

Bank Account Structures

What is the Optimal Bank Account Structure?

May 22, 2018

Scott Hogate
PNC Bank
SVP, Treasury Solutions Group



Is Your Bank Account Structure Efficient?

- How does your account structure operate today?
- Does your account structure meet the company's goals and objectives?
- Is your company “banking by Accounting” or “accounting by Banking”?
- Are your internal peers working efficiently as a result of the bank account structure?
 - Treasury
 - Accounting (including A/P and Payroll)
 - Revenue Management
 - Credit & Collections
 - Procurement
 - Tax
 - Legal





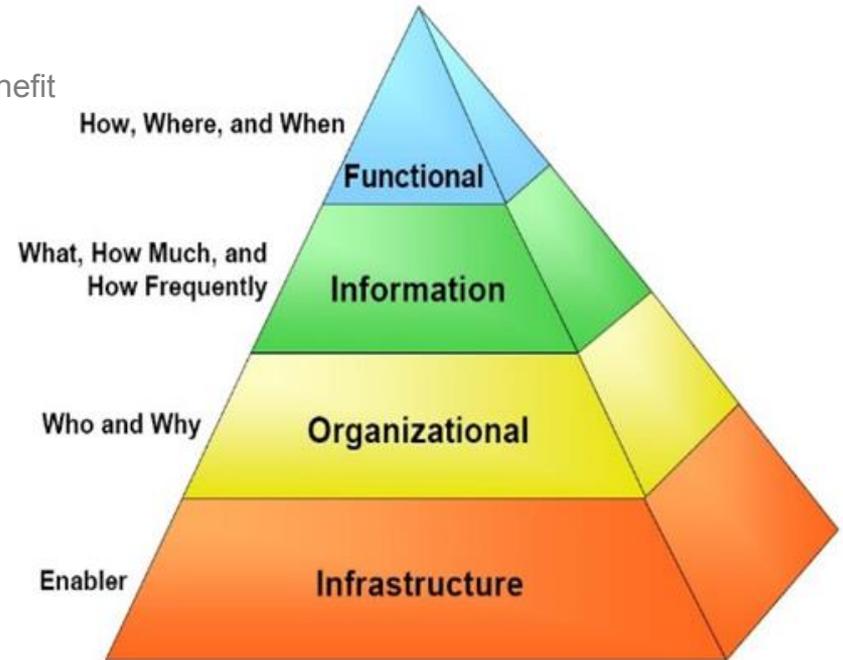
TEAMWORK
MOTIVATION
INSPIRATION
LEADERSHIP
VISION
+ INNOVATION

SUCCESS



- What are Treasury’s main objectives?

- Manage bank and lender relationships
 - Allocation of banking services to both parties’ benefit
- Visibility & predictability of cash balances
- Daily cash management
 - Liquidity management
 - Concentration of funds
 - Minimize excess/trapped cash
 - Cash Forecasting
 - Debt & Investment Management
 - Foreign exchange
- Control banking costs
- Mitigate Fraud
- Provide tools and process efficiencies to internal customers



- What are Accounting’s main objectives?
 - Enhance accounting controls – segregation of duties
 - Bank accounts should not replace good internal controls, but rather aid them
 - Convenience accounts should be minimized (petty, imprest)
 - Ease in accountability & reconciliation
 - Periodic reconciliations are mandatory...less used accounts are often fraud targets
 - Foreign accounts require even more scrutiny...especially due to FBAR rules
 - Visibility of cash activity
 - Easily identify exceptions, anomalies, and fraud
 - Utilize tools and efficiencies provided
 - Minimize unnecessary transactions
 - Intercompany
 - Interbank



- What are Tax’s main objectives?
 - Replicate legal entity structure
 - Identify tax treatment items
 - Reconciliation of “accounting ledger” to “tax ledger”
 - Complimentary consideration for capital investment, dividends, repatriation, etc.
 - What is the net effect of the Trump Administration tax measures?
 - Minimize audit exposure



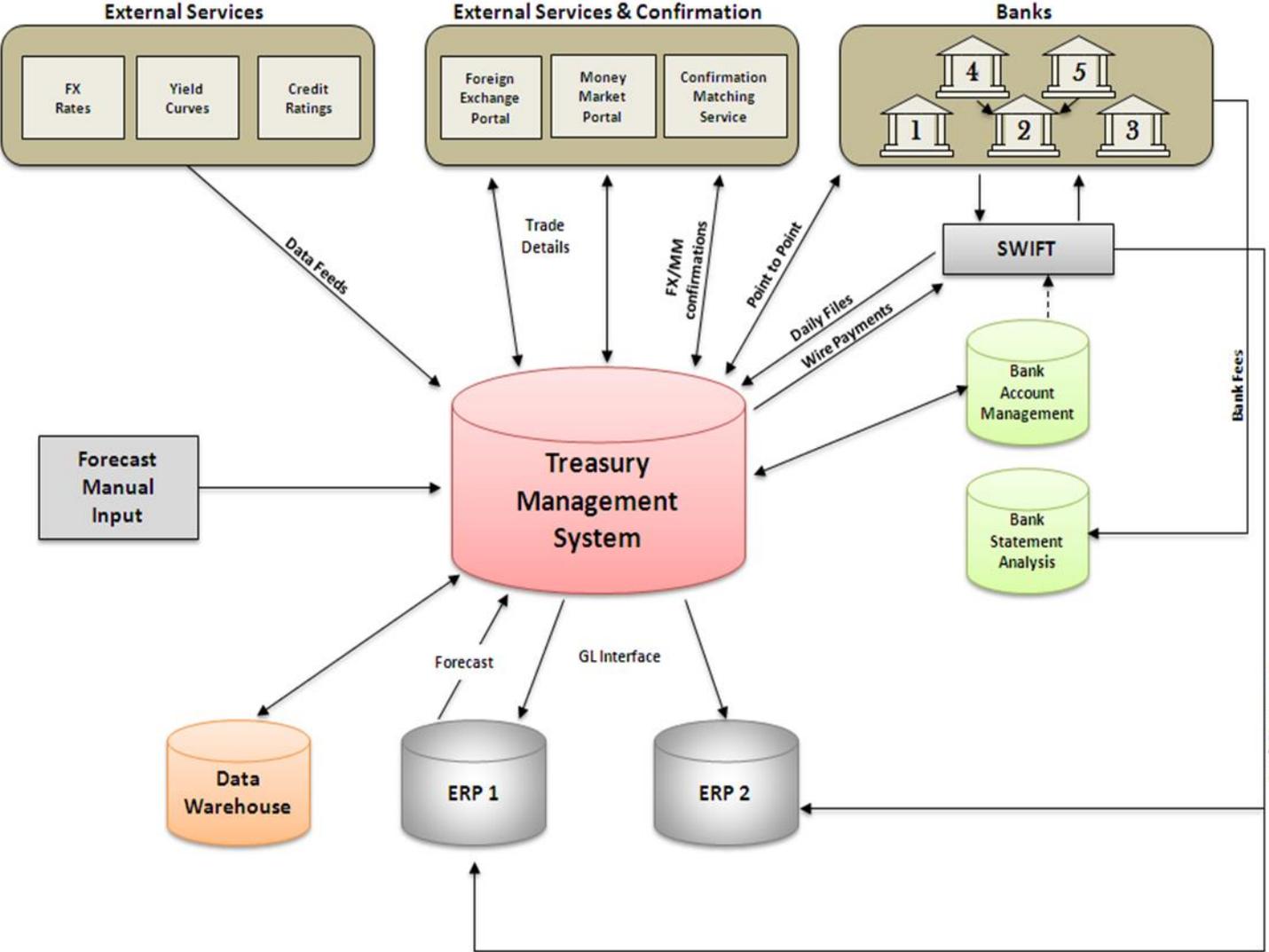
- What are Legal’s main objectives?
 - Mitigate company risk
 - Manage possible industry and/or regulatory compliance requirements such as healthcare, insurance, energy, etc.
 - Restricted Funds Agreements & Contractual obligations
 - Entity Cash restrictions (e.g. Real estate partnerships, etc.)
 - Comprehend and enforce company policies
 - Identify & evaluate customer and vendor contract covenants versus practices
 - Provide transaction legal advice



- Determine and develop solutions for core transactional groups:
 - Treasury
 - Accounts Payable
 - Credit & Collections
 - Payroll
- Develop operating criteria – what services are needed for each account?
- When do you Segregate or Consolidate accounts?
 - Separate accounts for A/R, A/P & Payroll
 - Single account(s) for all operations
 - Hybrid solution
- What risk mitigations are needed?
 - ACH Blocking
 - Positive Pay/Payee
 - Daily reconciliation / online information downloads
- Is the existing ERP system being utilized efficiently with the internal and bank processes?



Is This Your Treasury Process Structure?

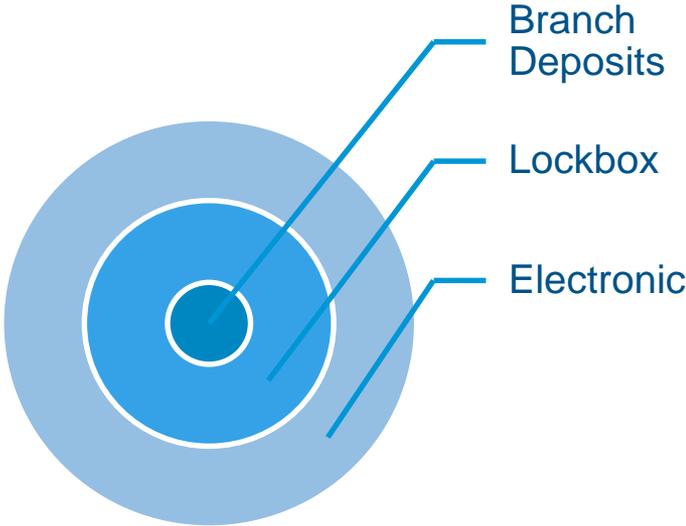


Example: Efficient or Inefficient?

Segregated Accounts

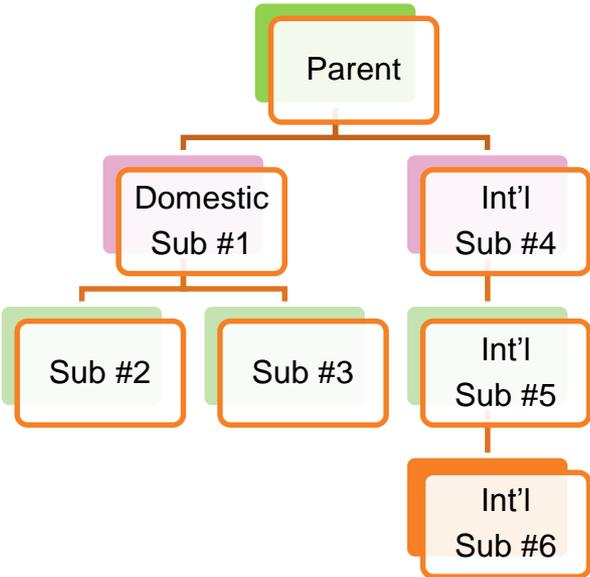


Consolidated Single Account

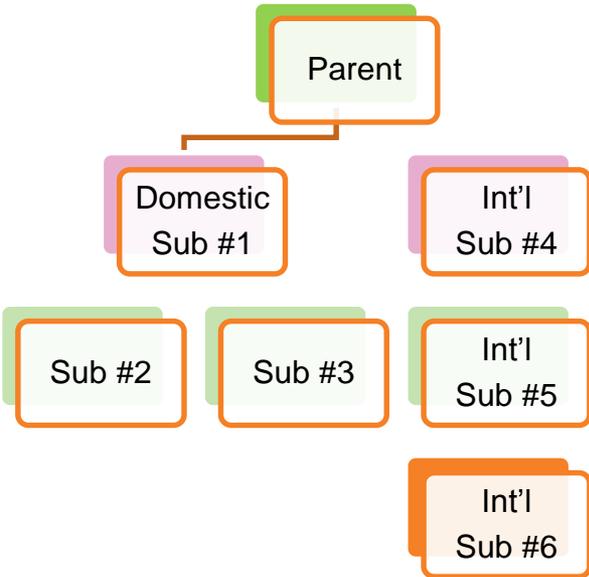


Linked, Hybrid, or Stand Alone?

Linked / Zero-Balanced



Stand Alone



- Replicate legal entity structure
 - Satisfies Tax and Auditors in regards to parent/sub capitalization events
 - Primary goal is minimize the “pots of gold”

- Establish multi-tier ZBA levels
- Automatic funding/concentration of funds
- Intercompany note agreements



- Maximize banking partners’ product and service offerings

- May choose optimal partners by:
 - Depository and disbursement expertise
 - Line of business
 - Geographic or footprint needs
- ZBA’s, auto standing wires, leverage cut-off times



- Leverage and maximize ERP systems’ complimentary services to banking partners

Factors to an Efficient Bank Account Structure (cont'd)

- Electronify disbursements whenever possible
 - Payroll
 - Convert check to direct deposit or paycard
 - Provides opportunity to eliminate payroll account (debit disbursement or operating account)
 - Accounts Payable
 - Convert check to credit card, ACH, real time payments, or Zelle
- Facilitate and manage internal change management
 - Sell advantages to all constituents and not just Treasury



In a Financial Services company, Treasury needs to be world class both as a business partner and control function

Evolve to meet business needs...

- Cash Management & Controls
- Capital Structure
- Risk Management

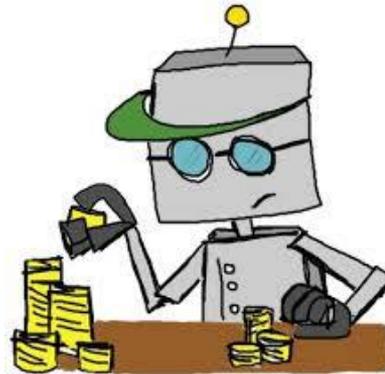


Keep efficient...

- Employ technology
- Benchmarking

Enable product innovation...

- Leverage financial strength
- Support money transfers



PNC, PNC Bank, ACHIEVEMENT, PINACLE, Working Cash, ActivePay, Global Trade Excellence, Vested Interest, Midland Loan Services, Enterprise!, CMBS Investor Insight, Portfolio Investor Insight, Borrower Insight, Shared Servicing, PNC Riverarch Capital, and PNC Erievue Capital are registered marks of The PNC Financial Services Group, Inc. ("PNC"). PNC Retirement Solutions is a service mark of PNC.

Bank deposit, treasury management and lending products and services, and investment and wealth management and fiduciary services, are provided by PNC Bank, National Association ("PNC Bank"), a wholly-owned subsidiary of PNC and **Member FDIC**. Certain fiduciary and agency services are provided by PNC Delaware Trust Company. Foreign exchange and derivative products (including commodity derivatives) are obligations of PNC Bank. Equipment financing and leasing products are provided by PNC Equipment Finance, LLC, a wholly-owned subsidiary of PNC Bank. Energy financing is provided by PNC Energy Capital LLC, a wholly-owned subsidiary of PNC Equipment Finance, LLC. Aircraft financing is provided by PNC Aviation Finance, a division of PNC Equipment Finance, LLC. Asset-based lending is provided by PNC Business Credit, a division of PNC Bank and PNC Financial Services UK Ltd. (an indirect wholly-owned subsidiary of PNC Bank) in the United Kingdom. Specialty finance products are provided by Steel City Capital Funding, a division of PNC Bank. Merchant services are provided by PNC Merchant Services Company. Direct equity investing and mezzanine financing are conducted by PNC Capital Finance, LLC through its PNC Riverarch Capital, PNC Mezzanine Capital and PNC Erievue Capital divisions. Investment banking and capital markets activities are conducted by PNC through its subsidiaries PNC Bank, PNC Capital Markets LLC, Harris Williams LLC, Harris Williams & Co Ltd. and Solebury Capital LLC. Services such as public finance investment banking services, securities underwriting, and securities sales and trading are provided by PNC Capital Markets LLC. Merger and acquisition advisory and related services are provided by Harris Williams LLC and Harris Williams & Co. Ltd. Equity capital markets advisory and related services are provided by Solebury Capital LLC. PNC Capital Markets LLC, Harris Williams LLC and Solebury Capital LLC are registered broker-dealers and members of FINRA and SIPC, and Harris Williams & Co. Ltd is authorized and regulated by Financial Services Authority (FRN No. 540892). Harris Williams & Co is the trade name under which Harris Williams LLC and Harris Williams & Co. Ltd. conduct business. Retail brokerage services and managed account advisory services are offered by PNC Investments LLC, a registered broker-dealer and a registered investment adviser and member of FINRA and SIPC. Annuities and other insurance products are offered through PNC Insurance Services, LLC. PNC Bank is not registered as a municipal advisor under the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Act"). Investment management and related products and services provided to a "municipal entity" or "obligated person" regarding "proceeds of municipal securities" (as such terms are defined in the Act) will be provided by PNC Capital Advisors, LLC, a wholly-owned subsidiary of PNC Bank. PNC Bank and certain of its affiliates including PNC TC, LLC, an SEC registered investment advisor wholly-owned by PNC Bank, do business as PNC Real Estate. PNC Real Estate provides commercial real estate financing and related services. Through its Tax Credit Capital segment, PNC Real Estate provides lending services, equity investments and equity investment services relating to low income housing tax credit ("LIHTC") and preservation investments. PNC TC, LLC provides investment advisory services to funds sponsored by PNC Real Estate for LIHTC and preservation investments. Registration with the SEC does not imply a certain level of skill or training. This material does not constitute an offer to sell or a solicitation of an offer to buy any investment product. Risks of each fund are described in the funds' private placement memorandum or other offering documents.

Important Investor Information: Securities and insurance products are:
Not FDIC Insured • Not Bank Guaranteed • Not A Deposit
Not Insured By Any Federal Government Agency • May Lose Value

In Canada, PNC Bank Canada Branch, the Canadian branch of PNC Bank, provides bank deposit, treasury management, lending (including asset-based lending through its Business Credit division) and leasing and lending products and services (through its Equipment Finance division). Deposits with PNC Bank Canada Branch are not insured by the Canada Deposit Insurance Corporation. Deposits with PNC Bank Canada Branch are not insured by the Federal Deposit Insurance Corporation, nor are they guaranteed by the United States Government or any agency thereof. In the event of the failure of PNC Bank, deposits with PNC Bank Canada Branch would be treated as unsecured general liabilities, and creditors would be considered general creditors of PNC Bank.

Lending and leasing products and services, as well as certain other banking products and services, require credit approval.

PNC does not provide legal, tax or accounting advice unless, with respect to tax advice, PNC Bank has entered into a written tax services agreement. PNC does not provide investment advice to PNC Retirement Solutions and Vested Interest plan sponsors or participants.

©2017 The PNC Financial Services Group, Inc. All rights reserved.

