



What Virtual Account Management Can Offer Your Customers

small business business customers customer experience cash management

Summary: Virtual account management technology solutions can help financial institutions speed up the process of opening business accounts, which can ordinarily take weeks. We review how CFIs can help their customers with these solutions.

Many people have task lists that never end and are hard to keep track of, hence the growing popularity of task management apps. There are countless apps available for business and personal task management, with some of the most well-known being [Microsoft To Do](#), [Google Keep](#), [OmniFocus](#), and [Things](#). While it's all well and good to find ways to remember and organize tasks, it's even better when those tasks can be simplified.

One lengthy and, at times, arduous task that community financial institutions' (CFIs') business customers have to do is go through the process of opening a business account. Virtual account management, or VAM, is a technology solution that can help and it's one solution that a growing number of financial institutions are beginning to offer.

Why is opening a business account so time-consuming?

Businesses typically use multiple demand deposit accounts to manage cash, with each account assigned to one of the business's specific operation areas. They then pool and sweep cash into concentration accounts as a means of consolidating cash. A growing business can have a myriad of subsidiary bank accounts, each one supporting operating, regulatory, and liquidity requirements.

Each account can also require three to five weeks to open, along with additional time needed to manage manual reconciliation, batch-processing methods, complex workflows, and various reporting standards. These onboarding steps, verification processes, and regulatory mandates required for each account can stand in the way of just-in-time funding and serve to slow a business's growth. VAM solutions, on the other hand, seek to make this process less arduous for both CFIs and business customers.

What is a virtual account?

Virtual accounts are [account-specific identifying numbers](#) that sit within a traditional bank account, allowing a business to maintain segregated account activity on top of the underlying centralized bank account. They're a little like email addresses, in that a person can have multiple email addresses that all direct correspondence to the same email interface, like Outlook or Gmail. The account owner can then use those multiple addresses as a way to sort emails into categorical groups. One email might bring work correspondence; another might be attached to family messages.

Just as a consumer might sign up for an email account, a business can use a bank's virtual account management platform to create virtual accounts. These virtual accounts cannot hold cash themselves, but route cash to the underlying demand deposit account. Each virtual account has a unique number associated with it allowing the business to organize balances and transactional data for an entire company, all inside a single, traditional demand deposit account.

How can virtual account management help your business customers?

Virtual accounts have a lot of benefits for businesses. These benefits also go a long way toward streamlining the account opening process, improving the CFI's relationship with new business customers. Offering VAM can:

- **Save a lot of time.** Once a business customer opens a demand deposit account, they can use the self-service tool to open as many virtual accounts as needed within the traditional account structure. Compared with opening additional demand deposit accounts, this saves a huge amount of time and frees staff members from both the customer and the CFI to work on other tasks.
- **Support customers' cash management strategies.** The VAM tool lets them track individual payments and categorize groups of payments into and out of the virtual account.
- **Prove easier to manage and reconcile.** Manual reconciliation processes require that a business review each transaction and report the summed results, which is a time-consuming process. Because virtual accounts operate in real time, they can present accurate, up-to-the-minute bank account balances, without the need for human intervention or the possible introduction of human error.
- **Provide detailed reporting.** Virtual accounts can be as granular as a client wants them to be, organized by product, zip code, or even individual end customer. That can make reporting simpler and easier.
- **Cost less than multiple demand deposit accounts.** Given that all of the virtual accounts are attached to the same single demand deposit account, they are much easier to manage. Virtual accounts typically integrate easily with core banking platforms and digital corporate banking platforms, as well.
- **Help clients handle both gross and net accounting.** Because of its robust reporting capabilities, VAM makes accounting far simpler by increasing activity transparency in a way that isn't as readily possible with the traditional multi-account banking method.

For business customers, VAM can be very helpful, saving time and simplifying accounting and cash management. For CFIs, their employees spend less time managing and creating DDA accounts. This practice, in turn, makes it easier for business customers to manage their cash flow and liquidity and provides customers with more independence.

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ECONOMY & RATES

Rates As Of: 10/11/2023 10:22AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	5.61	0.06	1.19
6M	5.57	0.04	0.81
1Y	5.36	-0.07	0.66
2Y	4.99	-0.05	0.57
5Y	4.62	0.00	0.61
10Y	4.62	0.04	0.74
30Y	4.76	0.06	0.79
FF Market	FF Disc	IOBB	

5.33	5.50	5.40
SOFR	Prime	QBER
5.31	8.50	5.32

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