



B. Braun

Founded 175 years ago in Germany, B. Braun Melsungen AG supplies the global healthcare market with products for anaesthesia, intensive medicine, cardiology, extra corporeal blood treatment and surgery, as well as services for hospitals, general practitioners and the homecare sector. With 50,000 employees in 60 countries, B. Braun achieved a turnover of €5.17 bn in 2013.

Using Virtual Accounts to Optimise Cash Management

by Rainer Stirn, Head of Treasury - Cash Management, B. Braun Melsungen AG

B. Braun's focus on harnessing technology innovation to develop high quality solutions and services is not only apparent in the design and delivery of its healthcare solutions. In treasury too, B. Braun is embracing the latest technologies to achieve its liquidity, risk and operational objectives, and deliver the best possible solutions to group companies. In this article, Rainer Stirn, Head of Treasury – Cash Management discusses how treasury has adopted UniCredit's virtual account solution to optimise its in-house bank and payments factory, and simplify cash management.

Treasury and cash management organisation

We have a group treasury organisation based at our headquarters in Melsungen, Germany that acts as a service centre to our group companies around the world, with a regional treasury centre located in Singapore. Our primary objective is to ensure that group entities meet their financial obligations at the lowest cost whilst remaining within our risk parameters. We engage in all aspects of liquidity management, financing, asset management, risk management (e.g., FX and interest rate) and bank relationship management.

One of the primary ways in which we achieve our treasury objectives is through our in-house cash centre (in-house bank) and payments factory. Our in-house cash centre carries out a range of activities on behalf of group companies, in order to manage our liquidity and risk more effectively at a group level and minimise both operational and funding costs. We use the in-house cash centre to make payments on behalf of group companies and provide intercompany financing, for which we maintain intercompany accounts. We also perform tasks such as group-wide bank account management.

We use SAP for both our in-house cash centre and wider treasury activities. The solution (which includes SAP's in-house cash and transaction management) continues to be very effective in achieving our objectives. For example, we are able to manage our intercompany accounts efficiently, including automatic calculation of interest and transaction-based fees, with comprehensive reporting. We have a harmonised ERP environment, allowing a single view of master data such as settlement instructions. This is very helpful in achieving a high level of straight-through processing (STP) and streamlining in-house bank communication for which we use SAP's iDOC format.

Identifying new opportunities

As a global business with over 200 entities operating in more than 60 countries, we have an extensive cash management infrastructure, with a large number of external accounts and cash pooling arrangements. While implementing an in-house bank with a payments on behalf of (POBO) model would, in principle, enable us to rationalise our accounts, we were prevented from doing so by the need to make payroll payments in each country, which were managed locally by in-country HR departments. We discussed the issue with our partner banks, and were particularly attracted to UniCredit's virtual account solution. This would allow HR departments to send a file to treasury, which would then be paid from a single external bank account, with each entity's payments reflected on an intercompany account using the virtual account number contained in the IBAN to route the payment correctly, as described further below. We recognised that this solution would offer considerable advantages for our business.

UniCredit Corporate & Investment Banking

UniCredit is a leading European commercial bank, with leadership positions in Italy, Germany and Austria and a strong presence in high-growth CEE countries. We are one of the largest European networks with over 8,950 branches.

With some 3,500 professionals in 50 countries, Corporate & Investment Banking serves corporate and institutional clients out of the largest group of network banks in Western, Central and Eastern Europe.

Committed to long-term partnerships with clients across all sectors, our relationship managers and product specialists create tailor-made solutions in a strategic dialogue with our clients and according to the three pillars of our Core Client Offer:

- Corporate Banking and Transaction Services
- Structured Finance, Capital Markets and Investment Products
- Access to Western, Central and Eastern Europe

Global Transaction Banking

Global Transaction Banking (GTB) of UniCredit combines truly local expertise of more than 2,000 professionals in over 20 countries with the knowledge and experience of a sophisticated global transaction bank. Its diverse and proven set of core competencies in the fields of cash management and eBanking, trade finance, supply chain finance, structured trade & export finance and global securities services has won widespread recognition as shown by the many international awards it regularly receives.

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Furthermore, UniCredit's solution would also enable us to use virtual accounts on incoming payments, in both euros and foreign currency, which would further enable us to rationalise and simplify our bank account and cash management structures.

Implementing virtual accounts

We first implemented UniCredit's virtual account solution for payroll payments which was very straightforward. We set up an IBAN number for each entity, which includes a virtual account number. HR departments then create payroll payments in the same way as previously, but these IBAN numbers link to a single

external account managed by treasury. When the MT940 message (end of day account statement) is imported into SAP the following morning, SAP recognises the virtual account number, and posts the entry to the relevant intercompany account automatically. Local entities have access to the same information and reconciliation capabilities on the intercompany account as they had previously with the external account, and confidentiality is preserved as each entity has access only to its own information.

Not only has the solution been simple to set up and administer, but we have also been able to accommodate the few entities that are not linked to our SAP HR system. SAP-linked

By implementing UniCredit's virtual account solution, we have been able to optimise the value of our in-house bank and payments factory.



Karin Wörnle,
International Cash
Management Sales
Germany, UniCredit

“Now that companies are completing their SEPA migration projects, they are able to move on to projects that reflect the advantages of a harmonised payments landscape. Centralised payments including payments on behalf of group companies (and in some cases, as with B. Braun, collections) offer considerable opportunity to streamline internal processes and connectivity, reduce costs and simplify cash management. The use of UniCredit's virtual account solution 'UC Virtual Account' can be instrumental to achieving these benefits by facilitating automated reconciliation and intercompany account posting, and enabling treasuries and SSCs to provide group companies a comparable level of service as a bank, with the same degree of transparency and granularity of data.”

entities generate files and transmit them to the bank via the in-house cash centre using the German standard XML-based format. Some entities, however, such as B. Braun in Ireland, have stand-alone HR systems. In these instances, group companies send files to our in-house cash centre in their existing format (EPC, a variation of XML). On transmission to UniCredit, files are converted by the bank into the German standard format and processed in the same way.

Extending the value proposition

Based on the success of this project, we are also rolling out virtual accounts for incoming payments. We had already expanded the scope of our in-house cash centre to centralised collections for some entities, but we were still maintaining separate accounts for each entity and currency rather than operating on a collections on behalf of (COBO) model through a single account. By implementing UniCredit's virtual account solution, we are able to achieve COBO and rationalise our accounts to one per currency. To do this, each entity has a virtual

account number for each of the required currencies. The virtual account number is contained in the IBAN number that we give to suppliers and other counterparties. These collections are channelled to a single external account, but then allocated automatically to the relevant entity's intercompany account for reconciliation and credit control. This offers a

variety of benefits both for efficient collections and FX hedging. For example, we will be able to reduce our external collection accounts to one per currency, which makes bank account administration easier, reduces costs and simplifies cash pooling structures. At the same time, group companies will still have access to the same detailed information as they would with an external account, enabling automatic reconciliation and posting to suppliers' accounts. FX hedging will be easier as all FX exposures will be centralised, but FX exposure can still be measured at an entity level from an accounting standpoint using the intercompany accounts.

Fulfilling potential

By implementing UniCredit's virtual account solution, we have been able to optimise the value of our in-house bank and payments factory. In addition to the cost savings, standardisation of processes and harmonisation of our technology infrastructure that we had already attained, we are now able to translate the benefits into our external cash management infrastructure.

We were fortunate at B. Braun that we had a harmonised IT infrastructure with a single set of master data. This made it easier to implement the virtual account solution quickly and easily, and streamline processes. However, we would advise any company implementing an in-house bank and/ or payments factory to consider incorporating a virtual accounts solution in order to maximise the benefits and simplify cash management arrangements. ■



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After eight years in the banking sector Rainer started his treasury career at B. Braun Melsungen AG in 1992 and since 2003 he has been head of the company's Cash Management function. He has been involved in several major treasury projects, including the implementation of the B. Braun In-house bank and payment factory. He is also involved in DSAG, a German SAP user group, as spokesperson for treasury and risk management.