Using CitiDirect® to automate bank guarantees
UPS

The world's largest package delivery company and a leading provider of specialised logistics services, UPS manages the flow of goods, funds and information in more than 200 territories.

The challenge

UPS provides more than 600 bank guarantees across Europe. Most are either for customs and tax authorities – demonstrating the company can pay import duties on the packages it brokers – or to guarantee leases and other rental facilities.

Following a succession of acquisitions, UPS had inherited many different bank arrangements. Says Peter Dunstan, Europe Region Treasury Director: "These were at different prices. And because they were with different banks, they were difficult to control. We had no confidence we knew about every single one."

It decided to move to a single provider of bank guarantees, both to improve control and leverage the company's AAA credit rating in the pricing it received. It contacted a number of banks.

Following a succession of acquisitions, UPS had inherited many different bank arrangements.

The solution

UPS chose Citi because the bank offered to adapt the letter of credit issuance capabilities of CitiDirect, its online banking platform, to accommodate bank guarantees. The adaptation required substantial additional development work. "Citi undertook that work very much at our request," says Dunstan.

The work involved the setting-up of a text library containing a series of generic guarantees – relevant to both customs authorities and landlords – with pre-approved text for each country. The user only has to call up the relevant guarantee and fill in details such as date, amount, bank and beneficiary name.

The result

Through CitiDirect, UPS has complete control and visibility over the process of issuing, updating or cancelling bank guarantees via online application. Above certain monetary thresholds, UPS's Europe RTC has to seek authorisation from head office in Atlanta, USA. "Doing all that online is an enormous time saver," says Dunstan.