



PARA BELLUM ADVISORS

CORPORATE TREASURY · CONGLOMERATE

# Ten Currencies, No Infrastructure

<b>SCENARIO TYPE</b>	Conglomerate Treasury – Multi-Entity, Multi-Region FX Infrastructure Build
<b>CURRENCY FOOTPRINT</b>	THB, IDR, MMK, LAK, KHR, AUD, AED, ZAR, TRY, EUR against USD functional currency
<b>RISK FOCUS</b>	EM currency illiquidity and capital controls, USD loan mismatch, infrastructure absence, decision-right gaps
<b>PRIMARY OFFER</b>	Structuring-as-a-Service™
<b>RELEVANT SERVICES</b>	FX infrastructure design · Currency-by-currency hedging framework · USD loan rates risk · Decision-rights and governance design · Bank counterparty setup · Derivatives Portfolio Review™

## THE SITUATION

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A Thailand-based conglomerate operated across ten jurisdictions with USD as its group reporting and functional currency. Revenues and costs moved through entities in Thailand, Cambodia, Lao, Myanmar, Indonesia, Australia, the Middle East, South Africa, Turkey, and a growing European presence.

Each entity managed its own local operations. None had been set up with a view to what the consolidated FX position looked like at group level. Some ran on local accounting systems. Others ran on spreadsheets. None had a treasury management system capable of aggregating cross-entity exposures into a single view.

The group carried USD-denominated capital loans inside several operating entities – Thailand, Indonesia, Australia, and Turkey – each borrowing in USD while operating in local currency. Whether anyone had modelled what that mismatch cost, or what it would cost if local currencies moved against USD, was unclear.

FX had been managed reactively, entity by entity, using whatever the local relationship bank offered when a specific problem arose. The group had no consolidated FX policy, no hedging mandate, no counterparty framework, and no mechanism for identifying what the aggregate currency exposure actually was.

## THE CURRENCY LANDSCAPE

The currency footprint ranged from deep liquid G10 markets with a full derivative suite through to currencies that could not be hedged in any conventional sense. Treating them as a single problem produces the wrong answer for most of them.

ENTITY / CURRENCY	FLOW TYPE	MARKET CHARACTERISTICS
<b>Thailand THB</b>	Import / Export / USD loans	Partially convertible. Onshore forward market with regulatory reporting requirements. NDF market available offshore. Capital controls limit large outflows. Moves sharply on political events.
<b>Indonesia IDR</b>	Import / USD loans	Bank Indonesia regulations require hedging documentation. Onshore forward liquidity thin beyond 3 months. NDF offshore. Prone to sharp sell-offs in EM risk-off episodes.
<b>Cambodia KHR</b>	Import	Highly dollarised economy. KHR risk minimal. Limited local hedging infrastructure. USD functional creates base currency circularity at group level.
<b>Lao LAK</b>	Import	Illiquid. No meaningful forward or NDF market. Effectively unhedgeable through derivatives. Management relies on natural hedging and USD invoicing where possible.
<b>Myanmar MMK</b>	Import	Severely restricted. Capital controls, parallel exchange rate, and political risk create a currency that cannot be managed through conventional derivatives. Structural exposure only.
<b>Australia AUD</b>	Local / Import / USD loans	Deep liquid G10 market. Full instrument suite. USD loan creates cross-currency swap opportunity. Floating-rate debt introduces rates risk.
<b>Middle East AED</b>	Import	USD pegged currency. GCC peg stable but not formally guaranteed. Effective USD exposure at group level. Monitor peg stress scenarios.
<b>South Africa ZAR</b>	Local / Import	Liquid EM currency but high volatility. Forward market available to 5 years. Prone to sharp depreciation on political or commodity risk events.
<b>Turkey TRY</b>	Local / Import / USD loans	High inflation, persistent depreciation trajectory. Forward market exists but carry cost is extreme. USD loan creates severe currency mismatch. Requires specific treatment.
<b>Europe EUR</b>	Small, growing	Deep G10 market. Full instrument suite. Currently small exposure but identified growth market. Establish infrastructure ahead of scale.

Myanmar and Lao are structurally unhedgeable through derivatives. Turkey requires specific treatment given extreme carry costs. Thailand and Indonesia have instrument availability but with regulatory constraints requiring bank relationship setup before execution is possible. These are not variations of the same problem – they require differentiated responses.

## HOW THE RISK MANIFESTS

The risks in a structure like this do not usually announce themselves as a single event. They accumulate quietly across multiple dimensions simultaneously.

Entities in Thailand, Indonesia, Australia, and Turkey carried USD-denominated capital loans while generating revenues and costs in local currency. Each loan created an automatic FX mismatch: debt service due in USD, cashflows in THB, IDR, AUD, and TRY respectively. In benign conditions this is manageable – local currency is converted at the prevailing rate when debt service falls due. Nobody marks the mismatch between payments.

In Turkey the mismatch is acute. TRY has depreciated materially and persistently against USD over the past decade. An entity servicing a USD loan from TRY operating cashflows faces a debt service burden that grows in local currency terms every year without any corresponding increase in local revenue. This is not a risk of adverse currency movement – it is an ongoing, compounding cost being absorbed whether recognised or not.

Without a treasury management system capable of aggregating entity-level positions into a group view, the consolidated FX exposure was unknowable. Each entity reported locally. The group CFO received financial statements, not exposure maps.

## WHAT TYPICALLY BREAKS

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<p><b>Consolidated exposure unknown</b></p> <p>Entity positions exist but have never been aggregated. The group's net currency position against USD cannot be stated with confidence at any point in time. The board cannot see what it owns.</p>	<p><b>USD loan mismatch unanalysed</b></p> <p>Debt service cashflows are budgeted in USD. The cost of converting local currency to meet those obligations is treated as a finance cost rather than a currency risk – invisible until a rate cycle forces the question.</p>
<p><b>Hedging done reactively, no framework</b></p> <p>A specific problem arises, a local bank offers a solution, the transaction is executed. No policy governs what should be hedged, at what ratio, with what instrument, or through which counterparty.</p>	<p><b>Turkey is the position that prompts the review</b></p> <p>TRY depreciation is visible, the USD loan mismatch is felt in debt service, and the carry cost of forward hedging is extreme. It is the currency that turns abstract risk into a concrete cash flow problem.</p>

## THE STRUCTURAL INSIGHT

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The work in a situation like this is not primarily about derivative products. It is about infrastructure and decision rights. The hedging instruments come later – the sequence matters.

The first output is a consolidated currency exposure map across all entities – revenues, costs, intercompany flows, USD loan notionals, and the natural offsets that exist within the group structure. In a multi-entity conglomerate, intra-group flows often provide more natural hedging than is apparent from any single entity. Identifying those offsets reduces the derivative hedging requirement.

Each currency is then classified into one of four categories: fully hedgeable G10 (AUD, EUR); hedgeable with constraints, liquid EM (ZAR, THB, IDR with correct counterparty setup); hedgeable with significant constraints, restricted EM (TRY, THB and IDR beyond onshore thresholds); and structurally unhedgeable (MMK, LAK). The classification drives the hedging approach for each jurisdiction.

For Turkey, the analysis is explicit: what is the unhedged cost in TRY terms over the remaining loan life versus the certain cost of hedging? The answer is not always to hedge – but it must be a deliberate decision based on modelled economics, not an implicit acceptance of open exposure. For Australia, a cross-currency swap between AUD and USD is the natural structural fix if the debt is long-dated and the AUD cashflow profile is stable.

Establishing counterparty relationships, ISDA documentation, and credit lines in EM markets takes time and must precede execution – not follow a decision to hedge. The group treasury should anchor on two to three core banking relationships for derivative execution, with a competitive quoting requirement for all transactions above a defined threshold.

## INTENDED OUTCOMES

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- ▶ Consolidated FX exposure visible at group level for the first time – natural offsets identified, gross derivative requirement reduced, group CFO and board able to see the currency position without waiting for financial statements.
- ▶ USD loan mismatch addressed – each USD loan reviewed for FX mismatch and rates risk; cross-currency swap structures assessed for AUD and other liquid-currency entities; TRY USD loan economics modelled, and a deliberate hedging decision made.
- ▶ Currency-by-currency hedging framework in place – each currency classified with a specific hedging approach documented; hedgeable currencies covered by derivative programme; structurally unhedgeable currencies governed by explicit commercial policy rather than implicit neglect.
- ▶ Counterparty infrastructure established – ISDA documentation and credit lines in place for each hedgeable jurisdiction before execution is needed; regulatory compliance for EM onshore markets met; competitive quoting operational.
- ▶ Treasury governance replacing ad hoc management – FX policy documenting decision rights, hedge triggers, instrument parameters, and currency classifications; board-level FX reporting that connects currency outcomes to operating performance.

## WHERE THIS APPLIES

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Works best where the group operates across multiple jurisdictions with materially different currency characteristics; USD is the functional currency at group level while operating entities generate local currency cashflows; USD-denominated loans exist inside local-currency operating entities creating structural FX and rates mismatch; no consolidated FX exposure view exists at group level; and hedging has been done reactively rather than through a governed programme.

Less relevant where the group operates in a small number of liquid G10 currencies where infrastructure and instrument availability are not constraints; a mature treasury management system and consolidated exposure reporting already exist; a governed hedging policy and decision-rights framework are already in place and being followed; or the group has in-house treasury expertise across the relevant EM markets.

### TYPICAL ENGAGEMENT PATH

Derivatives Portfolio Review (entry point): A bounded paid engagement to map consolidated FX exposure, assess USD loan structures for mismatch and rates risk, and produce a currency classification with recommended hedging approach by jurisdiction.

Primary: Structuring-as-a-Service™ – FX infrastructure design and implementation across the full currency footprint, including hedging framework, counterparty setup, governance design, and treasury system requirements.

Secondary: USD loan cross-currency swap and IRS structuring, EM regulatory compliance support, treasury management system selection, board-level FX reporting framework, ongoing Derivatives Portfolio Review™.

The Derivatives Portfolio Review is the prerequisite. The infrastructure question cannot be priced or scoped without understanding the exposure map.