

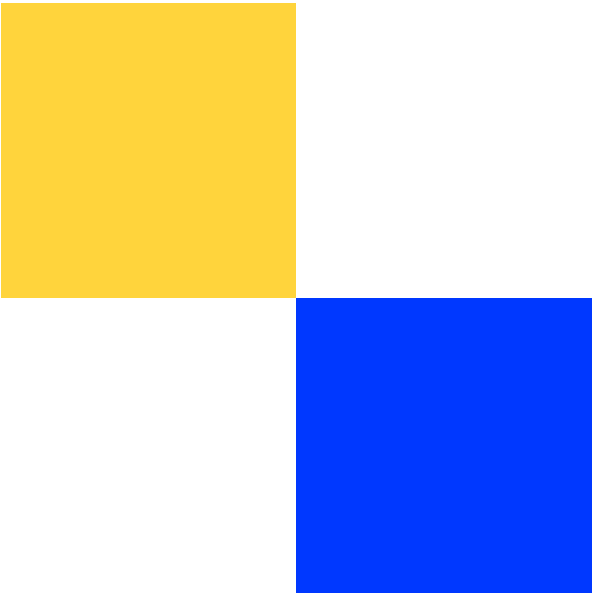
WHITEPAPER

7 ways VAM can transform your cash management services



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7 ways VAM can transform your cash management services

Corporate treasurers are demanding more from their partner banks, particularly when it comes to cash management. Banks face a choice: modernize services to meet these expectations or risk losing clients to more agile competitors.

Virtual Account Management (VAM) offers a comprehensive solution, enabling banks to upgrade their cash management offerings. While VAM originated in the Nordics in the 1980s, its capabilities have significantly evolved, now addressing a wide range of treasury challenges, from payments to liquidity and compliance.

This eBook explores seven ways VAM empowers banks to win mandates, retain customers, and grow revenue:

1. Simplify collections
2. Optimize liquidity management
3. Manage client fund
4. Streamline transactions with POBO and ROBO
5. Enhance treasury control with in-house banking
6. Enable multi-currency account
7. Maximize returns with virtual deposits accounts.

1. Simplify collections

Collecting the proceeds from your clients – whether cash, cheque or digital - into a single physical account can create certain reconciliation challenges, as not all clients will include the remittance details, such as payer ID or invoice number.

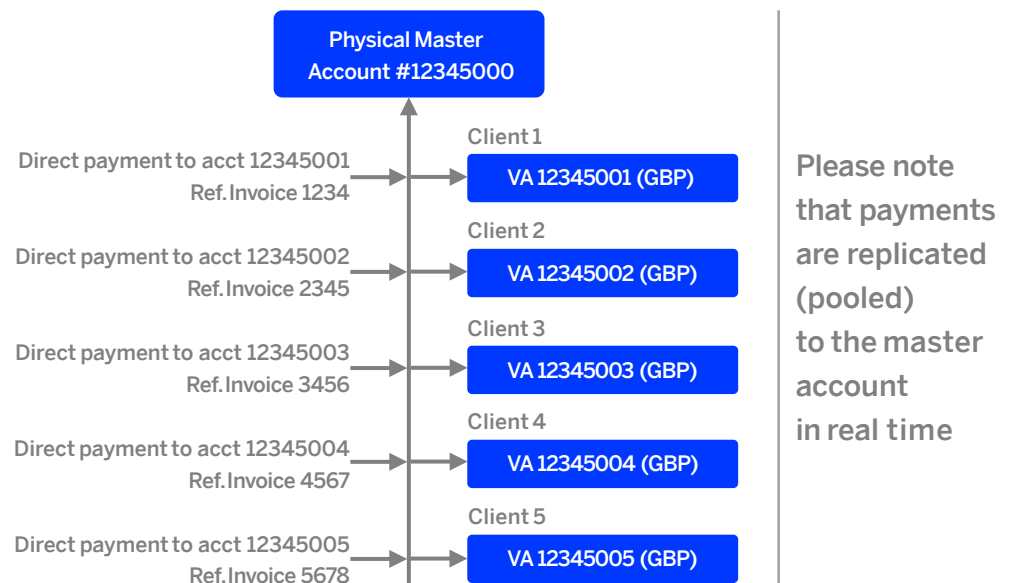
This means that reconciling customer payments to invoices requires additional manual input, making it prone to errors, especially with incomplete remittance data.

The solution

Virtual accounts streamline clients' collection by assigning each customer a unique virtual account number or a unique reference ID linked to a single physical account. Payments are then allocated to a unique virtual account, making the subsequent identification and reconciliation a much more streamlined process.

Use cases include:

- Utilities companies assigning virtual account numbers to subscribers, ensuring accurate reconciliation of bills.
- Manufacturing companies managing distributor payments across regions with ease.
- Educational institutions tracking tuition payments by assigning virtual accounts to students.



Key benefits

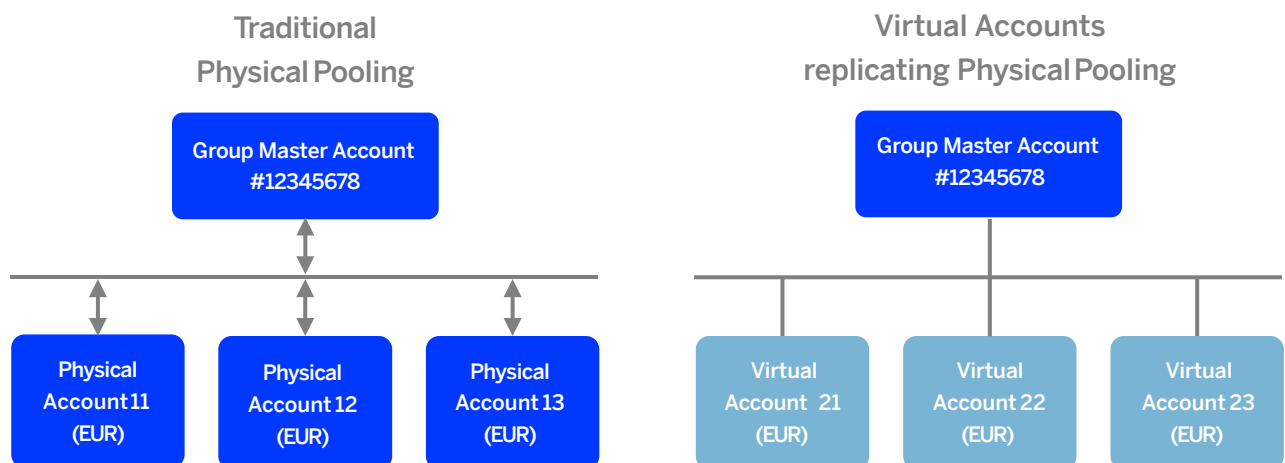
- **Automated reconciliation:** links payments to customers or invoices automatically, reducing manual input.
- **Improved accuracy:** minimizes errors in payment matching, ensuring seamless cash application.
- **Cost savings:** reduces administrative overhead and operational expenses tied to manual reconciliation and managing multiple accounts.
- **Enhanced customer experience:** simplifies payments for customers eliminating the need for extra remittance details.
- **Scalability:** easily handles growing payment volumes without requiring additional physical accounts.

2. Optimize liquidity management

Traditional liquidity management approaches, such as physical cash concentration, are often complex to set up and maintain. These methods make it difficult for corporate treasurers to stay flexible and adaptable to changing company needs.

The solution

VAM enables businesses to centralize funds under a single, multi-tiered account structure, achieving results that closely mirror the benefits of traditional physical - without the need for manual fund transfer.



Key benefits

- **Centralized cash overview:** delivers real-time visibility of cash across all entities, empowering better decision-making.
- **Reduced account volumes:** minimizes reliance on physical accounts simplifying operations and cutting costs.
- **Enhanced efficiency:** automates cash positioning and reporting, reducing manual intervention and errors.
- **Cost savings:** significantly lowers expenses associated with Maintaining traditional liquidity management systems.

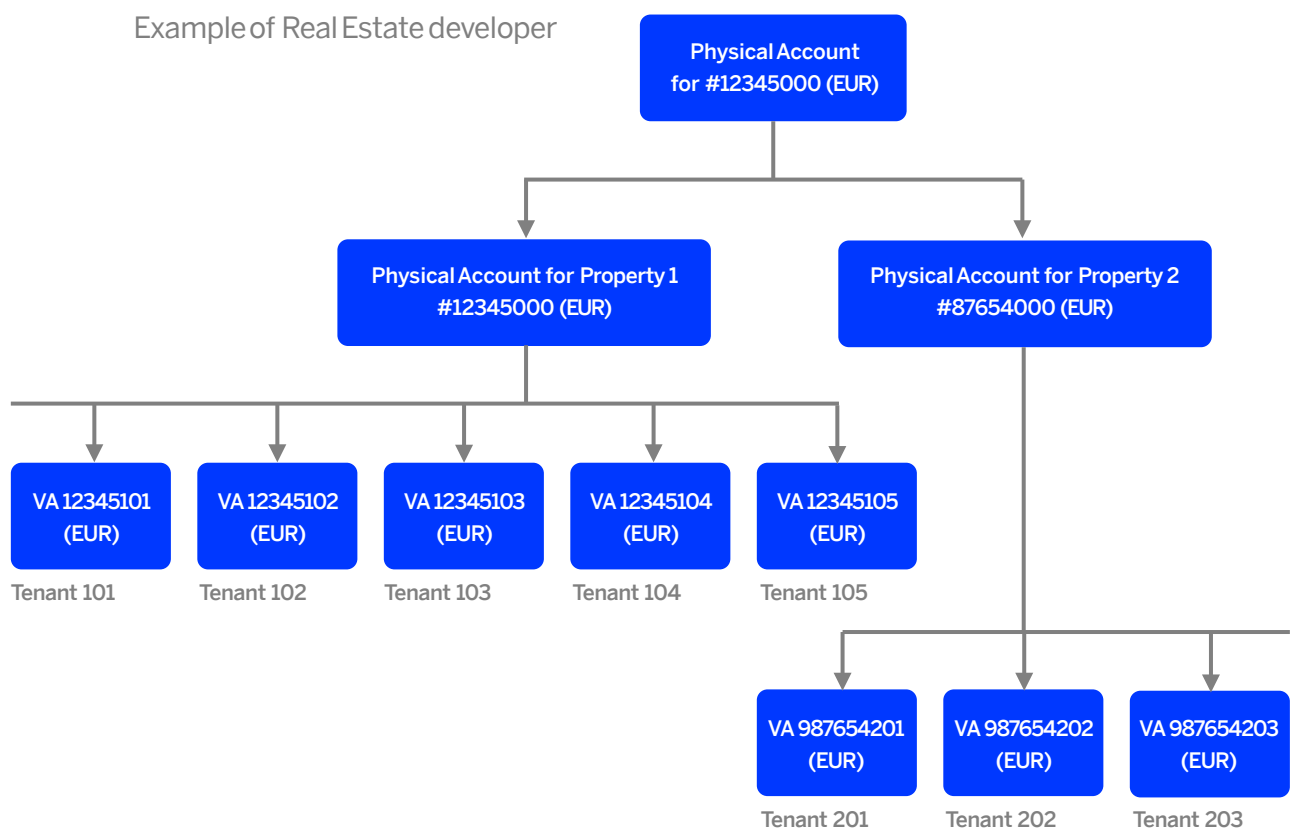
3. Manage client fund

Industries like legal, real estate, and escrow services often require segregating and managing client funds through multiple physical accounts. However, this approach leads to high administrative overhead, increased banking fees, and growing operational complexity as the number of clients increases.

The solution

VAM overlays a single physical account with virtual accounts for each client, enabling clear fund allocation without the need for multiple physical accounts.

- **Law firms:** manage client retainers by tracking payments, withdrawals and balances through virtual accounts.
- **Escrow services:** ensure transparency and audit ability for funds held on behalf of buyers and sellers, such as with an e-commerce platform provider managing batch payments.
- **Real estate companies:** manage funds at a granular level with master accounts for distinct property projects while virtual accounts segregate funds by tenant or property, streamlining rent collection and payment tracking.



Key benefits

- **Cost efficiency:** no need to open and manage multiple physical accounts.
- **Simplified reconciliation:** automates transaction tracking, reducing errors and streamlining processes.
- **Enhanced transparency:** provides auditable reports for regulators, auditors, and clients.
- **Operational agility:** enables quick creation or deactivation of virtual accounts for new or closed client relationships.
- **Improved cash management:** consolidates funds into a single master account while maintaining granular control over individual balances.

4. Streamline transactions with POBO and ROBO

With advances in technology and the drive for cost-effective solutions, central corporate treasuries responsible for multiple subsidiaries are playing a larger role. However, these treasuries must follow regulatory requirements that demand segregated funds for each legal entity, typically forcing businesses to open and maintain multiple physical accounts per subsidiary.

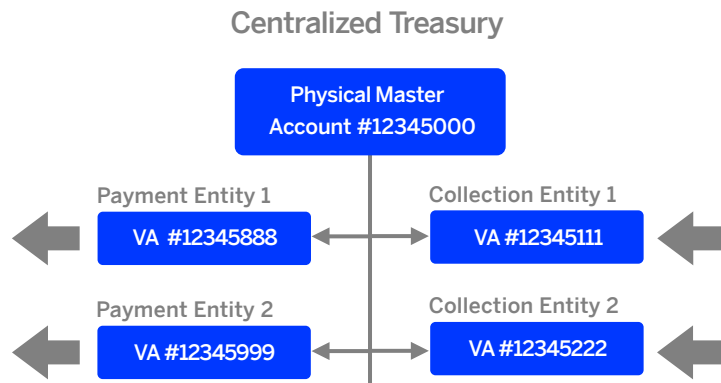
Managing payments (POBO) and collections (ROBO) across numerous entities in this fragmented setup quickly becomes cumbersome, expensive, and inefficient. As organizations expand and the number of subsidiaries grows, the challenge intensifies, highlighting the need for more streamlined, centralized approaches to treasury operations.

The solution

VAM enables POBO and ROBO, allowing centralized processing while maintaining compliance and granular visibility:

- **ROBO:** each remitter is assigned a unique virtual account number automating the reconciliation process and ensuring payments are accurately attributed to the correct subsidiary or business function.
- **POBO:** payments are processed from a central master account, but each transaction retains visibility into the paying entity. This ensures recipients can identify the initiator of the payment, delivering transparency and efficiency.





Key benefits

- **Centralized operations:** streamlines fund flows across subsidiaries.
- **Cost reduction:** minimizes banking fees and administrative overhead.
- **Real-time insights:** enhances visibility into cash movements.
- **Automated reconciliation:** reduces manual errors and improves efficiency.
- **Supports in-house banking:** simplifies inter-company fund management.

5. Enhance treasury control with in-house banking

Traditional in-house banking requires maintaining multiple physical accounts for subsidiaries, creating high costs, inefficiencies, and complexity. Managing inter-company transactions, liquidity, and funding across entities becomes cumbersome, limiting scalability and operational control.

The solution

Virtual accounts simplify in-house banking by allowing centralized management while retaining entity-level granularity.

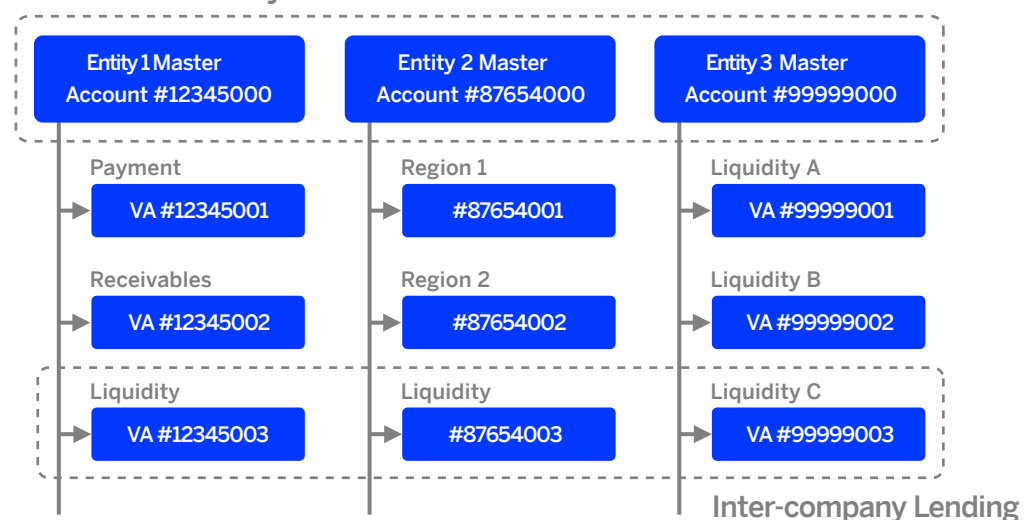
Each subsidiary or business unit is assigned a unique virtual account number linked to a master physical account. This enables the central treasury to track transactions for each entity without needing separate physical accounts.

Beyond basic cash management, virtual accounts empower corporations to act as their own internal bank, offering inter-company lending, FX services, and internal payment processing.

Examples include:

- A multinational corporation uses virtual accounts to segregate and monitor inter-company payments by entity.
- Treasury teams provide competitive FX conversion services to subsidiaries, reducing reliance on external banks.
- Subsidiaries manage internal borrowing and lending efficiently through virtual accounts.

Centralized Treasury



Key benefits

- **Cost reduction:** Eliminates the need for multiple physical accounts reducing fees and administrative costs.
- **Centralized control:** Provides a single point of control over group cash while maintaining detailed entity-level visibility.
- **Inter-company banking services:** Facilitates internal lending, FX transactions, and payment processing, strengthening financial ecosystems.
- **Streamlined settlements:** Speeds up inter-company reconciliations and improves oversight of payments and loans.
- **Optimized liquidity:** Consolidates group-level liquidity while ensuring visibility and control at the entity level.
- **Regulatory compliance:** Delivers clear, auditable records of inter-company transactions, aiding tax and regulatory adherence.

6. Enable multi-currency account

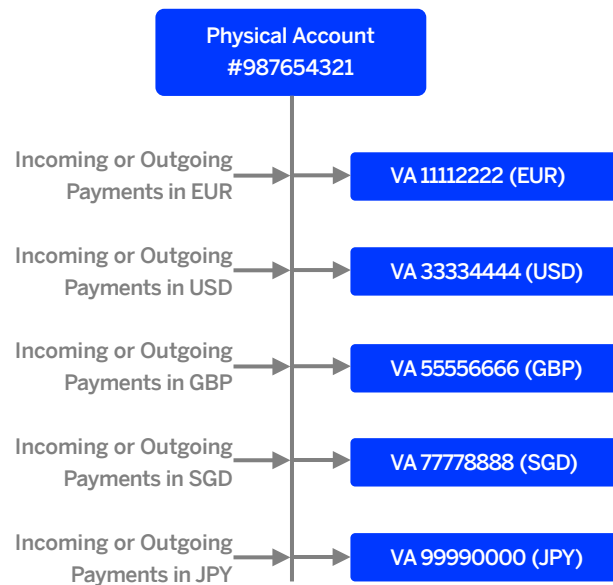
For businesses working across borders, managing multiple currencies is a common pain point. Traditional methods require separate physical accounts for each currency, leading to higher fees, increased administrative costs, and fragmented cash visibility.

The solution

Multi-currency virtual accounts streamline operations by consolidating funds into a single master account with virtual sub accounts for each currency. This allows businesses to track, manage, and reconcile transactions in multiple currencies without opening additional physical accounts. Examples could include:

- Global e-commerce companies collect payments in USD, EUR, and GBP via dedicated virtual accounts.
- Multinational corporations settle local supplier payments while maintaining centralized control over global cash flows.
- Exporters can aggregate and track receivables across currencies, while funds are automatically converted on top level into the master currency enabling efficient FX management.

Funds can be physically or notionally
Converted into one base currency



Key benefits

- **Cost efficiency:** reduces banking fees by eliminating the need for multiple physical accounts.
- **Enhanced visibility:** consolidates cash positions across currencies improving liquidity management.
- **Simplified reconciliation:** Automates currency-specific tracking reducing errors and manual effort.
- **Improved FX management:** Optimizes currency conversions and mitigates foreign exchange risks.
- **Operational flexibility:** Supports global operations with centralized control over multi-currency transactions.

7. Maximize returns with virtual deposits accounts

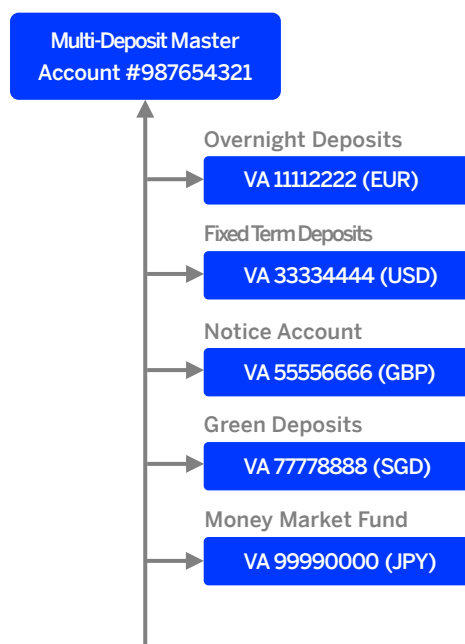
Traditional surplus cash management requires manual tracking and multiple physical accounts, limiting efficiency and agility.

The solution

Virtual deposit accounts enable businesses to allocate funds across different investment instruments such as savings account or term deposits - all under a single master physical account.

Each virtual account represents a specific investment, allowing for seamless tracking of returns, maturity dates, and cash flows without the need for additional physical accounts.

- Corporate treasuries can manage short-term investments like overnight deposits alongside long-term instruments such as fixed-term deposits.
- Real estate firms can segregate funds for future projects or tenant deposits, tracking balances and investment income in virtual accounts.
- Global enterprises could diversify investments across geographies and instruments while maintaining centralized oversight.



Key benefits

- **Streamlined management:** consolidates investment operations under one master account with sub-accounts for granular tracking.
- **Enhanced visibility:** delivers real-time insights into performance, returns, and cash positions across all investments.
- **Operational efficiency:** reduces the need for multiple physical accounts, minimizing administrative tasks and errors.
- **Liquidity control:** allows for quick fund reallocation between investments or back to operating cash, ensuring flexibility.
- **Cost savings:** lowers account maintenance and transaction fees by consolidating physical accounts.

Ready to take the lead in cash management?

Corporate treasurers demand solutions that simplify complexity, enhance efficiency, and provide real-time control. Virtual Account Management (VAM) offers a proven, scalable platform to help your bank deliver the cash management capabilities your corporate clients need to thrive in today's fast-paced financial landscape.

- **Win new mandates** by meeting the advanced requirements of multinational corporations.
- **Deepen client relationships** through tailored solutions like POBO, ROBO, and multi-currency accounts.
- **Boost profitability** with efficient, cost-saving tools that streamline operations for your clients.

Explore how VAM can elevate your bank's cash management proposition.

[Request a demo](#) or contact our team.