

A smarter way to optimize your account structure

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- Fiona: [00:00](#) Welcome to the Treasury Insights podcast series. Today, we will examine the potential use cases of virtual account management, as digitization and innovation remain at the forefront of many treasurers' minds. I'm Fiona Deroo, Managing Director, Global Transaction Banking. And with me today is Alex Wong, Head of EMEA Product Management, Corporates and Stephanie Soybel, Senior Product Specialist.
- Alex: [00:29](#) Hi Fiona.
- Stephanie: [00:30](#) Hi Fiona.
- Fiona: [00:31](#) Alex, let's start with you, and level set straight away by telling us what virtual account management is? What does it mean to us and our clients here, Bank of America?
- Alex: [00:45](#) Virtual account management is where the physical bank account is subdivided into groups of transactions each with a clear and recognizable bank account number that's associated with each group, and hence that's a virtual account. They can support multi-entity, multi-layer, multi-country, multi-currency structures. Ultimately they look and feel as much as possible, like a physical account with regards to functionality and reporting. That means that they support both payments as well as receivables, such as direct debits.
- Fiona: [01:24](#) Thank you, Alex. Stephanie, when you think about our client base and the numerous use cases, where is their relevancy? What are the most common?
- Stephanie: [01:37](#) As one of the first global banks to offer virtual account management, we have a lot of experience with multiple different use cases. Historically, the most widely known is on the receivable side, where companies are better identifying which customer has paid them. Now more recently, as virtual accounts offer for payment functionality as well, our clients can really expand their application for treasury. Some of the most common are transaction segregation, where companies organize and categorize different types of funds, at least from a visibility and a reporting standpoint. They can segment by payments in, by payments out, even intercompany transactions, by entity or business unit, region, country, transaction type. The second is really bank account simplification. When you take a step back and you ask, why did we need to open these separate physical bank accounts in the first place. And the answer that historically

may have come to mind for you can now potentially be addressed by virtual segregation instead. With that, you can start to rationalize physical bank accounts and reduce hierarchical complexity; eliminate physical sweeps, all the while enhancing transactional level data. And third is really that treasury centralization, where we can facilitate multi-entity structures, really enabling benefits of an in-house bank. I'd call out liquidity optimization; maybe time bound-account structures, M&A visibility, as well as fraud management.

- Fiona: [03:11](#) Alex, thinking through these use cases, tell me a bit more. What are some of the key benefits clients can expect from each?
- Alex: [03:21](#) Well, some of them might seem quite obvious, but the feedback that we get from our clients is first of all, easier reconciliation, the ability to manage receivables in a way that they probably haven't been able to do before. They can definitely identify at least exactly who pays them. And then because the payments capabilities that are available, this can then help to rationalize bank accounts to start to reduce the number of them, and this leads to operation efficiency. It can reduce internal costs and potentially remove the need to sweep or to have overdraft or accrue other transactional bank fees. Ultimately it gives much better visibility and control, particularly with regards to centralization of liquidity, because of the robust reporting that accompanies virtual accounts. As an additional benefit, we also get feedback that virtual accounts can reduce administrative tasks. Things such as know your customer documentation, updating signer mandates, or generally managing users.
- Fiona: [04:31](#) That's very helpful. With so many potential denotations, applications and benefits of virtual account management, Stephanie, what advice would you give to clients as they look to determine relevancy and maximize the benefits from this solution in their organizations?
- Stephanie: [04:54](#) We would really offer five crucial pieces of advice. It's important to early on, really define your anticipated benefits and scope, like what are you trying to achieve in this discussion, include all your relevant stakeholders, so accounting tax, legal partners. Really understand how your treasury management system and your ERP platform is going to interact with your virtual accounts and recognize there may always be a need for physical accounts, think about certain regulatory requirements, jurisdictions, tax refunds, things of that nature. Lastly, embrace that not all virtual account offerings are created equal. So really important to do that research, to ensure that the offering you're exploring is going to meet your needs, Alex, anything you would add?
- Alex: [05:43](#) I would absolutely stress your point with regards to due diligence in terms of consulting with internal partners. That's so important. On behalf of structures, there will be a need to conduct further "know your customer

documentation," but this is not necessarily specific to them, but can apply equally to whole physical structures. With regards to your ERP systems or your treasury management systems is understanding how the accounting movements are going to be managed and reported.

- Fiona: [06:17](#) Well, thank you so much for this sound guidance on having a smarter way to optimize account structures. But before I let you go, can you let us know what extended functionality you've released this year and what is coming next?
- Stephanie: [06:34](#) Absolutely. It's all around two key areas of focus; the first is expanding our virtual accounts to offer as much functionality as possible that you'd see within a physical account. The second is seamlessly integrating with all of our other solutions and platforms and thought leadership across our entire global transaction solutions franchise. That includes a brand new user interface with a client centric focus and one global view, which will include all of our extended countries and currency coverage. We are allowing physical to virtual account number migration, full transaction functionality, including cross-currency. Both low value and high and over 140 currencies, two-way sweeps, to zero balance virtual accounts, enhanced information reporting, and finally our automated interest allocation. A lot of functionality to really ensure that our client's objectives here are achieved.
- Fiona: [07:33](#) That is exciting. On that note let's wrap. Thank you very much for your insights. I know we will be watching this very closely over the coming months and beyond.
- Alex: [07:46](#) Thank you, Fiona.
- Stephanie: [07:48](#) Thank you, Fiona.
- Fiona: [07:50](#) You've been listening to Treasury Insights podcast series. I'm Fiona Deroo, Managing Director, Global Treasury Banking. My co-hosts are Alex Wong, Head of EMEA Product Management for Corporates, and Stephanie Soybel, Product Specialist.

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