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**VIRTUAL
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Virtual Accounts & In-House Banking: Coming of Age in the US?

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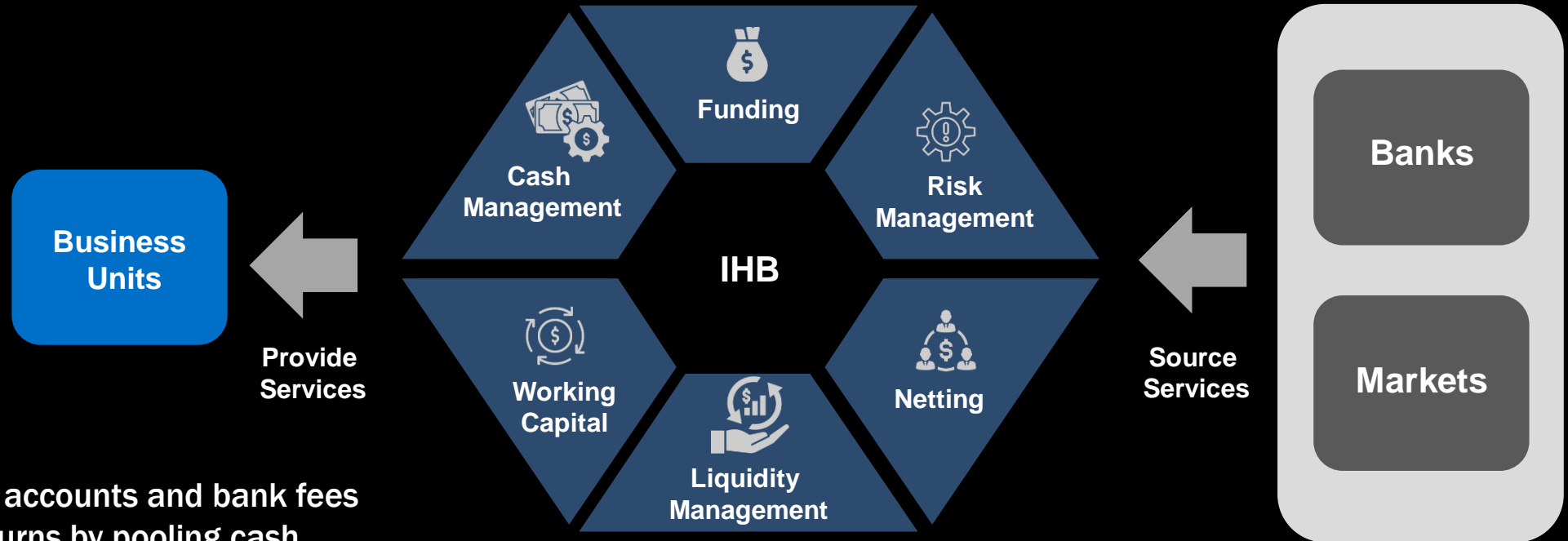
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THE CHURCH OF
JESUS CHRIST
OF LATTER-DAY SAINTS

Session Objectives

- 1 Describe the components and benefits of an In-House Bank
- 2 Explain how Virtual Account work
- 3 Explain how Virtual Accounts work with an In-House Bank
- 4 Provide an overview of the US In-House Banks at Volkswagen Group of America and The Church of Jesus Christ of Latter-day Saints
- 5 Summarize lessons learned and conclusions

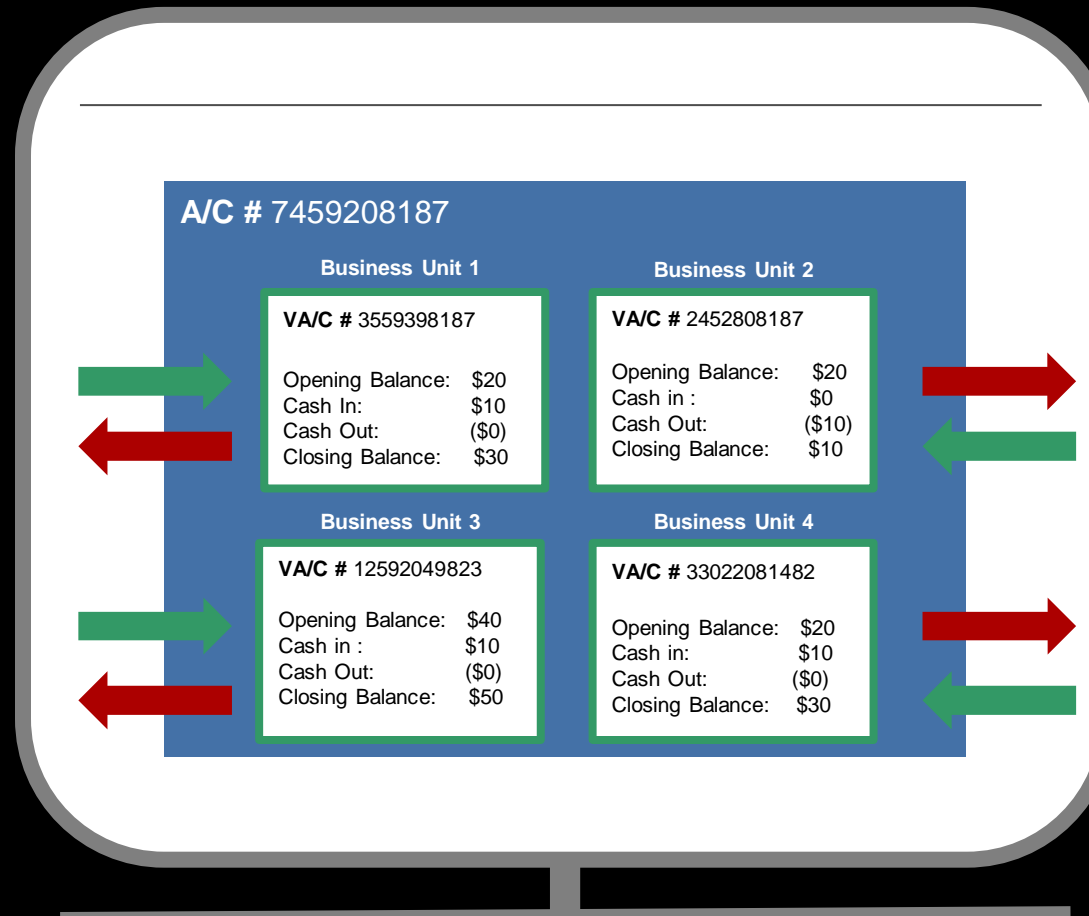
In-House Banks – components and benefits



- Minimize bank accounts and bank fees
- Earn higher returns by pooling cash
- Offset FX exposure and hedge group positions
- Minimize cross border and cross currency payments
- Reduce borrowing costs through intercompany lending
- Working capital optimization through centralized payable and receivable processing

How do Virtual Accounts Work?

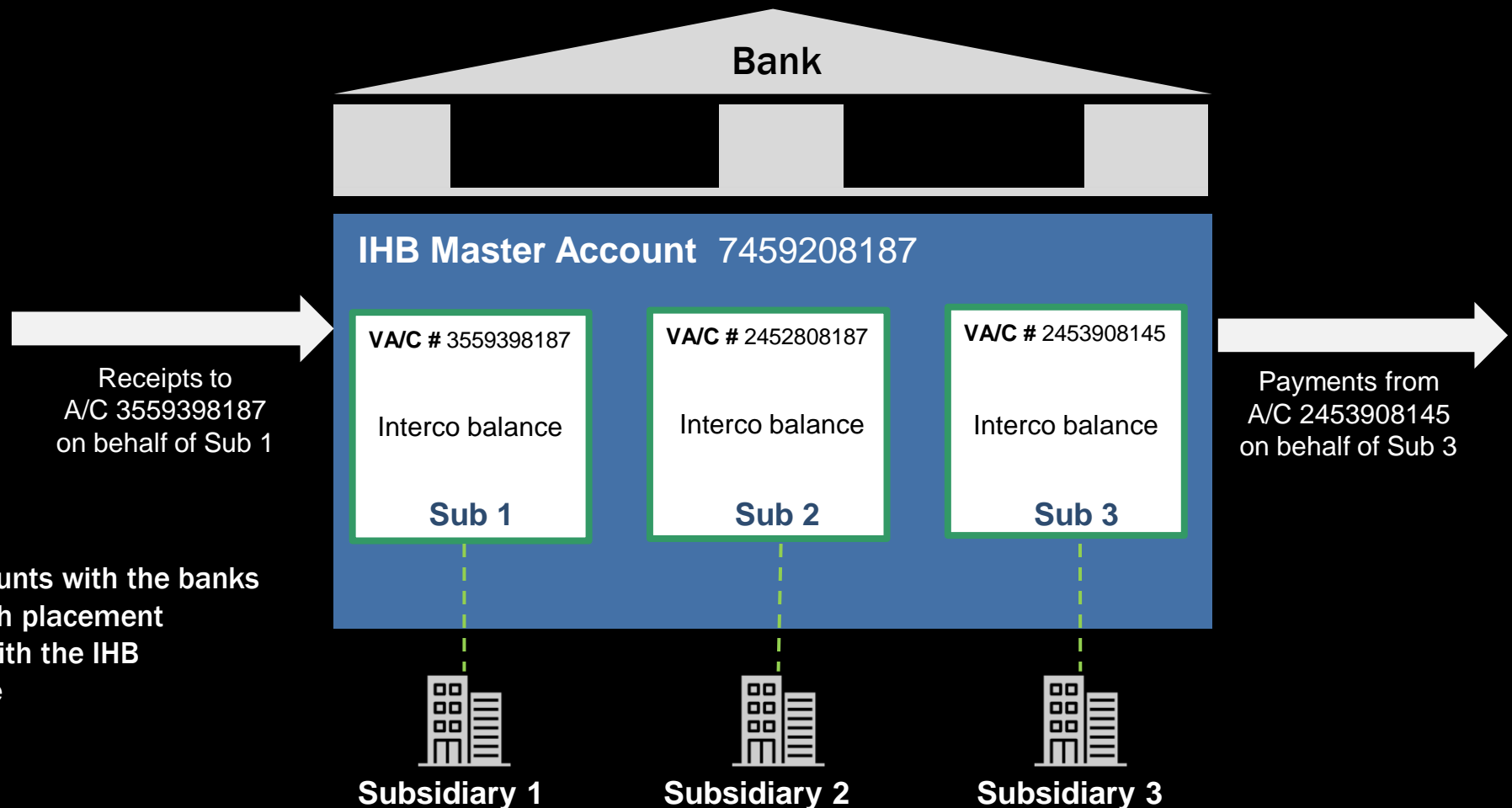
A virtual account is a unique identifier provided as a Clearing Recognizable Bank account number that can be used to segregate and report bank account data.



Virtual Accounts Offer Enhanced Payment and Reporting Capabilities Compared to Physical Accounts:

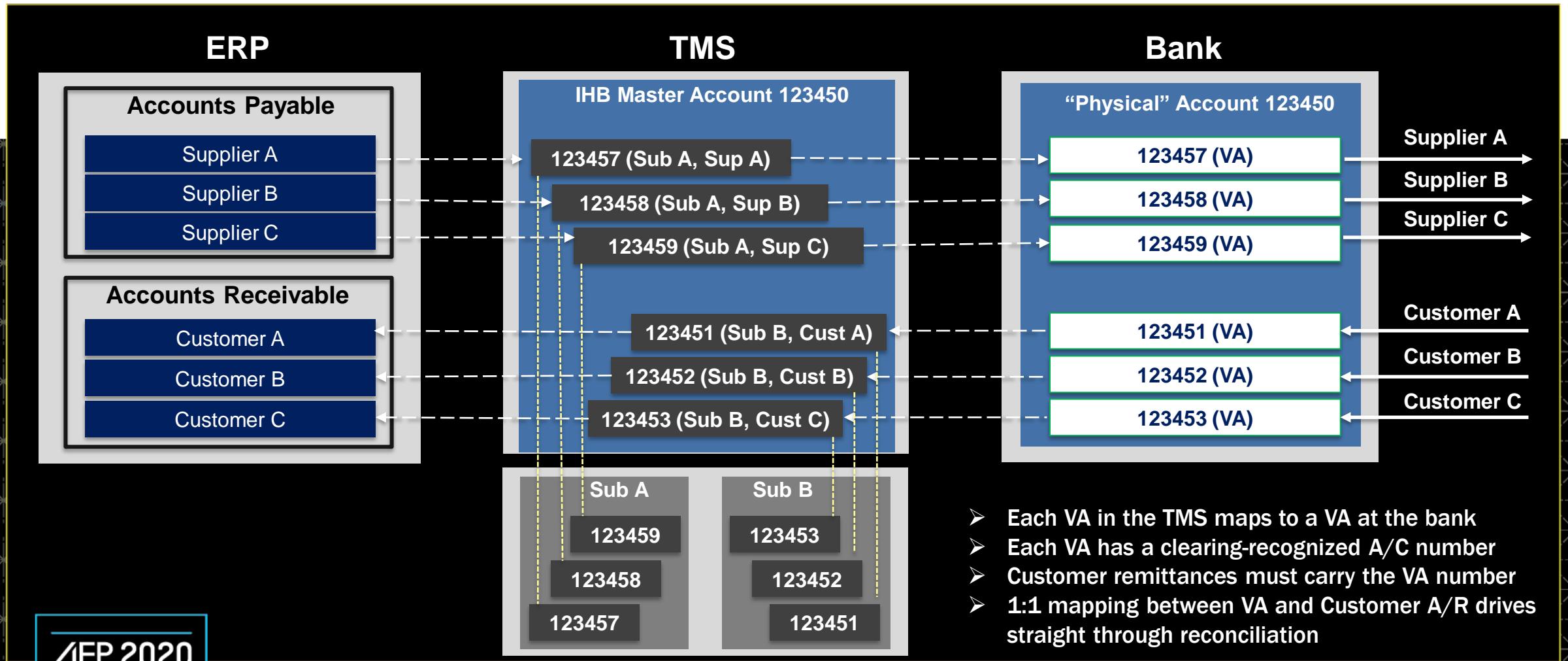
- 1 Clearing recognizable account number that can be used directly for payments or receipts
- 2 Physical account and underlying virtual accounts are always in sync
- 3 Full payment capability in and out of virtual accounts
- 4 Payment initiation enabled via API, multiple file formats and portal/UI

In-House Banks and Virtual Accounts



- The IHB owns the master accounts with the banks
- The IHB manages external cash placement
- Business units maintain VAs with the IHB
- VAs can be positive or negative
- BUs earn or pay interest

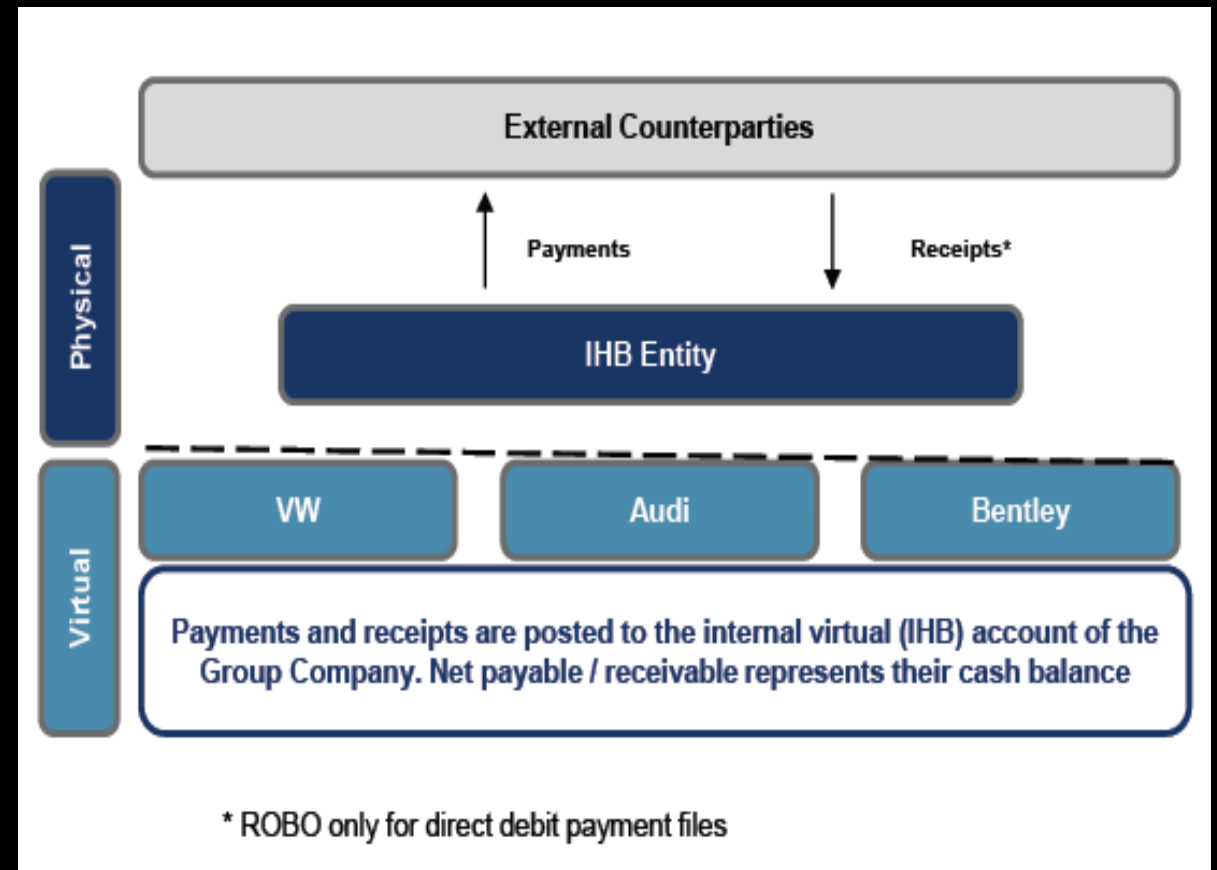
IHBs, TMS, ERPs and straight through reconciliation



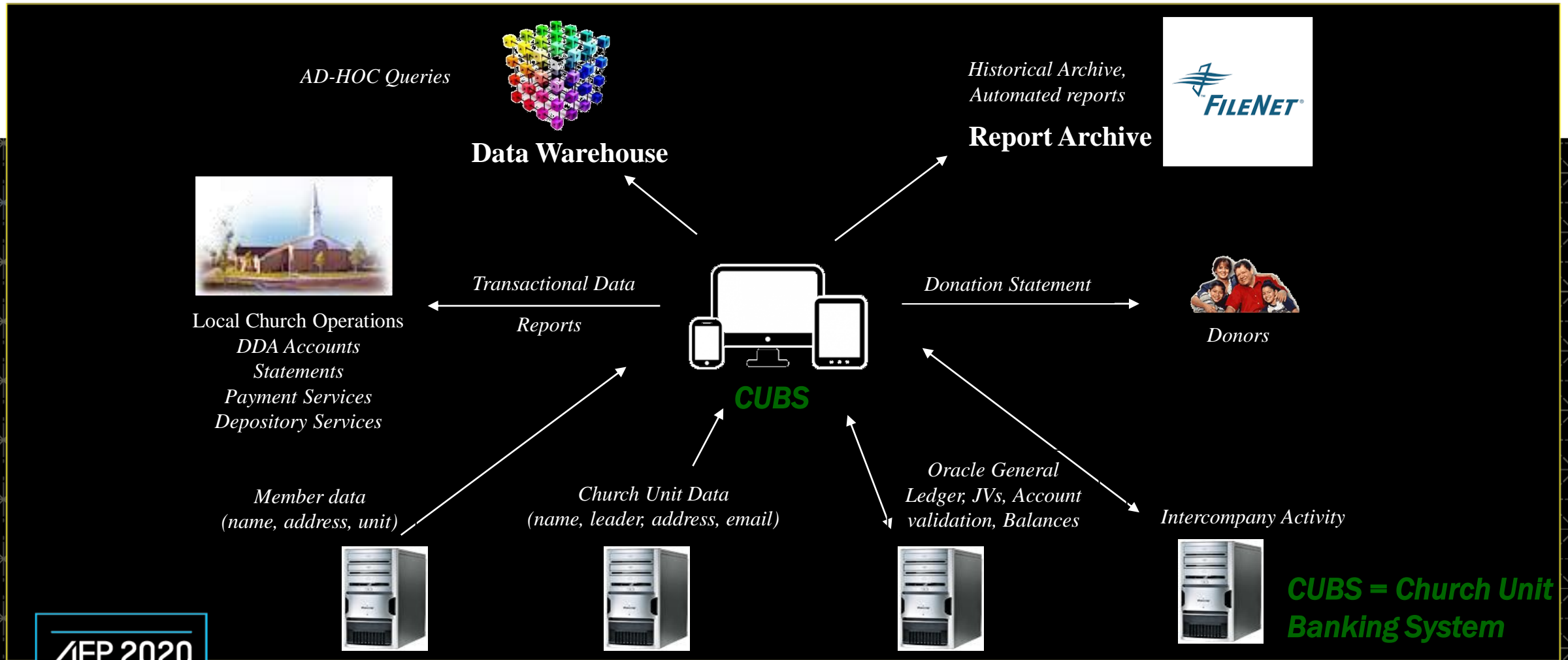
In-House Bank- Project Goals

Volkswagen Group of America

- Transform existing shared service center into an in-house bank providing enhanced operational services for the Automotive Companies:
 - Payment on behalf (POBO)
 - Receipt on behalf (ROBO)
 - Liquidity hub via cash pooling
 - Intercompany payment facilitation
 - Management of FX exposure
- Leverage setup of in-house bank from existing European IHB
- Fully integrate all North American Group Companies onto the Global Treasury (SAP) Platform
- Establish separate company as the IHB; determined to be best practice



Church of Jesus Christ of Latter-day Saints In-House Bank Architecture



Church of Jesus Christ of Latter-day Saints In-House Bank Operations

Worldwide Operations

170 Countries, political divisions and territories

126 Currencies

42 Languages



Transactional Data
Reports

4 M lines of code



CUBS

Donation Statement
Online Donations
(1.25+ M/month)



Donors

Payments



Vendors / Members

Bank Statements
EFT payments,
Donations,
FX and Funding



Monthly Transactions Volume

2.3 M Donations

400 K Disbursements (100 K EFTs)

3 M Other transactions

A Phased Approach to Implementing In-House Bank

Centralization of
Group Credit Lines

Internal /
Intercompany
Funding

FX Netting

Invoice Netting

Centralized Liquidity

Intercompany Virtual
Accounts

Payments on Behalf Of

Receipts on Behalf Of

Conclusions and Lessons Learned in Implementing an In-House Bank in the US

- US corporates are successfully implementing IHBs in the US
- Carefully identify objectives
- Choose and plan the right technology providers and arrangement
- Seek external advice
- Tax planning is critical
- Take a phased approach
- Identify the right people resources and ensure they are available