The value of Virtual Payables
Paper to electronic conversion continues

A comprehensive electronic solution goes beyond the ability to make and accept electronic payments — it streamlines the back office through accounts receivable integration and extends electronic payments to accounts payable to maximize cost reduction and risk mitigation.

“Virtual accounts help buying organizations improve DSO for their suppliers while extending their own DPO by up to 45 days.”
— Paystream Advisors 2015 “How Virtual Accounts Generate Real Working Capital”

Did you know?
74% of organizations have the ability to pay suppliers electronically.

<table>
<thead>
<tr>
<th>Cost savings</th>
<th>Improved cash forecasting</th>
<th>Fraud control</th>
<th>Reconcile efficiently</th>
<th>Improved working capital</th>
<th>Better buyer/supplier relations</th>
</tr>
</thead>
</table>

Companies are dramatically growing financial returns when

Process automation + Discounting and card settlement against AP spend = More efficient payables processing across supply chain activities

Value of virtual payables for buyers

Value of virtual payables for suppliers

General disclaimer for Bank of America Merrill Lynch, visit baml.com/disclaimer
©2018 Bank of America Corporation ARSG7FY5
Virtual Payables for buyers

Benefits of card payment:

- A no-cost alternative to traditional fee-based payments
- Provide suppliers with a fast, reliable payment option
- Eliminates per-item banking fees/processing costs
- Improves Days Payable Outstanding
- Extends float, increasing cash flow
- Reduces opportunity for fraud
- Requires no changes to the upfront A/P process

Suppliers realize the value of card

Consider Virtual Payables as a solution for automating many of your check payments...

Improve daily working capital, by increasing cash flow...

...while eliminating inefficiencies of paper-based payments

80% Had a net increase in suppliers paid with virtual card in the past year

Source: RPMG 2018 EAP Benchmark Survey

Average administrative cost savings per virtual card transaction over traditional check payment

$26

Source: RPMG 2018 EAP Benchmark Survey
Payment delivery methods
Flexible for your payment and supplier needs

Single use accounts
Virtual account numbers generated on demand for each payment request
• Virtual account number generated on demand and sent with associated details (expiration date, CVV/CV2, etc.) to supplier for payment processing
• You have ultimate control of the payment details, i.e. how much the card may be authorized for payment
• One-to-one association of payment and invoice simplifying reconciliation and minimizing the possibility of fraud

Straight-through processing (STP)¹
Buyer-initiated payment pushed directly to the supplier’s account
• Payment is sent directly to the supplier’s account without any action needed by the supplier
• Lower fee structure available for suppliers who accept this form of payment method
• You have ultimate control of the payment details, i.e. how much the card may be authorized for payment

Sample Remittance Notification for STP

Supplier cards²
Supplier-dedicated virtual card number
• Your supplier uses the dedicated card number to initiate all payments
• Payment is settled with the supplier usually within 48 hours
• You have ultimate control of the payment details, i.e. how much the card may be authorized for payment

¹ Only available in U.S. ² Only available in North America

With any virtual payables method...
Using your ERP platform, you initiate a payment instruction file to Bank of America Merrill Lynch
Bank of America Merrill Lynch processes the file, funds card with appropriate payment amount and sends remittance advice or notification to the supplier
Once payment is processed, Bank of America Merrill Lynch receives transaction data and sends a reconciliation file to your ERP
Driving efficiency through virtual payables

Visibility
A more accurate view of your spend will allow you to monitor the health of your financial relationship with your crucial suppliers.

Control
Flexible limits and card controls giving you the ability to set specific transaction limits by merchant category code and single purchase limits within a time frame designated by you.

Optimization
Realize benefits associated with payments optimization globally.

Connectivity
Easily configurable to operate within your existing approval hierarchies and procedures so you can continue on as normal or take the opportunity to improve processes if needed.

Transaction-level control
- Cards can only be charged for the exact amounts that they have been funded.
- Eliminate inefficiencies of suppliers processing inexact amounts.

Secure notifications
- Deliver card account information to suppliers via secure email.
- Helps your suppliers meet Payment Card Industry (PCI) compliance requirements.

Fraud Prevention 10 Years in a row

Javelin Strategy and Research, 2015
Virtual Payables for suppliers

**Improve daily working capital**, by increasing cash flow... + **while eliminating inefficiencies** of paper-based payments

**Expediting your receivables** and **save time, money and trees.**

Approximately **2/3** of card using organizations report that they are satisfied with the level of supplier adoption they have experienced.


**Benefits of card acceptance:**

- Improve Days Sales Outstanding
- Enable faster, more reliable receipt of your payments
- Strengthen and expand relationships with buyers
- Reduce bad debt expense and lengthy collections processes
- Eliminate per-item banking fees/check processing costs
- No implementation or set-up costs associated with accepting virtual payments; leverages existing credit card payment process
- Improved reconciliation through remittance information that accompanies virtual payments
Payment delivery methods
Flexible for your needs

Single use accounts
Randomly generated virtual account number for each individual payment
- Virtual account number and associated details (expiration date, CVV/CV2, etc.) transmitted to you via secure email
- You use the generated virtual account number to initiate payment
- One-to-one association of payment/invoice enables easy, automated reconciliation
- No need for you to keep the card number on file

Sample Remittance Notification for STP

Straight-through processing (STP)\(^1\)
Buyer-initiated payment pushed directly to your account
- Payment is pushed directly to your account without any action needed by you to initiate processing
- Reduced charge-back risk
- No need for you to keep the card number on file

Supplier cards\(^2\)
Dedicated virtual card number for all your buyer’s payment processing
- You use the dedicated card number to initiate payment
- Payment is usually settled within 48 hours
- No implementation or set-up costs associated with accepting virtual payments; leverages existing credit card payment process

With any virtual payables method...

No change to your upfront process – you invoice your buyer for fully rendered goods and services
- You receive a remittance advice with all payment and invoice details, as notification of payment from your buyer
- Payment is processed and funds are typically available within 48 hours

\(^1\) Only available in U.S. \(^2\) Only available in North America
Driving efficiency through virtual payables

**Reconciliation**
Remittance data transmitted with each payment will allow for improved back end reconciliation

**Control**
Buyer has ultimate responsibility for the payment details, i.e. how much the card may be authorized for payment

**Optimization**
Realize benefits associated with receivables optimization globally, including improved DSO and elimination of check processing costs

**Transaction-level control**
- Payment authorization is restricted to the exact dollar amount
- Eliminate manual errors of processing an inexact amount

**Secure notifications**
- Card account information is delivered to you in a secure remittance advice email
- Helps meet Payment Card Industry (PCI) requirements by not storing card account information

**Fraud Prevention** 10 Years in a row
*Javelin Strategy and Research, 2015*