Choosing an international bank that will be able to support the multinational enterprise (MNE) is of the utmost importance. The needs of the firm have to be matched to the essentials the potential bank will offer. Basically, the bank offerings have to be in complete alignment with the firms’ needs; otherwise their “partnership” will not be successful.

Some of the factors to consider when selecting the financial institution revolve around matching the firm’s corporate financial strategies, with the financial institutions’ offerings. This alliance / association will allow the MNE to better assess the opportunities offered by the international market and will also provide a mechanism for the firm to attain and manage its working capital.

The author has researched three major financial institutions and will contrast and compare which entity will be better suited for the MNE, based on a set of assumptions. The assumptions are: the financial institution has to have subsidiaries in South America and Asia, must have local lending sources, must be able to handle centralized cash management, must be able to handle foreign exchange services and forward market, must offer short term investments, and should be able to handle accounts receivable in foreign currencies and in the local currency.

The entities researched were: Citibank, Bank of America and HSBC. All of these financial institutions offer a good range and variety of services and have the ability to handle all of the MNE’s requirements (above). The one difference between these fine institutions is that they all have different costs of doing business (IE different rates). It’s important to note that all three of these banks have a presence in Asia. On contrast, the Bank of America does not have a presence in South America (Bank of America, 2009). Compared to HSBC and Bank of America, Citibank has the best exposure in South America, since it has a presence in Brazil, Argentina, Venezuela, Peru and Chile (Citibank, 2009). On contrast, HSBC has a presence only in Peru and Brazil (HSBC, 2009)

HSBC has a proven track record in the international market which will allow for the desired coverage the MNE is seeking in Asia and in South America. In their banking offerings they include: services associated to cash management, forward market services, short and long term investments, foreign exchange services and all of the basic local currency services. In addition to these services HSBC also provides a comprehensive consulting service and assistance, as well as research resources on all of the above mentioned areas. According to their website, HSBC also offers a wide variety of treasury options, receivables, payables, liquidity as well as the capability of handling receivables in foreign and domestic currencies (HSBC, 2009). The author gets the sense that HSBC wants to be a business partner and not just a bank!

It is important to note that HSBC was one of the very few financial institutions that did not take financial assistance from the treasury, during these tough economic times (Coates, 2008). On contrast, The Bank of America was bailed out with an excess of $45 billion dollars in aid and $118 billion in guarantees against bad assets. Compared to Citibank, which was also bailed out with over $45 billion of dollars, as well (Bank of America bail-out agreed, 2009).

**Conclusion:** HSBC is the logical choice. All of the reasons mentioned (above) make HSBC the bank selected to partner with the MNE.

The table below gives the reader a visual representation of the factors considered by the MNE and how the different financial institutions rated.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **BANK** | **Subsidiaries in SA and Asia** | **Local Lending Source** | **Offers short term investments** | **Foreign exchange and Forward market services** | **Pays bills in local and foreign currency** | **Was bailed out by government** |
| Bank of America | worse | no | yes | yes | yes | yes - $45B |
| Citibank | excellent | yes | yes | yes | yes | yes - $45B |
| HSBC | good | yes | yes | yes | yes | no |

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