

Finastra Virtual Accounts

To respond to an increasingly competitive market for cash and a surge in corporate demands, improve your cash management offering to customers with an integrated virtual accounts solution.

Virtual accounts give businesses the functionality they require and become the go-to platform for smart cash management services.

Powerful virtual banking system for corporates

Corporates' expectations are changing as a result of enhanced consumer experiences. They are increasingly demanding self-service experiences as they have grown accustomed to improved retail banking experiences, and come to expect this in corporate banking.

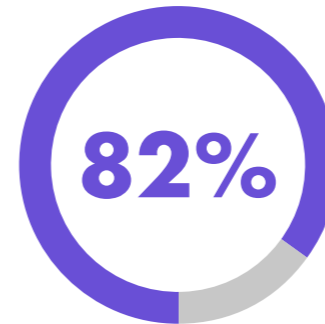
Corporates are looking for solutions that address their liquidity challenges to help optimize cash flow, lower risk, and automate processes. In fact, 91% of banks say that digital, automated processes would become more important in cash management over the next 5 years.

This demand for complex products comes in parallel with an increasingly competitive market, where 82% of banks are investing in adding advanced liquidity and payments solutions for their cash management offering as a priority.

It's easy to see that banks must act now to remain relevant to their corporate customers' needs and get ahead of the competition.

Typically, corporates open a limited number of physical accounts with banks to process payables and receivables.


This limits their ability to reconcile and mark the transactions against their own business books. Virtual accounts solve this problem.



82% of banks are looking to add liquidity and payments solutions to their cash management offerings as a priority.

Source: East and Partners and Finastra

Corporates want the flexibility to self-serve the creation of their accounts. They want a much clearer view of those accounts to help treasury play a more strategic role. They want a scalable way for treasurers to automate processes and simplify liquidity management.



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Key drivers



Competition from non-traditional players

Fintechs and treasury management service providers are entering the market and offering virtual accounts. This competitive pressure represents a risk of disintermediation and consequent potential loss of the customer relationship for banks. Established banks need to arm themselves to compete with these players.



Seeking new revenue streams

By sharing access to their own APIs and those of innovative fintechs and third parties, banks can open up new avenues to generate revenue, accelerate innovation and deliver the types of new services customers are demanding.

A 'bank as a platform' approach will be a key competitive differentiator in the future of financial services – particularly at a time when banks are faced with diminishing returns from their existing portfolio.



Treasury complexity driving market demand

When asking a treasurer about their business, they typically cite the number of physical bank accounts as a measure of the scale and complexity of the treasury function.

Every bank account adds complexity: it needs to be reported on and reconciled, balances managed, and authorized signatories maintained. Every account also has a related cost and represents a potential security risk without adequate oversight over signatories and balances.

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Virtual accounts and their applications

Setting up multiple physical accounts for a single corporate customer incurs significant overheads for banks. The need to meet KYC and other compliance requirements means high overheads and costs, as well as complexity. Equally, for corporate customers, many physical accounts can be hard to manage and track – yet corporates need to be able to ringfence cash by specific segments such as regional operations or customer subscriptions.

Virtual accounts, which are used to make and receive payments on behalf of a physical account, provide a smarter transaction banking solution for both banks and corporates.

Traditionally, they have been used to identify receivables more accurately, by allocating payees an individual virtual account number to pay into. This makes straight-through processing possible for receivable notification.

However, virtual accounts can also enable corporates to ringfence cash more effectively for reporting and reconciliation, while holding funds in the same physical account. For banks, they can empower corporate customers to create and manage their own treasury functions, to solve today's cash and liquidity management challenges.



Better customer service

From a single physical account, your customers can create an unlimited number of virtual accounts, which they can utilize across their supply chain. All movements across virtual accounts have an immediate impact on the underlying physical account.



Improved Reconciliation

Corporates and banks alike desire automated reconciliation with simplified liquidity management for treasuries of all sizes and levels of sophistication.

Manual processing is resource-intensive and this effort could be applied to other value-add activities – and is now becoming a “must have” for banks and corporates. Automating certain processes enables corporate treasurers to have a more up to date view of their cash position.



Enhanced treasury controls

Treasury can define the business units or business entities hierarchy using virtual accounts. This enables the treasurers to view segregated positions as well as consolidated positions at main account.

Key features



Segregation

Send and receive payments using virtual accounts based on business units, functions, products, etc.



Control

Gain greater control over internal cash management and approval processes with configurable workflows.



Identification

Generate new virtual account numbers in multiple formats using configurable rules.



Confidentiality

Maintain confidentiality for business critical payments such as payroll and taxes using user access management.



Reconciliation

Reconcile payments to and from buyers against invoices from corporate ERP system or uploaded by users.



Visibility

View virtual accounts data in a greater level of detail: including single use, multiple use, expiry date, fixed amount, etc.

Benefits

Virtual accounts, which are used to send and receive payments on behalf of a physical account, provide a smarter transaction solution for both banks and corporates.

For banks



Reduce operational complexity through a self-service enabled solution



Provide a real-time view of usage and revenue at a corporate or corporate segment level



Achieve faster time to value by leveraging virtual accounts as a service, through a service-based cloud deployment



OPEN API driven approach for easy integration with existing payments and core banking solutions

For businesses



Better working capital management with flexible virtual accounts and reduced number of physical accounts



Streamlined and efficient tracking of payment receipts and invoices raised with the enhanced reconciliation engine



Shorter payment cycles for businesses with self-service, greater visibility and automatic reconciliation of outstanding receivables



Custom reports at different levels, such as group, company, subsidiary, project, outlet, etc.



Enables treasury functions to centralize and track cash without complex liquidity structures.

About Finastra

Finastra is a global provider of financial software applications and marketplaces, and launched the leading open platform for innovation, FusionFabric.cloud, in 2017. It serves institutions of all sizes, providing award-winning solutions and services across Lending, Payments, Treasury & Capital Markets and Universal Banking (digital, retail and commercial banking) for banks to support direct banking relationships and grow through indirect channels, such as embedded finance and Banking as a Service. Its pioneering approach and commitment to open finance and collaboration is why it is trusted by ~8,600 institutions, including 90 of the world's top 100 banks. For more information, finastra.com

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