries located across different jurisdictions in real-time, allowing for better liquidity management and reduced reliance on manual processes.

The centralized nature of cloud-based TMS provides real-time access to financial data from all regions, enabling corporate treasuries to monitor cash positions across subsidiaries, banks, and accounts from a single platform. This visibility is crucial in reducing liquidity risks, as companies can identify cash surpluses or shortages across the global network and take proactive actions to optimize cash utilization. Furthermore, cloud-based TMS integrate with external banking systems, facilitating smoother transfers, reconciliations, and cash pooling arrangements. This seamless integration ensures that companies can manage their cash flows efficiently,

regardless of geographic boundaries or local financial practices.

Additionally, cloud-based TMS help streamline FX risk management by consolidating FX exposures and providing tools to forecast currency movements. The system can integrate with market data feeds and financial instruments, such as forward contracts and options, allowing treasurers to execute hedging strategies from within the same platform. The ability to manage both liquidity and FX risk from a single, centralized system reduces operational complexity, minimizes the risk of errors, and ensures better control over financial outcomes (Anderson*et al*., 2018; Plaskova*et al*., 2020).

Machine learning and artificial intelligence are playing an increasingly important role in enhancing the predictive capabilities of treasury management systems. Through the use of AI, multinational firms can apply advanced analytics to forecast cash flows, assess financial risks, and optimize liquidity management strategies. Machine learning algorithms can analyze vast amounts of historical financial data, identifying patterns and correlations that human analysts might overlook. By leveraging these insights, firms can predict cash flow trends more accurately, enabling them to make data-driven decisions that improve operational efficiency and reduce the risk of liquidity shortfalls.

AI can also enhance FX risk management by analyzing historical and real-time market data to identify potential currency exposure risks. Machine learning models can monitor fluctuations in foreign exchange rates and evaluate the impact of various market factors, such as geopolitical events or macroeconomic data, on currency volatility. These predictive insights allow treasurers to adjust their hedging strategies in real-time, ensuring that the company remains protected from adverse currency movements. AI-powered risk models can also assess the potential for credit or counterparty risk, enabling firms to identify vulnerabilities in their treasury operations and take preventive measures.

Furthermore, AI-driven decision support tools can assist corporate treasurers in evaluating the effectiveness of their liquidity management strategies. For example, AI can provide insights into the optimal cash pooling structure, identify cost-effective hedging instruments, or suggest adjustments to working capital management practices. By automating these decision-making processes, AI reduces the administrative burden on treasury teams, enabling them to focus on higher-value tasks while enhancing the accuracy and speed of financial decision-making (El Khatib*et al*., 2020).

Real-time data reporting is another crucial advancement in the realm of tiered treasury architecture. The ability to access and analyze financial data in real-time is essential for managing multinational treasury functions effectively. Real-time data reporting enables treasurers to monitor cash positions, FX exposures, and other key financial metrics instantly, allowing them to respond quickly to changing market conditions or operational challenges.

In a tiered treasury structure, where cash flow consolidation and FX risk management span multiple regions and subsidiaries, real-time reporting ensures that the central treasury has up-to-date information about the financial health of all units. This visibility is vital for making timely decisions related to liquidity management, such as transferring cash between subsidiaries, adjusting hedging positions, or reallocating resources to meet financial obligations. Additionally, real-time reporting enables treasurers to identify discrepancies in cash positions or unexpected fluctuations in FX rates that could pose risks to the company's financial stability.

Real-time reporting is also instrumental in compliance and governance. Multinational corporations are subject to a variety of local and international regulations, and real-time access to financial data helps ensure that the company adheres to reporting standards and regulatory requirements. The ability to generate real-time reports not only supports regulatory compliance but also enhances the company's ability to demonstrate transparency and accountability to stakeholders, such as investors, auditors, and regulators (Ebingerand Omondi, 2020).

Moreover, real-time data reporting can be integrated with advanced analytics tools, allowing treasury teams to visualize cash flow patterns and FX risks in a more intuitive and actionable way. Dashboards and data visualization tools can display key financial metrics in an easily digestible format, empowering decision-makers to assess the company's global financial position at a glance.

Technological advancements have become critical enablers of effective multinational treasury management, particularly when it comes to cash flow consolidation and FX risk control. Cloud-based treasury management systems provide centralized, real-time access to global cash positions, facilitating better liquidity management and streamlining FX risk mitigation strategies. The integration of machine learning and AI offers predictive analytics capabilities that allow companies to forecast cash flow trends, optimize liquidity, and manage FX exposure more effectively. Furthermore, real-time data reporting enhances visibility and decision-making, ensuring that multinational firms can respond promptly to financial challenges. As multinational corporations continue to expand their global operations, these technological advancements will play an essential role in ensuring that their treasury functions remain efficient, effective, and resilient in the face of an increasingly complex financial environment.

2.7 Future Directions and Trends

As global financial markets continue to evolve and the business environment becomes more interconnected, multinational corporations (MNCs) face increasingly complex challenges in managing their treasury functions. Innovations in technology, shifts in global regulatory landscapes, and growing attention to environmental, social, and governance (ESG) factors are shaping the future of multinational treasury management (Ding*et al*., 2020). This explores emerging trends in global treasury management, the future developments of tiered treasury architecture, and the growing significance of sustainability and ESG considerations in treasury operations.

One of the most significant trends in global treasury management is the growing integration of artificial intelligence (AI) and automation tools into treasury functions. AI-driven solutions are revolutionizing cash flow management, foreign exchange (FX) risk control, and financial forecasting by providing real-time insights, predictive analytics, and automated decision-making. For example, AI can automate the reconciliation of cash transactions, the assessment of currency fluctuations, and the optimization of liquidity management strategies. These innovations enable treasury teams to reduce manual tasks, enhance operational efficiency, and make more data-driven, strategic decisions.

Another emerging trend is the use of blockchain technology for cross-border transactions and liquidity management. Blockchain, with its decentralized and transparent nature, offers a promising solution to streamline international payments, reduce transaction costs, and increase the speed and security of financial transfers. By implementing blockchain, multinational firms can bypass traditional banking intermediaries, minimizing fees and delays in cross-border transactions. Furthermore, blockchain's smart contract capabilities can automate complex treasury functions, such as the execution of hedging strategies and cash pooling arrangements, increasing efficiency and reducing operational risks (Mokhtarianand Lindgren, 2018).

Blockchain also holds potential in improving the transparency and traceability of financial transactions, which is crucial for compliance and reporting in multinational operations. As more firms explore blockchain for treasury management, it is expected that the technology will play an integral role in reshaping how MNCs manage cash flows and mitigate financial risks on a global scale.

As multinational corporations continue to expand their operations globally, the need for sophisticated and scalable treasury systems becomes ever more critical. Tiered treasury architecturewhere cash flow management, FX risk control, and liquidity optimization are coordinated across centralized and decentralized structureswill continue to evolve to address the complexities of global operations.

In the future, tiered treasury systems are expected to become more integrated with advanced technologies such as AI, machine learning, and cloud computing. These systems will enable real-time monitoring of cash positions, automatic adjustment of hedging strategies, and enhanced forecasting capabilities, providing greater control and visibility over multinational financial operations. For instance, AI-powered algorithms can optimize cash pooling strategies, adjusting the distribution of funds across subsidiaries based on real-time liquidity needs. Furthermore, machine learning models will refine FX risk assessments by analyzing vast amounts of data from various market conditions, allowing companies

to hedge against currency fluctuations more effectively (Mashrur*et al*., 2020).

Additionally, the future of tiered treasury architecture will involve more seamless integration with global financial markets, banks, and regulatory systems. This interconnectedness will streamline the management of cross-border cash flows, enabling treasurers to efficiently manage liquidity across regions while adhering to diverse regulatory requirements. The role of centralized systems will continue to increase, allowing for better coordination of treasury functions across subsidiaries while maintaining the flexibility of decentralized structures to address local needs.

The increasing emphasis on sustainability and ESG (environmental, social, and governance) factors is another key trend shaping the future of treasury management. Multinational corporations are under growing pressure from investors, regulators, and stakeholders to integrate sustainability considerations into their financial operations. ESG criteria are now being used to evaluate corporate risk and opportunities, with a focus on environmental impact, social responsibility, and good governance practices.

Incorporating ESG factors into treasury management can help multinational firms align their financial strategies with their long-term sustainability goals. By adopting ESG-compliant treasury practices, companies can attract sustainability-conscious investors and reduce exposure to ESG-related risks.

Moreover, treasury management systems are evolving to incorporate ESG metrics into financial reporting, risk assessment, and performance tracking. This includes the use of AI and data analytics to measure and manage ESG-related financial risks, such as climate-related financial risks, carbon emissions, and energy consumption. As sustainability regulations become more stringent, multinational firms will need to adapt their treasury operations to ensure compliance with environmental standards while maintaining financial efficiency.

In addition, the increasing adoption of sustainable finance principles is driving changes in cash flow management. This will require close collaboration between treasury teams, ESG officers, and sustainability experts to ensure that financial strategies are aligned with broader environmental and social goals (Asciogluand Maloney, 2020).

III. CONCLUSION

The future of multinational treasury management is being shaped by technological innovations, evolving regulatory requirements, and the growing importance of sustainability considerations. AI-driven automation, blockchain technology, and enhanced real-time reporting will enable multinational firms to manage their treasury functions more effectively, optimize cash flows, and mitigate FX risks. As tiered treasury architecture evolves, it will become more integrated with advanced technologies, ensuring greater control, efficiency, and flexibility in managing global financial operations. Additionally, the integration of ESG factors into treasury practices will continue to grow in importance, aligning financial strategies with sustainability goals and promoting long-term value creation. As these trends develop, multinational corporations must remain adaptable, leveraging new technologies and financial strategies to stay competitive in an increasingly complex global financial landscape.

Conclusion

This have explored the evolving landscape of multinational treasury management, focusing on the key role of tiered treasury architecture in optimizing cash flow consolidation and foreign exchange (FX) risk management. A tiered treasury system integrates centralized, decentralized, and hybrid models to streamline financial operations across global subsidiaries. By enhancing visibility, control, and coordination, this architecture helps multinational corporations (MNCs) better manage their liquidity, mitigate FX risks, and ensure operational efficiency across diverse geographical markets.

The significance of tiered treasury architecture lies in its ability to provide a structured framework that balances centralized oversight with the flexibility needed for decentralized operations. This hybrid approach allows companies to consolidate cash flows, implement consistent hedging strategies, and adapt to local market conditions while maintaining global financial coordination. Furthermore, the integration of advanced technologies such as cloud-based treasury management systems, machine learning, and AI has proven instrumental in enhancing real-time decision-making, automating

processes, and improving forecasting accuracy, thereby supporting effective cash flow and FX risk management.

For multinational firms looking to optimize their treasury functions, it is essential to focus on the adoption of tiered treasury architecture that leverages technological advancements. Companies should invest in integrated treasury management platforms that offer cloud-based systems, real-time data analytics, and machine learning capabilities. Additionally, implementing AI-driven predictive tools can enhance risk assessments and improve the precision of hedging strategies. Multinational firms must also foster cross-functional collaboration between treasury, IT, and finance teams to ensure the seamless integration of technology into their existing treasury frameworks.

By embracing these strategies, MNCs can effectively navigate the complexities of managing cash flow and FX risks while ensuring alignment with global financial objectives and sustainability goals.

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