

# The value of Virtual Payables

Paper to electronic conversion continues



Bank of America Merrill Lynch ranked No. 1 provider of **purchasing/virtual payables** programs by volume  
*Nilson Report ranking, July 2018*

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 optimize cost reduction and risk mitigation.

## Did you know?

Expected annual growth rate of spending on virtual accounts is **8.6%** over the next five years.

- 2018 RPMG EAP Benchmark Survey



Companies are dramatically growing financial returns when

Process automation



Discounting and card settlement against AP spend



More efficient payables processing across supply chain activities

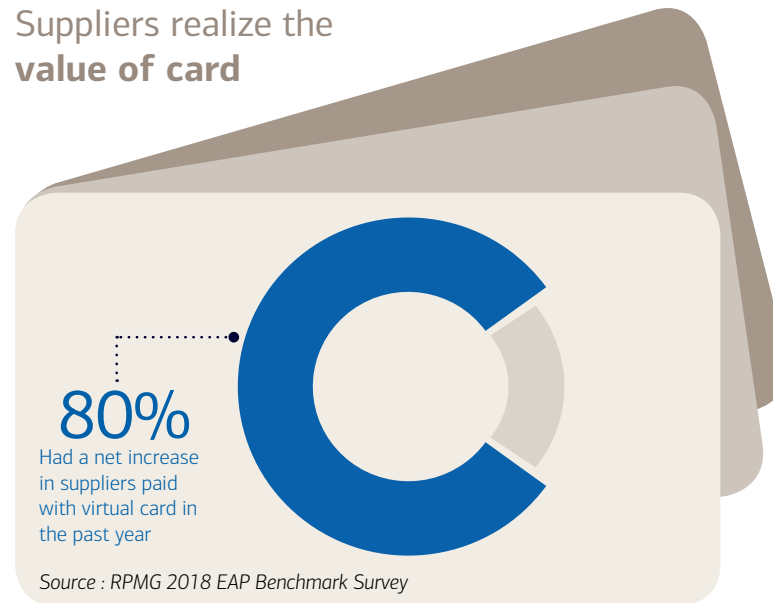
## Virtual Payables for buyers

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



...while **eliminating inefficiencies**  
of paper-based payments

Suppliers realize the  
**value of card**



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

\$26

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

Source : RPMG 2018 EAP Benchmark Survey

### 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

## Payment delivery methods

Flexible for your payment and supplier needs

### Single use accounts

#### Virtual card 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)<sup>1</sup>

#### 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 cards<sup>2</sup>

#### 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

<sup>1</sup> Only available in the U.S.   <sup>2</sup> 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



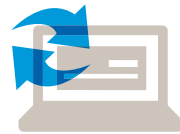
Once payment is processed, Bank of America Merrill Lynch receives transaction data and sends a reconciliation file to your ERP

## 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



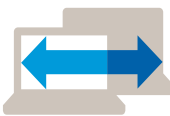
### Control

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

## Virtual Payables for suppliers

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



...while **eliminating inefficiencies**  
of paper-based payments



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

— *Strategic Treasurer "B2B Payments & WCM Strategies Survey Report," 2018*

### 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

### Straight-through processing (STP)<sup>1</sup>

#### Buyer-initiated payment pushed directly to the supplier's 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

[Sample Remittance Notification for STP](#)

### Supplier cards<sup>2</sup>

#### 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

<sup>1</sup> Only available in the U.S.   <sup>2</sup> Only available in North America

### With any virtual payables method...



No change to your upfront process  
– you invoice your buyer for fully rendered goods and services

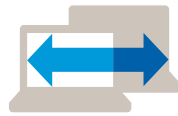


You receive a remittance advice with all payment and invoice details, as notification of payment from your buyer



Payment is processed and funds are typically available within 48 hours

## 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 can be restricted to the exact dollar amount
- Eliminate manual errors of processing an inexact amount

### Secure notifications

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