



ASSOCIATION FOR  
FINANCIAL  
PROFESSIONALS

# Virtual Accounts Are they Right for You?

Companion Webinar  
May 25, 2021

**Tom Hunt**  
Director, Treasury  
AFP

**Rajiv T. Yadlapalli**  
Head of North America Liquidity Solutions Specialists  
J.P. Morgan

**Martin Bina**  
Treasury Operations Mgr.  
Caterpillar SARL

**Rene Bustamante**  
Assistant Treasurer  
FedEx Corporation

**Pawel Arabas**  
Treasury Manager  
FedEx Corporation

**Doug Martin**  
Treasurer  
The Church of Jesus Christ  
Latter Day Saints

# About the Guide

- **Examines the Following:**
  - Virtual Accounts Explained
  - Benefits of VA's
  - Future Connectivity
  - Implementation

**AFP thanks J.P. Morgan for underwriting**



J.P.Morgan

# Agenda

What are Post Pandemic Themes In Treasury

Virtual Accounts Explained

Virtual Account Benefits

Implementation & Connectivity

Q&A

# Agenda

## Post Pandemic Themes In Treasury



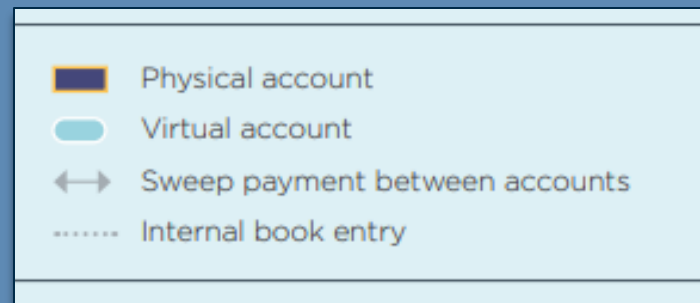
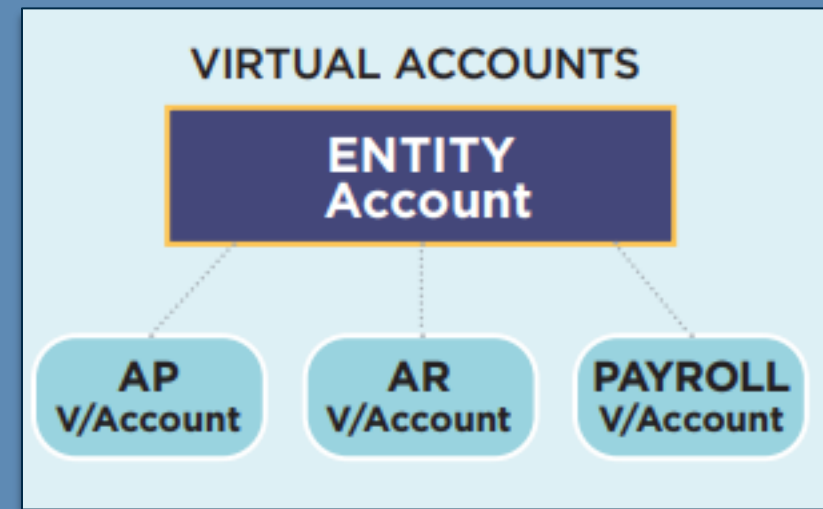
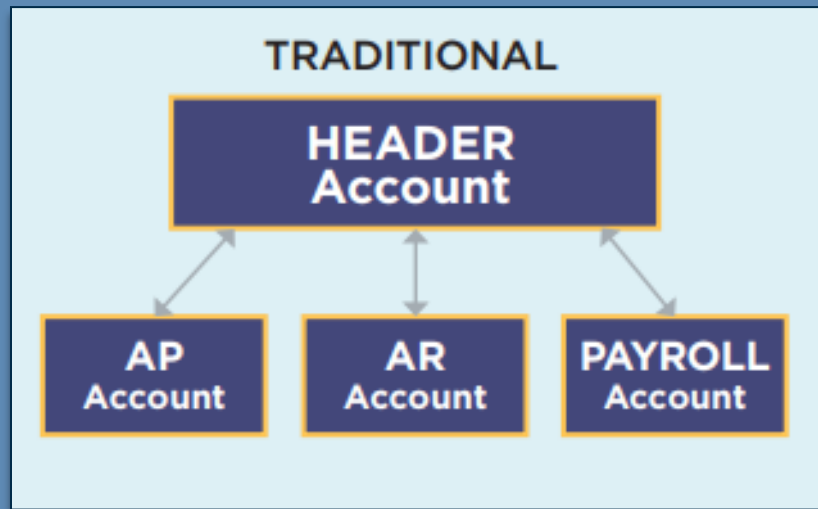
# Virtual Accounts Explained

# Poll Question 1

**How familiar with virtual accounts are you?**

- 1) Not familiar at all**
- 2) Somewhat familiar**
- 3) Considering implementing or in the process**
- 4) Implemented**

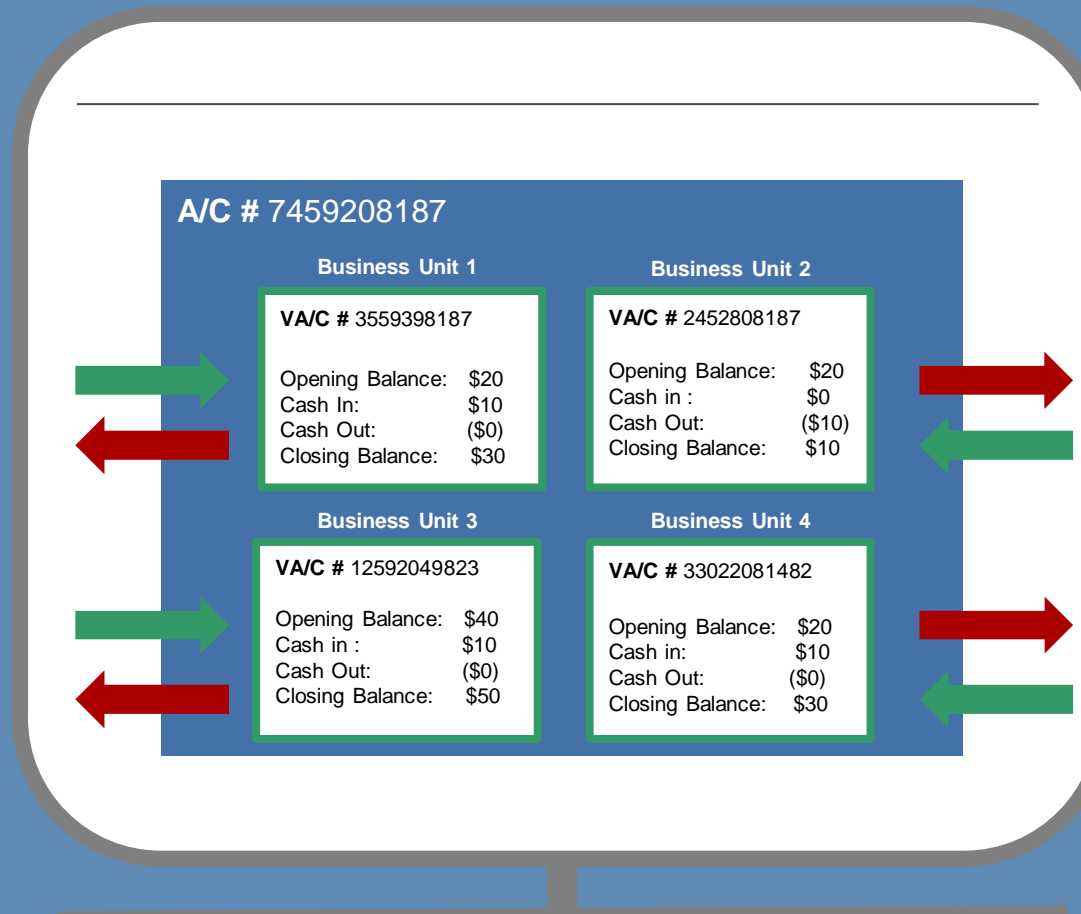
# Actual vs. Virtual





# How do Virtual Accounts Work?

A virtual account is a unique identifier provided as a Clearing Recognizable Bank account number that can be used to segregate and report bank account data.



## Virtual Accounts Offer Enhanced Payment and Reporting Capabilities Compared to Physical Accounts:

- 1 Clearing recognizable account number that can be used directly for payments or receipts
- 2 Physical account and underlying virtual accounts are always in sync
- 3 Full payment capability in and out of virtual accounts
- 4 Payment initiation enabled via API, multiple file formats and portal/UI
- 5 KYC light, no signature cards to maintain, Single Entity Facing, Streamlined Relationship

# Virtual Account Benefits

# How can virtual accounts help achieve key goals of your treasury?



**Transparency**



**Automation**



**Centralization**



**Optimization**



# Transparency

## How can virtual accounts help?

- Represent your complete organization without overhead of traditional bank accounts
- Enhance visibility of funds and transactions through leaner transactional banking footprint

---

## Further considerations

- Certain counterparties (e.g. tax authorities) may require traditional bank account for payments



# Automation

## How can virtual accounts help?

- Standardize ERP/TMS integration process
- Reduce impact of onboarding / KYC processes when adjusting banking structure
- Simplify audit process

---

## Further considerations

- Reconciling payments (and their potential returns) may become more complex
- New process requirements where inter-company relationships are impacted



# Centralization

## How can virtual accounts help?

- Operationally support in-house-bank, regional treasury center and other relevant structures
- Naturally concentrate liquidity
- Expertise can be consolidated where related parties don't retain a banking footprint

---

## Further considerations

- On-behalf-of payments may change existing payables experience
- Related parties may have activities that require traditional bank accounts (e.g. payroll)



# Optimization

## How can virtual accounts help?

- Streamline transactional banking relationships
- Reduce need for liquidity buffers
- Increase netting opportunities for payments
- Enhance granularity of analytics / forecasting processes

---

## Further considerations

- Does not replace need to support multiple countries, currencies, etc...
- Tax efficiency of account locations

# FedEx

## Themes:

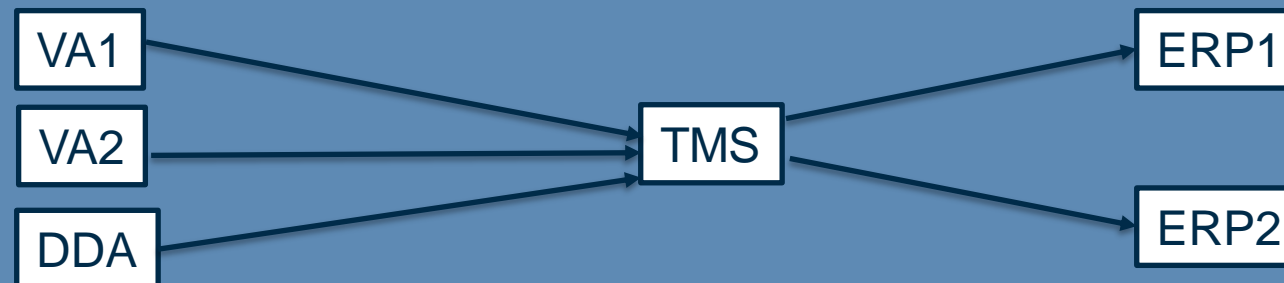
- **Consolidation of Cash**
- **Simplification/Rationalization of Bank Account Structure**
- **Segregation/Controls to Create IHB**
- **Treasury Staff more control:**
  - Notional Pooling Structure; Finance FTE to
  - Limit setting, non Treasury FTE to make payments
  - Enables Centralization of Treasury from US
- **Become more nimble, streamlined cash from TNT**
- **Goal is single entity facing bank for COBO, POBO long term**



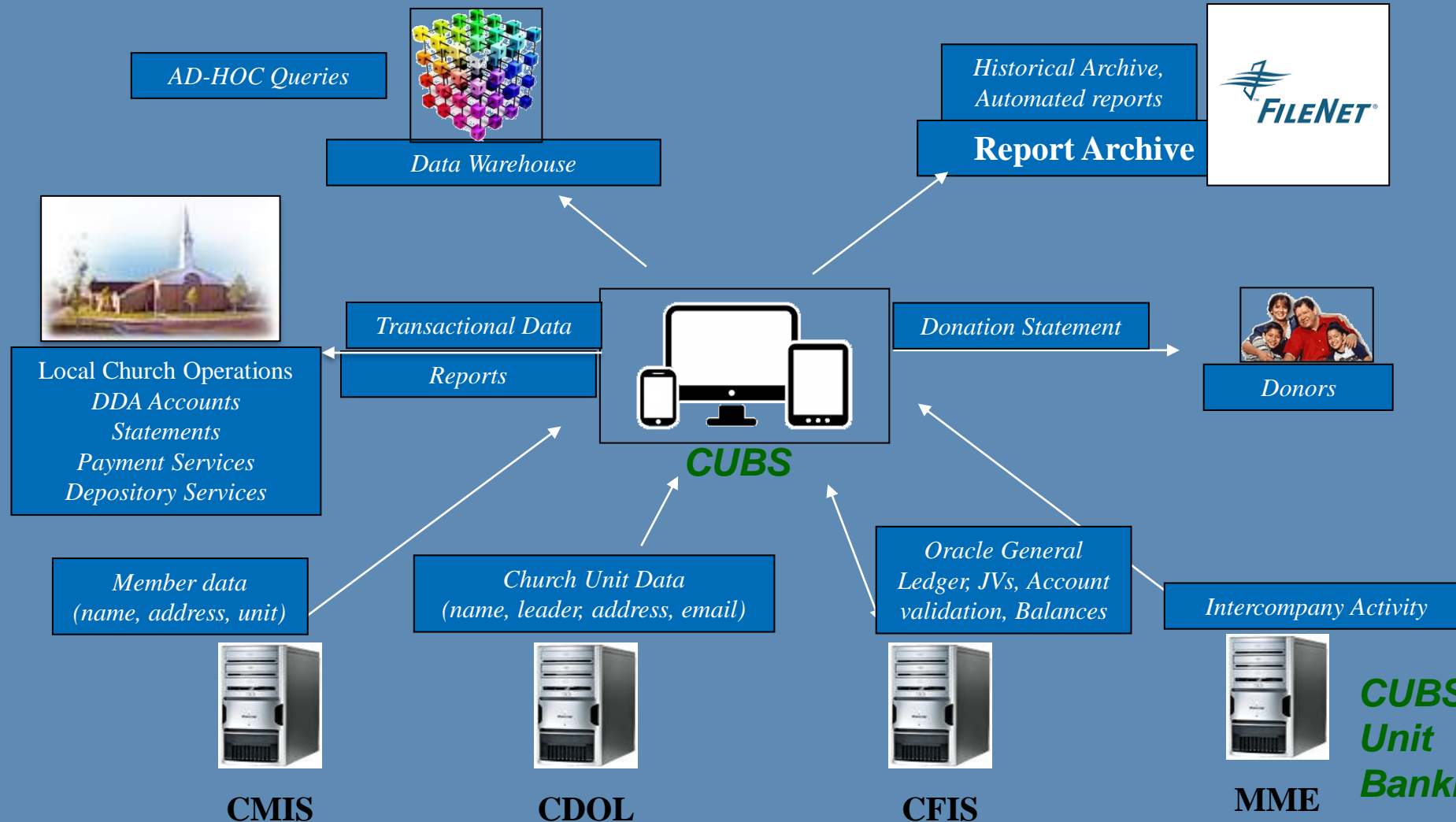
# Caterpillar

- Support Growth without adding new bank accounts
- Solidify existing POBO process
- Implement ROBO
- Optimize existing account structure

## Simplified Set up



# Church of Jesus Christ of Latter-day Saints In-House Bank Architecture



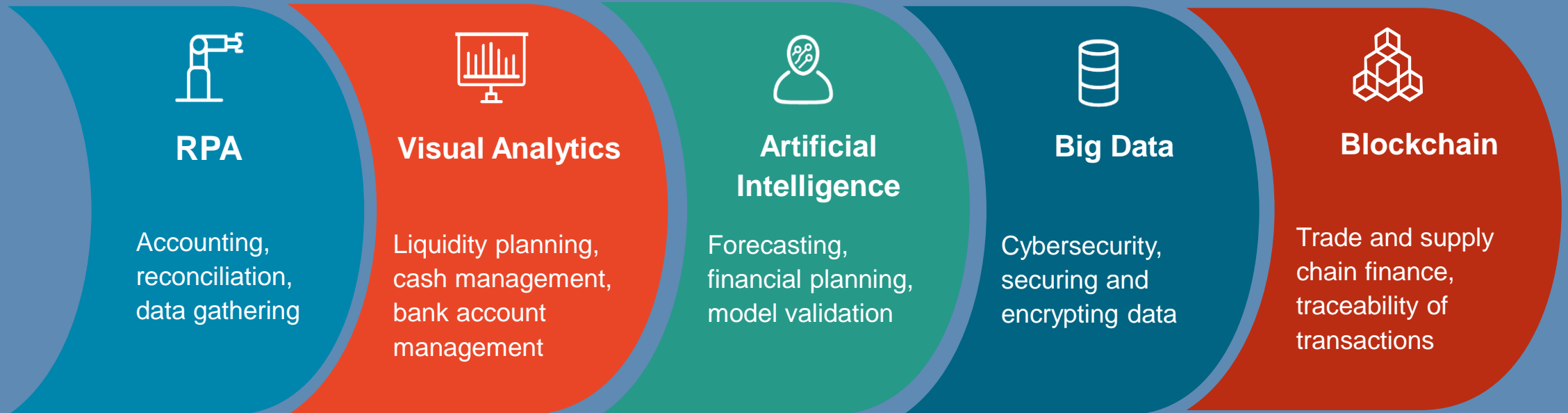
# Implementation & Connectivity

# Implementation Benefits



# Looking Ahead....

## Exploring the next level value-added services Treasury Technology - Areas of implementation for Treasurers



Source: 2019 Global Treasury Survey- Deloitte

# Conclusions and Lessons Learned

- Carefully identify objectives- what are your themes?
- Know what you are buying- there are variations of Virtual Accounts from different banks
- Which Branch of the bank will open the accounts
- KYC Process- simplified, single entity facing
- Choose and plan the right technology providers and arrangement
- Seek external advice- references, tax planning, etc.
- Tax planning is critical
- Take a phased approach
- Identify the right people resources and ensure they are available
- TBD's
  - SOX Controls, FBAR Reporting, Subsidiary Bankruptcy

# Poll Question 2

How applicable are virtual accounts for you?

- 1) No applicability
- 2) Some applicability
- 3) Want to use if costs/benefits can be proven

# Questions

## Contacts:

Tom Hunt, CTP

AFP

Director, Treasury Services

[thunt@afponline.org](mailto:thunt@afponline.org)

Lori Schwartz

Global Head of Liquidity Solutions, Account Services & Escrow

J.P. Morgan

[Lori.Schwartz@jpmorgan.com](mailto:Lori.Schwartz@jpmorgan.com)

Rajiv T. Yadlapalli

Head of North America Liquidity Solutions Specialists

J.P. Morgan

[Rajiv.t.yadlapalli@jpmorgan.com](mailto:Rajiv.t.yadlapalli@jpmorgan.com)

J.P.Morgan

## Download the Guide

