The New Generation of Commercial Cards

by Manish Kohli, Managing Director, EMEA Wholesale Cards Head, Global Transaction Services (GTS), Citi

Commercial cards, such as T&E (travel and entertainment) and purchasing cards have become increasingly popular as finance managers recognise the benefits of greater spending control and ease of reconciliation. As a global leader in commercial card services, Citi is now unveiling the next generation of payments processing, Citi® Virtual Card Accounts (VCA), increasing transaction security and purchasing control whilst further increasing purchasing convenience. Citi VCA is currently nearing the end of its initial pilot phase and will be distributed widely within 2010. In this article, Manish Kohli, EMEA Wholesale Cards Head at Citi discusses virtual card accounts in more detail and the potential advantages for corporates.

Fig 1 - Virtual Cards in Practice

Source: Citi

Introducing Virtual Card Accounts

We introduced Virtual Card Accounts in response to our multinational clients' strong desire to increase commercial card use with even greater integration, richer data and flexible transactional control. For example, while the use of commercial cards for purchasing is now popular in many parts of the world, the right infrastructure does not yet exist in all countries. Consequently, we decided to launch a VCA capability to enable customers globally to take advantage of the control and convenience that cards provide, while embracing the next generation of security, reconciliation capabilities and process integration.

Citi has partnered with Mastercard to deliver a secure and convenient VCA service. This partnership is important since we have been able to leverage our existing shared infrastructure to deliver a single global solution minimising time to market and development costs, which has direct benefit to customers. Critically, the platform can be integrated easily with existing authorisation processes and card clearing systems, and provides strong reporting capabilities.

Instead of using a physical card, clients request virtual account numbers (VCNs) online based on pre-agreed authorisation controls, which are then presented back in real time (fig 1). This number is then used to complete the transaction with the merchant, who automatically submits the transaction to the authorisation and clearing network to validate the specifics of the transaction. This process is seamless for the merchant, but provides greater control for the purchaser. The payment is then processed as usual, with comprehensive reporting and data available to the purchaser and company.

There are a variety of advantages to this approach for clients, particularly through the enhanced security and operational control that they are able to achieve. The real underlying card number is never shared, and as VCNs have
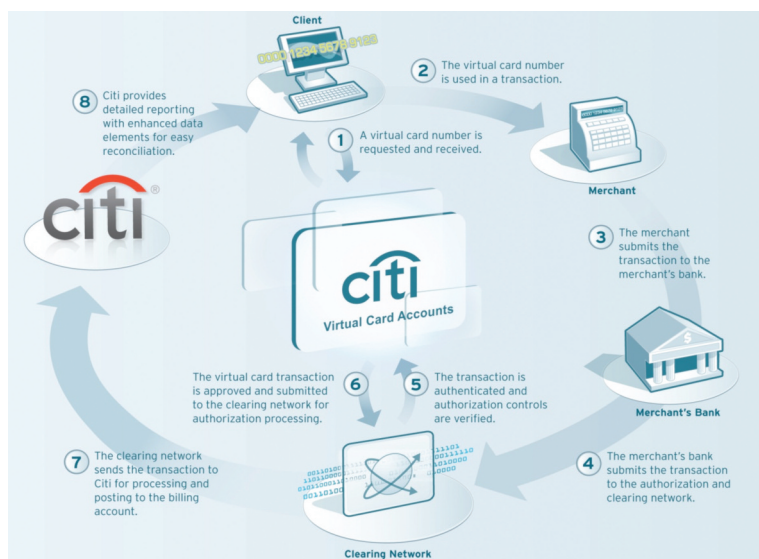
strong transactional controls (for example, companies can determine whether each VCN can be used once or on multiple occasions, and allocate both individual and aggregate transaction amounts) the risk of unauthorised use is significantly reduced. Validity date and time ranges can also be applied, together with restrictions on the merchant category groups or even specific suppliers with which the VCN can be used.

While these measures provide a high degree of assurance to finance managers that cards are being used appropriately, one of the additional benefits of VCAs is the ability to implement user-defined workflow controls, such as multi-level approvals depending on the value and type of transaction. This can be embedded into clients' existing ERP or workflow management tools, or provided through our web-based VCA platform, which can be integrated with other systems either for periodic or real-time update. By using Citi's VCA platform, clients can take rapid advantage of a VCA solution without the need for a lengthy technical implementation. They can then integrate the VCA programme into their own workflow and in-house infrastructure.

Reconciliation and automation

Operational risk management and enhanced efficiency are increasingly important priorities for corporate treasurers. As an automated payments solution with a high degree of auditability, a VCA solution is an important means of implementing operational best practices. In addition, we recognise that the payments process does not stop once a payment has reached a supplier. For example, providing data to facilitate automatic reconciliation of statements is a vital service that companies require from their banks. The VCA includes up to 30 custom data fields which can be included on each individual transaction to enable clients to reconcile card transactions in an accurate and timely fashion and ensure cohesion with other systems.

The Virtual Card Account technology presents an attractive opportunity to any organisation seeking to implement an optimised procurement process. With different types of commercial card services now available, including physical cards, VCAs and 'ghost' cards, it is not necessarily straightforward to decide what card solutions are most appropriate for the organisation. We have an experienced team at Citi to understand our clients' needs and challenges and help formulate the right solution. VCAs complete a full suite of commercial card products for Citi with solutions that focus on convenience and acceptance, through to the VCA platform which drives products that offer unrivalled control and reconciliation capabilities.

Status of VCA

The VCA solution is now in the final stages of its pilot project. As we move into 2010, the solution will be available to the wider market across all the major markets in Europe and beyond. Looking ahead, we see VCA adoption increasing significantly, supported by broader geographic reach and even greater integration between client systems and processes. Companies which currently use a traditional card solution can plug in a VCA capability seamlessly, whilst benefiting from greater integration, automation and control. VCA represents the next generation of card purchasing, and we anticipate companies increasing their share of payments on card transactions. ☐

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Manish is the Head for the Wholesale Corporate Card Business across Europe, Middle East and Africa. In his current role, he is responsible for the growth of two of Citi's leading products: Commercial Cards and Prepaid Cards.

Manish joined Citi in 1997 in India in the Cash and Trade team and since then has worked in various business roles in the Indian subcontinent before moving to London in 2005. He specialises in payments and cards in both the domestic and international areas and has until recently been responsible with his team for providing payment solutions to corporates and public sector entities across EMEA. His background and work experience includes domestic and international cash management, trade services and finance, and wholesale cards. In his time with Citi, he has led various business initiatives, infrastructure developments and partnerships.

Manish has a Masters in Business Administration (Finance) from the University of Delhi, Faculty of Management Studies.

> ### Why use a Virtual Card Account?
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> - Global reach: Global, cross-border solution with multi-currency issuing capabilities
> - Driving efficiency: Automated solution with a high level of control, enhanced reporting, sophisticated reconciliation capabilities and flexibility in deployment
> - Ensuring security: Increased controls and an inbuilt approval workflow reduces the risk of misuse and fraud
> - Capturing spend: Higher controls and efficient processing allow client to effectively increase card programme spend and derive working capital benefits

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For more information on Citi VCA and how it could benefit your organisation, please contact:

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