

The logo for Accenture Consulting, featuring a blue chevron symbol above the word "accenture" in white and "consulting" in blue.

The logo for CASHFAC Technologies, with "CASHFAC" in a large, blue, serif font and "TECHNOLOGIES" in a smaller, blue, sans-serif font below it, separated by horizontal lines.

# Virtual Account Management Breakfast Roundtable

Draft Discussion deck

A large, solid blue chevron arrow pointing to the right, positioned behind the text.  
High performance. Delivered.

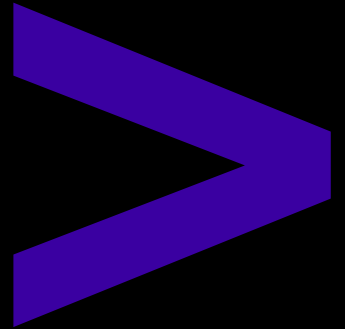
Strategy | [Consulting](#) | Digital | Technology | Operations

# Agenda

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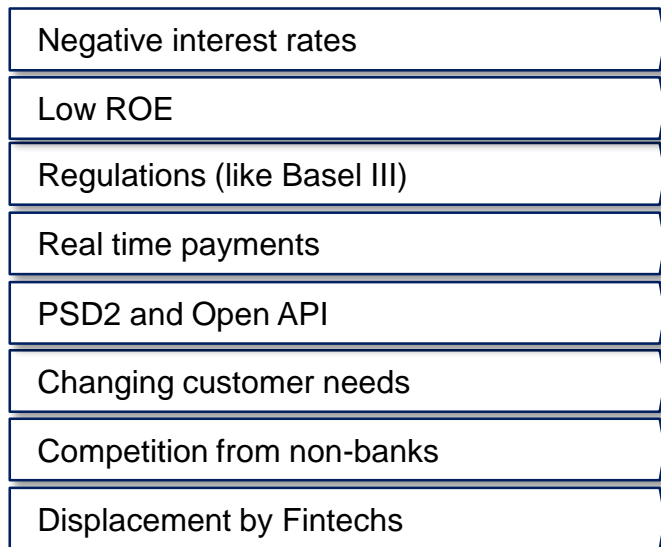
- Introduction
- The Evolving Transaction Banking Landscape
  - Market trends
  - Basel III – bank impacts
  - IFRS & BEPS - impacts
  - PSD2 – opening up the banks architecture
  - The potential of Virtual Accounts
- Innovating in Transaction Banking - Virtual Accounts as a solution
  - Addressing bank challenges through Virtual Accounts (including Basel III)
  - Addressing corporate needs through Virtual Accounts
  - Case study
  - Demonstration
- Questions/Discussion

# The Evolving Transaction Banking Landscape

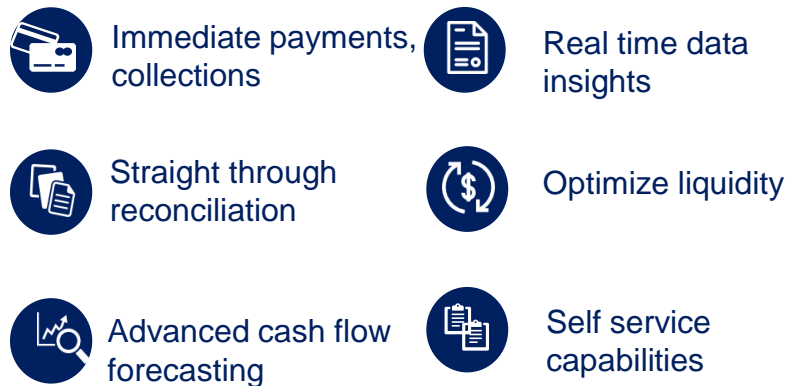


# Trends in transaction banking

## Market trends



## Emerging cash management capabilities



# Trends in corporate treasury

## Too many banking relationships for diverse treasury needs



Rationalization of banking relationships



15-25% reduction in banking fees

## Issues in reconciliation for accounts receivables



Improve STP rates in payments and collections



25-35% reduction in FTE effort

## Lack of complete overview into liquidity and payments



Multi-entity pooling, centralization of treasury



20-30% efficiencies in DSO

## Decentralized cash management across subsidiaries



Centralized payment and receivables factory



50-60% reduction in processing cost

# Challenge 1: Basel III

## 1 Implications of Basel III

### Basel III Regulations

- Introduction of LCR for reporting
- LCR considers gross account values
- Higher liquidity buffers to be maintained by transaction banks



- Imposition of higher capital requirements and LCR → pricing and availability of traditional pooling products
- Impact on operational / non-operational cash balances
- Alternative liquidity management products being explored by transaction banks

# Challenge 2: IFRS and BEPS

## 2 Implications of IFRS, BEPS

### IFRS (Accounting)

- **IFRS Reporting** impact -> interpretation with disclosures of loans and deposits
- **IFRS standard IAS 32** impact on balance sheet

### BEPS/US Sec 385 (Fiscal)

- **Base Erosion Profit Shifting (BEPS)** implications
- **US IRC proposed Reg. 385:** tax implications on inter company loans



Complications in:

- interest allocation
- withholding tax
- intercompany loans
- transfer pricing arrangements

# Challenge 3: PSD2

## 3 Implications of PSD2

### EXAMPLES



Moven



Third-party payment initiation (PISP)

- Enables new payment solutions

Third-party account data aggregation (AISP)

- Enables new services utilizing this data

*... and cause additional risks and issues for traditional*

### Threats

1. Security
2. Disintermediation
3. Liability
4. Ambiguity

### Issues

1. Data
2. Policy Enforcement
3. Consumer Behavior

Source: Findings from a round table in London May '15, hosted by Accenture for 15 European banks



# The (re)emergence of virtual accounts

## Regulatory drivers

- Respond to Basel III, IFRS
- Simplify Bank Regulatory reporting

## Client Self servicing

- Address Self servicing needs
- Empower the client to make changes to their accounting administration



Emerging need  
for virtual  
accounts

## Banks: new revenue stream

- Attract new clients
- Expand to new markets

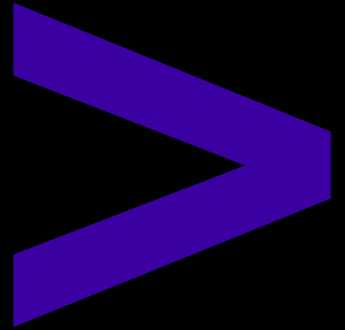
## Cash management maturity

- Optimize processes (payments, collections, reconciliation)
- Enhanced liquidity management

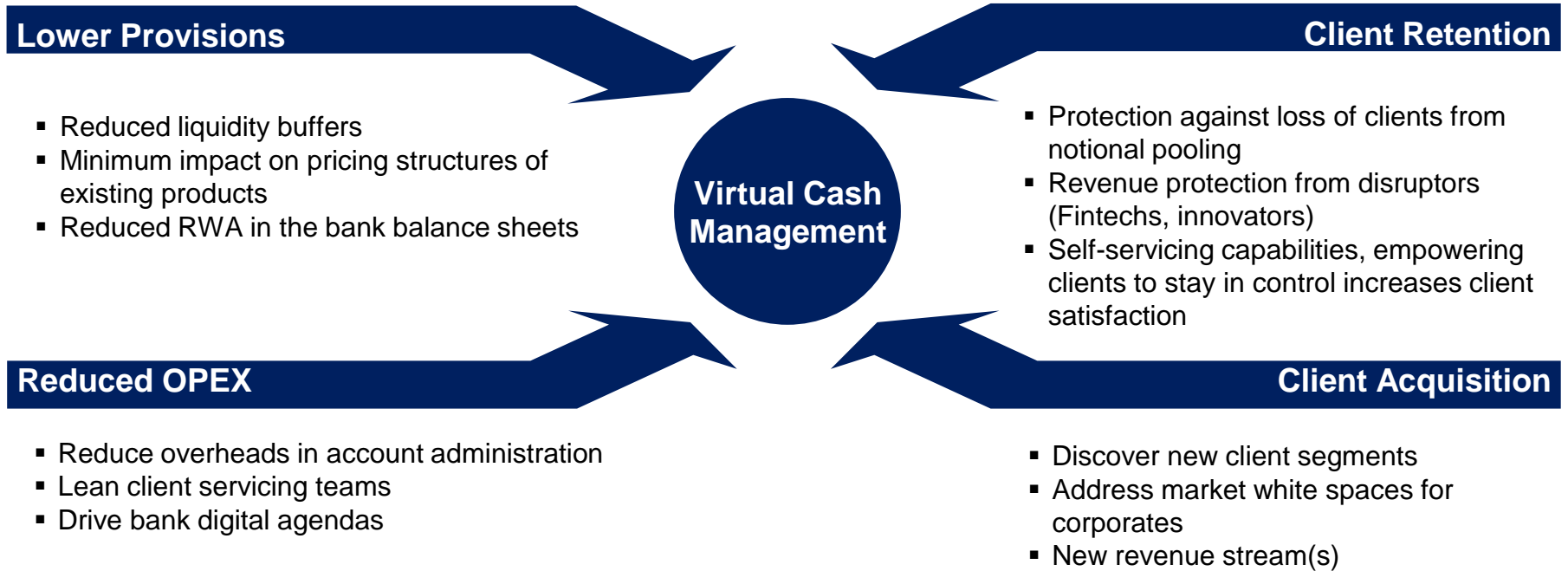
## Digital Innovation

- Innovation by Fintechs, third parties, banks
- Digital themes in corporate banking follows retail banking trends

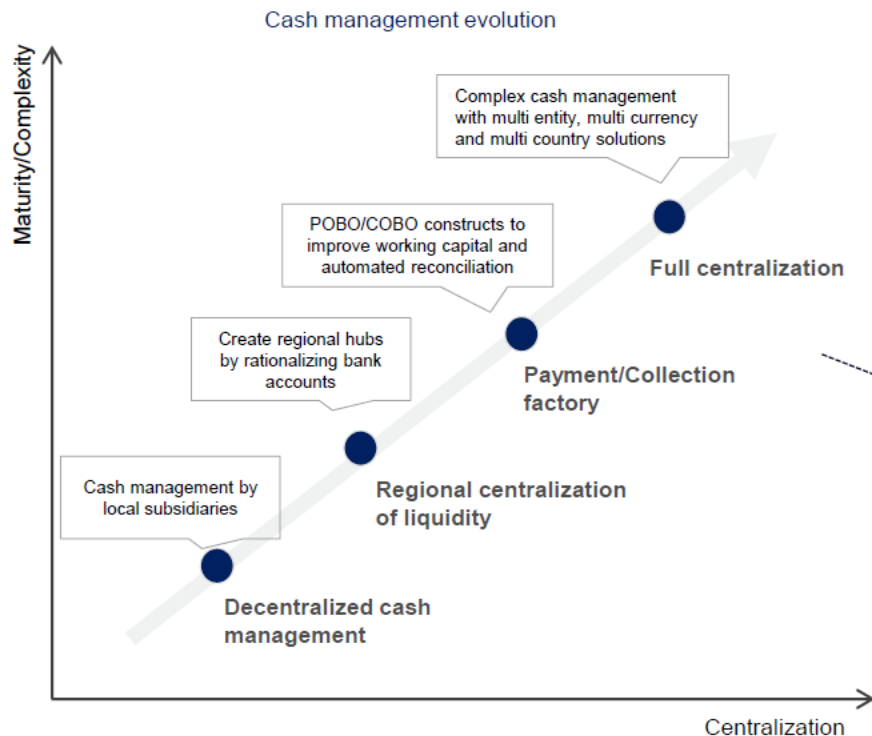
The potential of virtual accounts



# Virtual account value propositions - Banks



# Corporate cash management maturity



Post SEPA, there is an emerging need by European corporates to centralize their treasury functions and address the below needs

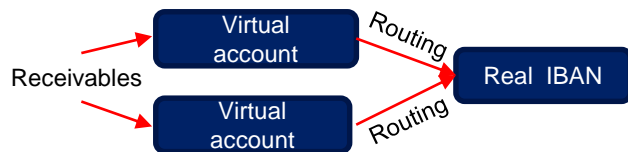


## Benefits achieved

- Reduction in bank cost
- Reduction in interest cost
- Efficient reconciliation
- Streamline processing through STP
- Reduction in transfer cost

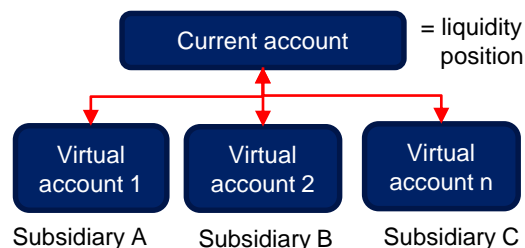
# Virtual account and corporate client needs

## Account receivables proposition



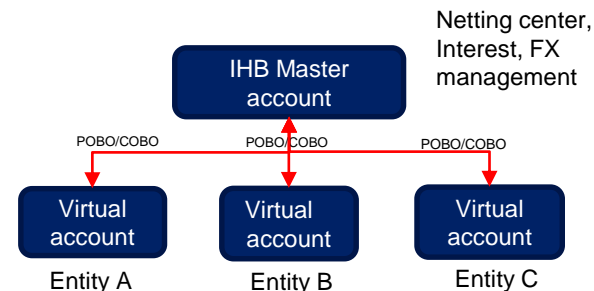
- V-IBAN based solutions (complemented by V-account)
- Enables straight through reconciliation
- Reduces FTE cost, lowering DSO

## Liquidity management proposition



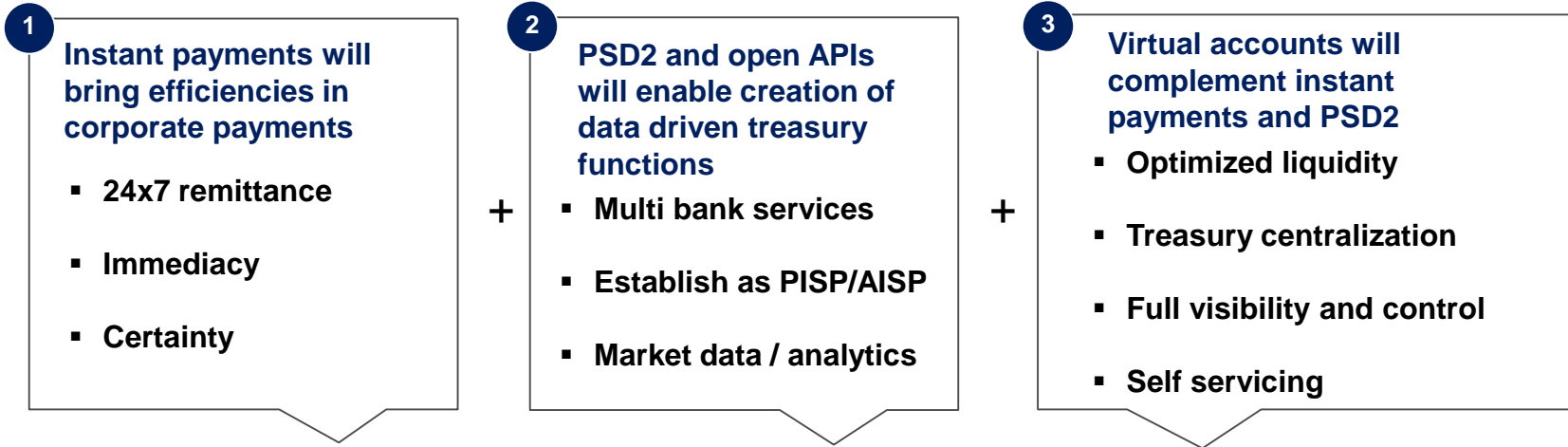
- Real time cash visibility for corporates
- Reduces Basel III capital cost for transaction banks.

## In house bank proposition



- In-house bank (IHB) for decentralized treasuries
- POBO/COBO structures
- Multi-lateral netting
- Centralized multi-entity reporting

# Instant payments + PSD2 (open APIs) + virtual accounts



Drives a coherent client experience and enables...



Immediate payments & collections



Efficient reconciliation



Advanced reporting



Data insights

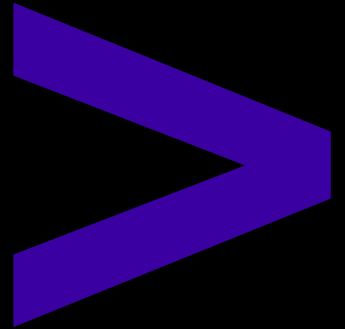


Optimize liquidity

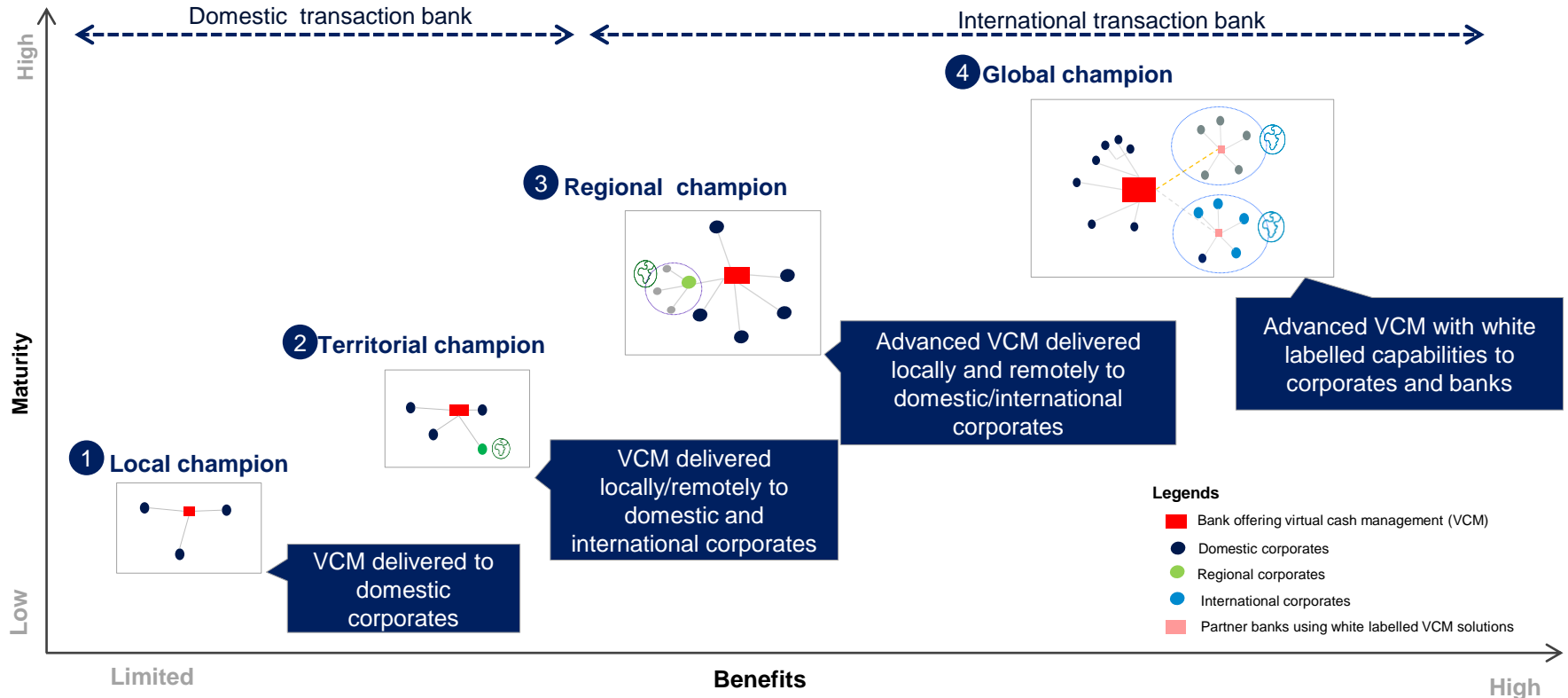


Self service capabilities

Role of virtual accounts in driving  
transaction banking strategy



# Virtual account strategy (transaction banking)





# Scenarios

	Strategic options		Indicative offerings		Revenue potential
1	<b>Local champion</b>		<ul style="list-style-type: none"> <li>• Payables and receivables (POBO/COBO)</li> <li>• Straight through Reconciliation</li> </ul>	<ul style="list-style-type: none"> <li>• Self servicing capabilities</li> <li>• In country sweeping, pooling</li> </ul>	
2	<b>Territorial champion</b>		<ul style="list-style-type: none"> <li>• Payables and receivables (POBO/COBO)</li> <li>• Straight through Reconciliation</li> <li>• Self servicing capabilities</li> </ul>	<ul style="list-style-type: none"> <li>• Cross border Sweeping, pooling</li> <li>• Forecasting</li> <li>• Interest rate optimization</li> <li>• Multicurrency liquidity products</li> </ul>	
3	<b>Regional champion</b>		<ul style="list-style-type: none"> <li>• Create in house banks</li> <li>• Offer Shared Service centers</li> <li>• Advanced cash forecasting</li> <li>• Analytics driven capabilities</li> <li>• Multi bank dashboard</li> </ul>	<ul style="list-style-type: none"> <li>• Multi entity, cross border payables, receivables</li> <li>• Intercompany loans, FX management</li> <li>• Self servicing capabilities</li> <li>• Virtual account APIs</li> </ul>	
4	<b>Global champion</b>		<ul style="list-style-type: none"> <li>• White labelled services (account administration, onboarding, reporting, account hierarchy setup, KYC)</li> <li>• Multi bank connectivity</li> <li>• Real time liquidity management</li> </ul>	<ul style="list-style-type: none"> <li>• Sophisticated dashboards</li> <li>• Continuous straight through reconciliation</li> <li>• Real time exception management</li> </ul>	

# Solutions for segments

## Identified criteria for target client segments



SME



Large Corporates



Multinational Corporations

<p>&gt;= 5 Banking relationships</p>			
<p>50+ accounts</p>			
<p>Annual payment volumes (incoming/outgoing) &gt; 1MM</p>			
<p>Reliant on cash pooling structures for liquidity Management</p>			
<p>Uses Complex Treasury Management Solutions</p>			

# Driving new business models

Virtual accounts enable innovation through new business model propositions



U B E R

- VA per Uber driver
- All payments / collections from/to VA
- Advanced value added services on VA



- VA per NS card
- Efficiencies in administration
- Extend line of credit to enable payments through NS card

IOT

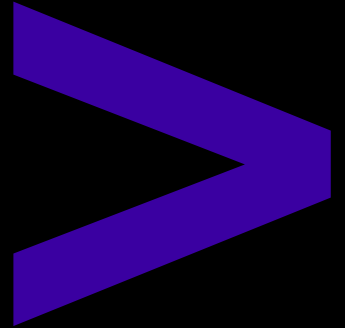
- VA per automobile (seamless connected car experience)
- VA per loyalty card
- VA per fishing sensor

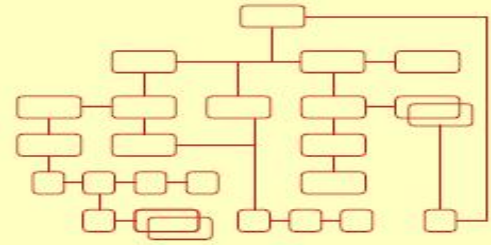
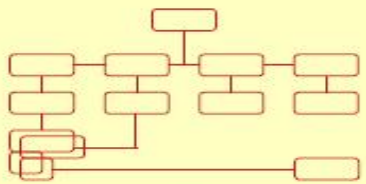
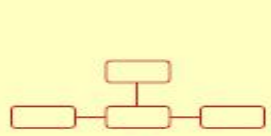
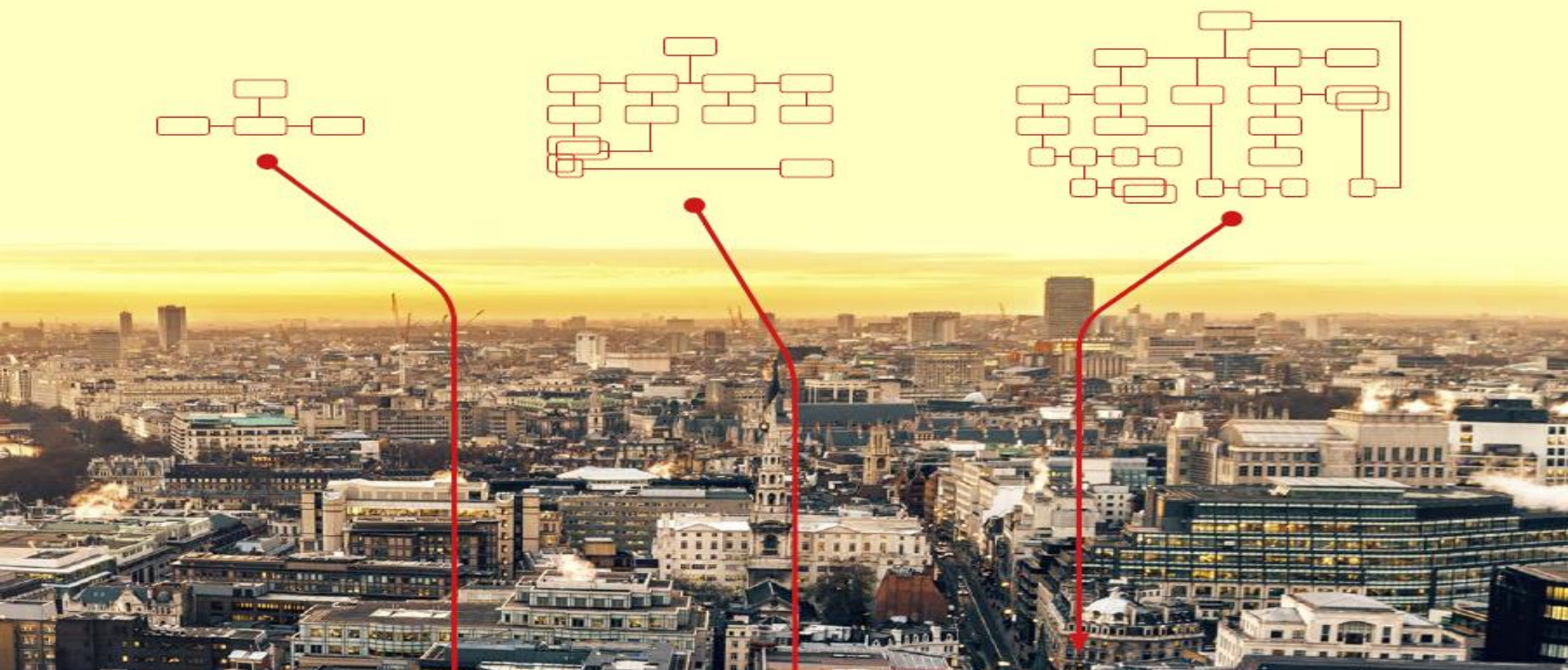
# Key questions

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- How are you addressing the emerging corporate client needs today?
- What steps have you taken to address these regulatory challenges in your liquidity product portfolios?
- What is the role of virtual cash management in driving your transaction banking digital agenda?
- What role does virtual cash management play in addressing your strategic ambitions?
- Is there an urgency today for innovative solutions such as virtual accounts?
- What kind of client segments are you targeting for your virtual cash management proposition?
- How will the transaction banking landscape evolve by 2020?

# Innovating in Transaction Banking - Virtual Accounts as a solution





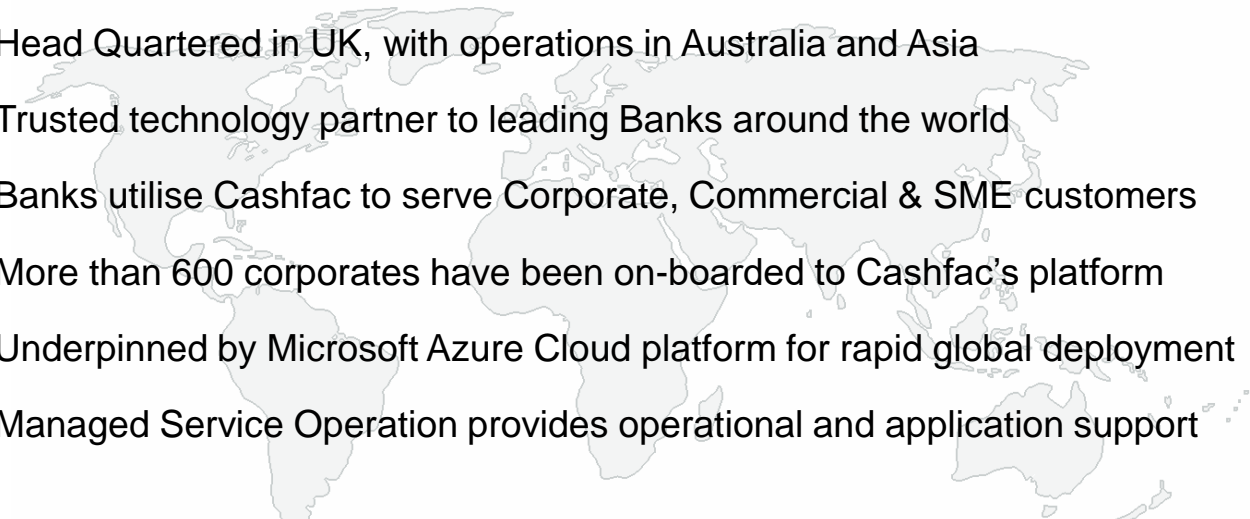
**Virtual Bank Technology:**  
Responding to Regulation, Transforming  
Corporate Cash & Liquidity Management Services



# Introducing Cashfac Technologies

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Cashfac provides Bank-to-Corporate, Cash & Liquidity Management solutions which are integrated with & delivered through the bank's digital channel.

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- ✓ Head Quartered in UK, with operations in Australia and Asia
  - ✓ Trusted technology partner to leading Banks around the world
  - ✓ Banks utilise Cashfac to serve Corporate, Commercial & SME customers
  - ✓ More than 600 corporates have been on-boarded to Cashfac's platform
  - ✓ Underpinned by Microsoft Azure Cloud platform for rapid global deployment
  - ✓ Managed Service Operation provides operational and application support

***“Designed for Corporates, Built for the Bank”***

# Why Virtual Accounts & Why now?

## External Drivers

To respond to regulation (Basel III/ PSD2/WTR2)  
Simplify Bank Regulatory reporting  
Provide flexible pooling capability  
Increased competition / Bank disintermediation

## Internal Drivers

To drive larger transaction revenues  
To acquire new customers / Retain existing customers  
30 day Rule (Basel 3) – Operationally

## Customer Drivers

Self Service banking  
Centralisation  
Improve Straight Through Reconciliation  
Improve visibility and control

## Technology Drivers

Next-generation Virtual Bank Technology  
Ease of two-way data integration  
Integrated matching  
Lower deployment costs



# Know the end customer's need

Differing customer requirements:

Collection on behalf of your customer



Forecourt – Cash receivables



IHB / Liquidity / Centralisation / Performance



# Customer Imperatives

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- Customer core systems Integration – 2 way data flow
- Maintaining customer referencing
- Dashboards – Real-time exception management
- Treasury tools
  - Sweeping, Pooling, Target Balancing
  - Forecasting
  - Interest rate management
- Customer specific workflow
- Fully integrated matching and straight through reconciliation
- Sophisticated Payables and Receivables management
- 3<sup>rd</sup> Party Account Access

# Bank Deployment

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Payments Systems  
and Receipting  
Systems

VIBAN

AML and KYC/KYCC

P.A.M

Billing Systems

SSO

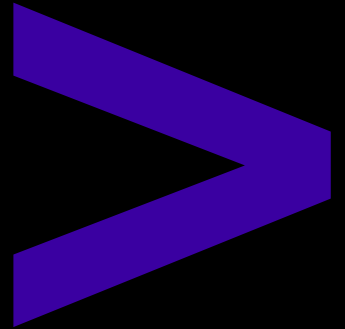
Integration

Security – Deployment and Policy

Platform Software Maintenance

Platform Operation - In-house or SaaS

# Case Studies



# Innovation in Action

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## Bank Partner examples:

- Attracted \$1.4B Deposits for an Asia Pac Bank Partner
- A UK bank attracted 250 Corporates, across multiple verticals.
- Migrated 120 customers from legacy platform to VBT
- One bank partner's account volumes increased 250% over last 12 months
- Launched Minimum Viable Propositions in 6-9 months

# Innovation in Action

## Corporate Customer:

- Insurance sector
- Had 41,000 real accounts
- Transformed to 6 real accounts and 51,000 virtual Accounts
- £140M of deposits over 6 accounts
- £250K cost savings through eradication of manual processes

*“We’ve created 35,000 virtualised accounts linking to one ‘real’ client bank account... We don’t need the bank to open additional <real> bank accounts; we create virtual accounts ourselves - freeing up a lot of transactional processing from the bank. This reduces administration for each of us...”*

*“Virtual accounts have transformed the way we do business and shows that banks can’t stand still when faced with innovation. It mimics the low cost airline industry. Things will inevitably change, it’s just whether that change will be too quick or slow enough for you to keep up...”*

Andy Young, Head of Finance, LVFS



# Cashfac – Functionality



## Key Benefits

- Creates a self-service environment which places control into your Customer's hands
- Account rationalisation & extension
- Leverages existing infrastructure e.g. Payments channels
- Delivers efficiencies and automation to customer's critical business processes:
  - Integrated Matching & Allocation, Pooling, Sweeping, Interest Apportionment, Cashflow Forecasting
- Removes barriers to onboarding new customers
- Provides response to regulation: Basel III / Client Money

Extending the Bank's platform to deliver Customer Self-Service Corporate Working Capital Solutions

# Key take-aways

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- **Designed for corporates – Built for Banks**
  - ✓ Platform Flexibility
  - ✓ Different Verticals = Different Needs
  
- **Integration**
  - ✓ Easily integrated to bank
  - ✓ Easily integrated to corporate customer
  - ✓ No customer system or referencing changes
  
- **Rapid platform delivery**
  - ✓ 6 Months to live – both Payables and Receivables
  
- **Live Operation**
  - ✓ Rapid customer on-boarding
  - ✓ Targeting customers – Market applicability - Who and why
  - ✓ Sales and customer engagement model
  - ✓ Pricing
  - ✓ New revenue opportunities?



# Questions & Discussion

