

AFP[®] Annual Conference



November 7-10, 2010 | San Antonio

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Easing the Pain of Bank Account Management: An Electronic Approach

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Topics

- Provide an overview of why Best Buy Co., Inc. (Best Buy) is moving to an electronic bank account management (eBAM) model
- Clarify what is meant by eBAM versus “plain old” bank account management (BAM)
- Outline different ways that corporates and banks can work together in the eBAM environment
- Cover Best Buy’s decision process and plans
- Share lessons learned
- Questions

Top 10 Reasons Corporates Should Adopt eBAM

1. How much jail time is associated with that violation in Mexico?
 2. We're holding a contest: Guess the number of ex-Treasurers still listed as signers on the account.
 3. Really, the bank needs my passport and sample utility bills... again?
 4. Our new growth initiative — time spent reporting on bank accounts is up 127% year-over-year
 5. External auditors tend to ask questions about G/L numbers instead of account numbers to test us... and we need help
 6. You can't be serious... a report of all signers by account?!
 7. Tell them the final listing of bank accounts will be ready three weeks after the audit is complete.
 8. The CFO will ask about account control, and I will be speechless.
 9. Does anyone have an idea who owns that account?
 10. Everyone is talking about eBAM, and I would like to appear intelligent too.
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Best Buy's Pain – Legal Entities, Bank Accounts, Paper

Region	Treasury Staff	Countries	Legal Entities	Banks	Bank Accounts
Americas	12.5	5	61	17	151
EMEA	10	13	84	35	335
Asia	15	3	35	53	386

- Global reach and growing: over 100 banks in more than 20 countries, with hundreds of legal entities and associated bank accounts
- Regional treasury structure with select signatories required on all accounts
- Banking relationships in every country in which it operates
- Managing bank accounts, with the associated legal entities and signatories, is a time-consuming, expensive, complicated, and at times frustrating process

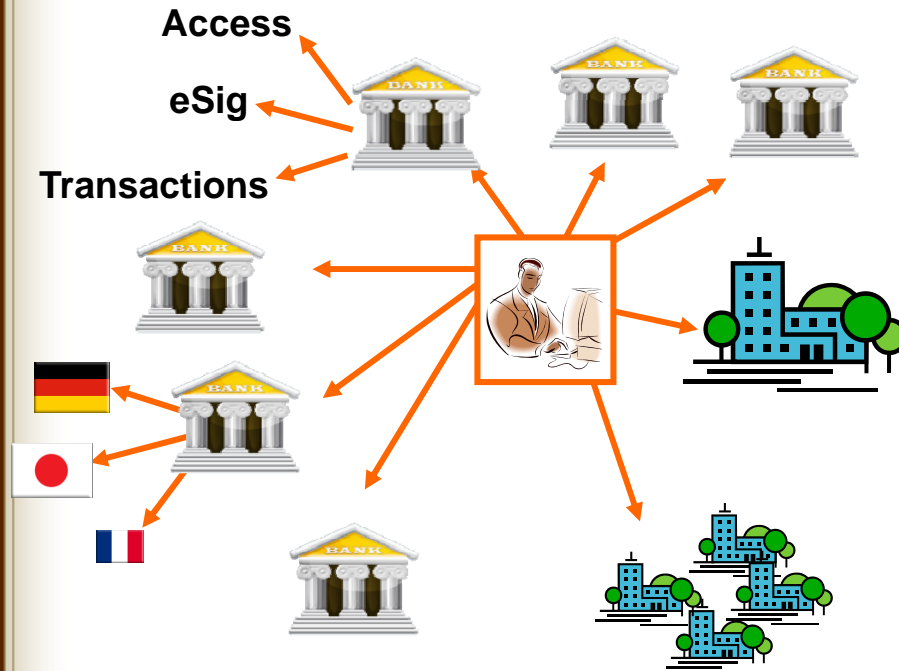


Best Buy's Goal – A Better, Streamlined Bank Account Process

- **Best Buy is streamlining its bank account process, including:**
 - Managing legal entities and the associated documentation
 - Opening and closing accounts
 - Adding, updating, and deleting signers
 - Creating better transparency around bank account management requests
 - Responding more effectively to audit and regulatory requirements
- **The goal is to enhance the governance process via real-time management of Best Buy's:**
 - Legal entities
 - Bank Accounts
 - Signatories

The Bank Account Management Challenge – the Corporate View

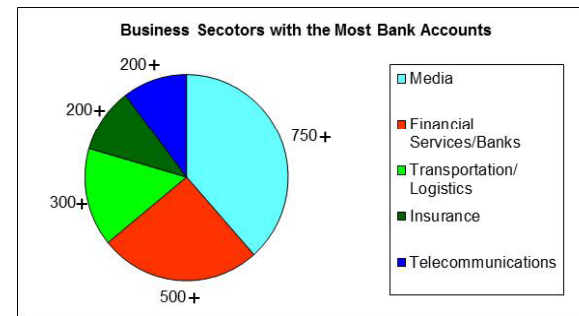
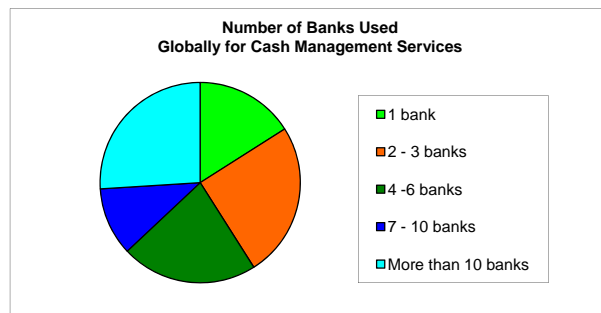
The Corporate User



- **Very dynamic environment, with up to 30%** of bank accounts undergoing change at any given point in time
- **Complex, expensive, error prone, and inefficient processes**
 - **Long implementation times**, ranging from 30 to 180 days for a change
 - **Low levels of “1st time right”**
- **Varied processes, forms, and requirements**
- **Fragmented** country or regional identity **policies**
- **Multiple identities** or access mechanisms
- **No true trusted source** for documents, processes, or identities

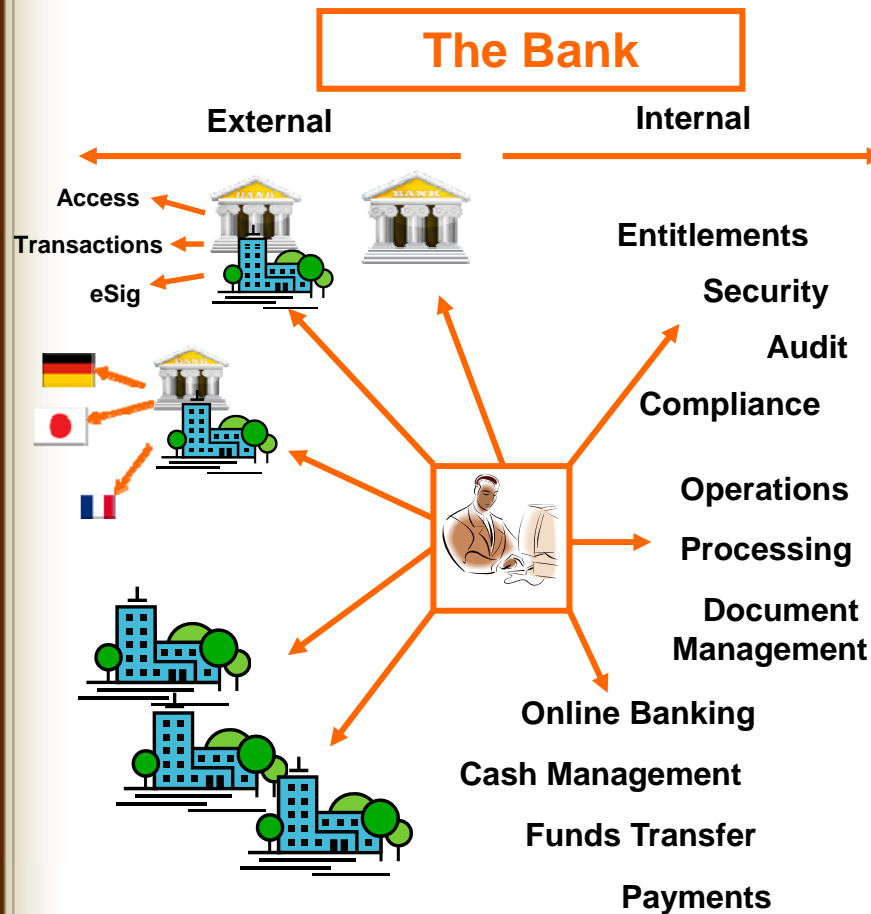
The Bank Account Management Challenge – Corporate Facts

- Corporates use an **average of 5.7 banks** for cash management services; **26%** use **more than 10 banks**



- **65%** of corporates say they are moving to more **centralized** management of legal entities, with associated implications for bank accounts and signatories
- **40%** of corporates have more than **150 signatories**
- **64%** of corporates have multi-country, multi-geography direct banking relationships, with an overall average of 25 banking-related countries
- 25% of corporates say that **ease of deployment for opening and managing new bank accounts** is a **top 5** selection point when determining whether to maintain or shift banking relationships

The Bank Account Management Challenge – The Bank View



- Wild variety of processes, forms, and requirements
- **Multiple identities** or access mechanisms
- Multiple **instances of personal information** stored in many, many locations
- Different tools/**identities** for different functions
- **Multiple systems with varying input processes**, from manual entry to re-keying of data, to electronic file translations
- **Synchronization challenges** as paper moves through the process or through organizations
- **Audit and compliance challenges** from dispersed and varying data

Electronic Bank Account Management (eBAM) – Easing the Pain

- **Electronic Bank Account Management (eBAM):**
 - The ability of Corporates and banks to exchange requests to open, close, or change a bank account, including its signatories; and
 - The ability to do so using an electronic process versus the exchange of physical paper
 - **eBAM requires:**
 - Legal agreements between banks and corporates
 - Proof of identity
 - Ability to create legally binding electronic and/or digital signatures
 - Electronic templates
 - Tools for exchanging electronic requests
 - **Ideally, an eBAM capability will also directly link with, or feed into, the back office systems of both the bank and the corporate**
-

eBAM – Benefits Across the Board

An electronic, streamlined process delivers a wide variety of benefits on both sides of the equation.

Corporates benefit because they can:

- ✓ Eliminate the expenses associated with creating, moving, checking, and storing physical paper
- ✓ Improve the overall process of managing complex, dispersed bank account and signatory information
- ✓ Improve their ability to quickly change bank accounts and their associated signatories across banks and geographies
- ✓ Improve internal efficiency, auditing, and management reporting

Banks benefit because they can:

- ✓ Deliver a major solution for their corporate customers, providing value to corporates and driving banking revenue
- ✓ Eliminate 25% to 50% of the time and cost required to fulfill a bank account or signatory request
- ✓ Reduce the overall internal cost and regulatory exposure at each bank and across the industry
- ✓ Improve overall internal efficiency, audit processes, and regulatory compliance

eBAM Market Trends

- **Increased awareness around eBAM and its implications:**
 - By banks, corporates, and application providers
 - **Initial stages of consolidation and competitive positioning:**
 - Specialty niche players vs. Treasury or ERP players
 - Build vs. buy decisions
 - Standalone vs. integrated solutions
 - License vs. SaaS plays
 - **Emerging and evolving strategic options:**
 - Bank-centric solution
 - Corporate-centric solution
 - Independent, utility solution
 - **Early indications of transformational implications**
-

The Requirements for Broad Adoption of eBAM

- **Applications:**

- The ability to enable corporates to initiate eBAM requests online and manage workflows
- The capability to provide corporate ↔ bank communication mechanisms that allow straight through processing

- **Standards:**

- Identity, covering at a minimum authentication, electronic signatures, and encryption
- eBAM messaging and formats

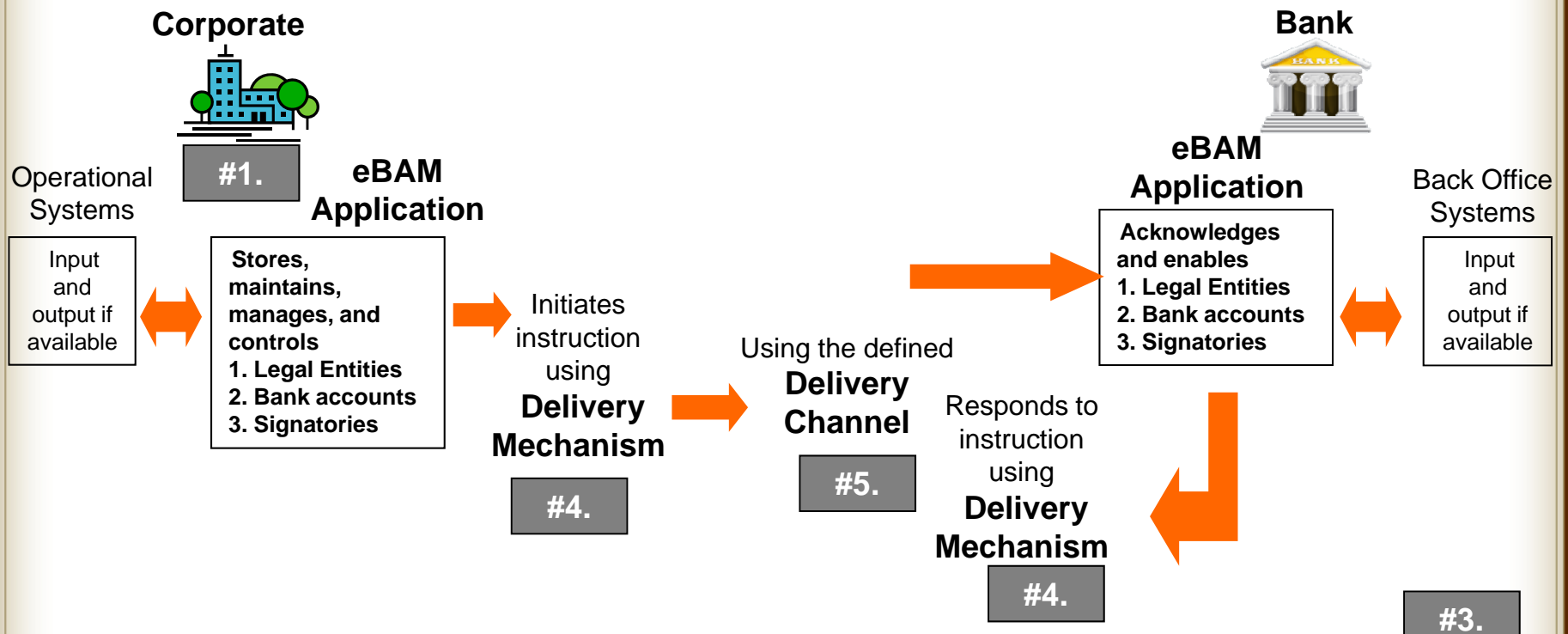
- **Initial Supply and Demand:**

- From banks who want to supply such services
- From corporates who wish to avail of such services

- **Vision and Commitment:**

- From regulators and banks to accept that the status quo can be changed
-

The Five Critical Elements to Make eBAM Happen



#3. Agreed-upon Identity Mechanism for access, encryption, and electronic signature

#2. Foundational Legal Agreements between Corporate and Bank

eBAM Approaches – Three Classes

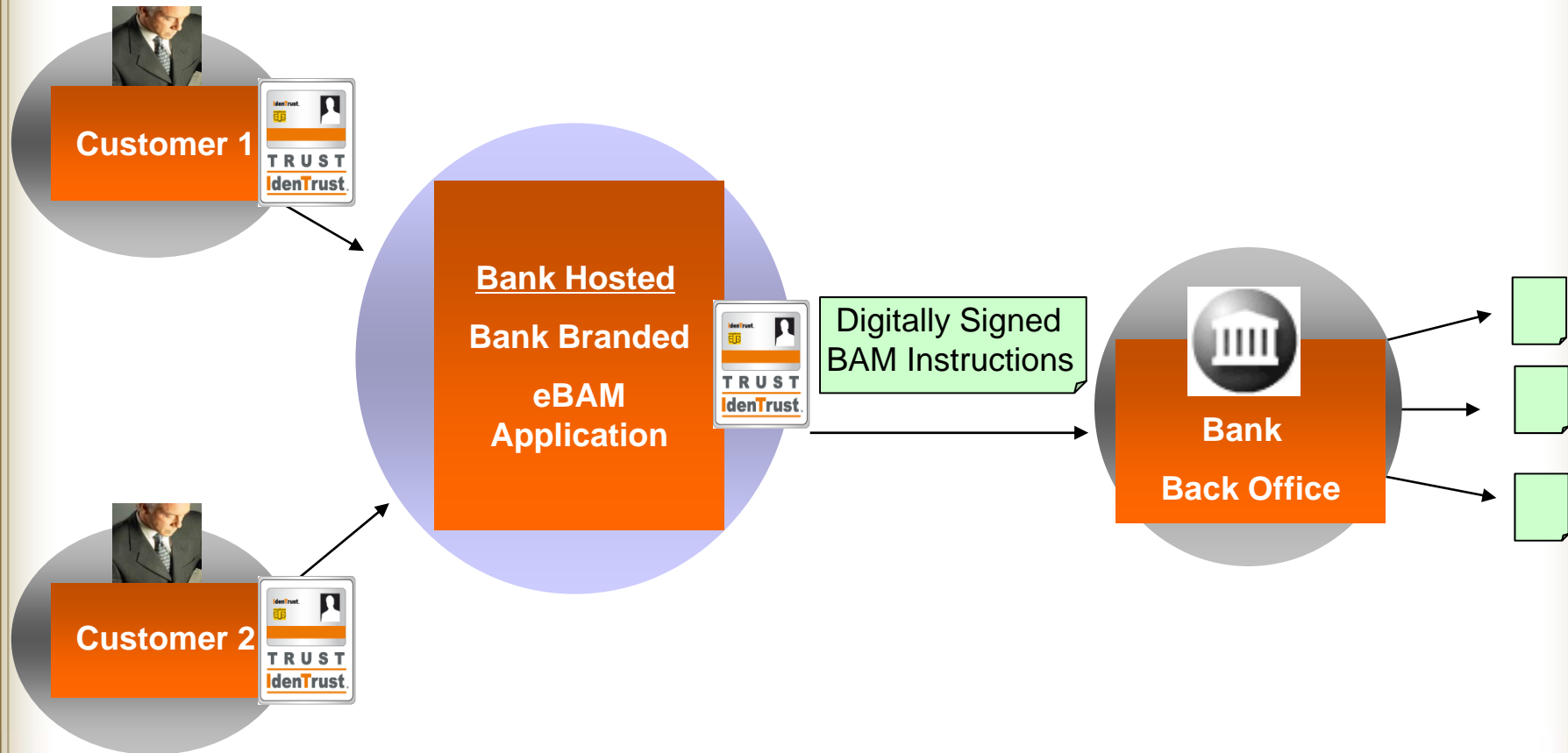
There are three different classes of eBAM applications:

- Class 1:** **Bank-centric**
Corporate connects to their bank through a single, proprietary bank-owned and bank-hosted system

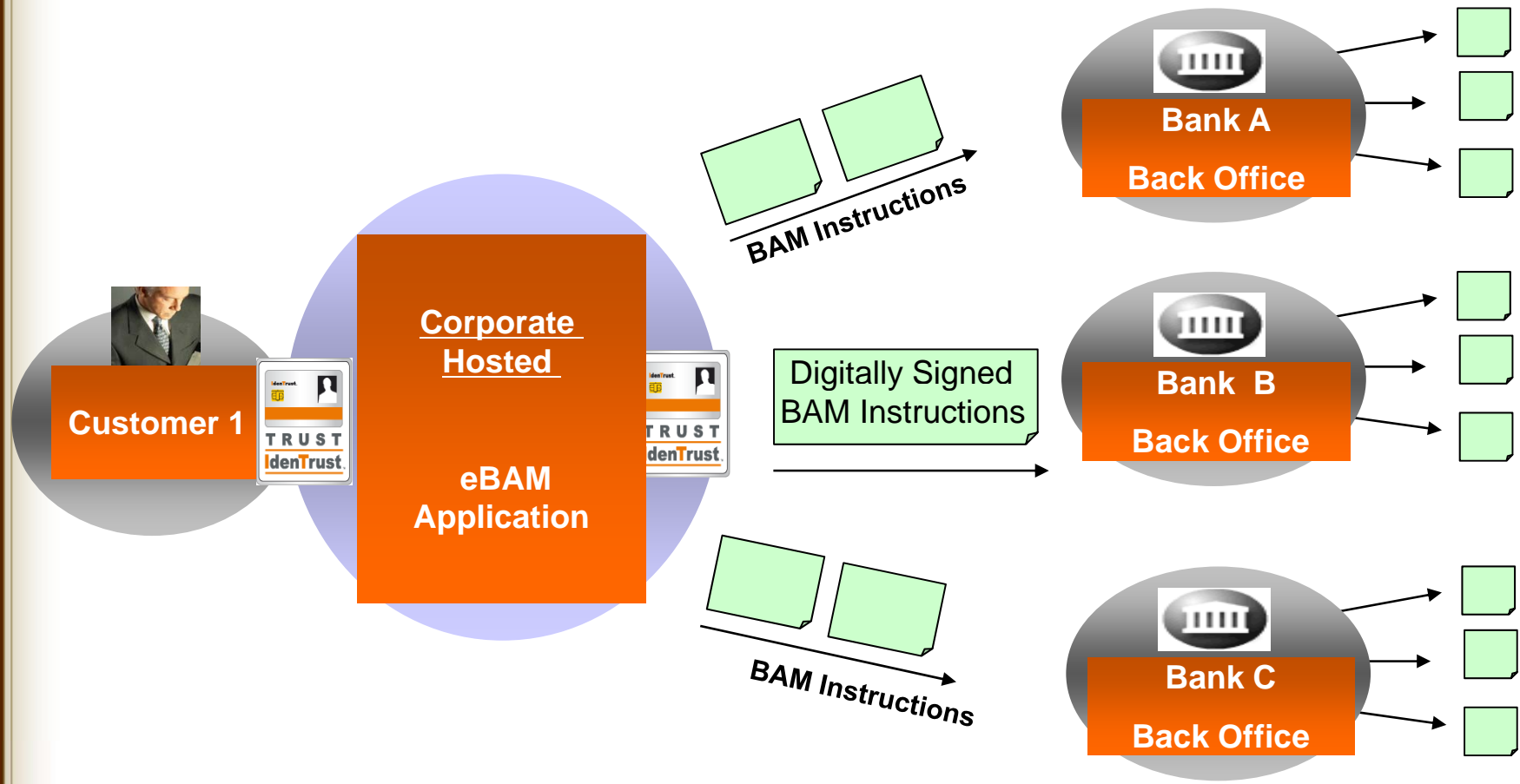
- Class 2:** **Corporate-centric**
Corporate develops or acquires a system that it runs, hosts, and manages the connections to its banks

- Class 3:** **Outsourced Hub-centric**
Corporates and banks leverage a common hub to provide full interoperability

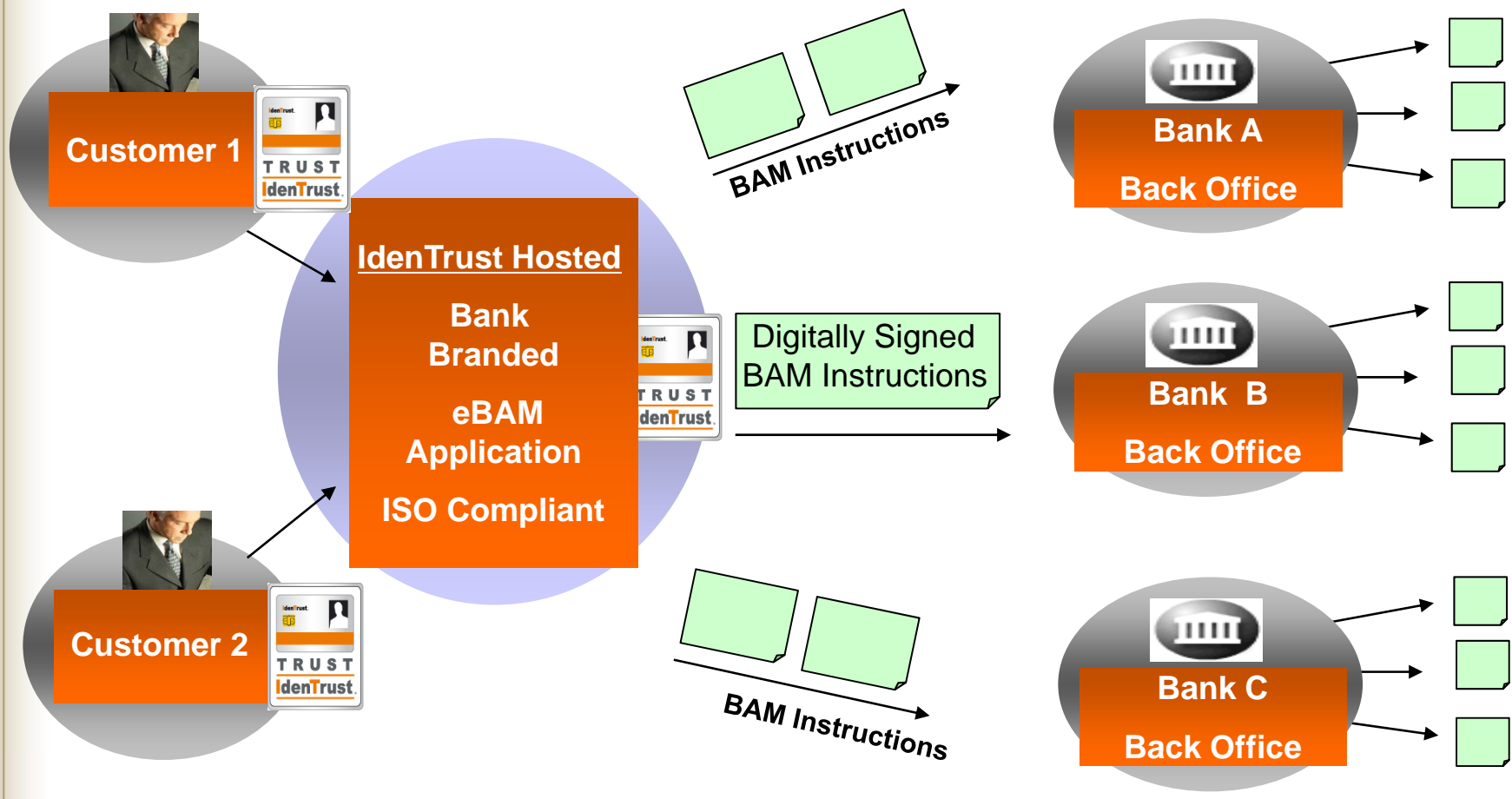
Class 1 – Bank-hosted Application Used by Multiple Corporates



Class 2 – Corporate-hosted Application Sending to Multiple Banks



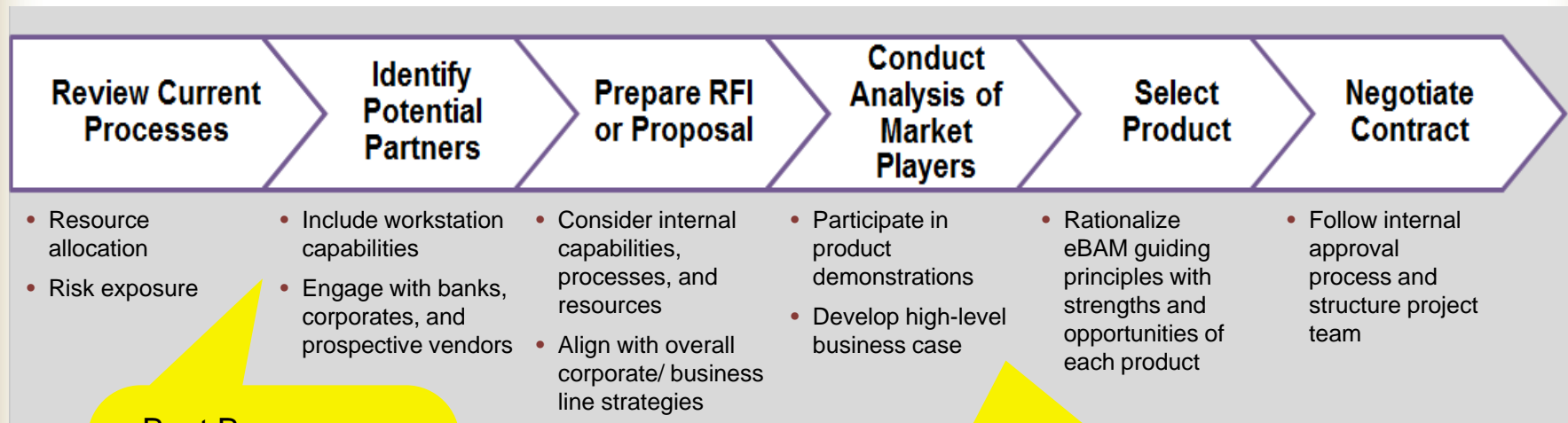
Class 3 – Outsourced Application, Multiple Corporates and Banks



Best Buy's Guiding Principles for eBAM Selection and Implementation

People	Processes	Infrastructure
<ul style="list-style-type: none"> • Communicate securely and effectively with banks • Strengthen and standardize corporate governance • Define clear roles and responsibilities by request type • Align with Best Buy's core values: <ul style="list-style-type: none"> - Have fun while being the best - Learn from challenge and change - Show respect, humility and integrity - Unleash the power of people 	<ul style="list-style-type: none"> • Identify best-in-class methodologies and standardize globally • Continually improve workflow processes and operating controls • Eliminate the use of spreadsheets for corporate records • Create cross functional tools (e.g., Treasury, Accounting, Audit) • Ensure all signature controls and resolutions are up-to-date • Generate ad-hoc reports 	<ul style="list-style-type: none"> • Implement without IT support • Institutionalize enterprise-wide workflow software that enables essential banking communications • Hosted solution • Easy-access via web interface • Manage all information in a single, flexible, secure database tool

Best Buy's Decisioning Process for Selecting an eBAM Provider



- Best Buy discovered a single vendor by “accident” in 2006
- Analysis of internal processes was very limited

- Best Buy participated in demos and contacted users
- Database capabilities were appealing and there was promise of workflow enhancements
- Product lacked digital identity functionality

Best Buy's Decisioning Process for Selecting an eBAM Provider (Con't)

Personal Motivations for Pursuing eBAM

- **Conscious decision to be an early adopter, but...**
 - Not expecting an immediate solution
 - Expecting to make an investment of time and money without an expectation of return
- **Contribute constructively to the evolution of the corporate/bank relationship**
- **Expand the point of view of solution developers – by identifying more problems in search of solutions**
- **Deliver the message to banks that there is a massive demand from their clients for this type of product**

Review Current Processes

- Resource allocation
- Risk exposure

- Best Buy discovered vendor by “accident”
- Analysis of processes very limited

Negotiate Contract

Follow internal approval process and structure project team

Best Buy's eBAM Capabilities (1/3)

Using eBAM, Best Buy will be able to:

1. Control bank account changes with a centralized approval process, while still providing flexibility to empower local Treasury staff to initiate requests
 2. Track the progress of the implementation of bank account signatory changes across the corporate and its banks
 3. Search for and request changes to a single signatory across all accounts within a bank
 4. Generate reports that allow the corporate to demonstrate compliance for not only internal and external policies, but also regulatory edicts
 5. Update the corporate address, contact data, legal structure, and any other data and/or information that is associated with a bank account
 6. Create a virtual signature card for each signatory that is legally-binding and regulatory-compliant in more than 170 countries
 7. Eliminate paper-based supporting documents
 8. Provide authoritative reporting for corporate compliance needs
-

Best Buy's eBAM Capabilities (2/3)

Account Management

- ✓ Open Bank Accounts
- ✓ Modify/Update Bank Account Information
- ✓ Close Bank Accounts

Signer Management

- ✓ Add Authorized Account Signers
- ✓ Remove Authorized Signers from an account
- ✓ Add an Account Signer to an account with Authorized transaction limit
- ✓ Modify Authorized limit of Account Signers
- ✓ Remove an Account Signer

Legal Entity Management

- ✓ Submit a Legal Entity for vetting (including support documents)
- ✓ Modify / Update Legal Entity information
- ✓ Close a Legal Entity

Tracking

- ✓ Process Step Tracking
- ✓ Notification of Compliance Approval
- ✓ Notification of Relationship Manager Approval
- ✓ Notification of Implementation Started
- ✓ Notification of Implementation Completed

Best Buy's eBAM Capabilities (3/3)

Options (in order of greatest functionality)	Delivery Mechanism				Bank Validation Method
	Wet Ink Signature	Signature Image	Electronic Signature	ISO 20022 eBAM XML Message	
Receive and validate electronic messages			X	X	Electronic, Real-time
Receive and validate .pdf documents in electronic form		X	X		Electronic, Real-time
Receive .pdf documents	X	X			Manual

The Identity – Signature Link for eBAM

Identity

- ✓ Having **absolute certainty** of the person with whom you are interacting
- ✓ Being **able to check/validate** that this is, indeed, the case
- ✓ Knowing who **guarantees** the identity of the individual
- ✓ Being a **real name**, not just a number
- ✓ Having **complete trust** to act on instructions
- ✓ Having a **transparent audit trail** of who did what and by when
- ✓ Leveraging a key component to **limiting liability** and **external exposures**

Signature

- ✓ Being able to:
 - Create a **contract**
 - Indicate **acceptance**
 - Demonstrate **authentication** of the individual
 - Demonstrate **authority** of the individual
- ✓ Knowing how to comply with:
 - **Local Law**
 - Site of **signing** versus site of **reliance**
- ✓ Being able to handle:
 - **Electronic** signatures
 - **Advanced electronic** signatures
 - **Digital** signatures

Lessons Learned from the eBAM Road (1/2)

Corporate Perspective:

- Name a strong project manager to oversee the process
 - Conduct an internal review of the existing processes, documents, signatory responsibilities, etc.
 - Start data “scrubbing” (this activity can be time consuming); highlight essential data elements that must be included and easily managed in the database
 - Reach out to your existing banks to gauge awareness, capabilities, and willingness to work with you
 - Develop a cohesive set of “To Be” processes that cover all legal entities, bank accounts, and signatories, including defining your preference hierarchy for Delivery Mechanisms
 - Leverage external resources to develop a business case around the benefits of eBAM and to support the on-going deployment of the eBAM solution
 - Incorporate a plan for integration with other operational systems, such as the GL and HR systems, where a seamless interface could be of value
 - Leverage the “To Be” process to help guide the selection of an eBAM solution; consider corporate workflow in relation to the solution’s workflow (e.g., authority lies at the entity, not account level)
 - Ensure that your “must have” features are included in the contract
 - Once selected, expect a six to ten month initial deployment period for the eBAM solution, including a two to three month period for initial load and scrub of the data
-

Lessons Learned from the eBAM Road (2/2)

Bank Perspective:

- Identify a strong executive champion for the project
- Create an integrated team to deliver the project, engaging key players from the Product, Operations, Technology, Legal, Compliance/Audit, and Regulatory business lines
- Begin with an internal review of existing processes, including documents, geographic footprint, and entitlement
- Develop a cohesive set of “To-Be” processes that cover all aspects of the eBAM process, including defining your preference hierarchy for Delivery Mechanisms AND determining whether you will limit the use to your specific bank accounts only or allow other banks’ account to be included
- Incorporate a plan for integration with your back office systems even if you do not plan to implement it in the short term
- Leverage the “To-Be” process to help guide the selection of an eBAM solution
- Select a small group of corporate customers for a pilot phase, including (if possible) corporates who have already begun their own eBAM analysis

Questions?



Paul Kirby
Assistant Treasurer,
Director Global Treasury Operations



Karen Wendel
Chief Executive Officer

Thank You



Best Practices for Electronic Bank Account Management (eBAM) Implementation

Select Lessons Learned by Corporate Users of eBAM

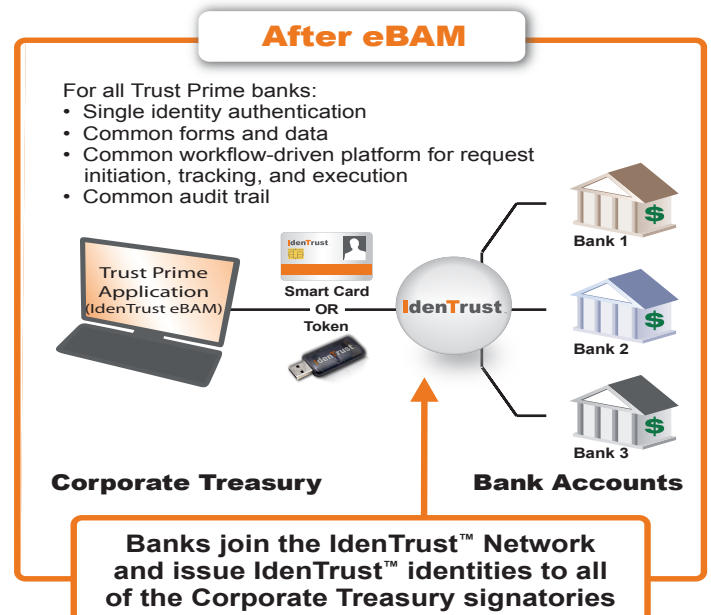
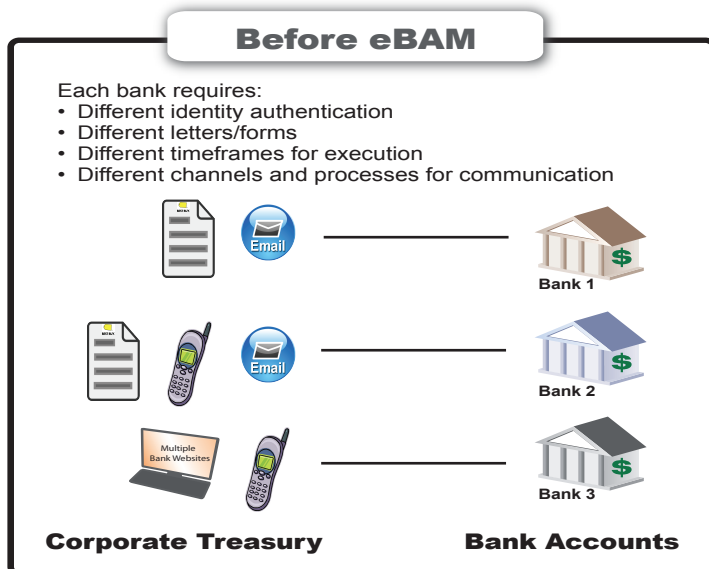
- The optimal eBAM solution combines workflow-driven software, efficient business process design and implementation, and legally-binding digital identities that are globally accepted
- Forms and templates should align with ISO 20022 standards, including the near-term migration to XML messaging
- eBAM's effectiveness is dependent on the quality of information provided by the corporate and/or its bank(s)
- Given the need for data "clean-up" and system configuration, corporates should consider an eBAM pilot phase before broader implementation
- The depth and breadth of eBAM functionality will continue to evolve as the number of users increases

Select Benefits for Corporate Users of eBAM

- Automatic generation of request documentation (standard letters no longer required) coupled with ability to attach supporting documents/artifacts to the request
- Real-time audit trail from request creation to implementation
- Transparent communication loop between the corporate and its banks
- "Single source of truth" for data captured and managed in the solution's database
- Compelling use cases for additional functional area adoption (e.g., Legal, Finance, Compliance/Audit, Tax)

"Electronic bank account management is the most important advancement in corporate banking since the advent of the Internet."

~ Paul Kirby
Assistant Treasurer
Director Global Treasury Operations
Best Buy, Co., Inc.



Successful eBAM Implementation Requires Collaboration

Sample Corporate Activities by Implementation Stage

Pre

- **Define use cases and associated functional areas**
- **Compare internal technical standards with Trust Prime technical requirements**
- **Understand resourcing needs and assemble an implementation team with required skills**
- **Identify sources of data and begin to aggregate and “clean”**
- **Map “As-Is”/current state Account Management, Signer Management, and Legal Entity Management processes:**
 - For each process, establish the scope, objectives, results, and relevant assumptions
 - Depict activity steps in the process, including those accountable/responsible for the activity
 - Provide qualifying comments (e.g., activity duration, system used to complete activity)
 - Indicate types of data exchanges (e.g., electronic vs. paper-based), especially for signatures
 - Include documents/artifacts (e.g., bank forms, standard corporate letters)
 - Aggregate required supporting documents/artifacts (e.g., Articles of Incorporation, Banking Designation, Directors Consent Resolution/Board Resolution)

During

- **Select bank(s) and associated accounts for Phase 1 pilot**
- **Complete data “clean-up”**
- **Identify corporate users and assign specific workflow roles and access rights**
- **Tailor standard Trust Prime forms**
- **Participate in training sessions**
- **Conduct User Acceptance Testing**
- **Develop “To-Be”/future state Account Management, Signer Management, and Legal Entity Management processes**
- **Receive digital identities from Trust Network issuing bank**
- **Kick-off Phase 1 pilot (in Production)**
- **Establish metrics for tracking pilot progress/“To-Be” processes**

Post

- **Interpret metrics and capture lessons learned from Phase 1 pilot:**
 - Refine “To-Be” process
 - Participate in IdenTrust Trust Prime User Forums
- **On-board additional Trust Prime users**
- **Plan Phase 2 (e.g., additional banks, account types)**
- **Highlight other use cases for eBAM and/or digital signatures (e.g., Letters of Credit)**

Drawing on deep subject matter expertise and proven methodologies, IdenTrust partners with Corporates during each stage to ensure successful implementation

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