

Beyond Plastics

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Today's Vision, Tomorrow's Reality

12th Annual GSA SmartPay Conference

Atlanta, GA
August 10-12, 2010



To ensure the best possible learning experience for participants, please adhere to the following house rules:

- Turn cell phones and pagers to vibrate
- Hold questions to end of session
- Ensure your participant badge is scanned to receive CLP credits
 - For each course
 - Must leave room and re-enter
- Take advantage of opportunities to provide feedback
 - Please select the “Ask Citi” icon on any Citi PC at the conference
 - Answers to be emailed after the conference within 45 days

This course is designed to assist you in achieving the following objectives:

- Learn more about Citi's non-plastic alternatives
- Learn how they can help drive efficiencies and drive down costs
- Learn how Citi can help analyze which solution may work best for your agency



1. Industry Trends and Challenges
2. Review Citi Products
 - a) Ghost Cards
 - b) Virtual Cards
 - c) Paylink for Cards
 - d) Procure to Pay
3. How Citi can help – Citi Working Capital Analytics



Industry Trends and Challenges

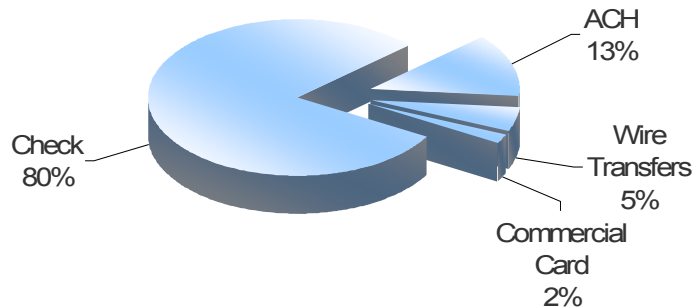
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The Market is Moving to Electronic Payables

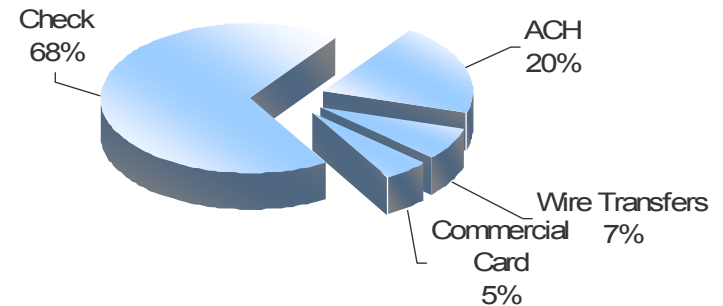
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Payment Automation

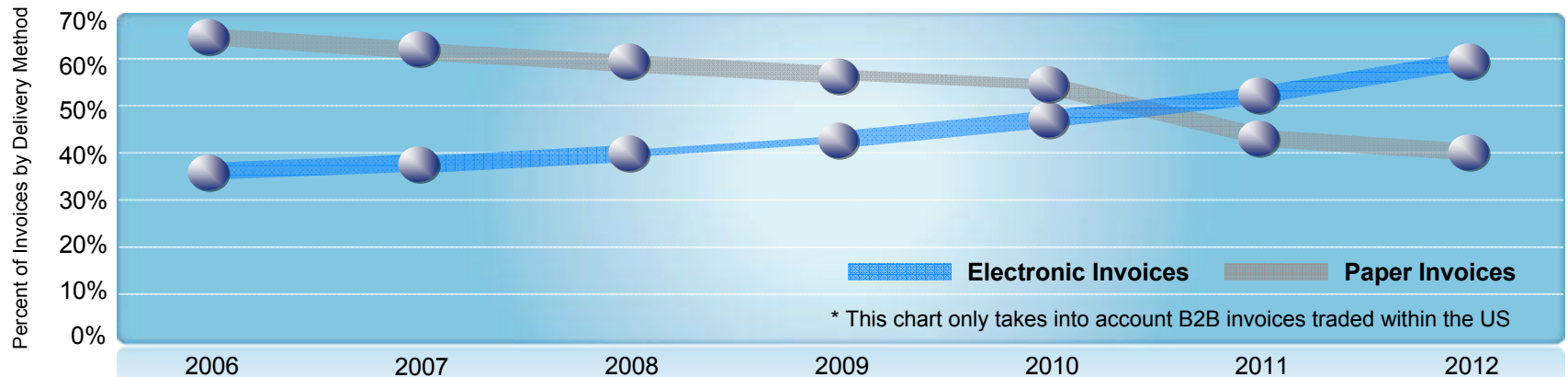
Wholesale Non-Cash Payments: 2006



Wholesale Non-Cash Payments: 2010



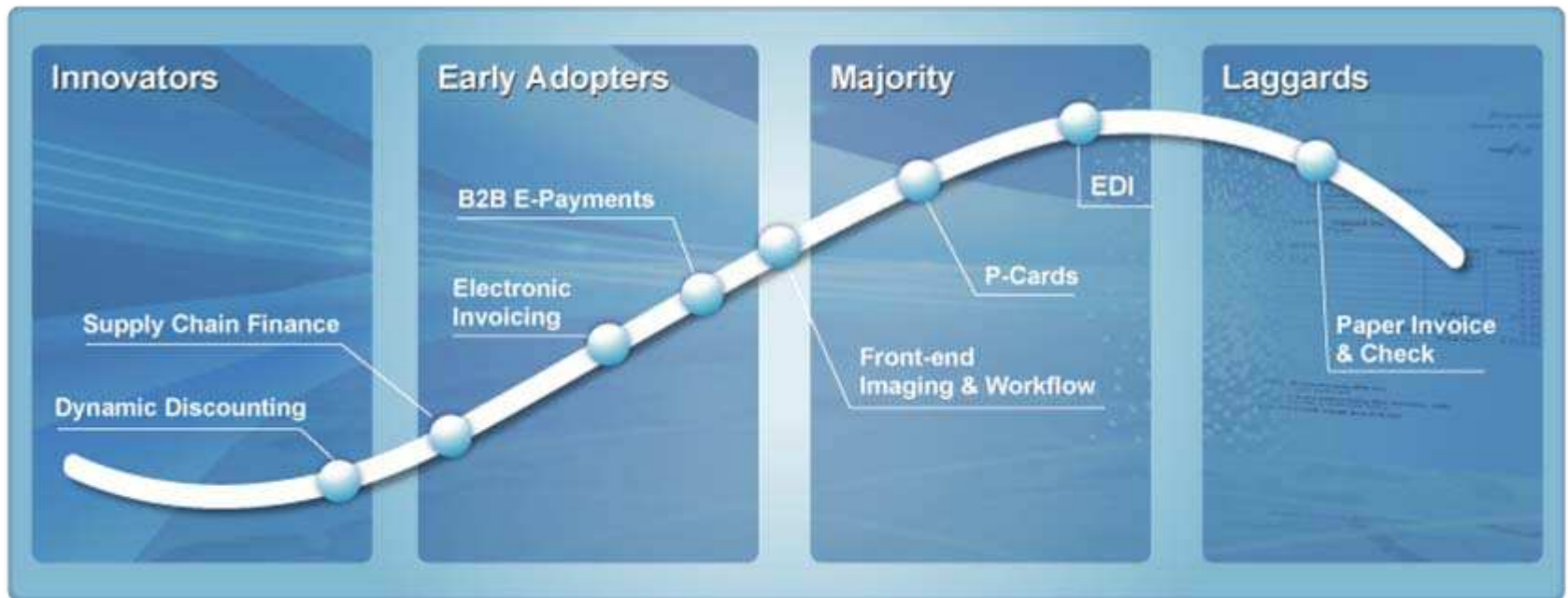
Invoice Automation



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Stages of Automation Vary

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PayStream Advisors



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Challenges

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Many of our clients are being asked to do more with the same or less while accounting for an ever increasing visibility into approval and accounting processes.

Challenges

- ▲ Reporting
- ▲ Data Security
- ▲ Efficiency with Limited Resources
- ▲ Micro-purchase limits transactions >\$3,000.00
- ▲ Systems Interfaces
- ▲ Unique purchases with multiple vendors

Opportunities

- ▲ Innovation and Greater Contract Compliance
- ▲ Visibility of Merchant into Account Data
- ▲ Automation
- ▲ Strategic Sourcing and Optimization
- ▲ Providers who have a deep network
- ▲ Efficient one-time purchase with a repeatable process

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Summarizing our Clients' Needs

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Efficiency

- Simplify processing
- Leverage card economics
- Remove “paper”
- Reduce processing costs
- Speed reconciliation

Control & Visibility

- Payment timing & amounts
- Enhanced tracking & security
- Buyer control

Consistency

- Single process across payment methods
- Straight through integration with AP/ERP
- Eliminate multiple interfaces

Budget Optimization

- Access to lucrative vendor discounts
- Access to card rebates and statement float



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Ghost Card



Features:

- Non-card account for preferred supplier relationship
- Account number held by vendor
- A Seller Initiated Payment
- Allows many employees to purchase without issuing multiple cards
- Integrates with ERP systems or Electronic Purchasing Systems

Applications and Uses:

- Central travel airline accounts
- Purchases made via internet or intranet
- Elimination of low value invoices (i.e. UPS, FedEx, etc.)

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Virtual Cards



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Virtual Cards – Overview – Supplier Initiated

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- Replace a real card account with a unique Virtual Card Account (VCA) for purchases and payment settlement – Seller Initiated Payment
- Transparent to the merchant at the point-of-sale
 - 16-digit account number, expiration date, 3-digit security code
- The real card account number is never shared with suppliers and an unlimited number of virtual card numbers (VCN's) can be created
- Clients request VCN's in real-time, set authorization controls and receive live virtual card account numbers
- Multiple client interface modes for requesting a VCN
 - Web interface, batch file, real-time XML API
- Robust reconciliation – 30 custom data fields
 - Up to 30 user-defined reference fields can be linked to each virtual account for tracking, reporting, and reconciliation



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Virtual Cards – Controls

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Single or Multi Use	Configure card to be shut down after single or multiple authorization/purchase
Spend Limit	Total amount that can be charged on card, plus tolerance
Tolerances	Set a tolerance or “collar” at card setup as either a percentage or fixed amount deviation from the spend limit
Validity Period	Only transactions that fall within a set date range will be authorized
MCC Groupings	Virtual cards can be limited to specific merchant category codes to ensure that unauthorized transactions are restricted
Supplier	Set up preferred suppliers and restrict card usage to a specific supplier
Real-time card deactivation and re-issuance	Same custom data elements can be associated with replacement card, including optionally a code indicating replacement status

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Virtual Cards – Uses

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Application	Description	Benefits
Post Invoice Payments Processing	<ul style="list-style-type: none">• Payments that require an invoice approval process	<ul style="list-style-type: none">• Ability to maintain existing approval process and workflows while benefiting from increased card spend
Meetings and Events	<ul style="list-style-type: none">• Using single and multi-use virtual cards as the purchase and settlement vehicle for meetings, conferences, and events where individual purchases may be large, and require a greater level of control	<ul style="list-style-type: none">• Increases control over meeting and event spend. Provides flexibility to meet supplier payment deadlines
Project Based Spend	<ul style="list-style-type: none">• One time spend related to projects e.g. setting up new office space, product launches, marketing campaigns where control and project accounting are needed	<ul style="list-style-type: none">• Ability to set spend limit for project/sub categories of project spend• Enhanced reporting capability for project spend details
Online Catalog	<ul style="list-style-type: none">• Purchases made via an online catalog or purchasing system to settle with suppliers at time of order/shipment	<ul style="list-style-type: none">• Ability to provide unique virtual card numbers to supplier with each order to create 1-to-1 reconciliation
Centralized Purchasing Groups	<ul style="list-style-type: none">• Purchases made by dedicated purchasing groups for certain spend thresholds or commodities	<ul style="list-style-type: none">• Ability to push out a card number in real time with tight controls for purchase order fulfillment

Paylink for Cards

Accounts Payable integration with virtual cards is an end-to-end commercial payment solution

- **Product Overview**

- Buyer Initiated File-based payment process supporting settlement via P-Card
- Extension of existing P-Card “virtual card” offering
- Utilizes the MasterCard Payment Gateway (MPG) which acts as the network between the Buyer, Citi Commercial Cards, the Supplier and the Supplier’s acquiring bank
- Extend electronic payment capabilities to include P-Cards in a consistent process and format with ACH and EFT

- **Key Advantages**

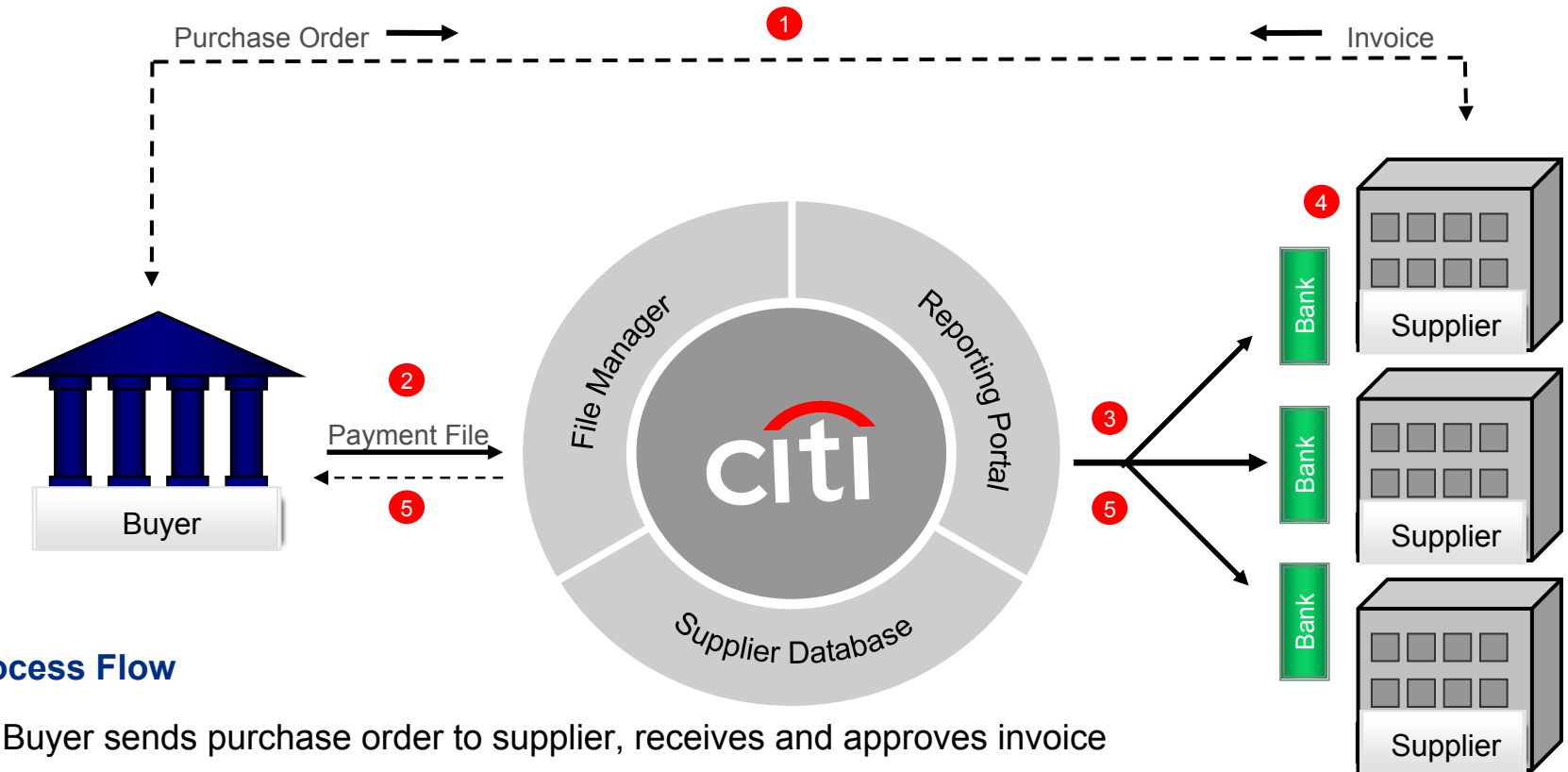
- Buyer Initiated
- Maintains existing processes
- Increases purchase and payment efficiency
- Enables efficient reconciliation, reporting and control for B
- Provides revenue share/cost recovery opportunity



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Paylink for Cards – Process Flow

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Process Flow

1. Buyer sends purchase order to supplier, receives and approves invoice
2. Buyer sends payment file to Citi
3. Citi validates file, matches supplier data and routes payment to acquiring bank
4. Supplier receives payment directly in their acquiring bank account
5. Buyer receives reconciliation file; supplier receives remittance data from Citi

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Paylink for Cards – Value/Benefits

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Buyer Benefits

- Increase control
 - Direct control over transaction execution - decide when, how much, whom to pay
- Streamline AP processes
 - Consistency across payment types (ACH, Cards, Wires) and simplified reconciliation
- Increase security and reduce fraud risk
- Capture financial benefits
 - Increased purchasing card spend
 - Reduced supplier maintenance via gateway directory
- Maximize working capital

Supplier Benefits

- Improves cash flow and cash management
 - Faster payment credit reduces Days Sales Outstanding (DSO)
- Simplified invoice settlement
 - Payments directly pushed to vendors vs, manual keying
 - Eliminates need to maintain card database
- Simpler reconciliation through robust remittance data
- Easy access to program - enrollment and maintenance is simple



Purchasing Cards

(Buyer Initiated)

- Buyer initiates P-Card payment by routing charge/payment detail directly to vendor's acquiring bank
- Card number maintained in secure Electronic Payment Gateway database
- File-based process mimics existing ACH processes in accounts payable and ERP systems
- Buyer controls process
 - Timing of payment, amount, card/account number
- Vendor impact
 - Eliminates need to manually process transactions at POS terminal and retain a card number

Traditional Ghost Card

(Supplier Initiated)

- Supplier processes P-Card transaction by entering card details in POS/acquiring bank interface
- Card / account number communicated to vendor with each transaction, or specific card maintained by vendor
- Vendor controls process
 - Uses existing hardware/software/process/reporting
 - Controls timing of transaction
 - Potential for vendor to modify timing/ amount, resulting in reconciliation issues
- Supplier impact
 - Traditional card transaction posting, payment, allocation, and reconciliation (potentially manual)

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Traditional Ghost Cards

Card number used with traditional transaction and reconciliation processes

- Card/account number communicated to vendor with each transaction, or specific card maintained by vendor
- Standard transaction process – limited ability to set transaction controls
- Traditional card transaction posting, payment, allocation and reconciliation (potentially manual)

Citi Virtual Card Accounts

Dynamically generated single or multiple use virtual cards with robust controls

- Enhanced controls versus traditional ghost card approaches
- Ease of integration – real-time, batch file or web user interface
- Capture strategic, one-off, and large ticket purchases within card program

Citi Paylink for Cards

File-based, buyer-initiated, straight-through payments settled via card

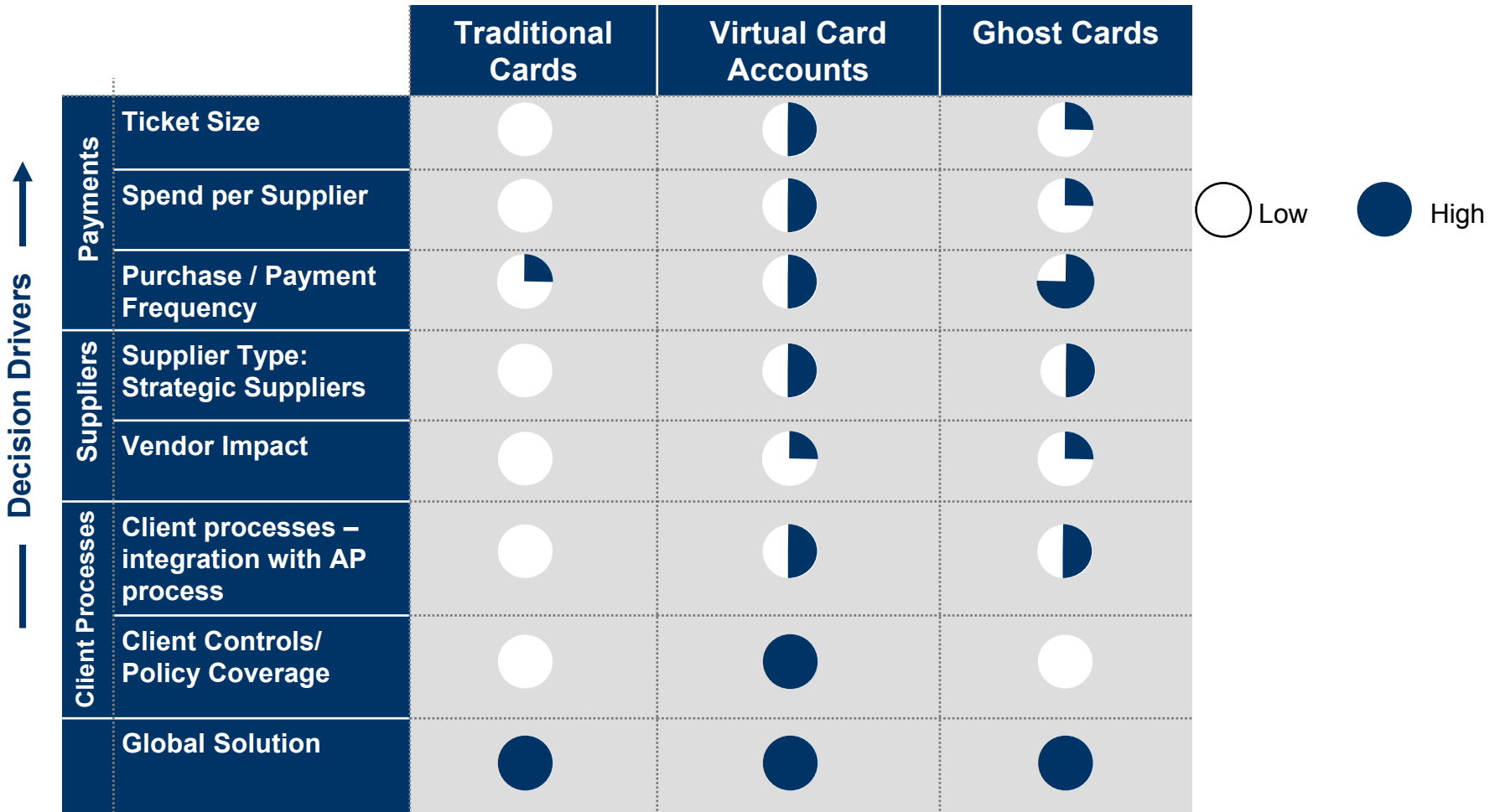
- Buyer-initiated and control of payments
- Module of Citi's P2P electronic payments platform
- Consistent processing / integration
- Capture recurring payments to core suppliers

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Comparison of Non-Traditional cards

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Card Product Types



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Identifying Opportunities

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Use Area	Description	Examples
<ul style="list-style-type: none">• Reconciliation issues	<ul style="list-style-type: none">• Lack of reporting/spend level details for multiple purchases; manual or complex processes; vendor accuracy	<ul style="list-style-type: none">• Volume purchases, ad hoc purchases, de-centralized purchasing like office supplies, couriers, facilities maintenance
<ul style="list-style-type: none">• Compliance concerns	<ul style="list-style-type: none">• Need to enforce compliance with policies and purchase thresholds	<ul style="list-style-type: none">• High employee turnover, restricted commodities, large-ticket purchases (e.g. recruiting travel, software, etc.)
<ul style="list-style-type: none">• Risk of fraud or misuse	<ul style="list-style-type: none">• Nature of purchase -who is making purchase, vendor, amount -create greater concerns re control	<ul style="list-style-type: none">• Purchases from non-core suppliers, one-time purchases, purchases for satellite offices, contractors
<ul style="list-style-type: none">• High transaction volume	<ul style="list-style-type: none">• High volume transactions in certain businesses require significant efficiencies on card processing	<ul style="list-style-type: none">• Online ordering and bookings (e.g. travel) that support thousands of transactions daily
<ul style="list-style-type: none">• Inefficient manual processes	<ul style="list-style-type: none">• Faxed timesheets, handwritten signatures, paper checks	<ul style="list-style-type: none">• Temporary staffing

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Citi Procure to Pay



Overview

- ❑ Citi® Procure to Pay is an end to end, financial supply chain solution that incorporates Commercial Card, Supplier Financing and Citi Cash Management solutions with market-leading Procure to Pay platform and service
- ❑ Citi® Procure to Pay brings to market a new electronic invoicing and discount management engine that integrates with core Citibank Cash Management, Supplier Finance and Government Card solutions
- ❑ The solution will allow clients to realize incremental value through operational costs savings, budget optimization and improved audits/controls

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Citi Procure to Pay-Payables Continuum

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Procure to Pay

Automation Tools



Electronic Invoicing

- Supplier Connectivity
- Automated Invoice Delivery

Workflow Approval

- Automated Workflow Matching & Approval
- Reduces exceptions, errors & cycle time

E-Payables

- Automated Payment via Check to ACH
- Remittance Delivery

Purchasing Card

- Increased Rebate
- Reduce low value transactions

Purchase Order Management

- Automated PO Delivery & Mgmt
- Contract Mgmt

Procure

Procure to Pay

Pay

Early Payment Discount

- Maximize Capture of Trade Discounts
- Dynamic Discount Capture

Supplier Financing

- DPO Extension
- Improved Cash Mgmt & Visibility

Payables

Working Capital Tools

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Citi Procure to Pay-Integrated Solution

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Invoice Automation

- Electronic Purchase Order and Invoice Processing
- P.O. and Invoice Status Reports
- Approval Routing and Workflow
- Paper to Electronic Invoice Conversion
- Contract Compliance

Electronic Payment Solutions

- Settlement via Purchasing Card or ACH
- Integration with MasterCard Payment Gateway, which provides:
 - Buyer-initiated P-Card processing
 - Rich Remittance Data
 - Registry for managing P-Card and supplier bank account data

Working Capital Solutions

- Citi Supplier Finance
- Discount Management
 - Dynamic Discount Management
 - Standard Terms
- Purchasing Card

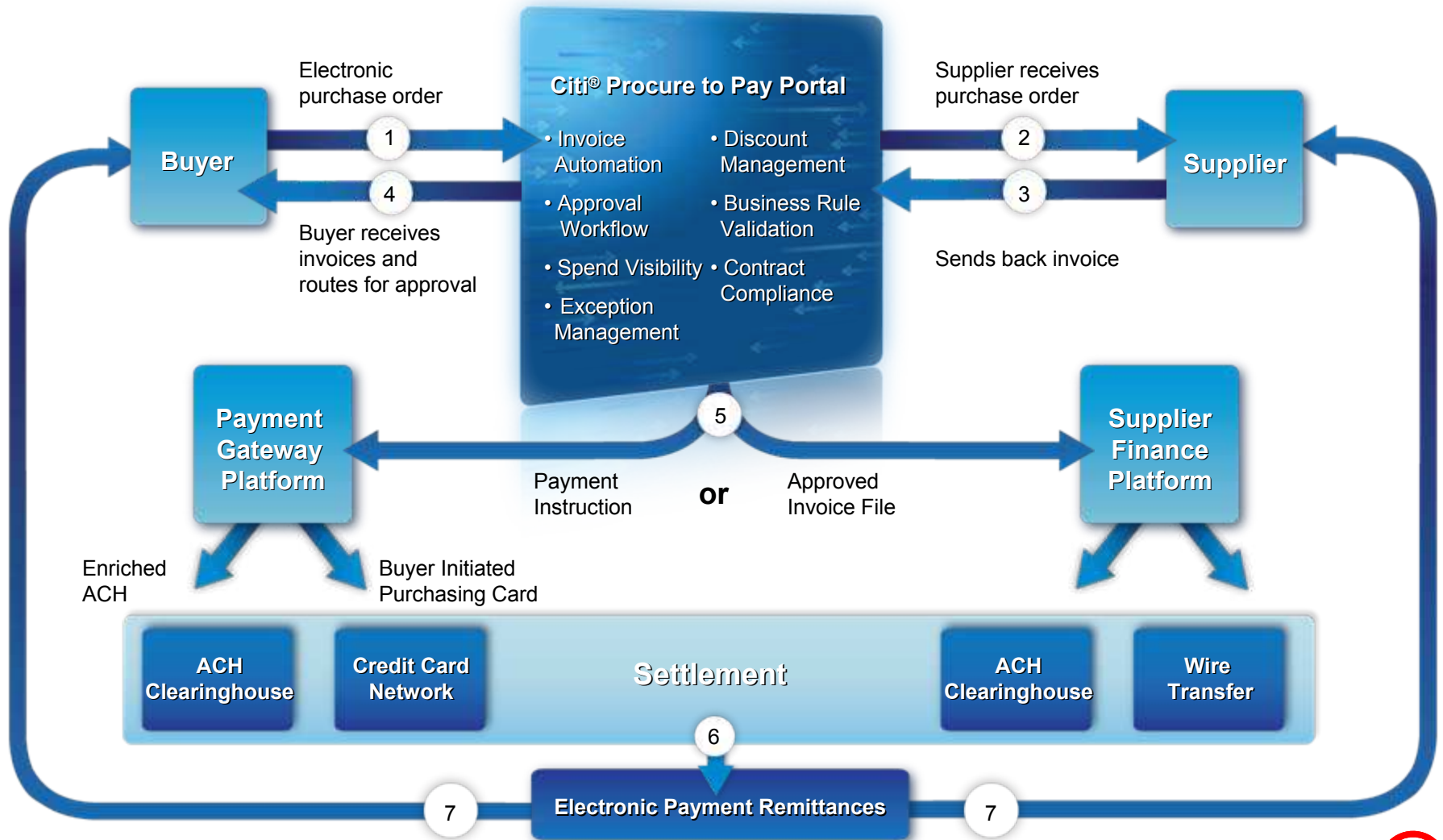
Comprehensive **supplier enablement** and **supplier value-added services** across all modules

Comprehensive **reporting** and **analytics** across all modules

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Citi Procure to Pay-How it works

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Citi Procure to Pay-Agency Wide Value

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Accounts Payable

- Eliminate paper
- Decrease accounts payable costs
- Reduce cycle times

Treasury and Finance

- Optimize working capital
- Maximize payables discounts
- Increase audits and controls

Procurement

- Supplier management
- Price and contract compliance
- Spend analysis

Information Technology

- Extend capability of ERP investment
- Decrease IT costs
- Limit interference with existing infrastructure

How Citi Can Help - Citi Working Capital Analytics

Theory

- As described by the OMB, Strategic Sourcing is the driving force in business to business purchasing & payment
- Enterprise spend analysis is critical to the success of Strategic Sourcing
- Purchase to payment optimization is a Strategic Sourcing, Treasury & Accounts Payable sub-objective
- Spend analysis is “job one” for best-of-breed purchase to payment optimization

Approach

- Use spend analysis to establish multi-dimensional baseline for spending, transaction types, days payable outstanding and payment
- Using a collaborative approach, develop fact based recommendations and business case for Purchasing Card and other P2P solutions
 - Create initial recommendations
 - Review recommendations
 - Incorporate your input & overlays
- Citi will work with you to capture targeted opportunities

What is it?

- Utilizes Accounts Payable data to create analytics and recommendations
- Delivers analyzed data directly to your agency
- Technology enables a broad set of end users who may take action to optimize processes and drive best practices
- Spend analysis solutions drive strategic sourcing, accounts payable, opportunity assessment, and finance applications

How does it work?

- Vendor spending is classified into commodities
- Spending, payment and transaction types are cut by the dimensions of commodity hierarchy, agency hierarchy, and time
- Recommendations and action plans are created to optimize payment methodologies among vendors and suppliers

Final Thoughts

Some questions you may want to think about ...

- Am I not able to pay supplier invoices via a card due to an approval process requirement?
- Are there reconciliation issues currently with certain types of payments?
- Does my agency have a large amount of one-off ad hoc spend that is paid via checks?
- Am I spending a great deal of time with offline processes and manual reconciliation?
- Would I like to put more controls on card usage and spend categories?
- Would additional information help reconcile my agency's accounts payables better?
- Is there a spend category my agency could put on a non-traditional card product?

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Reminders

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- Thank you for attending!
- Visit the Citibank Welcome Center
 - Across from Room#B212
 - National Industries for the Blind will have a display of products
 - Conference Slide Show – come see yourself shine!
- Visit the Citibank One-on-One Lab - B210
- Visit the Citibank Mini Sessions – B209
- Ask Citi Link – Tell us your thoughts



Interactive Training Events

Citi offers onsite training at no cost for agencies meeting the required minimum participant level of 20 or more as set forth in the GSA SmartPay2 Master Contract.

Please contact your Account or Client Manager if you are interested in setting up a training session. Training can be conducted at a Citi Training Location or On-site at your office.

- Regional Citi Training Locations
 - Norfolk, VA
 - Washington, DC

- On-Site at your office
 - 20 participant minimum

- Distance Learning – Computer Based Training is available via the CLASS icon in CitiManager.

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In January 2007, Citi released a Climate Change Position Statement, the first US financial institution to do so. As a sustainability leader in the financial sector, Citi has taken concrete steps to address this important issue of climate change by: (a) targeting \$50 billion over 10 years to address global climate change: includes significant increases in investment and financing of alternative energy, clean technology, and other carbon-emission reduction activities; (b) committing to reduce GHG emissions of all Citi owned and leased properties around the world by 10% by 2011; (c) purchasing more than 52,000 MWh of green (carbon neutral) power for our operations in 2006; (d) creating Sustainable Development Investments (SDI) that makes private equity investments in renewable energy and clean technologies; (e) providing lending and investing services to clients for renewable energy development and projects; (f) producing equity research related to climate issues that helps to inform investors on risks and opportunities associated with the issue; and (g) engaging with a broad range of stakeholders on the issue of climate change to help advance understanding and solutions. Citi works with its clients in greenhouse gas intensive industries to evaluate emerging risks from climate change and, where appropriate, to mitigate those risks.

