# Card Quarterly
## Important product news for our valued clients

**Bank of America Merrill Lynch**

February 2015

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- Audit Your Program to Prevent Employee Misuse
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### Optimization Tip

Perform an AP analysis on all of your check payments below $2500.  Sort by department, vendor and expense type and determine which payments can be converted to card transactions.

## Market Forces Can Impact the Economics of a Card Program

Commercial card programs are a cost-effective means to significantly reduce the cost of payment processing, particularly as compared to paper checks.  There are a few external forces at play that impact the economics of these programs:  interest rates and interchange.

### Interest Rates

Speculation continues on when the Federal Reserve will raise interest rates, which have hovered near zero for the last several years.  In the current environment, when interest rates are low, it is typically more beneficial to pay off card balances quickly, taking advantage of early payment incentives.

By contrast, there is little value to holding on to commercial card payments that are due to the bank, as the interest earned on this money may not be significant.

Pricing for commercial card programs has reflected the current interest rate environment.  When interest rates rise, the "cost of funds" for the bank also increases, as the bank holds the balances associated with our commercial card programs.  The economics associated with the card program must adapt to interest rate changes in order to cover the costs of operating and supporting the program.

### Interchange Revenue

Interchange rates are set by MasterCard and Visa as a method to balance incentives among all of the players who issue, process and utilize credit cards. Issuing banks, like Bank of America, play no role in establishing interchange rates. All banks that issue commercial cards operate under the same economics: the interchange revenue earned funds the operational costs of the program.

When examining the economics of an individual card program, the potential interchange earnings are estimated. There are various components which influence actual interchange earnings, including: merchant type, card type, processing technology, and transaction size. These factors may cause an individual commercial card program to perform differently than initial expectations.

Interchange revenue has been highly scrutinized and, periodically, government regulators consider intervention. Typically, regulators make distinctions between consumer credit cards and commercial credit cards, as the usage of these two payment instruments are quite different. For example, commercial cards were recently exempted from a European Union regulation to cap interchange fees for cross-border and domestic card payments in all EU Member States.

External examination of interchange economics is expected to continue around the globe. Even without regulatory participation, interchange rates have decreased, over time, as card volume has increased.

While there have not been significant changes to either interest rates or commercial card interchange earnings in recent years, it should be noted that these two market forces can have significant impacts on the economics of commercial card programs in the future. As your bank partner, we strive to keep you advised on all of the elements that affect your card program including optimization best practices, advances in technology, changes in the regulatory environment and market dynamics. As you plan for the future, your bank representatives are available to help you understand how these market forces can impact your card program.

## Audit Your Program to Prevent Employee Misuse

Card programs are superior to paper check reimbursement with regards to spending policy enforcement and audit trails. Distributing written policies and procedures about the use of your purchasing and travel cards is the ideal way to spell out employees' responsibilities with regards to the use of their card. Some best practices for these policies and procedures include:

### Create guidelines for card issuance and handling:
- Determine who should be eligible to apply for a card.
- Determine approval levels required to obtain a card.
- Segregate the duties of ordering and receiving of cards.

### Create policies or business rules to address the following conditions:
- A policy on business versus personal use of the card.
- Policies on when cash access may be used (if cash access is not restricted).
- Policies on card sharing or department cards and an audit log of the card's use.
- Roles and responsibilities for transaction reconciliation.
- A policy on any required training before receiving a card.
- Audit requirements and exceptions.

*If an employee intentionally misuses their card, you are protected up to $100,000 by your card program's Misuse/Abuse Insurance, provided by Visa and MasterCard. You must notify Bank of America Merrill Lynch as soon as possible. The employee involved must be terminated to qualify for insurance coverage. Coverage will then extend to transactions that took place 75 days prior and 14 days after employee termination. You can contact the Bank of America Merrill Lynch Fraud Team to determine next steps and possible recovery efforts.*

Still, through user error or occasionally an intentional effort, your employees may misuse their cards. Regular audits are a best practice to help prevent and detect misuse. As a policy, you should always audit representative examples of transactions within 60 to 90 days of a new account opening. In addition, you should audit high-risk transactions monthly. These are transactions that may indicate misuse. For example:

- Cardholders with the highest number of transactions.
- Cardholders with the highest dollar amount spent.
- Purchases charged to clients.

Other transactions that may be flagged for review during the reconciliation process include:

- Items not submitted or duplicate expense reports for same transaction.
- Split purchase occurrences that appear to avoid dollar thresholds.
- Transactions between a cardholder and same vendor that are numerous or exceed a certain dollar threshold.

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## RPMG Survey on Electronic Accounts Payables (ePayables) is Underway

Current BofAML ePayables clients in US and Canada may be invited to participate in the 2015 RPMG Electronic Accounts Payables Benchmarking Survey. For over a decade, RPMG Research Corporation, a third party research firm, has compiled industry statistics for Purchasing Card and Travel Card. This year, RPMG will extend their analysis to electronic accounts payables (ePayables). Survey participants include card clients representing 20 major banks. RPMG findings are widely recognized in the card industry as key indicators of commercial card trends and program "best practices." Survey results are also frequently referenced in media and industry publications.

Anyone who completes the RPMG survey will receive a complimentary electronic copy of the results. The information included in the analysis may help you develop and manage best practice card programs. For example, you will be able to use the survey results to:

- Benchmark your organization's card program activities against those of top card programs by size, industry, or type of governmental agency.
- Identify key drivers to unlock the growth potential of card spending.
- Get information on emerging trends in card use.
- Identify specific strategies for implementations, control, card number delivery, and supplier acceptance.
- Evaluate overall purchasing card program performance.

*Invitations to participate were sent by RPMG in early January. The survey is open until February 28, 2015. If you have not received an invitation to participate in the survey, but wish to, you may visit the RPMG web site: http://www.rpmgresearch.net/ and select "Participate in Our Surveys."*

*Participants in the survey should expect to respond to questions on card usage and spending, growth potential, control and governance, risk mitigation, technology, as well as some questions about your level of satisfaction with your card provider. Results are anticipated to be released in late Summer 2015.*

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## Faster Than Fax: A Better Method For Uploading Receipts

Is your organization using faxes to load receipts into Works? If so your cardholders have a faster and more convenient way. Cardholders can upload a receipt image from their desktop directly into Works. The receipt can then be attached to a transaction, an expense report or a reimbursement request.

The process for your cardholders is simple. They will log into the Works application and then select a specific transaction, expense report or reimbursement request. Under the single action menu for that line item, the cardholder will select "Manage Receipts." They will then select "Add," select the appropriate receipt image from their desktop and click OK. It is really that simple. Your cardholders can also maintain a "Receipt Store." This is a place for them to store receipt images until they are ready to attach them to a particular transaction. No one else can see these receipts until they are associated with a particular expense or reimbursement.

*Existing clients using the new Works interface can request this functionality by contacting their assigned Card Account Manager or the Technical Help Desk. (CommCardTHD@bankofamerica or 1.888.589.3473). While contract addendum is required, the functionality is available free of charge. New clients will be offered the Receipts Imaging option during the implementation process.*

## Accelerating your transition to leverage the capabilities and usability of the enhanced Works interface

In early 2013, Bank of America Merrill Lynch completed a multi-year investment to enhance the usability of the Works platform. Since then we have continued to invest in improvements to the platform. The refined design makes it easier for all Works users — Program Administrators, Accountants, Accountholders and Approvers — to do business.

In order to simplify our technology and to provide the best user experience to all Works users, we will start disabling user access to the legacy interface on **May 31, 2015**. Many of you are already using the new interface as part of your everyday efforts to manage your programs.   If all administrators and employees are using the new interface, no action on your part is required.

### Transitioning to the new Works UI

For Works users still leveraging the legacy interface, it is important to accelerate your move to the new design. All Works users already have access to the new user interface (new UI), and should be utilizing the updated system for daily card program management activities.  Remember that the new UI is simply a different path to access your card program data. The sunset activities of the legacy platform will not affect your card program data.  Additionally, for those of you with end users accessing the legacy Works UI, we want to ensure you are preparing them to use the new UI.

As you prepare for this transition date we hope that you are leveraging the host of information on the new UI that is available to you and your end users These materials can be accessed through the training and resource links at the footer of the Works home page.

To help remind users of the deadline for transition we will be posting a message to the home page of the legacy Works User Interface for all users that they will see each time they access the application.

## Team Member Profile: Meet Kewony Parham

I am a Dedicated Account Specialist providing Company Level Support.  I support both large corporate and commercial accounts.  I work in Bank of America's Norfolk, Virginia facility.

### What is a typical day in the office for you?
A typical day in the office for me is very busy!    The first thing I do when I get in is clean my desk and connect my laptop.  I am highly engaged in executing our clients' requests, working collectively with our business partners to get the task done.  I have many conference calls with clients, and do whatever I can to keep the client delighted.

### If you weren't in banking, what would be your fantasy job?
Teaching our children.

### What was your first job and what lessons did you learn from it?
My first job was an office assistant at Popular Halls Elementary School.  I was only 15 years of age.  The most important lesson that I learned was to allow integrity to drive everything that I do.

| Name <br> Title | Address | Email address <br> Phone |
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**Works® reminder:** Bank of America Merrill Lynch will retire the legacy Works user interface at the end of May 2015. The new user interface is complete and available to all Works users. Please ensure your program's Works users are using the new user interface -https://payment2.works.com/works/