Islamic Letters of Credit

Version-11.1

9NT1368-ORACLE FCUBSV.UM 11.1.0.0.0.0.0

[August] [2010]

Oracle Part Number E51575-01

ORACLE®

FINANCIAL SERVICES

ORACLE®

Document Control

Author: Documentation Team	Group: UBPG	
Created on: October 01, 2008	Revision No : Final	
Updated by: Documentation Team	Reviewed by : Development/Testing teams	Approved by: Software Quality Assurance Team
Updated on: August 06, 2010	Reviewed on: August 06, 2010	Approved on: August 06, 2010

ORACLE®

Table of Contents

ORACLE®

ORACLE®

ORACLE

ORACLE

ORACLE

1. About this Manual

1.1 Introduction

This manual is intended as a guide to the Islamic Letters of Credit (Islamic LC) module, of Oracle FLEXCUBE. It is designed to help you maintain and process all types of documentary and clean Islamic LCs. It also assists you in handling the necessary activities in the life cycle of an Islamic LC once it is booked. This includes the generation of messages and advices, the updation of account balances and the collection of various commissions and charges.

You can obtain information specific to a particular field by placing the cursor on the relevant field, and striking <F1> on the keyboard.

1.1.1 Audience

This manual is intended for the Customer Service Representatives (CSRs) and the staff responsible for the setting up of new products at your bank.

1.1.2 Organization

This manual is organized as follows:

Chapter 1	*About this Manual* gives information on the intended audience. It also lists the various chapters covered in this User Manual.
Chapter 2	*Islamic Letters of Credit - An Overview* gives you an overview of the Islamic LC module and helps familiarize you with its features.
Chapter 3	*Maintenance for Islamic Letters of Credit* details the basic information to be maintained, before the Islamic LC module becomes fully operational.
Chapter 4	*Defining Attributes Specific to an Islamic LC product* describes the procedure to define Islamic LC products for specific services that you offer your customers.
Chapter 5	*Processing an Islamic LC Contract* is the procedure to process all types of Islamic LCs (import, export, invoice, clean, guarantees, shipping guarantees). Also explained is the method of associating an Islamic LC product with an Islamic LC contract. The advantage of defining products is highlighted in this chapter.
Chapter 6	*Capturing Additional Details* explains a number of functions vital to the processing of an Islamic LC Contract.
Chapter 7	*Making an availment* explains how upon receipt of bills or notification from the negotiating bank, an availment is recorded under an Islamic LC.

ORACLE®

Chapter 8	*Amending the details of an Islamic LC* discusses the circumstances under which the details of an Islamic LC contract would need to be amended. It also details the procedure for amending the Islamic LC.
Chapter 9	*Transferring an Islamic LC* explains how you can transfer an Islamic LC.
Chapter 10	*Liquidation of the Receivable Components of an Islamic LC* deals with the liquidation of the receivable components of an Islamic LC.
Chapter 11	*Credit limit tracking for an Islamic LC* is the procedure to track the exposure against the applicant or against the issuing bank. It depends on whether you are issuing an import Islamic LC/advice or confirming an export Islamic LC.
Chapter 12	*Automatic Processes* are the processes that will be carried out automatically, in the life cycle of an Islamic LC.
Chapter 13	*Annexure A- Accounting Entries for Islamic LCs* contains a list of suggested accounting entries, event-wise.
Chapter 14	*Annexure B- Events and advices for an Islamic LC* gives an exhaustive list of events that can take place and the messages that can be generated, during the life cycle of an Islamic LC.

1.1.3 Conventions Used in this Manual

Important information is preceded with the symbol.

1.1.4 Related Documents

For further information on procedures discussed in the manual, refer to the Oracle FLEXCUBE manual on Common Procedures.

1.1.5 Glossary of Icons

This User Manual may refer to all or some of the following icons:

Icons	Function
	New
	Copy
	Save
	Delete

ORACLE®

🔓	Unlock
🖨	Print
	Close
	Re-open
⤵	Reverse
	Template
↺	Roll-over
✋	Hold
	Authorize
💰	Liquidate
❌	Exit
🔑	Sign-off
❓	Help
➕	Add row
➖	Delete row
	Option List
	Confirm
↵?	Enter Query
⚡?	Execute Query

Refer the Procedures User Manual for further details about the icons.

ORACLE®

2. Islamic Letters of Credit - An Overview

2.1 Introduction

A Letter of Credit as an instrument of international trade is one of the most secure methods for a seller to be paid. Besides credit risk considerations, LCs is the customary business practice for long distance trade and a particularly important commission earning service for any bank.

The Islamic Letters of Credit (Islamic LC) module constitutes a part of Oracle FLEXCUBE's comprehensive trade financing system. Together with the Islamic Bills and Collections module, it automates the entire gamut of trade financing.

The Islamic LC module supports the processing of all types of documentary and clean Islamic LCs. It can handle all activities during the lifecycle of an Islamic LC. This includes the generation of messages and advices for all the applicable events, and the update of account balances. The system also handles the collection of various commissions and charges defined for an Islamic LC.

2.1.1 Features

In an effort to sharpen the competitiveness of your trade-financing department and to empower your bank to handle a high volume of credit transactions Oracle FLEXCUBE is designed with the following features:

- The Islamic Letters of Credit module supports the processing of all types of clean and documentary Islamic LCs. These include:
  - ➢ Import Islamic LCs
  - ➢ Export Islamic LCs
  - ➢ Guarantees
  - ➢ Shipping Guarantees
  - ➢ Clean Islamic LCs
  - ➢ Standby Guarantees

- The Islamic LC module is designed to handle all the events in the life cycle of an Islamic LC. The booking, subsequent amendments and an availment can be processed automatically. The messages and advices applicable for each event are also automatically generated. The messages are communicated done through SWIFT, TELEX, mail, or any other compatible medium.

- The product definition function enables you to create products for specific services you offer. This offers your customer flexibility as well as quick and efficient processing of contracts.

- The product definition covers all the key features of an Islamic LC. For example, details of documents that should accompany it, the free format messages that form part of the correspondence, the advices to be generated for various events, the accounting entries to be passed for an event, the commission and tax handling specifications.

ORACLE

- The details of documents, free format messages, and commodities are defined only once and can be retrieved whenever needed. This reduces the effort involved in the capture of Islamic LC details, thus rendering it faster and error free. The flexibility built into the system ensures that you can modify these details to suit the requirement of each Islamic LC.

- The template and copy features further simplify, the input processing, for contracts.

- The Central Liability sub-system automatically controls the booking of an Islamic LC against the credit lines assigned to the customer before the bookings are made.

- Oracle FLEXCUBE supports the concept of 'specialized services branch' concept. If you have trade financing expertise at only one branch, say the Head Office (HO) and Islamic LCs for customers of any branch is processed only through the HO, Oracle FLEXCUBE offers absolute ease of operations. The Islamic LC can be processed for a customer of any branch, in the same way as you would, for a customer of your own branch.

- The module supports automated follow-up for commission and charge payments, confirmation and acknowledgements.

- Graphic User Interface (GUI) facilitates ease of input. Pick-lists have been provided wherever possible. This makes the module both efficient and easy to use.

- The media supported include Mail, Telex and SWIFT

- The National Language Support (NLS) features are available.

- LCs are governed by the Uniform Customs and Practice (UCP) which is published by the International Chambers of Commerce (ICC) Paris, France. You can indicate that the Islamic *LCs* issued at your bank fall in line with the UCP, which is regarded as a rule book by virtually all banks in the world.

2.1.2 <u>Operations supported on an Islamic LC</u>

The following are the operations supported on an Islamic LC:

- Open an import Islamic LC or guarantee

- Open and confirm an import Islamic LC

- Pre-advice an export Islamic LC

- Advice an export Islamic LC

- Advice and confirm an export Islamic LC

- Confirm an export Islamic LC

Thus, your bank can perform one of the following roles:

- The issuing (opening) bank for an import Islamic LC or guarantee

- The advising bank or for an export Islamic LC

- The confirming bank for an export Islamic LC

In addition to amendment of the terms of an Islamic LC such as the expiry date, the amount, the latest shipment date, etc., you can amend the operation on an Islamic LC as follows:

- Open to open and confirm of an import Islamic LC

- Pre-advice to advice of an export Islamic LC

- Pre-advice to advice and confirm an export Islamic LC

- Advice to advice and confirm an export Islamic LC

Appropriate messages, advices, and covering letters are generated for these operations. These are listed in an annexure in this manual. The SWIFT messages generated for the different types of Islamic LC are listed in this chapter.

2.1.3 SWIFT Messages for an Import Islamic LC

The messages that are generated for an Import Islamic LC depends on the operation you perform on the Islamic LC.

The following are the SWIFT messages supported for an Import Islamic LC:

Event	SWIFT
Issue of a documentary credit	MT 700 and MT 701
Pre-Advice of a documentary credit instrument	MT 705
Amendment to a documentary credit	MT 707
Authorisation to reimburse	MT 740
Amendment to an authorisation to reimburse	MT 747

2.1.4 SWIFT Messages for an Export Islamic LC

For an export Islamic LC, the Acknowledgement (MT 730) is the SWIFT message generated.

2.1.5 SWIFT Messages for a Standby Islamic LC

The following are the SWIFT messages supported for a Standby Islamic LC:

Event	SWIFT
Issue of a documentary credit	MT 700 and MT 701
Pre-Advice of a documentary credit instrument	MT 705
Amendment to a documentary credit	MT 707
Authorisation to reimburse	MT 740

Event	SWIFT
Amendment to an authorisation to reimburse	MT 747

2.1.6 SWIFT Messages for a Clean Islamic LC

The following are the SWIFT messages generated for a clean Islamic LC:

Event	SWIFT
Issue of a clean credit	MT 700 and MT 701
Pre-Advice of a clean credit instrument	MT 705
Amendment to a clean credit	MT 707
Authorization to reimburse	MT 740
Amendment to an authorisation to reimburse	MT 747

2.1.7 SWIFT Messages for a Guarantee

The following are the SWIFT messages generated for a guarantee:

Event	SWIFT
Guarantee instrument	MT760
Guarantee amendment	MT767
Acknowledgement for a guarantee issued	MT 768

2.1.8 SWIFT Messages for a Shipping Guarantee

The following are the SWIFT messages generated for a shipping guarantee:

Event	SWIFT
Guarantee instrument	MT760
Guarantee amendment	MT767

2.1.9 Processing Commissions and Charges

In the Islamic LC module, the method of collecting commissions and levying charges is flexible.

ORACLE

Commissions can be collected for the initiation and amendment events of an Islamic LC. The definition of commission rules facilitate the uniform and efficient application of commission across all Islamic LCs processed under a product.

Commissions can be collected in advance or in arrears, periodically or non-periodically. You can choose to accrue commissions at a regular frequency (daily, monthly, quarterly, half-yearly or annually). Similarly, the frequency of liquidation of periodic commission can be varied.

In Oracle FLEXCUBE various charges such as handling charges, SWIFT charges, etc. can be processed.

The commissions and charges can be collected from any party, and if necessary, debited from a receivable account and liquidated subsequently.

2.1.10 Variations Supported for an Islamic LC

An Islamic LC being a very flexible payment mechanism can be made available to the customers of your bank in a number of popular variations.

2.1.11 Red Clause Letter of Credit

You can process a Red Clause Islamic LC wherein you can provide for anticipatory drawings. In such a case, the confirming bank or any other bank is authorised to make advance payments to the beneficiary, before the presentation of the documents.

2.1.12 Revocable and Irrevocable Islamic LCs

You can process both revocable and irrevocable Islamic LCs. However, irrevocable Islamic LCs are commonly used as they cannot be cancelled without the consent of the buyer, the seller and the banks that are parties to the transaction.

A revocable Islamic LC can be cancelled without any notice or consent from the parties involved in the Islamic LC.

2.1.13 Transferable and Non Transferable Islamic LCs

While capturing the details of an Islamic LC, you can indicate whether it is transferable. This information is part of the instrument generated for an Islamic LC.

2.1.14 Revolving and Non Revolving Islamic LCs

You can open an Islamic LC and choose to make it available again in its original amount after the goods have been shipped, documents presented and credit is settled. Such an Islamic LC is a revolving Islamic LC. Under a revolving Islamic LC the amount is reinstated or renewed without any specific amendments to the Islamic LC. A revolving Islamic LC may be revocable or non-revocable, and can revolve in relation to the following:

- Value

- Time

ORACLE®

This facility can be utilized when a supplier wishes to make repetitive shipments over a period such as a year.

The Islamic LC can have an automatic reinstatement clause, which provides for continuing the renewal of availability. You also have the option to manually reinstate an Islamic LC. The credit may require approval of the opening party before it becomes available again.

2.1.15 Sight and Usance Islamic LC

Oracle FLEXCUBE allows the processing of a sight or usance payment against an Islamic LC.

- In case of a sight Islamic LC, the negotiating bank pays the seller immediately and is later reimbursed by the issuing bank

- In the case of a usance Islamic LC, the drawee bank accepts the obligation to pay the seller at maturity. An Islamic LC with a time draft drawn on the opening party, calling for payment at a future date is called a time or Usance Islamic LC.

2.1.16 Open Ended Islamic LCs

You can also process an Islamic LC without an expiry date known as an open ended Islamic LC.

2.1.17 Cash Collateral against an Islamic LC

An Islamic LC can be processed against cash collateral. Oracle FLEXCUBE provides you with the facility to calculate the cash collateral either as a percentage of the Islamic LC amount or as a fixed amount. Cash collateral advice will be generated for its collection.

When the Islamic LC amount is amended, you also have the option of adjusting the collateral amount accordingly.

2.1.18 Availment against an Islamic LC

You can process the availments against an Islamic LC either through the Islamic LC module or through the bills module of Oracle FLEXCUBE. Availment charges can be levied and cash collateral adjusted, during an availment.

2.1.19 Reports

Information on the Islamic LCs processed and the static maintenance done for the module is available in the form of reports. These reports can be printed, spooled on to a disk file or displayed on the screen. The following are some of the reports available:

- Accrual control report

- Closed out Islamic LCs report

- Commission activity report

- Commission due report

- Confirmed Islamic LCs report

ORACLE®

- Daily activity report

- Expired Islamic LCs report

- Islamic LCs due to be closed report

- Islamic LCs due to expire report

- Open ended Islamic LCs

- Un-replied tracers report

- Process exception report

- Overrides

- Product report

- Clause report

- Branch report

ORACLE®

3. Maintenance for Islamic Letters of Credit

3.1 Introduction

The Islamic Letters of Credit (Islamic LC) module requires the setting up of certain basic information before it becomes operational. The information that needs to be maintained includes:

- Document details

- Clause details

- Goods details

- Free Format Text details

- Insurance Company details

- Import License Expiry Date for a customer

- Exchange Rate Type maintenance for different transaction amount slabs

The procedure for maintaining these details is discussed in the subsequent sections.

3.2 Maintaining Documents and Clauses

There are certain standard documents that are required under a documentary Islamic LC. As these documents are standard and common in most countries, their details need not be specified every time you need to use it for an Islamic LC. Instead, you can maintain its details in the 'Bills & Collection Document Code Maintenance' screen and attach it to the Islamic LC you process.

The advantage of maintaining document details is that at the time of creating a product or at the time of entering the details of an Islamic LC, you only need to specify the code assigned to the document. All the details maintained for the document will be automatically picked up. This helps reduce repetitive work, as you do not need to enter the contents of the document each time you use it.

The Document Master Maintenance screen is common for both Islamic Bills & Collections and Islamic LC modules. You can invoke 'Bills & Collections Document Code Maintenance' screen by typing 'BCDDOCCD' in the field at the top right corner of the Application tool bar and clicking the adjoining arrow button. If you are maintaining details of a new document, choose New from the Actions Menu or click 'New' icon from the tool bar. The 'Bills & Collections Document Code Maintenance' screen is displayed without any details.

If you are calling a document maintenance record that has already been defined, you can invoke 'Bills & Collections Document Code Summary' screen by typing 'BCSDOCCD' in the field at the top right corner of the Application tool bar and clicking the adjoining arrow button.

ORACLE

You can double-click a document to open it.

3.2.1.1 Specifying the Document Details

You can maintain the following details related to the documents in the 'Bills and Collections Document Code Maintenance' screen.

Document Code

In Oracle FLEXCUBE, each document maintained is identified by a twelve-character code, called a Document Code. You can follow your own convention for devising this code. However, one of the characters of the code should necessarily be a letter of the English alphabet.

The code assigned to should be unique as it is used to identify the document. While creating a product or at the time of entering the details of an Islamic LC, you only need to specify the code assigned to the document. The document details will be automatically picked up and defaulted.

Language Code

Specify the language code using which all the correspondences with the party should be carried out. Click the option list icon to view the list of available language codes.

Document Type

Select the document type from the drop-down list. The available options are Transport, Insurance, Invoice, and Others.

Document Short Description

The documents for an Islamic LC are at times large and hence difficult to identify. Therefore, you can specify a short description or a title that will enable you to identify the document quickly.

ORACLE®

The short description that you specify is for information purposes only and will not be printed on any customer correspondence.

Document Long Description

Specify the complete description of the document.

Validate Shipping Guarantee

Check this option to indicate that a shipping guarantee should be validated.

Bill of Lading

Check this box to validate the reference number used in the bill against the shipping guarantee Bill of lading reference number.

3.2.1.2 <u>Specifying Clause Details</u>

A clause is a statement that accompanies a document required under an Islamic LC. Instead of specifying the details of a clause every time, you can maintain a list of the standard clauses, which can accompany the documents, required for an Islamic LC, in the Clause Maintenance screen.

The advantage of maintaining clause details is that at the time of creating a product or at the time of entering an Islamic LC, you only need to specify the code assigned to the clause. All the details maintained for the clause will be automatically picked up.

In this section specify the following details:

Clause Code

Each clause that you maintain is identified by a twelve-character code called a Clause code. You can follow your own convention for devising the code. However, at least one of the characters of the clause code should be a letter of the English alphabet.

This code should be unique as it is used to identify the clause. While creating a product or at the time of entering details of an Islamic LC where you need to specify the clauses that should accompany a document, you only need to specify the code assigned to the clause. The clause details will be automatically picked up and defaulted.

Clause Description

After you have specified a code for the clause, you can proceed to maintain a detailed description of the clause.

The description carries the contents of the clause, which will be printed on the customer correspondence that accompany an Islamic LC. The clause description can contain a maximum of two thousand characters.

3.2.2 Specifying Values for the User Defined Fields

You can link the User Defined Fields with 'Branch Parameters Maintenance' screen using Function field mapping screen which can be invoked from the Application Browser by selecting User defined fields, and then Function field mapping. The value for these fields can be specified in the 'Branch Parameters Maintenance' screen.

Value for UDF can be made mandatory or non mandatory as maintained in the Field description screen.

After you have entered the details of the document and clause you should save the record. After you have made the mandatory entries and saved the record, your User ID will be displayed in the Input By field at the bottom of the screen. The date and time at which you saved the record will be displayed in the Date/Time field.

A record that you have created should be authorized by a user, bearing a different login Id, before the EOD is run. Once the record is authorized, the ID of the user who authorized the record will be displayed in the Auth By field. The date and time at which the record has been authorized will be displayed in the Date/Time. The status of the record will be displayed in the check box marked Authorized. The field will remain unchecked until the record is authorized.

Click 'Exit' button to exit the screen. You will be returned to the Application Browser.

3.2.3 Operations on the Document Maintenance Record

On an existing Document Maintenance record, you can perform the following operations (if any function under the Actions Menu is disabled, it means that the function is not allowed for the record):

- Amend the details of a document
- Authorize a document
- Copy the details of a document on to a new one
- Close the document
- Reopen the document
- Print the details of a document
- Delete the details of a document

Please refer to the manual on Common Procedures for details of these operations.

On an existing Clause Maintenance record, you can perform the following operations (if any function under the Actions Menu is disabled, it means that the function is not allowed for the record):

- Amend the details of the record
- Authorize the record

ORACLE®

- Copy the details of a Clause, on to a new record

- Close the record

- Reopen the closed record

- Print the details of a record

- Delete the record

Please refer to the manual on Common Procedures for details of these operations.

3.3 <u>Maintaining Goods</u>

An Islamic LC is used for trade payments. It therefore involves merchandise. There are certain standard goods or commodities, the trading of which is done, with Islamic LC cover. Instead of specifying the details of merchandise each time they are traded under an Islamic LC, you can maintain the details of the standard goods in the Commodity Codes Maintenance screen.

The advantage of maintaining goods details is that at the time of entering the details of an Islamic LC, you only need to specify the code assigned to the goods. The description maintained for the goods/commodity code will be automatically picked up. Typically, the statutory body controlling international and domestic trade in a country assigns these codes.

In Oracle FLEXCUBE the details of the standard goods/commodities transacted under Islamic LCs are common for the Islamic Bills & Collections module also. You can invoke 'Bills & Collections Commodity Code Maintenance' screen by typing 'BCDCOMCD' in the field at the top right corner of the Application tool bar and clicking the adjoining arrow button. If you are maintaining details for the goods or commodity for the first time, choose New from the 'Actions' menu or click 'New' icon from the tool bar. The 'Bills Commodity Codes Maintenance' screen is displayed without any details.

If you are calling a goods/commodities maintenance record that has already been defined, you can invoke 'Bills & Collections Commodity Code Summary' screen by typing 'BCSCOMCD' in the field at the top right corner of the Application tool bar and clicking the adjoining arrow button. You can double-click a document to open it.

ORACLE®

3.3.1.1 Specifying Goods Details

The fields in the screen are detailed below.

Goods Code

In Oracle FLEXCUBE goods are identified by a twelve-character code called the Goods Code. You can follow your own convention for devising the code. However, at least one of the characters of the goods code should be a letter of the English alphabet.

The code that you assign to a commodity should be unique as it is used to identify the commodity/goods. While processing an Islamic LC where you need to specify the goods transacted, you need to specify the code assigned to the goods. The goods description will automatically be picked up and defaulted.

Language Code

Specify the language code using which all the correspondences with the party should be carried out. Click the option list icon to view the list of available language codes.

Goods Description

After assigning a code to the goods, you can proceed to maintain a detailed description of the goods. The 'Goods Description' can contain a maximum of six thousand five hundred characters.

While specifying the details of the goods transacted under an Islamic LC, you can edit the description that is defaulted, to suit the requirements of the Islamic LC you are processing. Specifications such as the quality and quantity of the merchandise can also be entered.

Banned Commodity

As part of maintaining the details of the goods that can be traded under an Islamic LC, you can also specify whether the commodity being defined is banned from import/export.

If you are maintaining the details of a banned commodity, you can indicate the same by selecting this option in the screen.

At the time of selecting the goods being traded under an Islamic LC, the system will display the commodities in the option-list. In addition, the list will also display whether a particular commodity is banned or not by indicating 'YES' (for a banned product) and 'NO' (for a product that is allowed for trade) against the product.

3.3.2 Specifying Values for the UDF

You can link the User Defined Fields with 'Branch Parameters Maintenance' screen using Function field mapping screen which can be invoked from the Application Browser by selecting User defined fields, and then Function field mapping.

ORACLE®

The value for these fields can be specified in the 'Branch Parameters Maintenance' screen.

🛑 Value for UDF can be made mandatory or non mandatory as maintained in the Field description screen.

After making the mandatory entries you can save the record.

On saving the record, your User ID will be displayed in the Input By field at the bottom of the screen. The date and time at which you saved the record will be displayed in the Date/Time field.

A record that you have created should be authorized by a user bearing a different login Id, before the EOD is run. Once the record is authorized, the Id of the user who authorized the record will be displayed in the Auth By field. The date and time at which the record has been authorized will be displayed in the Date/Time field positioned next to the Auth By field. The status of the record will be displayed in the check box marked Authorized. The field will remain unchecked until the record is authorized.

Click 'Exit' button to exit the screen. You will return to the Application Browser

3.3.3 <u>Operations on a Goods/Commodity Maintenance Record</u>

On an existing Goods Maintenance record, you can perform the following operations (if any function under the Actions Menu is disabled, it means that the function is not allowed for the record):

- Amend the details of a record

- Authorize a record

- Copy the details of a commodity, on to a new record

- Close a record

- Reopen a closed record

- Print the details of a record

- Delete a record

Please refer to the manual on Common Procedures for details of these operations.

3.4 <u>Maintaining Free Format Text (FFT) Codes</u>

Free Format Text (FFT) may be a set of instructions or statements that are applicable to the Islamic LCs that you process. There are certain standard statements that should appear in the correspondence and messages, sent to the parties involved in an Islamic LC. Instead of specifying the details of an FFT each time you need to use it, you can maintain them in the FFT Maintenance screen.

ORACLE®

The advantage of maintaining FFT details is that at the time of creating a product or while entering the details of an Islamic LC, you only need to specify the code assigned to the FFT. All the details maintained for the FFT code will be automatically picked up. This reduces your effort, as you do not need to enter the description of an FFT each time you use it.

The FFT details are maintained commonly for both Islamic LC and Bills & Collections. You can invoke 'Bills & Collections Free Format Code Maintenance' screen by typing 'BCDFFTCD' in the field at the top right corner of the Application tool bar and clicking the adjoining arrow button. If you are maintaining the details for the FFT for the first time, choose 'New' from the 'Actions' menu or click 'New' icon in the tool bar. The 'Bills & Collections Free Format Code Maintenance' screen is displayed.

If you are calling a FFT maintenance record that has already been defined, you can invoke 'Bills & Collections Free Format Code Summary' screen by typing 'BCSFFTCD' in the field at the top right corner of the Application tool bar and clicking the adjoining arrow button. You can double-click on an FFT of to open it.

3.4.1.1 <u>Specifying Free Format Text Code Details</u>

You can capture the following details related to the Free Format Text Code here.

Text Code

In Oracle FLEXCUBE, each FFT that you maintain is identified by a twelve character code called an FFT Code. You can follow your own conventions for devising the code. However, at least one of the characters of the goods code should be a letter of the English alphabet.

The code that you specify should be unique since it identifies the FFT. While creating a product, or at the time of entering the details of an Islamic LC you only need to specify the code assigned to the FFT. The FFT details will be automatically picked up and defaulted.

ORACLE®

Language Code

Specify the language code using which all the correspondences with the party should be carried out. Click the option list icon to view the list of available language codes.

Free Format Text

After assigning a code to identify an FFT, you can proceed to maintain the description of the FFT. The description that you specify can contain text up to two thousand characters.

3.4.2 Specifying Values for the User Defined Fields

You can link the User Defined Fields with 'Branch Parameters Maintenance' screen using Function field mapping screen which can be invoked from the Application Browser by selecting User defined fields, and then Function field mapping. The value for these fields can be specified in the 'Branch Parameters Maintenance' screen.

Value for UDF can be made mandatory or non mandatory as maintained in the Field description screen.

Click 'Exit' button to exit the screen.

3.4.3 Operations on the FFT Maintenance Record

On an existing FFT Maintenance record, you can perform the following operations (if any function under the Actions Menu is disabled, it means that the function is not allowed for the record):

- Amend the details of the record

- Authorize the record

- Copy the details of an FFT on to a new record

- Close the record

- Reopen the closed record

- Print the details of a record

- Delete the record

Please refer to the manual on Common Procedures for details of these operations.

3.4.4 Maintaining INCO Terms

You can associate documents and clauses to INCO Terms as part of a one-time maintenance for your bank. The following are the INCO terms for which you can maintain documents and clauses:

- CIF

- C&F

- C&I

ORACLE

- FOB

- CFR

- EX-Works

You can associate any number of valid documents to an INCO term. To each document associated with a term, you can associate any number of clauses.

When creating an Islamic LC product, you can indicate the INCO term that should be associated with it. The documents and clauses associated with the term will automatically default to Islamic LCs processed under the product. When processing an Islamic LC, you can modify the default list of associated documents and clauses.

3.5   Maintaining Insurance Company Details

An Islamic LC, as an instrument of international trade involves the shipment of large merchandise over long distances. To cover the loss or damage of the goods during transition, most merchandise traded under an Islamic LC is covered with an insurance policy.

You can maintain the details of different Insurance Companies in Oracle FLEXCUBE.

At the time of capturing the details of an Islamic LC contract in the system, you can associate the appropriate Insurance Company Code with the contract. Upon selection of the code, all the details maintained for the selected code will be automatically picked up by the system. Subsequently, on receipt of the insurance policy from the company, the insurance policy number can also be captured in the relevant contract.

The maintenance of details of an insurance company is common for both Islamic LC and Bills & Collections modules. You can invoke 'Bills & Collections Insurance Company Maintenance' screen by typing 'BCDINSCO' in the field at the top right corner of the Application tool bar and clicking the adjoining arrow button.

ORACLE

3.5.1.1 <u>Specifying the Company Details</u>

In this screen, you can maintain the following details of Insurance Companies:

Insurance Company Code

Specify a unique code for each insurance company being defined in the system. The insurance company will be identified by this code throughout the system. This is mandatory information and if not provided, you will not be allowed to save the details of the company.

You can use a maximum of 9 alphanumeric characters to create the company code.

Insurance Company Name

After specifying a unique code for the company, you can also specify the full name of the insurance company.

Address

Specify the mailing address of the insurance company being defined. You can maintain a maximum of four lines of address. Each line of address can accommodate a maximum of 105 alphanumeric characters.

Telephone Number

You can also capture the telephone number of the insurance company.

Fax Number

Specify the Fax Number of the insurance company.

3.5.1.2 <u>Specifying Settlement Account Details</u>

Here you can specify the following details for insurance settlement:

Customer

Specify the customer identification number of the insurance company. The adjoining option list displays all valid, open and authorized customers maintained in the system. You can select the appropriate one.

Account

Specify the customer account number of the insurance company. The adjoining option list displays all valid, open and authorized customer accounts attached to the chosen customer identification number. You can select the appropriate one.

Based on the account specified, the branch in which the account resides is displayed alongside.

ORACLE

STOP The insurance company will be available for association with Islamic LC contracts only after you authorize the company details.

3.6 Maintaining Customer Insurance Details

You can capture details of a customer's insurance policy in the 'Customer Insurance' screen. You can invoke this screen by typing 'BCDCIFIN' in the field at the top right corner of the Application tool bar and clicking the adjoining arrow button.

Here you can capture the following details:

Customer ID

Specify the customer for whom you are maintaining insurance details. The adjoining option list displays all the valid and open customer identification numbers (CIF) maintained in the system. You can select the appropriate one.

The system displays the chosen customer's name in the 'Customer Name' field.

Insurance Company

Specify the company whose insurance policy the customer holds. The adjoining option list displays all the insurance companies maintained in the system through the 'Insurance Company Codes Maintenance' screen. You can select the appropriate one.

The system displays the chosen company's name in the 'Company Name' field.

Policy Number

Specify the policy number of the insurance policy that the customer holds.

ORACLE

Currency Code

Specify the currency in which the insurance policy has been taken. The adjoining option list displays all the currency codes maintained in the system. You can select the appropriate one.

Policy Type

Select the type of insurance from the adjoining option list. This list displays all the values maintained for 'Insurance_Type' in the 'Types' screen.

Expiry Date

Specify the date on which the insurance policy expires. If you don't input a date, the system will consider the insurance policy to be open-ended.

Per Bottom Limit

Specify the maximum limit for which an Islamic LC contract linked to the policy can be covered. The amount will be considered in the currency of the insurance amount.

Insurance Amount

Specify the amount for which the customer is insured as per the specified policy.

Utilization Amount

The system displays the insurance amount that is utilized by an Islamic LC contract. Whenever an Islamic LC contract gets saved with some insurance amount linked to it, the system will update this value to extent of amount used. Similarly, if a linked Islamic LC gets closed, cancelled or reversed before the insurance expiry date, the system will re-instate the utilization amount earmarked for that contract. This is true of Islamic LCs linked to open-ended policies too.

Available Amount

The system displays the available insurance amount that can be linked to an Islamic LC contract. The amount is computed as total insurance amount – utilized insurance amount. Whenever an Islamic LC contract gets saved with some insurance amount linked to it, the system will update this value to extent of amount available. Similarly, if a linked Islamic LC gets closed, cancelled or reversed before the insurance expiry date, the system will re-instate the utilization amount earmarked for that contract and make it available for further utilization. This is true of Islamic LCs linked to open-ended policies too.

3.6.1 Capturing Utilization History Details

You can view the Islamic LC contracts for which the insurance amount has been utilized, in the 'Utilization Details' screen.

ORACLE

To invoke this screen, click on the 'Utilization Details' button.
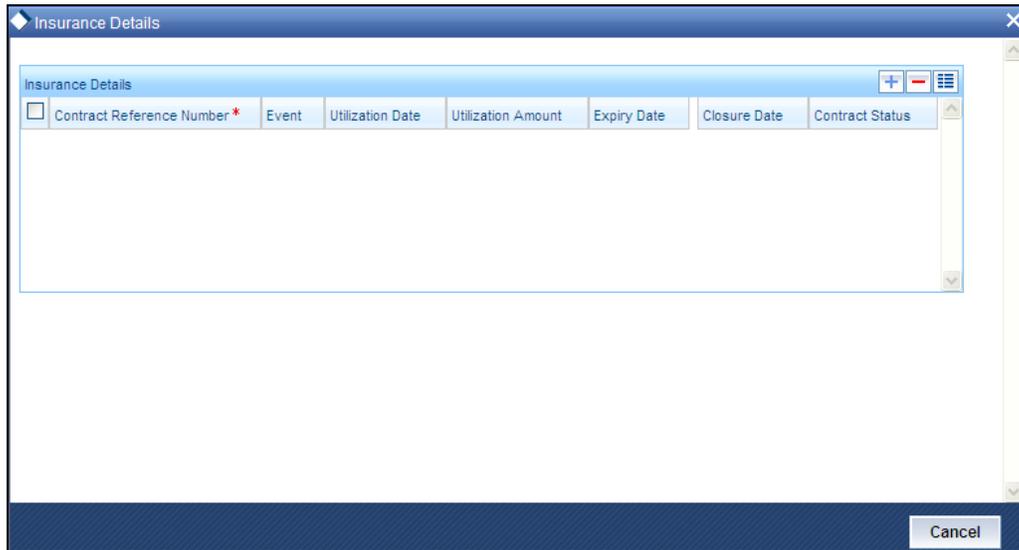
Here you can view the following details of the Islamic LC contracts:

- Contract Reference Number
- Event
- Utilization Date
- Utilization Amount
- Expiry Date
- Closure Date
- Contract Status

3.7 Maintaining Import License Expiry Date

Oracle FLEXCUBE allows you to maintain the Import License Expiry Date of all the customers of your bank. You can maintain only one License Expiry Date for a customer. On selection of the CIF ID of the customer at the time of processing an Islamic LC contract, the Import License Expiry Date maintained for the selected CIF ID is also displayed in the Islamic LC Contract screen. The system will not do any validations based on the expiry date. It is used only for information purpose.

The Import License Expiry Date is captured through the License Expiry Date Maintenance screen.

You can invoke 'Letters of Credit License Expiry Date Maintenance' screen by typing 'LCDEXPDT' in the field at the top right corner of the Application tool bar and clicking the adjoining arrow button.

3.7.1.1 <u>Specifying Expiry Date Details</u>

In this section specify the following details:

Customer No

Every customer of your bank is identified by a unique CIF ID. All authorized and active CIF IDs will be displayed in the option-list. You can select the appropriate CIF ID from the list.

Issuing Authority

Specify the government authority which issued the trade license to the customer.

Trade License No.

Specify the trade license number. This must be unique for each customer.

License Expiry Date

After you select the CIF ID, you can specify the Import License Expiry Date for the customer. The expiry date maintained here would be associated with all Islamic LC contracts processed for the customer.

Expired

The system marks the trade license of the customer as expired during EOD if the system date happens to be greater than or equal to trade license expiry date.

Renewal Date

Specify the date on which the trade was renewed.

Charge Account

Specify a valid account to be used to collect the charges for trade license expiry. The adjoining option list displays all open and authorised accounts belonging to the customer. You can select the appropriate one.

Charge Branch

The system displays the Branch Code where the Charge Account is held.

Expiry Due Advice Details

During EOD, advices are generated for customers whose trade license is impending expiry.

Generated Status

The success or failure of message generation through the above process is indicated by the true and false status of the field 'Generated Status'.

Generated Date

The system displays the date on which the message was generated, if any.

Expired Advice Details

During EOD, advices are generated for customers whose trade license has expired.

Generated Status

The success or failure of message generation through the above process is indicated by 'True' or 'False' status of this field.

Generated Date

The success or failure of message generation through the above process is indicated by the true and false status of the field 'Generated Status'.

3.8 Application of Exchange Rate Type based on Transaction Amount

Oracle FLEXCUBE allows you to apply different exchange rates based on the amount involved in the transaction. The cut-off amount slabs are maintained in the local currency of your bank.

If the transaction currency is not the local currency, the system will first convert the transaction amount into the local currency equivalent using the Standard Mid Rate. This is necessary as the cut-off amount slabs are maintained in the local currency. The system will then validate the converted amount against the different amount slabs to determine the appropriate rate type. This is the rate type that will be used for the actual conversion of the transaction currency into the local currency equivalent.

You can capture the exchange rate types for different amount slabs through the 'Bills and Collections Exchange Rate Type Maintenance' screen. You can invoke this screen by typing 'BCDAMTEX' in the field at the top right corner of the Application tool bar and clicking the adjoining arrow button.

In this screen, you can specify the amount slabs for a branch, module and product combination.

Branch Code, Module Code and Product Code

Each branch of your bank is identified by a unique code. All authorized and active branch codes are available in the option-list. You can select the appropriate branch code from the list.

Like wise, all the modules (like Finances & Deposits, Letters of Credit, Bills & Collections, Funds Transfer etc) available in your bank are also displayed in an option-list. All active and authorized records are available for selection. You can select the appropriate module code from the list.

The various products/services offered by your bank are also available in an option-list. Select the product code from the list.

Alternatively, you can also maintain the cut-off amounts that will be applicable for all the branches, modules, and products of your bank. You can make the following selections to do this:

- Branch Code – AL (all branches)

- Module Code – ALL (all modules)

- Product Code – ZALL (all products)

Amount Tag

Amount tags identify the various components (eg Bill Amount, Finance Principal, Islamic LC Amount etc.) involved in a contract.

ORACLE®

You can maintain the cut-off amount slabs for:

- **All Amount Tags:**
  The maintenance will be applicable to all the amount tags available in the system (Module tags and Non-module tags).

- **Module Tags:**
  The amount tags that are specific to a particular module are known as Module Tags. For eg the amount tag PRINCIPAL is specific to the Finances module, BILL_AMOUNT is defined for the Bills module and so on.

- **Non-Module Tags:**
  The amount tags that are internally created by the system are referred to as Non-Module tags. The system will automatically create the amount tags for the Profit, Tax, Charge, and Commission components that you define for a product.

3.8.1.1 Specifying the Exchange Rate Maintenance Details

In this section, specify the following information:

Basis Amount

You can maintain the different amount slabs in this field. Specify the lower limit of the amount slab here.

For the first slab, the floor basis amount will always be maintained as zero.

Amount To

Specify the upper limit of the slab. The upper limit of the precious amount slab gets defaulted as the Floor Basis Amount. Click on option list to capture each subsequent amount slab.

Currency Rate Type

You can associate a different exchange rate type with each cut-off amount slab that you have maintained. All authorized and active rate types defined in your system are available in the option-list. Select the appropriate rate type for each amount slab.

ORACLE

Example

You have maintained the following cut-off amount slabs, and the corresponding exchange rate types & exchange rates to be applied on Islamic LC contracts processed at your bank:

Cut-Off Amount Slabs (in Local Ccy - USD)	Exchange Rate Type	Exchange Rate (for GBP to USD conversion)
0-25,000	STANDARD	1.684
>25,000	COUNTER	1.897

Let us assume that you are processing an Islamic LC contract for GBP 20,000. The local currency of your bank is USD. In such a case, the system will first convert GBP 20,000 into the local currency equivalent using the Standard mid rate. Assuming that the mid rate is 1.5, the converted amount works out to USD 30,000. The system will then validate the converted amount against the cut-off amount slabs maintained. USD 30,000 (converted amount) falls in the second slab (>25,000). The exchange rate type maintained for this slab is 'COUNTER' and the corresponding exchange rate is 1.897. The actual conversion of the transaction amount takes place using the COUNTER rate of 1.897. Therefore, the USD equivalent of 20,000 GBP works out to 37,940.

ORACLE

4. Defining Attributes specific to an Islamic LC Product

4.1 Introduction

In this chapter, we shall discuss the manner in which you can define attributes specific to a Letters of Credit product.

You can create a Letter of Credit product in the Islamic Letters of Credit (Islamic LC) Product Definition screen, invoked from the Application Browser.

4.2 Creating an Islamic LC Product

The basic information about the product such as the Product Code and its description is captured through the Islamic LC Product Definition screen. Information related to specific attributes of a product can be defined in subsequent screens that can be invoked from the product definition screen.

You can invoke 'Islamic LC - Product Definition' screen by typing 'LIDPRMNT' in the field at the top right corner of the Application tool bar and clicking the adjoining arrow button. Choose New from the Actions menu or click 'New' icon on the tool bar. The 'Islamic LC Product Definition' screen will be displayed with no values in the fields.

You can define the attributes specific to a letters of credit product in the 'Islamic LC Product Definition' screen and the 'Islamic LC Product Preferences' screen. In these screens, you can specify the product type and set the product preferences respectively.

ORACLE

The buttons used in this screens are explained below:

Buttons	Description
Accounting Roles	Click this button to define the accounting role to accounting head mapping.
Events	Click this button to select the events for the product and then maintain event-wise accounting entries and advices.
Branch & Currency	Click this button to maintain the list of allowed/ disallowed branches and currencies for the product.
Customer	Click this button to maintain the list of allowed/ disallowed customers/customer categories.
Preferences	Click this button to define preferences like tenor, Prepayment option etc.
MIS	Click this button to capture MIS related parameters.
Commission	Click this button to define the Commission details.
Charges	Click this button to define charge components, rules, events and other associated details.
Tax	Click this button to associate tax rules and select tax currencies.
Fields	Click this button to provide values for the UDFs associated with the screen.
Free Format Text	Click this button to attach the Documents and Free format text required for the Product
Tracers	Click this button to enter details of the tracers that should be generated for all Islamic LCs under this product

For any product you create in Oracle FLEXCUBE, you can define generic attributes, such as branch, currency, and customer restrictions, Profit details, tax details, etc., by clicking on the appropriate icon in the horizontal array of icons in this screen. For a letters of credit product, in addition to these generic attributes, you can specifically define other attributes. These attributes are discussed in detail in this chapter.

Product Code

The code you assign to a product will identify the product throughout the module. The code should contain four characters. You can follow your own convention for devising the code. However, at least one of the characters should be a letter of the English alphabet.

Since the code that you define is used to identify the product, it should be unique across the modules of Oracle FLEXCUBE. For instance, if you have assigned the code 'Islamic LC01' to a particular product in this module, you cannot use it as a code in any other module.

ORACLE®

Product Description

You can enter a brief description of the product, which will be associated with the product for information retrieval purposes. Product Type

The product type identifies the basic nature of a product. An Islamic LC product that you create in Oracle FLEXCUBE can be of the following types:

- Import Islamic LC
- Export Islamic LC
- Guarantee
- Standby Guarantee
- Shipping Guarantee
- Clean Islamic LC
- Advice of Guarantee

The entries that are passed, the messages that are generated and the processing of contracts involving the product, is determined by your input to this field.

Slogan

You can specify a marketing punch-line to be associated with the product. This slogan will be printed on all the advices that are sent to the customer, for an Islamic LC involving this product.

Product Group

Each product is classified under a specific group. The different groups are defined in the Product Group Definition table.

Start Date and End Date

A product can be set up for use over a specific period, by defining a start and an end date. The Issue Date of an Islamic LC involving a product should be:

- The same as or later than the Start Date
- The same as or earlier than the End Date

The start and end dates of a product come in handy when you are defining a product for a scheme, which is open for a specific period.

Remarks

You can enter information about the product, intended for the internal reference of your bank. The remarks are displayed when the details of the LC are displayed or printed. However, this information will not be printed on any correspondence with the customer.

To maintain the allowed and disallowed customer and customer categories, you have to click the button and invoke the 'Customer and Customer Restrictions' screen.

MODULE

All the modules (like Loans & Deposits, Letters of Credit, Bills & Collections, Funds Transfer etc) in Oracle FLEXCUBE are represented by a code. This code is displayed in the module field. The product code that you assign to a product will identify the product throughout this module.

Revolving

Islamic LC products can be revolving or non-revolving. If you indicate that the product is revolving, you can associate the product with only revolving Islamic LCs. While actually processing revolving you can indicate whether the Islamic LC should revolve in time or in value.

Similarly if you indicate that the product is non-revolving, you can associate the product to only non-revolving Islamic LCs.

🛑 All Islamic LCs will be of irrevocable nature.

4.3   Specifying Preferences for a Product

Preferences are the options available for defining the attributes of a product. The options you make here will ultimately shape the product.

Click on 'Preferences' button to invoke the 'Letters of Credit Product - Preferences' screen. Through this screen you can define preferences for the product you are creating.

The preferences that you define for a product will be applied to all the Islamic LC contracts involving the product.

4.3.1.1 Specifying Tenor related Details

You can set the Standard, Minimum and the Maximum limits for tenor based Islamic LCs. The tenor details that you specify for an Islamic LC product is always expressed in days.

ORACLE

Standard

The standard tenor is the tenor that is normally associated with an Islamic LC involving a product. The standard tenor of an Islamic LC is expressed in days and will apply to all Islamic LCs involving the product. If you do not specify any specific tenor while processing an Islamic LC, the standard tenor will by default apply to it. The default standard tenor applied on an Islamic LC can be changed during Islamic LC processing.

An expiry date will be calculated based on the tenor, as follows:

> **Expiry Date = Effective Date + Tenor**

Minimum

The minimum tenor of a product can be fixed. The tenor of the Islamic LCs that involves the product should be greater than or equal to the minimum tenor that you specify. If not, an override will be required before the Islamic LC is stored.

Maximum

You can fix the maximum tenor of a product. The tenor of the Islamic LCs that involves the product should be less than or equal to the Maximum tenor specified. If not, an override will be required before the Islamic LC is stored.

Example

You have defined an Islamic LC product, to cater to tenor based import Islamic LCs. The minimum tenor specified for this product is 100 days and the maximum tenor is 1000 days. You have also specified a standard tenor of 500 days.

Under this product, you can process Islamic LCs with a tenor between 100 and 1000 days. As you have specified the standard tenor as 500 days, by default, an Islamic LC involving this product will have a 500 day tenor. At the time of processing the Islamic LC you can however, change this tenor to anything between the Minimum and Maximum tenor limits. This is done by changing the Expiry Date of the Islamic LC. If the new tenor falls outside the range defined as the maximum and minimum tenors, an appropriate override will be sought.

4.3.1.2 <u>Specifying Cash Collateral Details</u>

In this section specify the following details:

Percentage

For a product, specify the percentage of the Islamic LC amount that should be taken as cash collateral. This percentage will be applied by default and can be changed when the Islamic LC is processed. In addition, the currency in which the collateral is to be collected can be specified in the Islamic LC Contract Collateral screen, while processing an Islamic LC.

Example

For a guarantee product, you have specified that customers should offer cash collateral to the tune of 50% of the Islamic LC amount.

If you enter a guarantee, using this product, valued at USD $100,000, a sum of USD $50,000 which is 50% of the guarantee amount will be collected as cash collateral when the guarantee is issued.

If you enter a guarantee using this product, valued at GBP 500,000, then a sum of GBP 250,000 which is 50% of the guarantee amount will be collected as cash collateral when the guarantee is issued.

You can collect the cash collateral in a currency different from the guarantee currency.

Limits Tenor Calculation Type

Specify the calculation type for the limits tenor. You can select one of the following options.

- Fixed

- Rolling

Collateral transfer Bridge

Specify the GL/account to be used for transfer of collateral between Islamic LC and the Bill upon availment of the Bill against the Islamic LC. The GL/account specified here will be used as the bridge during the transfer accounting.

4.3.1.3 <u>Specifying Islamic LC Authorization Rekey Fields</u>

All operations on an Islamic LC (input, modification, reversal, etc.) have to be authorized by a user other than the one who carried out the operation. Authorization is a method of cross checking the inputs made by a user. All operations on an Islamic LC, except placing it on hold, should be authorized before beginning the End of Day operations.

You have the option to specify whether certain important details of an Islamic LC need to be rekeyed, at the time of authorization. If you indicate positively, you should also specify the fields that will have to be rekeyed at the time of contract authorization. You can specify any or all of the following as rekey fields:

- Amount

- Currency

- Customer

- Value date

- Expiry date

- Total Paid

When you invoke an Islamic LC for authorization; − as a cross-checking mechanism to ensure that you are calling the right Islamic LC, you can specify that the values of certain fields should be entered before the other details are displayed. The complete details of the Islamic LC will be displayed only after the values to these fields are entered. This is called the 'rekey' option. The fields for which the values have to be given are called the 'rekey' fields.

If no rekey fields have been defined, the details of the Islamic LC will be displayed immediately once the authorizer calls the Islamic LC for authorization. The rekey option also serves as a means of ensuring the accuracy of inputs.

4.3.1.4 Commission Related Preferences

Commission related preferences have been discussed in the Commissions User Manual.

4.3.1.5 Specifying Tolerance for an LC under the Product

Tolerance denotes the variance that has to be built around the Islamic LC amount, to arrive at the Maximum Islamic LC amount.

Positive

Specify the percentage that should be added to the LC amount to arrive at the Maximum Islamic LC amount. When an Islamic LC is issued or advised, the Maximum Islamic LC amount will be the outstanding Islamic LC amount. This will be the maximum amount available for availment.

Negative

Specify the percentage that should be subtracted from the Islamic LC amount. The minimum tolerance is captured for information purposes only.

The tolerance percentage can be changed when an Islamic LC is processed under a product.

The positive and negative tolerance amounts will be a part of the Islamic LC instrument and the subsequent amendment instruments. You should use the positive tolerance to indicate the amount that is uncovered, in the Islamic LC amount. Instances could be of the freight or insurance not being paid.

4.3.1.6 Specifying the Closure Days

In this section specify the following details:

Closure Days

Specify the number of days after which all Islamic LCs processed under the product being defined, will be closed. The number of days specified here and the expiry date of the Islamic LC is used to arrive at the closure date, as follows:

> **Islamic LC Closure Date = Islamic LC Expiry Date + Closure Days**

By default, the system will display 30 days as the closure days. You are allowed to change this value.

At the time of capturing the details of an Islamic LC contract, the system will calculate the closure date, based on the closure days that you have maintained for the product involved in the contract. However, you can change the date to any other date after the expiry date.

Example

For the import Islamic LC product, LCIR, your bank has specified the closure days as 20 days.

ORACLE®

Let us assume that the expiry date of the Islamic LC Contract involving LCIR is 29th February 2000. The system will calculate the closure date as 20th March 2000. This is arrived at, by adding the number of closure days to the expiry date of the Islamic LC (i.e. 29th Feb + 20 days = 20th March).

4.3.1.7 <u>Specifying the Exchange Rate related Details for a Product</u>

In this section specify the following details:

Default Rate Type

You can specify the exchange rates to be picked up and used, when an Islamic LC in a foreign currency, is processed. You can indicate that the standard rate prevailing, as of the issue date of the LC should be used. You can also specify an exchange rate of your choice.

The possible values for the rate pickup are:

- As per Standard Rate

- As input in the Contract

If you specify as input in the contract, then the system computes the components of the LC, based on your input in the Exchange rate field, in the 'LC Contract Main ' screen.

If you choose 'As per standard rate' the system computes the applicable components, by picking up the exchange rates as of the transaction date, from the Currency table maintained in the Core Services module of Oracle FLEXCUBE.

Override Limit

If the variance between the rate defaulted and the rate input is a percentage that lies between the Rate Override Limit and the Rate Stop Limit, the Islamic LC can be saved by giving an override.

Stop Limit

If the variance between the rate defaulted and the rate input is a percentage value greater than or equal to the Rate Stop Limit, the Islamic LC cannot be saved.

Example

For a product, you have specified the override range as between 7% and 30%. In such a case the entries in these fields would read as follows:

- Rate Override Limit - 7%.

- Rate Stop Limit - 30%.

You enter an Islamic LC involving this product. This is a cross currency contract involving the American and the Australian dollar. Also assume that the standard mid-rate for the currency pair is 1.25. We shall examine the three possible situations that you can encounter.

Below the override limit - Let us assume that for the Islamic LC you have specified the exchange rate to be 1.2. In this case the exchange rate exceeds the standard rate by 4%. The Islamic LC will be processed without any override.

ORACLE®

Within the override limit - If you have specified the exchange rate to be 2.0. In this case you exceeded the standard rate by 20%. You will be prompted to confirm the override. If you confirm the override the Islamic LC will be processed using these rates.

Above the override limit - Let us visualise a situation in which you have specified the exchange rates to be 2.5. In this case you have exceeded the standard rate by 100%. In such a case an error message will be displayed and you will not be allowed to continue until the exchange rate you specify is within the permissible limit of 7-30%.

4.3.1.8 Specifying the Period of Presentation

As part of the preferences you define for a product, you can specify the manner in which the Period of Presentation should be calculated for the documents that accompany Islamic LCs processed under the product.

The period of presentation can be arrived at in two ways.

Firstly, you can specify it directly, in terms of days, in the Number of Days field. Typically, this would be 21 days. (However, you can change this to suit your need.) If you choose this option, the number of days specified will *default* to all Islamic LCs processed under the product. The value will default to the 'Period For Presentation' field in the Islamic LC Contract – Others screen.

Alternatively, you can opt to calculate the period of presentation as follows:

Expiry Date of the Islamic LC – Latest Shipment Date

(You would choose this option if the period of presentation varies for each Islamic LC processed under a product.) To specify this manner of calculating the period of presentation, choose the Calculated Days option in the Product Preferences screen.

The system uses the Expiry Date and the Last Shipment Date specified for the Islamic LC you are processing, and arrives at the period of presentation. The period of presentation defined for the product - or calculated for the Islamic LC, as the case may be - will be displayed in the 'Period For Presentation' field in the Islamic LC Contract - Others screen. You can change the default to suit the Islamic LC you are processing.

LIFO/FIFO Rule

Specify the order in which the availment under this contract should be processed. You can choose one of the following options:

If multiple amendments are made to the Islamic LC contract amount, then the system applies the FIFO/LIFO rule when utilization is made against the Islamic LC contract.

- LIFO – Islamic LC amount will be utilized in 'First In First Out' order when availment is triggered against the multiple amended Islamic LC contract.

- FIFO – Islamic LC amount will be utilized in Last In First Out order when availment is triggered against the multiple amended Islamic LC contract.

The system will calculate the commission accordingly.

ORACLE®

The system applies FIFO / LIFO rule when it finds that multiple amendment has been made to an Islamic LC contract against which utilization has been completed.

4.3.1.9 Specifying Accrual Details

Specify the following accrual details.

Frequency

Specify the frequency of accrual for commission, charge or fees. The frequency can be one of the following:

- Daily
- Monthly
- Quarterly
- Half-yearly
- Yearly

In case of monthly, quarterly, half yearly or yearly accruals, you should specify the date on which the accruals have to be done during the month. For example, if you specify the date as '30', accruals will be carried out on the 30th of the month, depending on the frequency.

If you fix the accrual date for the last working day of the month, you should specify the date as '31' and indicate the frequency. If you indicate the frequency as monthly, the accruals will be done at the end of every month -- that is, on 31st for months with 31 days, on 30th for months with 30 days and on 28th or 29th, as the case may be, for February.

If you specify the frequency as quarterly and fix the accrual date as the last day of the month, then the accruals will be done on the last day of the month at the end of every quarter. It works in a similar fashion for half-yearly accrual frequency.

If you set the accrual frequency as quarterly, half yearly or yearly, you have to specify the month in which the first accrual has to begin, besides the date.

Month

If you choose one of the following options for accrual frequency, specify the month in which the first accrual has to begin:

- Quarterly
- Half-yearly
- Yearly

Day

If you choose one of the following options for accrual frequency, specify the date on which the accruals have to be done during the month:

ORACLE®

- Monthly

- Quarterly

- Half-yearly

- Yearly

4.3.1.10 Specifying Confirmation Details

Check the 'Required' option to indicate that confirmation message is required for all Islamic LCs under this product.

4.3.1.11 Specifying Prepayment Details

Check the 'Allow Prepay' option to indicate that prepayment should be allowed for commissions that are marked as 'Arrears'.

4.3.2 Generating Islamic LC Expiry/Closure Advices

While creating an Islamic LC product, you can indicate whether a closure/expiry advice should be generated for Islamic LCs involving the product. These advices are generated based on the preferences that you specify for them.

Check against the appropriate option on the screen to indicate your preference. If you indicated that a closure/expiry advice should be generated, you need to indicate:

- Whether it is to be generated before or after closure/expiry

- The number of days before/after, expiry/closure when the advice should be generated

Islamic LC Expiry Processing

The Islamic LC cannot be marked as 'Expired' if any commission or charge is outstanding for the Islamic LC. The system logs an exception if the same is encountered.

Islamic LC Closure Processing

Upon Closure of the Islamic LC, The system checks to see if there are any outstanding receivable components in the Islamic LC (Commission and Charges to be collected from Bills availed against the Islamic LC). The system displays configurable error messages indicating the same.

Rate Code

When defining the settlement details for a product, you can specify the rate type (under the Rate Code option) that should be used in case of cross-currency settlements. Your specification for the product will default to all contracts involving the product. However, you can change the rate type defined for the product to suit a contract entered under the product.

The 'Rate Type' indicates the type of exchange rate that will be used. It can be the:

- Mid rate maintained for the currency pair

ORACLE

- Buy or Sell rate depending upon the nature of the transaction (whether debit or credit)

4.3.2.1 Opting to Track Limits

You can opt to track limits for all Islamic LCs processed under the product for which you are defining preferences. Choose the 'Limit Tracking Required' option to track limits for the Islamic LCs processed under the product.

Your specification here will default to all Islamic LCs processed under the product. You can modify the defaulted preference when processing an Islamic LC.

4.3.2.2 Specifying the Applicable Rules of a Guarantee

You need to indicate the rules applicable for the guarantee.

Applicable Rule

Indicate the rule applicable by selecting the appropriate value from the list of values. The available values are as follows:

- URDG: The guarantee is subjected to the ICC Uniform rules of Demand Guarantees

- URCG: The guarantee is subjected to the ICC Uniform rules of Contract Guarantees

- OTHR: The guarantee is subjected to another set of rules

- NONE: The guarantee is not subjected to any rules

Note the following:

- The above values are applicable only for Guarantee type of products.

- The default value of Applicable Rule is set to NONE. This is applicable only for Guarantee type of products.

For Import and Export type of products, the following values are applicable:

- UCP LATEST VERSION

- EUCP LATEST VERSION

- UCPURR LATEST VERSION

- EUCPURR LATEST VERSION

- ISP LATEST VERSION

- OTHR: The guarantee is subjected to another set of rules

Note the following:

- If the guarantee is subjected to rules other than that provided in the list of values, the applicable rule must be indicated as 'OTHR'

ORACLE®

- The default value of Applicable Rule is set to UCP LATEST VERSION. This is applicable only for Import/Export type of products

- Based on the product type, the list of values will display rules applicable for the product.

- 'Applicable Rule' and 'Rule Narrative' will be enabled only for import, export and guarantee product types

Rule Narrative

This is enabled only if 'Applicable Rule' is set to 'OTHR'. It is mandatory to specify the rule narrative if the applicable rule is 'OTHR'. You need to describe the Applicable rule here. Oracle FLEXCUBE will validate the rule narrative for slashes.

Note the following:

- 'Rule Narrative' should not start or end with '/' or should not have two consecutive slashes

- The above fields will be enabled only for a guarantee

- The Applicable Rule and Rule Narrative cannot be amended after authorization

4.3.3 Generating Advices for the Insurance Company

For generation of advice to an insurance company at the time of opening or amending the Islamic LC, you need to associate the message type 'Islamic LC_INSURANCEADV' for the events BISS and AMND respectively. During authorization of these two events, the system will process the messages for all import Islamic LCs.

Refer to Products user manual for the procedure to define advices that are generated for each event.

All the messages are sent to the insurance company via mail. For this reason, you need to specify the insurance code (Receiver) and the mailing address of the Insurance Company in the Islamic LC Drafts screen.

Refer to the Annexure chapter to view an advice sample generated for the insurance company.

4.3.4 Specifying Event for Reissue of Guarantee

You must associate the event REIS for an Islamic LC product for processing of reissue of guarantee. The system will display the REIS event during Events definition in the Product Maintenance.

Refer to Products user manual for detailed explanation of 'The Product Event Accounting Entries and Advices Maintenance screen'.

ORACLE

4.3.5 <u>Generating Advices for Faxing Islamic LC Confirmation to Counterparty</u>

For generation of advice to the counterparty at the time of confirming an Islamic LC, you need to associate the message type 'ILC_INSTR_COPY' and 'ILC_AM_INST_COPY' for the events BISS and AMND respectively. During authorization of these two events, the system will process the messages for confirmed Islamic LCs.

Refer to the Annexure chapter to view an advice sample generated for faxing the confirmation to the counterparty.

ORACLE®

5. Processing an Islamic LC Contract

5.1 <u>Introduction</u>

A Letter of Credit contract is an instruction wherein a customer requests the bank to issue, advice or confirm a letter of credit, for a trade transaction. An Islamic Letter of Credit (Islamic LC) substitutes a bank's name and credit for that of the parties involved. The bank thus undertakes to pay the seller/beneficiary even if the remitter fails to pay.

Example

Ms. Keturah Smith (buyer or importer) in India and Mr. Silas Reed (seller or exporter) stationed in Paris agree to a sales contract. In this contract the buyer Keturah Smith, is required to arrange for her bank, Midas Bank, India (buyers bank) to open or issue an Islamic LC in favour of the seller, Mr. Reed.

Midas Bank sends the Islamic LC to Mr. Reed's bank, Berliner Bank, Paris (advising bank). The advising bank then sends details of the credit to the seller, who is the beneficiary of the credit.

On receiving the credit details Mr. Reed, ships the merchandise traded under the Islamic LC to Ms. Smith. He then presents the draft and documents to the advising bank. The negotiating bank pays Mr. Reed. On making the payment, Berliner Bank will send the documents to Midas Bank (issuing bank) and will debit the issuing bank's account.

The issuing bank examines the document and charges Ms. Smith's account. It releases the documents to her allowing her to claim the merchandise.

The sequence of the events involved, in processing the Islamic LC can be considered an Islamic LC contract. The specific letters of credit thus processed for the customers of your bank constitutes a contract.

An Islamic LC Contract would therefore require information on:

- Who is the buyer or importer?

- Who is the seller or the exporter?

- The operation that your branch is performing on the Islamic LC

- The merchandise traded under the Islamic LC

- Specifications for the transportation of the consignment

- The documents that should accompany the Islamic LC

- The amount for which the Islamic LC is drawn

- Details of the parties involved in the Islamic LC

- The type of Islamic LC you are processing

- The details of the insurance company under which the goods traded are covered

ORACLE

You have defined products to group together or categorize Islamic LC which share broad similarities. Under each Product that you have defined, you can enter specific Islamic LCs based on your customers' needs. Each of these will constitute a contract. While products provide a general framework and serve to classify or categorize Islamic LCs, contracts are customer specific.

By default an Islamic LC inherits the attributes of the product to which it is associated. This means that you will not have to define these general attributes each time you input an Islamic LC involving a product.

5.2 <u>Invoking the Islamic LC Contract Details Screen</u>

You can invoke 'Islamic LC Contract Input' screen by typing 'LIDTRONL' in the field at the top right corner of the Application tool bar and clicking the adjoining arrow button. Click New from the 'Actions' menu or 'New' icon in the toolbar. The 'Islamic LC Contract Input' screen with no values in the fields is displayed.

If you are calling a contract that has already been created, click on Summary view. You can invoke 'Islamic LC Contract Summary' screen by typing 'LISTRONL' in the field at the top right corner of the Application tool bar and clicking the adjoining arrow button. You can open an existing contract by double clicking the contract.

You can enter the following details here:

Product Code

Select the product from the list of products created in the Islamic LC. Details of this product get defaulted from the Product screen.

Product Description

Product description given for this product gets defaulted from the Product screen.

Contract Reference Number

The Contract Reference Number identifies a contract uniquely. It is automatically generated by the system for each contract. The Contract Reference Number is a combination of the branch code, the product code, the date on which the contract is booked (in Julian format) and a running serial number for the booking date.

The Reference Number consists of a three-digit branch code, a four-character product code, a five-digit Julian Date and a four-digit serial number.

The Julian Date has the following format:

YYDDD

Here, YY stands for the last two digits of the year and DDD for the number of day(s) that has/have elapsed, in the year.

Product Type

The type of product gets displayed here from the product screen, specifying if the product is of type import/export or revolving or non-revolving.

User Reference

In addition, a contract is also identified by a unique User Reference Number. By default, the Contract Reference Number generated by the system will be taken as the User Reference Number. But you have the option to change the User Ref Number.

Oracle FLEXCUBE also provides you the facility to generate the user reference number in a specific format.

You can specify a format for the generation of the User Reference Number in the 'Sequence Generation' screen available in the Application Browser. Refer to the Core Services User Manual for details on maintaining a sequence format.

Source Reference

The system automatically generates the Source Reference number. You can change it if required.

This is a unique message identification number that will be used to identify an incoming message coming from an external system. This is defined as the ICN number. On upload of an incoming message into Oracle FLEXCUBE, this number, given by the external system, will be stored in Oracle FLEXCUBE and passed on to the contract generated as a result of the incoming message. If the incoming message results in an outgoing message, the ICN number will be linked to the outgoing message also.

ORACLE®

This number will help you in creating a relationship between the incoming message, the resultant contract in Oracle FLEXCUBE, and the outgoing message, if any.

For instance, if an incoming MT103 results in an FT transaction, then ICN number of the incoming MT103 will be linked to the FT contract generated due to the upload of the incoming payment message.

If an Incoming message results in an outgoing contract (outgoing message), Oracle FLEXCUBE will store the External reference number (ICN Number) at the following levels.

- Incoming Message Level

- Contract Level (Resulted due to the Incoming message)

- Outgoing message (As a result of the above contract)

Operation Code

The operations that you can perform on an Islamic LC are determined by the type of Islamic LC being processed. The operation that you specify will determine the accounting entries that are passed and the messages that will be generated.

You can select an operation from the option list available. The type of operation that you can perform on an Islamic LC has been diagrammatically represented below:

Operations you can perform on an LC
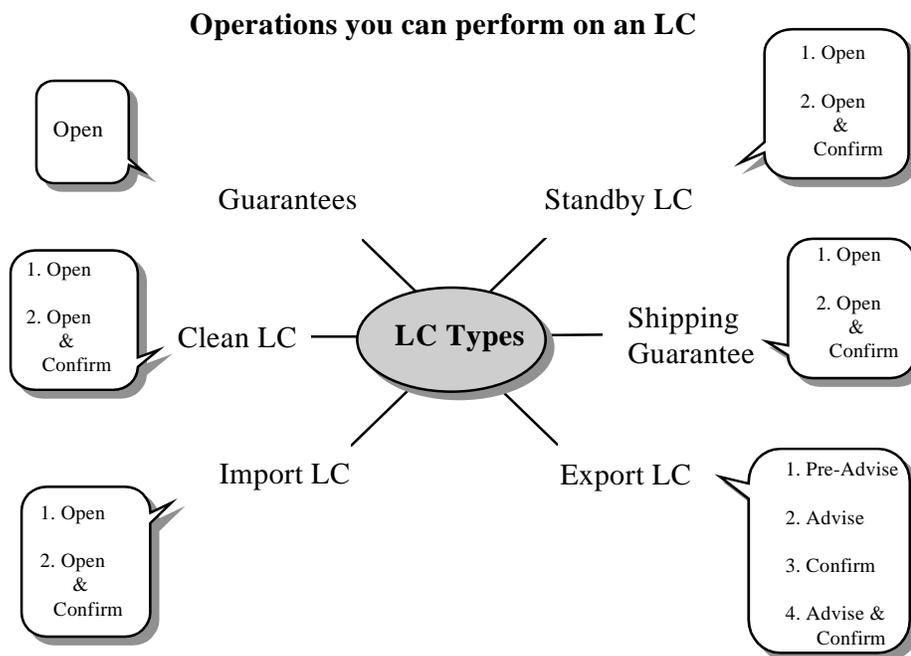
5.2.1 Specifying Details of an Islamic LC

Through the screens that follow in this section, you can process all types of Islamic LCs (import, export, invoice, clean, guarantees, shipping guarantees).

You can choose to enter the details of a contract using the following methods:

- Selecting a template that has been created earlier - the details that have been stored in the template will be displayed. You can change the values required in all fields except the Product Code and Type.

- Copying the details from an existing contract and changing only the details that are different for the Islamic LC you are entering

- Using your keyboard or the option lists that are available at the various fields to enter the details of the Islamic LC afresh

To facilitate quick input, you only need to input the product code. Based on the product code, many of the fields will be defaulted. Overwrite on these defaults to suit your requirement. You can add details that are specific to the Islamic LC like the Islamic LC amount, details of the buyer and the seller, etc.

5.2.1.1 Entering details of an Islamic LC without using a Template

If you do not want to use a template, do not specify a Template ID. You can use the other methods detailed under the head 'Entering the details of an Islamic LC' can be used instead.

The details on saving a contract as a template, is discussed under the head About Templates.

5.2.2 Uploading Islamic LCs/Guarantees

Oracle FLEXCUBE allows you to a facility to automatically upload Islamic LCs and Guarantees.

The MT 700 and MT 701 messages that you receive can be uploaded into Oracle FLEXCUBE as Islamic LC contracts. Depending on whether confirmation is required, the uploaded Islamic LCs will be of type 'advice' or 'advice and 'confirm'.

Similarly, you can upload MT 760 messages as Guarantee contracts and copy the details of the incoming guarantee from field 77c (and amend these details, if required). You only need to furnish minimal details such as the Currency, the Amount, the Parties, etc.

Upload processing will also upload the document reference of Shipping Guarantee Contracts.

5.3 Description of the Islamic LC Contract Details Screen

The Islamic LC Contract Details screen consists of a header and footer that contains fields specific to the contract being entered. Besides these, you will also notice six tabs and a horizontal array of icons along the lines of which you can enter details of the contract. Contract details are grouped into the various screens according to the similarities they share.

The Islamic LC Contract Screen contains six tabs along the lines of which you can enter details of the contract. The six tabs are:

Tabs	Description
Main	Click this tab to enter the essential terms of the Islamic LC. This screen along with

ORACLE

Tabs	Description
	its fields has been detailed under the head Entering Main Contract Details.
Parties	In the screen that corresponds to this tab, you can enter the details of all parties involved in the Islamic LC. This screen along with its fields has been detailed under the head Entering Party Details.
Advices	In the screen corresponding to this tab you can view, suppress and prioritize the advices that are to be generated for a contract. This screen along with its fields has been detailed under the head Specifying Advises for an Islamic LC.
Shipment	In the screen that corresponds to this tab you can enter details of the documents required under an Islamic LC and the clauses that should accompany the documents. Besides, you can also specify a description of the merchandise traded under the Islamic LC and shipping instructions for the transportation of the merchandise.
Tracers	Click on this tab to enter details of the tracers that should be generated for an Islamic LC.
Preference	
Documents	

On the Contract Detailed screen are also displayed a horizontal toolbar. The buttons on this toolbar enable you to invoke a number of functions vital to the processing of an Islamic LC contract. These buttons have been briefly described below.

Buttons	Description
Drafts	Click this button to capture the details of draft drawn for the LC. You can specify the name of the insurance company that is covering the goods traded under the LC.
Settlement	Click this button to invoke the Settlement screens. Based on the details that you enter in the settlement screens the Islamic LC will be settled. The details of these screens have been discussed in the Settlements manual.
Events	Click this button to view the details of the events and accounting entries that a contract involves.
MIS	Click this button to define MIS details for the Islamic LC.
Commission	On invoking this button Commission details of the contract are displayed
Charges	This button invokes the Charges and Fees service. On invoking this function you will be presented with a screen where the ICCF rate, amount, currency and the waive charge parameter can be specified. The Processing Charges and Fees manual, details the procedure for maintaining charge rules. It also deals with the linking of a charge rules to a product and the application of the rule on an Islamic LC.

ORACLE®

Buttons	Description
	The Processing Commissions manual, details the procedure for maintaining commission rules. It also deals with the linking of a commission rule to a product and the application of the rule on an Islamic LC.
Tax	This button invokes the Tax services.
	The Processing Tax manual details the procedure for maintaining tax rules and schemes. It also deals with the linking of a tax scheme to a product and the application of the scheme on an Islamic LC.
Collateral	In the screen that corresponds to this icon, you can specify details of the cash that you collect as collateral form a customer for the Islamic LC that you process. The details of this screen are discussed under the head Specifying Collateral details for an Islamic LC.
Linkage Details	Clicking this button invokes the Contract Linkages screen. In this screen, you can link an Islamic LC to a deposit or account, and indicate the funds that you would like to block.
Change Log	Click this button to view the changes made to a particular version of an Islamic LC contract.
Transferred Components	Click this button to view the deferred components details screen.
Fields	Click this button to view the user-defined fields linked to the product.
Transfer Details	If the LC is transferred to a new party then a transaction will be populated here. You can only view the details.
Insurance	Click this button to capture insurance details for the LC.
Finance Preference	Click this button to invoke the 'Finance Preference Screen'. You can enter the details of the finance.
Deferred Profit Component	Click this button view the components which are transferable to BC in Oracle FLEXCUBE

Enter valid inputs into all the mandatory fields or you will not be able to save the contract. After making the mandatory entries for the Islamic LC, save the contract by either clicking 'Save' icon in the tool bar or selecting Save from the Actions menu.

A contract that you have entered should be authorized by a user bearing a different Login ID, before the EOD is run.

You have the option to amend all the unauthorized entries made for an Islamic LC. However, after authorization, certain fields cannot be amended.

Click on 'Exit' button to go back to the Application Browser.

ORACLE

5.3.1 Specifying the Main Details of an Islamic LC

While defining a product, you defined a broad outline that can be applied on Islamic LCs. However, while processing an Islamic LC involving a product, you need to enter information specific to the Islamic LC.

ORACLE

This information is captured through the 'Islamic LC Contract Details Main' screen.

The following are the features of the contract details main screen.

5.3.1.1 Specifying the LC Details

The terms defined for an Islamic LC form the basis on which the Islamic LC will be processed.

Currency

Specify the currency in which the Islamic LC is drawn.

Contract Amount

Specify the amount for which the Islamic LC is drawn.

Tolerance Text

Select the applicable tolerance text from the adjoining drop-down list. The available options are:

- None

- About

- CIRCA

- Approximately

ORACLE®

Customer

If the applicant is a customer of your bank, specify the CIF ID assigned to the customer, the related details of the customer will be automatically picked up.

If you are processing an Export LC, you should typically specify details of the beneficiary.

Customer Name

The system displays the customer name.

Party Type

Specify a valid party type. The adjoining option list displays all valid party types maintained in the system. You can select the appropriate one.

Dated

Enter the date of the Their Reference. This would normally be the date on which you have a correspondence from the party regarding the LC.

Customer Reference

This is the reference of the party whose CIF ID you have input. This will be picked up appropriately in the correspondence sent for the LC.

License Expiry Date

The system displays the license expiry date.

Amount

The system displays the amount for which the LC is drawn.

Expiry Place

Specify the city, country, or the bank where the LC expires.

Applicable Rule

This is defaulted from the product level. The value displayed here cannot be amended.

Issue Date

Enter the date on which the Islamic LC is issued.

Effective Date

In the Islamic LC Contract Details screen, you can capture the Effective Date of a guarantee. The effective date that you capture for a guarantee will be printed on the instrument.

ORACLE®

By default, the system displays the Issue Date, in the Effective Date field. You can change the default value (for a guarantee) to a date in the past or future.

As stated earlier, the Effective Date along with the Tenor of the Islamic LC will be used to calculate the Expiry Date of the Islamic LC.

🛑 Please note that commission for a guarantee, will be calculated according to your specifications for the product that the guarantee involves. In the Islamic LC Product Definition screen, you can indicate if commission is to be calculated from:

- The Issue Date
- The Effective Date
- The earlier of the two

Tenor

All Islamic LC contracts will be associated with the standard tenor maintained for the product under which the contract is being processed. The tenor of the Islamic LC will be used in combination with the Effective Date to arrive at the Expiry Date of the Islamic LC, as follows:

> **Islamic LC Expiry Date = Effective Date + Tenor**

However, for a specific Islamic LC contract, you can choose to maintain a different tenor. The tenor of an Islamic LC can be expressed in one of the following units:

- Days (D)
- Months (M)
- Years (Y)

🛑 If you do not specify a unit, the system will automatically append 'D' with the numeric value (tenor) indicating that the tenor is expressed in Days.

Depending on the tenor that you specify, the system will recalculate the Expiry Date. Consequently, the Closure Date that is dependent on the Expiry Date will also be recalculated by the system.

Expiry Date

Specify the date when the LC expires.

Closure Date

The date of closure is based on the 'Closure Days' maintained for the product involved in the Islamic LC. The number of days specified as the Closure Days is calculated from the expiry date of the Islamic LC, to arrive at the Closure Date.

> **Islamic LC Closure Date = Islamic LC Expiry Date + Closure Days**

ORACLE®

However, you can change the closure date, thus calculated, to any date after the expiry date.

🛑 If the closure date falls on a holiday, the system will prompt you with an override message.

Stop Date

This date will be defaulted to LC Expiry date. Stop date cannot be earlier than Issue date and later than expiry date.

Rule Narrative

This is defaulted from the product level. The value displayed here can be amended at the contract level. However, once the contract is authorized, you cannot make any amendments. Oracle FLEXCUBE validates the rule narrative for any slashes.

🛑 Note the following:

- The rule narrative should not start or end with '/'
- It should not have two consecutive slashes
- This is enabled only if the Applicable Rule is 'OTHR'

5.3.1.2 Specifying Tolerance Limits for an Islamic LC

Tolerance denotes the variance that has to be built around the Islamic LC amount, to arrive at the actual availability amount for the Islamic LC. The tolerance percentage is used to build the Maximum Islamic LC amount, when some component of the trade transaction like the freight, insurance, etc., is not covered in the Islamic LC amount.

The positive tolerance is the percentage that should be added to the Islamic LC amount, to arrive at the Maximum Islamic LC Amount. This amount will be considered as the Islamic LC outstanding Islamic LC amount.

The negative tolerance is the percentage that should be subtracted from the Islamic LC amount, to arrive at the Minimum Islamic LC Amount. The negative tolerance is captured for information purposes only. It will form part of the Islamic LC and amendment instruments.

🛑 The positive and negative tolerance specified for the product associated with the Islamic LC is defaulted. If you change the defaulted Positive Tolerance, an override message is displayed.

Maximum Amount

The Maximum Islamic LC Amount indicates the maximum amount that can be availed under the Islamic LC. This amount is arrived at, by adding the positive tolerance to the Islamic LC amount.000

Max. Islamic LC *Amount = Islamic LC Amount + Positive Tolerance*

If you have indicated the positive tolerance to be zero then:

ORACLE®

Max. Islamic LC *Amount =* Islamic LC *Amount*

🛑 A customer cannot, at any point in time, avail more than the Maximum Islamic LC amount.

Liability %

The liability percentage is the percentage that should be added to the Islamic LC amount, to arrive at the customer's liability towards the bank. The credit limit utilization will be updated with the liability amount.

The liability amount is arrived at in the following manner:

Liability Amount = Maximum Islamic LC *Amount + Liability % of the* Islamic LC *amount*

If you have indicated the liability percentage to be zero then,

Liability Amount = Maximum Islamic LC *Amount*

This amount is computed by the system using the method indicated above, only if you have specified a liability tolerance. If a Liability tolerance has not been specified, you can enter a liability amount of your choice. However, the liability amount that you can enter should be at least equal to the maximum Islamic LC amount.

Example

You have issued an Islamic LC for USD $100,000 and the positive tolerance specified for the Islamic LC is 10%.

This means that the Maximum Islamic LC amount is:

Max. Islamic LC Amount = Islamic LC Amount + Positive Tolerance

= USD 100,000 + 10% of USD 100,000

Maximum Islamic LC amount = USD 110,000

If you have specified the liability percentage to be 10%, the liability amount will computed by the system in the following manner:

Liability Amount = Maximum Islamic LC Amount + Liability % of the Islamic LC amount

= USD 110,000 + 10% of the Islamic LC amount

Liability Amount = USD 120,000

In this case you cannot effect any change to the liability amount.

If you have not specified liability tolerance

If you have not specified liability tolerance for the Islamic LC, the liability amount will be USD 110,000. In this case, you can specify a Liability amount of your own. However, the amount that you enter cannot be less than the maximum Islamic LC amount of USD 110,000.

ORACLE®

INCO Term

For an Islamic LC you have the option of specifying preferences like:

- Whether the Islamic LC is transferable

- Whether it should be automatically closed

- The *type* of the confirmation instruction that should be sent to the advising/confirming bank if you are issuing the Islamic LC (whether Field 49 of MT 700 should be 'Without', 'Confirm', or 'May add').

5.3.1.3 <u>Capturing Customer Details</u>

One of the parties in the Islamic LC should be a customer of your bank with a valid CIF ID. The details of this party are captured in the Contract Main Screen. It is then defaulted to the Parties screen.

If none of the parties in the Islamic LC is a customer of the bank, you should enter the CIF ID defined for the walk-in customer and give the details of one of the parties for it.

The party type of the counterparty of the Islamic LC is defaulted based on the type of Islamic LC you are processing. If you process an import Islamic LC 'APP' (indicating applicant) is defaulted. If you process an export Islamic LC 'BEN' (indicating beneficiary) is defaulted. You can change the default.

For an Import or Clean Islamic LC, all type of Guarantees or Stand-by Islamic LCs

You should specify details of the Applicant in the Islamic LC Main screen. If the applicant is a customer of your bank, specify the CIF ID assigned to the customer, the related details of the customer will be automatically picked up.

For an Export Islamic LC

If you are processing an Export Islamic LC, you should typically specify details of the beneficiary. The details of the other parties involved in the Islamic LC are captured in the Parties screen. The Customer Details specified in this screen will be defaulted to the Parties screen.

After you capture the CIF ID of the customer involved in the contract, the Import License Expiry Date maintained for the selected customer is defaulted to the screen. The system does not do any validations based on the Expiry Date. It is used only for information purpose.

5.3.1.4 <u>Capturing Revolving Details</u>

You can capture the following details.

Revolves In

Islamic LCs can revolve in Time or in Value. Select the appropriate option from the adjoining drop-down list.

ORACLE®

Automatic Reinstatement

The mode of reinstatement for a revolving Islamic LC can be either automatic or manual. Check against this field to indicate that the mode of reinstatement is automatic.

This field is applicable only for an Islamic LC revolving in time.

Cumulative

Check this box to indicate that the Islamic LC is cumulative. Leave it unchecked to indicate otherwise.

Frequency

For Islamic LCs that revolve in value, you can specify the maximum number of times the Islamic LC can be reinstated. Based on the value you specify, the Islamic LC Liability Amount will be computed and displayed.

If the number of reinstatements of the Islamic LC exceeds the value you specify, an override message will be displayed when the Islamic LC is saved. This override will have to be ratified at the time of contract authorization.

Units

For Islamic LCs, which revolve in time, the maximum number of reinstatements is calculated based on the Reinstatement Frequency you specify. In the Units field, you can choose one of the following:

- Months
- Days

Next Reinstatement Date

The system computes and displays the date of next reinstatement based on the value in 'Units' field.

Example 1: Reinstatement Frequency in Days

Let us assume you have set up the following details for an Islamic LC:

Issuing date	-	January 01, 2003
Frequency	-	60 Days

Next Reinstatement Date is calculated using the following formula:

$$Issue\ Date + Frequency$$

Using this formula:

= 01 January 2003 + 60 Days

= 02 March 2003

ORACLE

Example 2: Reinstatement Frequency in Months

Let us assume you have set up the following details for an Islamic LC:

Issuing date	-	January 01, 2003
Frequency	-	2 Months

Using the formula for Next Reinstatement Date, you get:

= 01 January 2003 + 2 Months

= 01 March 2003

Remarks

You can specify remarks here if any.

5.3.2 Viewing the Media Addresses of a Customer

While capturing the details of the counterparty involved in an Islamic LC or Islamic LC transfer contract, the system displays the Media Address details of the customer once you specify the CIF ID assigned to the party.

When you specify the CIF ID, the system will check to see if you have maintained multiple media addresses for the specific customer. If you have maintained multiple media addresses, a list of all the media addresses will be displayed in a separate window.

Viewing the BIC Details of a Customer

If the media type of the party is SWIFT, and the customer address you have specified is a BIC customer, the system automatically displays the related BIC details in a separate window.

5.3.3 Capturing Draft Details

You can capture the details of the draft that is drawn for the Islamic LC, in the 'Drafts' screen. In addition, you can also specify the name of the insurance company that is covering the goods traded under the Islamic LC. Click on 'Drafts' button in the 'Islamic LC Contract' screen to invoke the screen:

ORACLE

5.3.3.1 Specifying Draft Details

In this section, you can specify the following details:

Draft Serial Number

Specify the serial number of the draft.

Draft Tenor

Specify the tenor of the draft.

Credit Days From

Specify the Date from which the tenor of the draft begins.

Amount/Percentage

Specify whether the draft is a percentage of the Islamic LC amount or a Flat amount. Subsequently, specify the Amount or the Percentage (based on your selection).

5.3.3.2 Specifying the Drawee Details

In this section specify the following details:

Drawee

The 'Drawee' is the party on whom the draft is drawn. You can select the drawee's BIC from the adjoining list. This will contain a list of all the open and authorized BIC maintained in the BIC Directory. Click option list to populate the Drawee field with the drawee's name and address. This information is captured from the BIC directory.

Address

Specify the addresses of the drawee.

5.3.3.3 Specifying the Insurance Details

The following details are regarding the Insurance Company to be associated with the LC.

Company Code

You can select the appropriate company code from the option list. The list will display all authorized and active company codes. Upon selection of the company code, the following details will be automatically displayed by the system:

- Company Name
- Address of the company
- Telephone Number
- Fax Number

Company Name

Specify the full name of the insurance company.

Address

Specify the mailing address of the insurance company being defined. You can maintain a maximum of four lines of address.

Policy Number

Specify the insurance policy number here.

Telephone Number

You can also capture the telephone number of the insurance company.

Fax Number

Specify the Fax number of the insurance company.

Expiry Date

Enter the expiry date of the policy.

Policy Utilized Amount

Specify the utilized amount of the policy.

Cover Date

Specify the cover date.

Insurance Amount

Specify the insurance amount.

ORACLE

Telex

Specify the telex number.

Warehouse Address

Specify the warehouse address.

5.3.3.4 Specifying the Breakup Details

The breakup details of the draft will be displayed here as follows:

- Amount Name
- Amount

The draft amounts for the different components (Insurance, Profit, Invoice and Freight)

🛑 You can also choose to associate an Insurance Company that is not maintained in the system. When you are specifying a company code that does not exist, the system will display an override (based on your requirement, you can configure the override to be a warning or an error message). On confirmation of the override, the company code will be automatically changed to 'XXXXXXXXX'. Subsequently, you can specify any company name to be associated with the contract. The system will not perform any validations. The remaining fields in the screen will be disabled in this case.

5.3.4 Specifying Insurance Details

You can capture the insurance details for an Islamic LC contract in the 'Customer Insurance' screen. To invoke this screen, click 'Insurance' button in the 'Islamic LC Contract' screen.
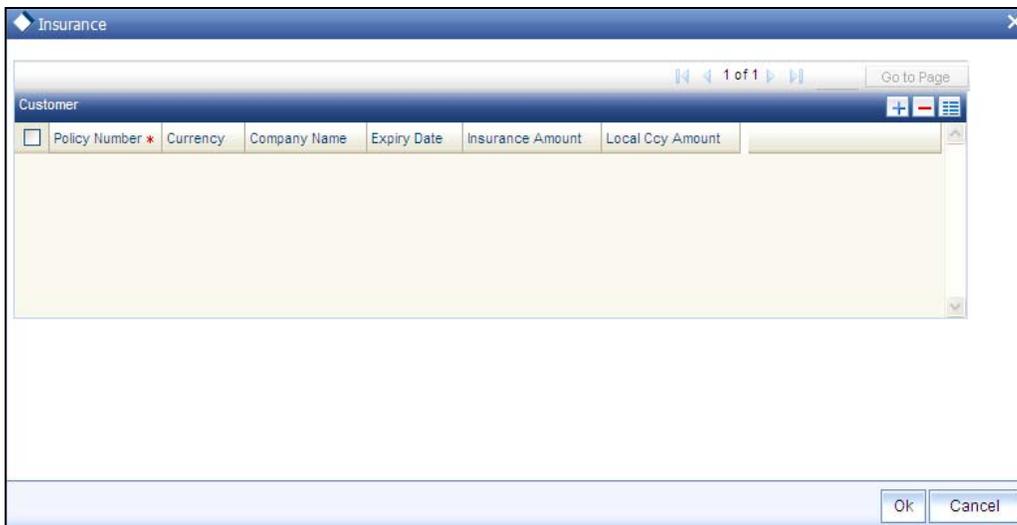
Here you can capture details for multiple insurance policies.

ORACLE

Policy No

Specify the insurance policy to be considered for the Islamic LC contract. The adjoining option list displays all the valid insurance policies maintained for the Islamic LC customer. You can select the appropriate one.

Currency

The system displays the currency of the chosen policy. If the currency of the Islamic LC is different from the currency of the insurance, then the system will convert the Islamic LC amount to insurance currency using standard mid rate.

Company Name

The system displays the company to which the insurance policy belongs.

Expiry Date

The system displays the date on which the chosen policy expires. If the expiry date of the insurance is prior to the expiry date of the Islamic LC, the system will display an override.

Insurance Amount

The system displays the available amount for the chosen policy in the contract currency. You can change it to suit the contract's requirements. However, the amount cannot exceed the per bottom limit defined for the policy in the 'Customer Insurance' screen. If the amount exceeds the permissible limit, the system will display an override.

The total insurance amount linked to the Islamic LC should not be greater than the Islamic LC liability amount. If the total exceeds the limit, the system will display an override.

Utilization Lcy Amount

In case the contract currency is different from the insurance currency, the system displays the insurance amount in the insurance currency.

5.3.5 <u>Specifying Details of the Parties involved in an Islamic LC</u>

The Parties screen can be used to record the details related to all the parties involved in the Islamic LC. The documents, tracers and messages that are generated will be sent to the parties concerned, based on the details you specify in this screen.

ORACLE®

You can maintain the following details here:

5.3.5.1 Specifying Party Details

You should specify the following for each of the parties involved in the Islamic LC:

Party Type

The party type (beneficiary, accountee, applicant, advising bank, issuing bank, reimbursing bank, advice through bank, confirming bank).

Party Description

You can provide the description for the party type here.

Customer Identification File Identification

The CIF ID assigned to the party, if the party is defined as a customer in Oracle FLEXCUBE. If the applicant (APP) or beneficiary (BEN) is not a customer of your bank, you can use a walk-in customer ID.

Name

Enter the name of the Customer. The party name can be 150 characters in length. However, please note that in the SWIFT messages that you generate only 35 characters will be included.

Country

Enter the country to which the party belongs.

Address

Enter the party's mail address here.

ORACLE®

Dated

Specify the date of transaction initiation.

Language

Specify the language in which advices should be sent to the customer.

Issuer

The issuer of Islamic LC is a bank or an individual. This is enabled only for the party type ISB (issuing Bank). The party type is defaulted from CIF maintenance. However, you can amend the value before authorizing the contract.

If issuer of Islamic LC is a bank, tags 52A and 52D will be populated. The message Types supported by these tags are MT710/MT720.

If issuer of Islamic LC is not a bank, 52B tag will be populated.

5.3.5.2 <u>Specifying the Other Addresses</u>

Following details are displayed here:

- The media type through which the advises should be routed and the respective address(es)
- The party's mail address
- The account

The parties involved in an Islamic LC depend upon the type of Islamic LC you are processing. The following table indicates the minimum number of parties required for the types of Islamic LC that you can process.

Islamic LC type	Parties applicable	Mandatory parties	Parties not allowed
Import Islamic LC	Applicant/Accountee Advising Bank Beneficiary Confirming Bank Reimbursing Bank	Applicant and Beneficiary OR Accountee and Beneficiary	Issuing Bank
Export Islamic LC	Applicant/Accountee Issuing Bank Advising Bank	Beneficiary and Issuing Bank	Advising Bank

ORACLE

Islamic LC type	Parties applicable	Mandatory parties	Parties not allowed
	Beneficiary Confirming Bank Reimbursing Bank		
Shipping Guarantee	Applicant/Accountee Advising Bank Beneficiary Confirming Bank Advice Through Bank Reimbursing Bank	Applicant and Beneficiary	Issuing Bank
Guarantee	Applicant and Beneficiary	Applicant and Beneficiary	Advising Bank Advise Through Bank Reimbursement Bank Issuing Bank
Standby	Applicant/Accountee Advising bank Beneficiary Confirming bank Reimbursing bank	Applicant and Beneficiary	Issuing Bank
Clean Islamic LC	Applicant/Accountee Advising bank Beneficiary Confirming bank (for confirmed Islamic LCs only; could be more than one bank)	Applicant and Beneficiary OR Accountee And Beneficiary	Issuing Bank

ORACLE

STOP While processing Islamic LCs and guarantees, you can use the walk-in customer ID for the applicant (APP) and Beneficiary (BEN) party types. However, note that you can use a particular CIF ID only once in an Islamic LC.

Opting to amend Party Details during System Setup

Oracle FLEXCUBE offers you the facility to edit the party details that you capture in the Islamic LC Contract Online screen. You may exercise this option when setting-up the system at your bank

If you opt for the edit facility, you can change the following party and credit details, captured for an Islamic LC, in the Islamic LC Contract Details screen:

- The Name
- The Mailing Address
- The Credit Details

Click on the adjoining button, adjacent to the name, address and credit details fields, to invoke a popup window. In this screen, you can edit the party and credit details originally captured for the Islamic LC.

ORACLE®

5.3.6 Specifying the Media Details for a Party

The advices for a party will be sent to the default media maintained in the Customer Addresses table. If you want to send the advices through another medium, you should indicate it in the Parties screen. The address should be also indicated. The advices will be sent through the new medium, only if you indicate so in the Advices screen of contract processing. If not, the advice will continue to be sent to the default address defined for the party.

You can use this feature to send a one-off advice, through a different medium. For example, for a particular customer, you normally send all advices through mail and hence haven't defined SWIFT or TELEX advices. For an Islamic LC involving a customer, you want to send the advices through SWIFT. In such a case, you can specify the medium as SWIFT and specify the address only for the Islamic LC you are processing.

5.3.7 Specifying Credit Administration Details

The details on credit lines that feature on this screen have been covered in the chapter titled Specifying Central Liability tracking details.

5.3.8 Specifying Advices for an Islamic LC

An important part of processing an Islamic LC is the generation of various advices applicable for a contract.

The advices that can be generated for the events that occur during the lifecycle of an Islamic LC are defined for the product, to which the Islamic LC is linked. For example, you may have specified the following advices for a product:

- Issue of an import Islamic LC: pre-advice by SWIFT and Islamic LC instrument by mail to the advising bank, the authorization to reimburse to the reimbursing bank

- Advice of an export Islamic LC: the acknowledgement advice to the advising bank

- Issue of a guarantee: the guarantee instrument to the beneficiary

The details of the advices for an event are displayed in the Advices screen. The party type to whom a specific advice should be sent is picked up automatically based on the type of Islamic LC being processed and the parties involved.

From the 'Islamic LC Contract Details' screen click on the 'Advices' tab. The advices screen is displayed. The advices defined for the event you are processing will be displayed. You can choose to suppress any of them. The address of the party to whom the advice is addressed to will be picked up by default, based on the media and address maintenance for the party.

These can be changed if required. For a payment message by SWIFT, you also have the option to change the priority of the message.

Suppress

By default, all the advices that have been defined for a product will be generated for the Islamic LCs involving it. If any of the advices are not applicable to the Islamic LC you are processing, you can suppress its generation by Checking against the suppress field.

Priority

For a payment message by SWIFT, you also have the option to change the priority of the message. By default, the priority of all advices is marked as Normal.

The priority of a payment message can be changed to one of the following:

- Normal

- Medium

- High

Medium

The medium by which an advice will be transmitted and the corresponding address will be picked up based on the media and address maintenance for a customer.

You can, however, change either of these while processing the Islamic LC. Typically, if changed, both of them will be changed.

After selecting the advices to be generated for the Islamic LC, click on 'Ok' button to save it. Click on 'Delete' button to reject the inputs you have made. In either case, you will be taken to the Contract Main screen.

ORACLE

5.3.9 Specifying the Free Format Instructions that should accompany an Advice

Free Format Text instructions (FFTs) are a set of instructions or statements that are applicable to the Islamic LC that you process. It can be used to enter additional details related to the Islamic LC you are processing. In the Islamic LC Contract - Advices screen you can specify the FFTs that should accompany an advice, generated for an Islamic LC. When you select an advice code on this screen, the advice code together and the party type, to which it is to be sent, is displayed in the FFT section. This indicates that the FFTs that you specify will appear on the advice, which is displayed and will be sent to the party type that is displayed.

All the FFTs defined for the advice, at the product level will also be displayed. You have the option to add to or delete from the list of FFTs defaulted for an advice.

To add an FFT to the list, click on add button in the screen and then on the option list button. Select an FFT code from the option list that is displayed. After selecting the code that identifies the FFT you wish to attach to the advice, its description is automatically picked up and displayed. The FFT description can be changed to suit the requirements of the Islamic LC you are processing.

To delete an FFT from the list, highlight the code that identifies the FFT and click on the delete button in the screen. The free format codes for the following purposes have the fixed codes:

| SND2RECINFO | Sender to receiver information (Field 72 of SWIFT). |
| INSTRUCTION | Instructions to the Paying/Accepting/Negotiating bank (Field 78 of SWIFT). |

5.3.10 Specifying Goods, Shipping and Document Details for an Islamic LC

An Islamic LC, which is an instrument of trade finance, involves details of merchandise. Hence, you will need to specify the following details for the Islamic LC:

- Details of the merchandise

- Details of the mode of transportation

- The documents that should accompany the goods

Click on the tab titled 'Ship/Documents' to specify details of the goods, documents and clauses that are part of the Islamic LC instrument.

ORACLE

You can also specify Preferences for the shipment of goods.

The following are the features of the Contract Ship/Docs screen:

5.3.10.1 Specifying Contract Documents Details

There are some standard documents required under a documentary Islamic LC. In this screen you can specify the documents that are required under the Islamic LC being processed. These details will be a part of the Islamic LC instrument sent to the advising bank, the advice through bank or the beneficiary. All the documents specified for the product to which the Islamic LC is linked will be defaulted to this screen.

Code

Enter the document code.

Type

Enter the document type.

Description

Enter the document description of the document that is defaulted to suit the LC you are processing. This field will be enabled only if the LC type is 'Shipping Guarantee', but not mandatory.

During copy operation, the value of this field will not be copied to the new contract.

Reference

Enter the document reference number based on which the Shipping Guarantee issued.

Copy

Enter the number of copies of the document.

Originals

Enter the number of Original documents here.

Original Required

Enter the receipt details here.

You can add to or delete from the list of documents that are defaulted. To add a document for the Islamic LC, click on add button and then on option list positioned next to the Document Code field. Select the code of the appropriate document from the list of document codes maintained in the Documents Maintenance screen. The other details of the document will be defaulted to this screen.

To delete a document that is not required for the Islamic LC, highlight the document code and click on the delete button on the screen.

Specifying the Document Reference

For Shipping Guarantee type of Islamic LCs, you can specify the document reference based on which the Shipping Guarantee is issued in the 'Doc reference' field. This field will be enabled only if the Islamic LC type is 'Shipping Guarantee'. However it is not mandatory to enter the document reference for 'Shipping Guarantee' contracts. Documents captured for a shipping guarantee contract, can exist with or without document reference.

During copy operation, the value of this field will not be copied to the new contract.

5.3.10.2 Specifying Clauses for a Document

In addition to the other details, the clauses specified for a document while defining the product, are also defaulted to this screen.

When you highlight a document code, all the clauses defined for the document are displayed in the Clauses window. You can add to or delete from, the list of clauses that are defaulted.

To add a clause to a document for the Islamic LC, click on the add button. Then, click on option list positioned next to the Clause Code field. Select the code of the applicable clause from the list of clause codes maintained, in the 'Clause Maintenance' screen. The description of the clause will be defaulted, based on the clause code that you select.

To delete a clause that is not required for the Islamic LC, highlight the Clause code and click on the delete button.

ORACLE

5.3.10.3 <u>Specifying Shipment Details for an Islamic LC</u>

There are certain standard clauses and conditions, associated with the shipment of the merchandise traded under an Islamic LC. You can specify the following shipping details for an Islamic LC that you process.

Partial Shipment Allowed

Check this option if partial shipment of the goods is allowed under the LC.

Trans Shipment Allowed

Check this option if Trans-shipment is allowed under the LC

From

The location from which the goods transacted under the LC should be shipped. In international trading parlance, this is called the Loading on board/Dispatch/Taking in charge at/from.

To

The destination to which the goods transacted under the LC should be sent. In international trading parlance, this is called the 'For transportation' to.

'Shipment From' and 'Shipment To' are linked to the tags 44A and 44 B respectively. These tags are applicable to the following message types:

- MT700
- MT705
- MT707
- MT710
- MT720

Specifying the 'Shipment From' and 'Shipment To' is optional.

Latest Shipment Date

Specify the latest shipment date.

Besides these details, you can also specify shipping preferences like:

- Should Trans-shipment be allowed under the Islamic LC
- Should partial shipment of the goods be allowed under the Islamic LC
- Shipping marks
- Additional shipment details

ORACLE

5.3.10.4 Specifying Goods Details

The details of the merchandise that will be traded under the Islamic LC should be clearly specified. You have maintained various codes that have been allotted, for commodities normally traded in your country. The commodities are available for selection in the form of an option-list. In addition, the list will also display whether a particular commodity is banned or not by indicating 'YES' (for a banned product) and 'NO' (for a product that is allowed for trade) against the product.

Goods Code

Specify the applicable code for the LC you are processing, from the list.

Description

The description of this code (which could be 6500 characters long), can be changed to suit the Islamic LC you are processing. You can also enter specifications such as the quality and quantity of the merchandise.

Description for Pre-advice

If pre-advice is one of the advices for the Islamic LC, you should enter the details of the Islamic LC briefly, as a pre-advice description. This will be a part of the pre-advice that is generated.

Typically, a pre-advice is sent by SWIFT or cable and contains brief details of the Islamic LC. This is be followed by the Islamic LC instrument, that contains all the details of the Islamic LC.

Specifying the Port Details

In this section specify the following details:

Port of Loading

Specify the name of the airport from where the goods transacted under the Islamic LC are loaded for shipping.

Port of Discharge

Specify the name of the destination port to which the goods transacted under Islamic LC should be sent.

'Port of Loading and 'Port of Discharge' are linked to the 44E and 44F tags respectively. These tags are applicable to the following message types:

- MT700
- MT705
- MT707
- MT710
- MT720

ORACLE

🛑 It is not mandatory to specify the Port of Loading or Port of Discharge.

5.3.11 <u>Specifying Tracer Details for an Islamic LC</u>

Tracers are reminders that can be sent to various parties involved in an Islamic LC. The list of tracers that you can send for an Islamic LC is predefined (hard coded in the system) and can be classified into the following types:

- The acknowledgement tracer (sent to the advising bank when an import Islamic LC is issued and an acknowledgement is sought)

- The charge-commission tracer (sent to the party who has to bear the commission or charges for an Islamic LC, pending the payment of the charge or commission)

- The confirmation tracer (sent to the confirming bank, seeking a letter of confirmation).

You can specify the tracers to be sent for an Islamic LC, in the 'Islamic LC Contract Tracers' screen. To invoke this screen, click on the tab titled 'Tracers' in the 'Islamic LC Contract Details' screen. The 'Islamic LC Product Tracers' screen is displayed.

The tracers, specified for the product to which you have linked the Islamic LC, will be defaulted to this screen.

5.3.11.1 <u>Specifying Tracer Details</u>

For the tracer code that is highlighted, the details are defaulted from the product and can be changed to suit the Islamic LC you are processing.. Besides the Tracer Code, the following details will be displayed:

- Description of the tracer

- Party to which the tracer is to be sent

- Number of tracers sent thus far, to the party

ORACLE®

- Date on which the tracer was last sent to the party

Maximum Tracers

You can specify the maximum number of tracers that should be sent for the Islamic LC. The value is defaulted from the product under which you are processing the Islamic LC.

Start Days

The tracers that you specify for an Islamic LC can be generated only after it has been authorised. Specify the default number of days that should elapse after an Islamic LC has been authorized, on which the first tracer should be sent.

By default, the first tracer for an authorised Islamic LC contract will be sent, after the number of days prescribed for the product under which it is processed.

Frequency

You can specify the frequency (in days) with which the tracer should be re-sent, for the Islamic LC you are processing.

Last Sent On

You can stop the generation of a tracer at any point during the life cycle of an Islamic LC contract.

For instance, you had specified that an acknowledgement tracer is to be generated for a contract. When you receive the acknowledgement from the concerned party, you can disable its generation. At a later stage when you wish to generate the tracer again, you only need to enable it for the Islamic LC by using this facility.

Medium

If you have specified that tracers should be generated for an Islamic LC, you should also specify the medium through which it is to be generated. A tracer for an Islamic LC can be sent through Mail, Telex or other compatible media.

5.3.12 Specifying Other Details of an LC

The SWIFT messages that are generated require information specific to the Islamic LC you are processing. To specify SWIFT related details invoke the 'Others' screen by clicking on the tab titled 'Preferences'.

The details that you specify in the fields of this screen are picked up for SWIFT messages.

The SWIFT message that utilizes the information that you specify in this screen and the corresponding field of the SWIFT message which carries the input, has been listed below:

Field in Oracle FLEXCUBE	SWIFT Message	Field of the SWIFT message
Charges From Beneficiary	MT700	Field 71B
Additional Amounts Covered	MT 700 & MT 740	Field 39C
Period For Presentation	MT 700	Field 48
Charges From Issuing Bank	MT 730	Field 71B
Account For Issuing Bank	MT 730	Field 57A
Date	MT 730	Field 32D

Period for Presentation

The period of presentation defined for the product - or calculated for the Islamic LC, as the case may be - will be displayed in the 'Period For Presentation' field. You can change the default to suit the Islamic LC you are processing.

ORACLE®

The system uses the Expiry Date and the Last Shipment Date specified for the Islamic LC you are processing, and arrives at the period of presentation.

For details, refer the heading 'Specifying the Period of Presentation' in chapter three, 'Creating Products', in the Islamic LC user Manual.

5.3.13 <u>Specifying Settlement Instructions</u>

Through the settlement screens, you should specify the customer accounts to which entries for the commissions, charges, taxes and collateral should be posted.

Click on 'Settlement' button in the 'Contract Main' screen, for a display of the Settlements screen. Besides the account details, you can specify:

- The currency in which the component is expressed

- The payment account and its currency

 If you have specified an account that uses an account class that is restricted for the product, an override is sought.

- The branch of your bank to which the account belongs

- The exchange rate (in the case of the component currency being different from the account currency)

- The ERI Currency

- The ERI Amount

Fund Asset Management

The settlements processing is enabled only if 'Allow Corporate Access' has been checked while defining branch parameters in the Branch Parameters – Detail View screen.

- If 'Allow Corporate Access' is checked for a fund branch and the fund is Portfolio type, then during settlement processing, the settlement account is chosen based on the settlement instructions maintained for the counterparty.

- If 'Allow Corporate Access' is not checked for a fund branch, then the settlement processing is disabled and the settlement account remains as a fund branch account maintained for the fund.

- If the corporate account exists in different branch then the Inter branch account/GL maintenance is used for resolving the bridge account.

Refer to the chapter titled 'Making an Availment' in this user manual for details.

5.3.14 <u>Viewing Event Details</u>

The event details screen of contract processing will show the details of the accounting entries generated for an Islamic LC. Click 'Events' button in the 'Islamic LC Contract Detailed View' screen to go to the 'Event Details' screen.

ORACLE

The details of events that have already taken place on the contract will be displayed, along with the date on which the event took place.
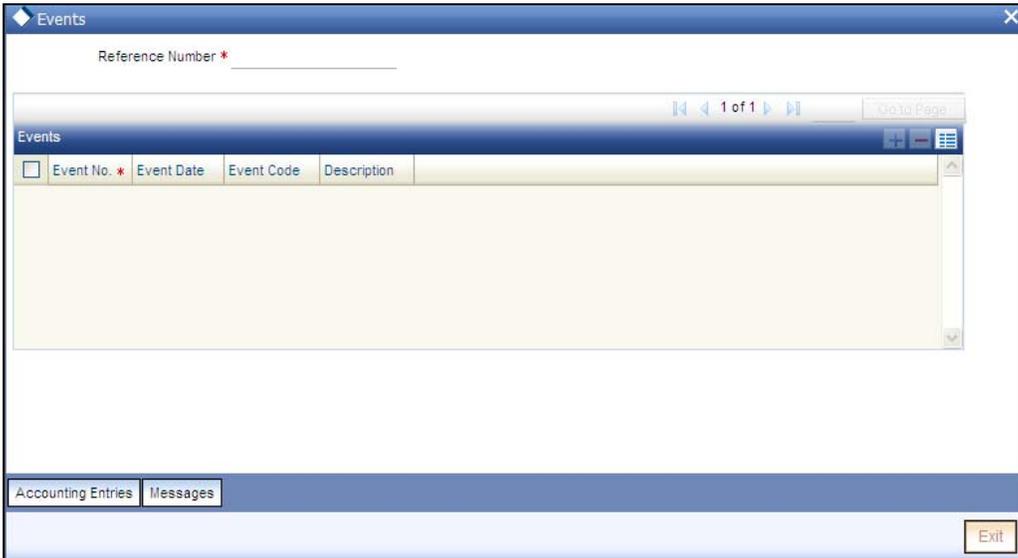
Click on 'Accounting Entries' button to view the accounting entries for the event that is highlighted. Click 'Message' button to view the messages applicable to the event. Click on 'Exit' button to go back to the 'Event Details' screen.

5.3.14.1 Viewing the Accounting Entries Passed for the Islamic LC

From 'Event Details' screen, click 'Accounting Entries' button to view the Accounting Entries for the event. The accounting entries that are passed depend on the type of Islamic LC that you are processing.

ORACLE
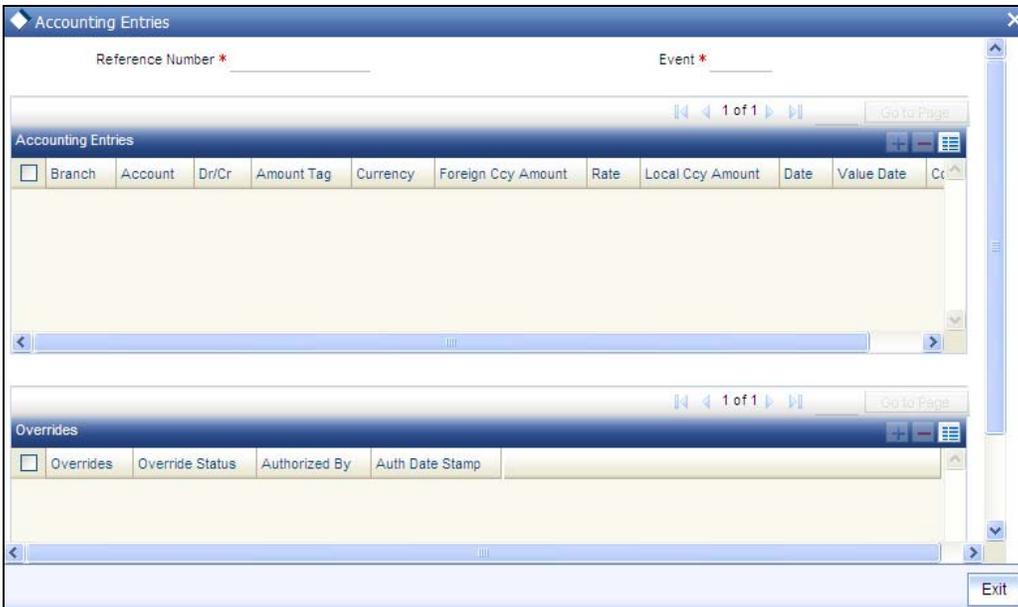
The following information is provided for each event:

- Branch
- Account
- Transaction Code
- Booking Date
- Value Date
- Dr/Cr indicator
- Currency
- CCY (Currency)
- Amount in contract CCY
- Amount in local currency
- All the overrides that were given for an event will also be displayed.

Click 'Exit' button to go back to the screen from where you invoked the 'Accounting Entries' screen.

5.3.14.2 Viewing the Advices Applicable to a Contract

Click 'Message' button from the 'Event Details' screen to view the list of advices applicable to a particular event in the lifecycle of the Islamic LC.
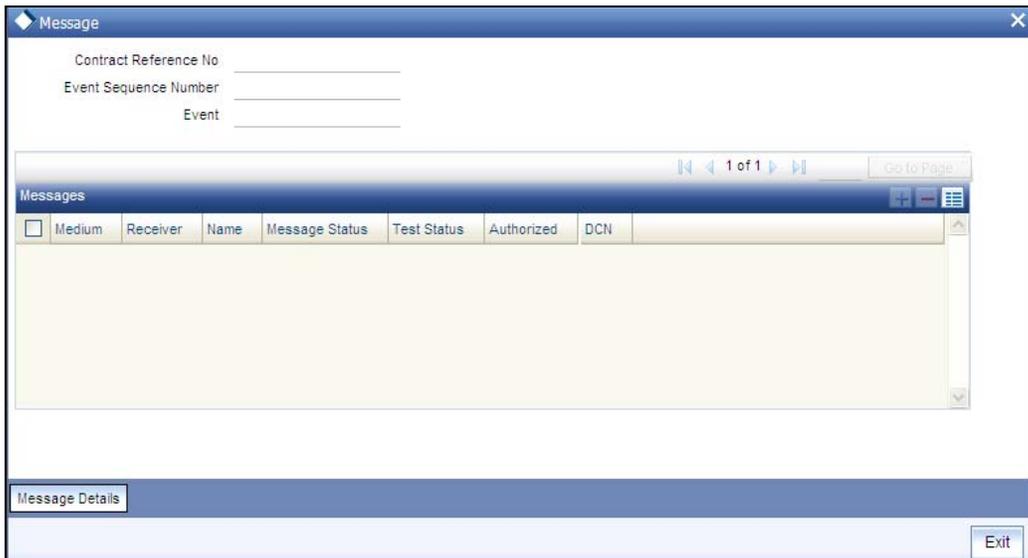
The following details of a message are displayed:

- The message type
- The Name and ID of the recipient of the message

ORACLE®

- The status of the message

To view the text of a message, highlight the message and click on the 'Message' button. Click 'Exit' button to exit the screen.

5.3.15 Defining Commission and Charge Details for an Islamic LC

Besides the Islamic LC amount, the other components of an Islamic LC include the commissions that you collect and the charges that you levy on the parties involved in an Islamic LC.

The details of the commissions that can be collected and the procedure of making them applicable to the Islamic LC you are processing have been detailed in the chapter Processing Commissions on an Islamic LC.

The details of the charges that you can levy and the procedure for making them applicable to the Islamic LC you are processing has been detailed in the chapter titled Processing Charges on an Islamic LC.

While defining Accounting Roles for a product you must specify the internal accounts that should be picked up when commissions are collected and when charges are levied.

5.3.16 Maintaining Collateral Details

Islamic LCs that are issued or confirmed are often processed with cash collateral. In cases like a in a Guarantee, you may even take a 100% cash collateral. This is when an applicant is not a customer of your bank and the credit worthiness of the applicant is not known. Details of such cash collateral can be maintained in the Islamic LC Contract - Collateral Details screen. To invoke this screen, click 'Collateral' button in the 'Islamic LC Contract Details' screen. The 'Islamic LC Collateral Details' screen is displayed.

The cash collateral percentage is defined for the product under which an Islamic LC is processed. This percentage is picked up by default for the Islamic LC being processed. The following details will be shown for the cash collateral:

ORACLE

5.3.16.1 Specifying Collateral Details

Currency

Specify the currency in which cash is offered as collateral.

Percent

If you specify the cash that is to be collected as collateral as a percentage of the Islamic LC amount, the equivalent amount is displayed. This amount is taken to be in the currency, defined as the collateral currency.

Exchange Rate

If the collateral currency and the currency in which the Islamic LC is issued are different, you should also specify an exchange rate to be used in the conversion. The value of the collateral is determined based on this exchange rate.

Amount

You can specify the cash collateral as an amount. In this case you do not need to specify a percentage. However if you specified the collateral as a percentage of the Islamic LC amount, the actual amount is computed in the collateral currency by the system.

Description

Enter a brief description of the collateral.

5.3.16.2 Specifying adjustment details for a collateral

In this section specify the following details:

Type

At any time during the lifecycle of an Islamic LC, you may want to increase or decrease the value of the cash, accepted as collateral on Islamic LC. This is done by way of an amendment to the Islamic LC.

The cash collateral can be increased or decreased, without changing the Islamic LC amount. On the other hand, a change in the Islamic LC amount may necessitate a change to the collateral amount.

If you wish to increase the collateral amount, indicate Increase on this screen and enter the amount by which, you want to increase the cash accepted as collateral.

If you wish to decrease the collateral amount that you have collected while issuing an Islamic LC, indicate decrease on this screen. Enter the amount by which you want to decrease the cash accepted as collateral.

Amount

Enter the amount by which you want to decrease the cash accepted as collateral.

ORACLE

The collateral deposit account will automatically increase or reduce based on the specifications you make.

🛑 If at the time of availment, you want to pay from the collateral account, you can include it in the accounting entries for the event, Availment.

5.3.17 Collateral Transfer from Islamic LC to Bills

If the Collateral Transfer Bridge option is selected in the 'Letters of Credit Product – Preferences', then the Collateral amount and currency input allowed on the 'Bills - Contract Details' screen are disabled.

You can enter the Collaterals to be transferred from the Islamic LC onto the bill in the COLLATERAL DETAILS screen. The decrease option is defaulted and will not be allowed to change. The amount entered here is displayed in the Bills – contract Details screen if the Collateral Transfer Bridge option is specified. The Collateral Currency is disabled for Bills under Islamic LC.

5.3.17.1 Collateral Tracking subsequent to transfer onto Bills from Islamic LC

Once the collateral gets transferred from Islamic LC onto Bills contract, no further linkage of the collateral is maintained. Hence, subsequent to the linkage, further action on the bill will not back trace the collateral onto the Islamic LC.

5.4 Linking Contracts to Deposits and Accounts

You can link an Islamic LC contract to deposits and accounts.

Type of linkage	What it indicates
Linking a deposit	The entire Islamic LC amount, or a portion of it, can be linked to a deposit. The outstanding amount in the deposit should always be greater than or equal to the Islamic LC amount. You can link several Islamic LCs to the same deposit, provided sufficient funds are available in the deposit.
Linking an account	You can link the entire contract amount or a portion of it, to a savings or current account that is maintained with you. The available balance in the account should always be equal to or greater than the contract amount that is outstanding. You can link any number of contracts to an account provided a balance greater than or equal to the total outstanding contract amount(s) is available in the account.

🛑 Please note that the entire contract amount or a portion of it can be linked to any number of deposits or account or to both.

ORACLE

From the Islamic LC Contract Details screen, you can invoke the 'Linkages Details' screen by clicking 'Linkage Details' button. In this screen, you can specify any account/deposit with you, and indicate the funds that you would like to block.

Type

In the Contract Details screen, you can specify the type of linkage. The Islamic LC can be linked to a:

- Deposit
- Customer account

Linked to reference Number/ Account

If the Islamic LC is linked to a deposit, you should enter the Reference Number of the deposit. The deposit should be a valid contract in Oracle FLEXCUBE, with a Value Date that is earlier than or the same as the Value Date of the Islamic LC contract. The Maturity Date should be the same as, or later than that of the contract.

If the linkage is with an account, enter the account number to which you are linking the Islamic LC. The account you specify has to be a customer account (a Current account or a Savings Bank account). The currency of the deposit or account to which the Islamic LC is linked, is displayed once the linkage details are specified.

Exchange Rate

If the currency of the Islamic LC is different from the currency of the deposit or account to which it is being linked, the mid-rate for the day will be picked from the Exchange Rate table and displayed in the screen.

ORACLE

Linked Amount

In this screen, indicate the contract amount that has to be linked to the deposit or account. This amount can be the entire amount of the Islamic LC or a portion of it. The amount available for linkage, in the specified deposit or account, is arrived at, by taking into account other linkages and the uncollected and unauthorized balance (in the case of an account).

Once the linked amount is specified, the system will display the following amounts:

- Amount linked to each contract or account
- The contract amount that has not been linked, in the case of a partial linkage

5.4.1 Viewing the Amended Details of a Contract

You can view the changes made in a specific version of an Islamic LC contract. To do this, navigate to the version of the contract that you would like to view in the 'Contract Details' screen. Click on 'Change Log' button on the 'Contract Details' screen.
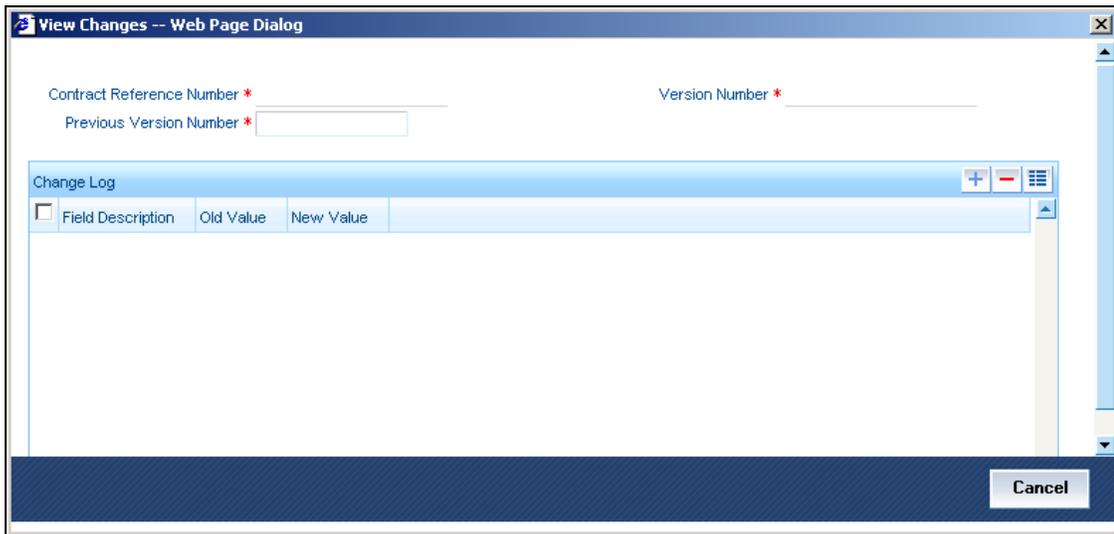
The fields that were modified in the version will be displayed along with the old (inherited) and the changed values.

5.4.2 <u>Viewing the Deferred Component Details</u>

You can view the components which are transferable to BC in Oracle FLEXCUBE. Click 'Transferred Components' button on the 'Contract Details' screen to invoke the 'Deferred Components Details' screen.
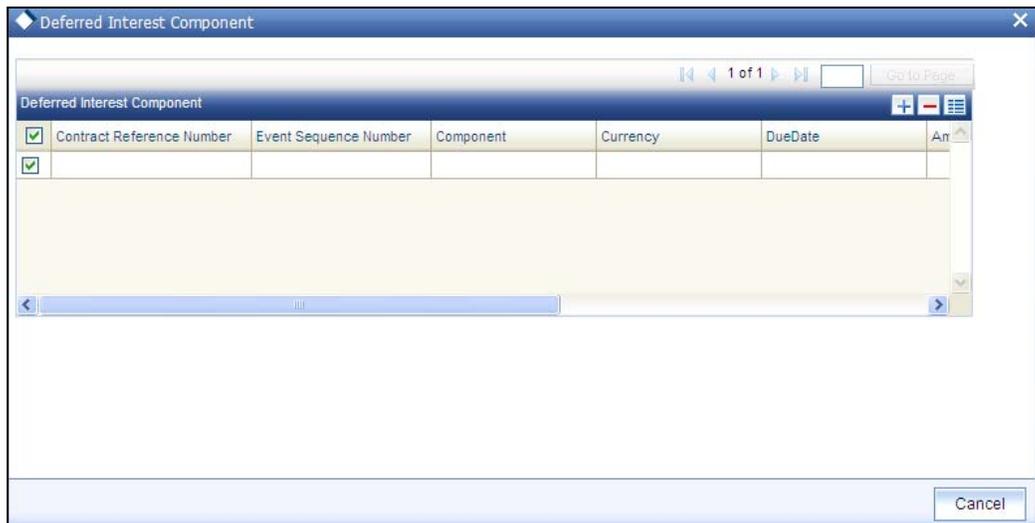
The system will display the deferred component details on this screen. You cannot enter or modify any details here.

5.5 <u>Viewing Different Versions of a Contract</u>

When you enter a contract, it is allotted the version number, 1.Every amendment and reinstatement results in the next version of the contract being created.

While viewing the Detailed View screen for a contract, the latest version will be displayed. To navigate between the different versions, use the arrow buttons to view the previous and next version.

5.6 <u>About Templates</u>

An Islamic LC template can be described as a sample contract that has attributes common to many Islamic LCs in a category. It can be used as a base to enter new Islamic LCs. The details that are defaulted from the template can be modified to suit the Islamic LCs you process. This renders the input of the details of an Islamic LC faster and easier.

5.6.1.1 <u>Saving a Contract as a Template</u>

To create a template, you store the Islamic LC that you have entered as a template. You should enter all the details of the Islamic LC, before you save it as a template.

To store a contract as a template, click on 'Template' icon in the toolbar or choose Template from the Processing sub-menu, of the Actions Menu. The Template Details screen is displayed.

Enter a code to identify the Template and give a brief description of the template. Once you have saved a contract as a template, the contract will be put on hold and will not be available for future use. The template can be accessed and used to input contracts. Click on 'Exit' button to reject the entries made in this screen.

5.6.2 Using a Template

While in the Contract Details screen, you should select a template code from the option list. The details that have been stored for the template will be displayed and you can change the values if required in all the fields except the Product Code. A new reference number will be automatically generated for the Islamic LC. After you have changed the values that need to be changed, store the new Islamic LC by choosing Save from the Actions menu.

5.7 Canceling an Islamic LC

You may have to cancel an Islamic LC that has been opened, before its Expiry Date. An example for a cancellation is when the trade deal for which the Islamic LC is opened falls through. A cancelled Islamic LC will not be available for any availment. However, you can cancel an Islamic LC that has been availed partially.

In Oracle FLEXCUBE, the following are the prerequisites for cancellation:

- The Islamic LC has not yet reached its expiry date

- The cancellation event - CANC, has been defined

The accounting entries for this event are generally the reversal of the accounting entries passed for liability and collateral, when the Islamic LC was opened. In addition, a charge can be levied for canceling the Islamic LC.

A cancellation advice informing, the advising bank or beneficiary, about the cancellation may be generated.

5.7.1 Procedure for Canceling an Islamic LC

To cancel an Islamic LC, from the Contract Detailed View, do the following:

- Select Close from the Actions Menu

- Click 'Reopen' icon in the Toolbar

You will be prompted to confirm the cancellation.

5.8 Closing an Islamic LC

Normally, an Islamic LC that is opened will be negotiated within its expiry date. If the negotiation does not happen even after the expiry date, you can close the Islamic LC.

By closing an Islamic LC, you will be reversing the liability entries passed for the Islamic LC. This ensures that the credit limit that was taken by the Islamic LC is released and is available for future utilization.

ORACLE®

In Oracle FLEXCUBE, you can close an Islamic LC under the following circumstances:

- The event CLOS is defined for the Islamic LC

- The Islamic LC is beyond its Expiry Date

The accounting entries defined for this event is generally the reversal of the outstanding liability.

No availment can be made against an Islamic LC that is closed. You should reopen a closed Islamic LC if you have to make an availment against it. This would be required in a situation when the Islamic LC comes in for negotiation after it has been closed. The reopening of the Islamic LC will put back the outstanding liability and availability for the Islamic LC.

5.8.1.1 Closing an Islamic LC automatically

In the Islamic LC Contract Main screen, you can specify the following dates related to the closure of an Islamic LC:

- Whether auto closure is allowed

- The date on which the Islamic LC should be automatically closed

To recall, the date of automatic closure is based on the 'Closure Days' maintained for the product involved in the Islamic LC. However, you can change the closure date, to any date, after the expiry date of the Islamic LC.

An Islamic LC that is defined for automatic closure will be closed during the End of Day processes on the closure date.

5.8.1.2 Closing an Islamic LC manually

An Islamic LC that is not defined for automatic closure can be closed any time after its Expiry Date.

Choose Close from the Actions Menu or by clicking 'Reopen' icon in the Toolbar, when the details of the Islamic LC IS displayed in the Detailed View screen.

Oracle FLEXCUBE displays a message prompting you to confirm the closure. The closure of an Islamic LC should be authorised by a user, bearing a different User ID, before the End of Day operations begin.

5.8.2 Reopening an Islamic LC

To avail against a closed Islamic LC, you have to reopen it. This occurs when the Islamic LC comes in for negotiation after it has been closed. The reopening of the Islamic LC will put back the outstanding liability and availability for the Islamic LC.

To reopen a closed Islamic LC, you should have defined the event ROPN for the product under which the Islamic LC is processed. For this event, you should have ideally defined the same entries for the Islamic LC outstanding amount and the liability, as you would for the opening (issue or advice) of an Islamic LC. You can levy a charge for reopening an Islamic LC.

ORACLE

5.8.2.1 Procedure for reopening an Islamic LC

Choose Reopen from the Actions Menu or by clicking 'Reopen' icon in the tool bar when the details of the Islamic LC are being displayed in the Detailed View screen. Oracle FLEXCUBE will prompt you to confirm the reopening of the Islamic LC.

5.8.3 Black Listing Islamic LCs

You can black list Islamic LCs and collection bills based on a set of criteria that you can define. You can define criteria for black listing Islamic LCs and bills in the 'Black Listed Transaction Input' screen invoked from the Application Browser. You can invoke 'Black Listed Transaction Input' screen by typing 'TFDBKLST' in the field at the top right corner of the Application tool bar and clicking the adjoining arrow button.

5.8.3.1 Setting up criteria for blacklisting Islamic LC/Bills

You can set up the following criteria for blacklisting Islamic LCs and Bills:

- The module to which the contract belongs

- The reference number of the party (For Islamic LCs, specify the reference of the Issuer. For Bills, enter the reference of the Remitting bank).

- The Currency Code of the contract

- The Contract Amount

- The Issue Date and

- The Expiry Date

- Remarks

ORACLE

No of Matches

Now that you have set up the criteria for black listing contracts, you need to indicate the number of the above criteria that should be used to black list Islamic LCs and Bills.

Example

You indicate 2 in the field Number of Matches. All Islamic LCs/Bills that match atleast two of the blacklisting criteria that you specified will be displayed for blacklisting.

After you indicate the blacklisting criteria, click 'Save' icon from the tool bar to save the record. A message with the Reference Number of the Islamic LCs / Bills that matches the blacklisting criteria that you specified is displayed. You can choose to blacklist the contract or ignore the message.

If you enter a new Islamic LC/Bill that matches the blacklisting criteria, you will be prompted for an override. Similarly, if you attempt to amend the details of a blacklisted Islamic LC/Bill, you will be prompted with an override.

ORACLE

6. Capturing Additional Details

6.1 Introduction

The buttons on the contract screen enable you to invoke a number of functions vital to the processing of an Islamic LC Contract.

These buttons have been briefly described below.

Buttons	Description
Drafts	Click this button to capture the details of draft drawn for the Islamic LC. You can specify the name of the insurance company that is covering the goods traded under the Islamic LC.
Settlement	Click this button to invoke the Settlement screens. Based on the details that you enter in the settlement screens the Islamic LC will be settled. The details of these screens have been discussed in the Settlements manual.
Events	Click this button to view the details of the events and accounting entries that a contract involves.
MIS	Click this button to define MIS details for the Islamic LC.
Commission	On invoking this button Commission details of the contract is displayed
Charges	This button invokes the Charges, Commissions and Fees (ICCF)

Buttons	Description
	service.
	On invoking this function you will be presented with a screen where the ICCF rate, amount, currency and the waive charge parameter can be specified.
	The Processing Charges and Fees manual, details the procedure for maintaining charge rules. It also deals with the linking of a charge rules to a product and the application of the rule on an Islamic LC.
	The Processing Commissions manual, details the procedure for maintaining commission rules. It also deals with the linking of a commission rule to a product and the application of the rule on an Islamic LC.
Tax	This button invokes the Tax services. The Processing Tax manual details the procedure for maintaining tax rules and schemes. It also deals with the linking of a tax scheme to a product and the application of the scheme on an Islamic LC.
Collateral	In the screen that corresponds to this button, you can specify details of the cash that you collect as collateral form a customer for the Islamic LC that you process. The details of this screen are discussed under the head Specifying Collateral details for an Islamic LC.
Linkages	Clicking this button invokes the Contract Linkages screen. In this screen, you can link an Islamic LC to a deposit or account, and indicate the funds that you would like to block.
Change Log	Click this button to view the changes made to a particular version of an Islamic LC contract.
Transfer Details	If the Islamic LC is transferred to a new party, you can view the transaction details.
Fields	Click this button to specify values for the user defined fields (UDFs).
Finance preference	Click this button to maintain the details of the finance.
Split Settlement	Click on this button to specify split settlement details of the bill.
Deferred Profit Component	Click this button to specify deferred profit component details.

Enter valid inputs into all the mandatory fields in screens that can be invoked from the buttons or you will not be able to save the contract. After making the mandatory entries for the Islamic LC, save the contract by either clicking save icon in the toolbar or selecting 'Save' from the Actions menu.

A contract that you have entered should be authorized by a user bearing a different Login ID, before the EOD is run.

ORACLE

You have the option to amend all the unauthorized entries made for an Islamic LC. However, after authorization, certain fields cannot be amended.

Click 'Exit' or 'Cancel' button to go back to the Application Browser.

6.2 Capturing Drafts Details

You can capture the details of the draft that is drawn for the Islamic LC, in the Drafts screen. In addition, you can also specify the name of the insurance company that is covering the goods traded under the IILC. Click 'Drafts' button in the Islamic LC Contract to invoke the screen:
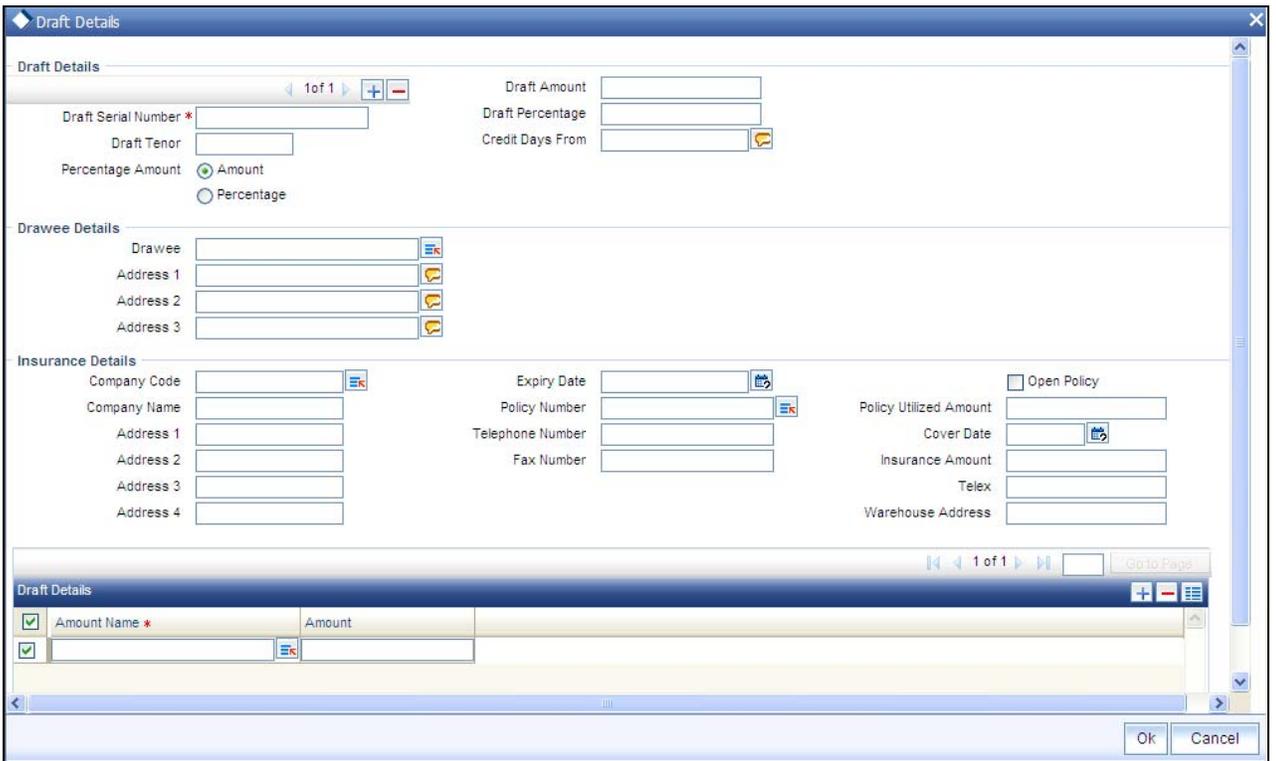
You can capture the following details:

Draft Serial Number

Specify the serial number of the draft.

Draft Tenor

Specify the tenor of the draft.

Amount/Percentage

Specify whether the draft is a percentage of the Islamic LC amount or a Flat amount.

ORACLE

Subsequently, specify the Amount or the Percentage (based on your selection).

Credit Days From

The Date from which the tenor of the draft begins.

6.2.1.1 Specifying Drawee Details

Specify the following details.

Drawee

Specify the party on whom the draft is drawn. You can select the drawee's CIF from the adjoining list. This will contain a list of all the open and authorized CIF maintained in the Customer Directory. This information is captured from the BIC directory.

Address 1 to 3

Specify the address of the drawee.

6.2.1.2 Specifying Insurance Company Details

Specify the following details.

Company Name

Specify the Insurance Company to be associated with the Islamic LC.

Company Code

You can select the appropriate company code from the option list. The list will display all authorized and active company codes. If you have specified an open insurance policy in the 'Insurance Policy Number' field, the option list will display the company code associated with the chosen insurance policy number. Upon selection of the company code, the following details will be automatically displayed by the system:

- Company Name
- Address of the company
- Telephone Number
- Fax Number
- Policy Utilized Amount
- Cover Date
- Insurance Amount
- Telex Address
- Warehouse Address

ORACLE

Open Policy

Check this option to link an open insurance policy to the Islamic LC.

Policy Number

Specify the insurance policy number here. The adjoining option list displays all insurance policy codes maintained in the system. If you check the option 'Open Policy' the option list will display the open insurance policies maintained in the system. You can select the appropriate one.

If you have checked the 'Open Policy' option and the policy number is specified here is invalid (i.e. not maintained in the 'Open Policy Maintenance' screen) or blank, the system will display an error message.

Expiry Date

Enter the expiry date of the Policy.

6.2.1.3 <u>Specifying Breakup Details</u>

The breakup details of the draft will be displayed here as follows:

- Amount Name
- Amount

The draft amounts for the different components (Insurance, Profit, Invoice, Freight)

🛑 You can also choose to associate an Insurance Company that is not maintained in the system. When you are specifying a company code that does not exist, the system will display an override (based on your requirement, you can configure the override to be a warning or an error message). On confirmation of the override, the company code will be automatically changed to 'XXXXXXXXX'. Subsequently, you can specify any company name to be associated with the contract. The system will not perform any validations. The remaining fields in the screen will be disabled in this case.

6.3 <u>Specifying Settlement Instructions</u>

Through the settlement screens, you should specify the customer accounts to which entries for the commissions, charges, taxes and collateral should be posted.

ORACLE

Click 'Settlement' button in the Contract Main screen, for a display of the Settlements screen.

Besides the account details, you can specify:

- The currency in which the component is expressed

- The payment account and its currency

If you have specified an account that uses an account class that is restricted for the product, an override is sought.

- The branch of your bank to which the account belongs

- The exchange rate (in the case of the component currency being different from the account currency)

- The ERI Currency

- The ERI Amount

Refer to the chapter titled 'Making an Availment' in this user manual for details.

6.4 Viewing Events Details

The event details screen of contract processing will show the details of the accounting entries generated for an Islamic LC. Click 'Events' in the Islamic LC Contract Detailed View screen to go to the Islamic LC Contract View Events screen.

The details of events that have already taken place on the contract will be displayed, along with the date on which the event took place.
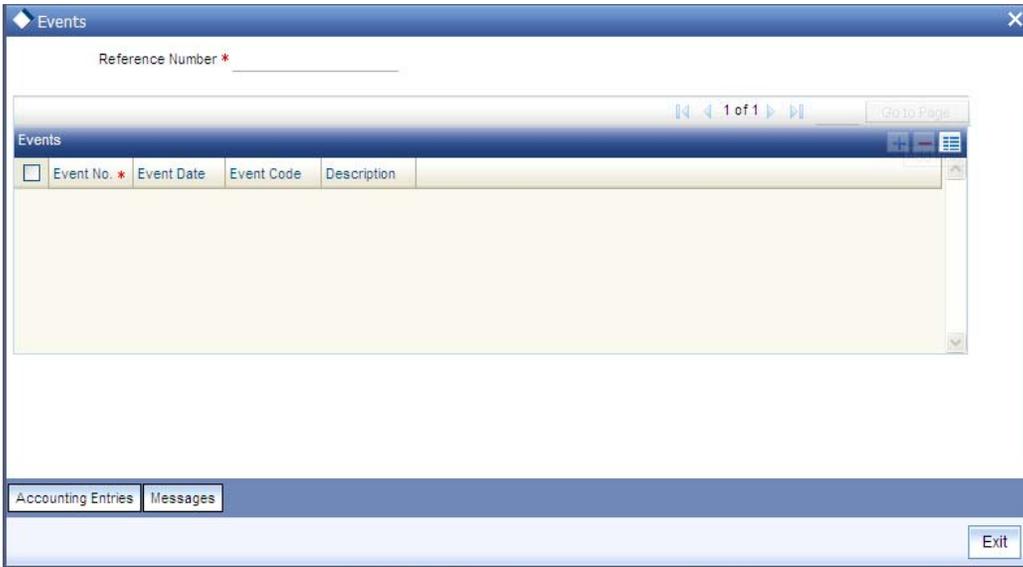
Click 'Accounting Entries' to view the accounting entries for the event that is highlighted. Click 'Message' to view the messages applicable to the event. Click on 'Exit' or 'Cancel' to go back to the Islamic LC Contract Detailed View screen.

6.4.1 <u>Viewing the Accounting Entries Passed for the Islamic LC</u>

From 'Islamic LC Contract - View Events' screen, click 'Accounting Entries' to view the Accounting Entries for the event. The accounting entries that are passed depend on the type of Islamic LC that you are processing.

ORACLE

The Accounting entries screen is as shown below:

The following information is provided for each event:

- Branch
- Account
- Transaction Code
- Booking Date
- Value Date
- Dr/Cr indicator
- Currency
- CCY (Currency)
- Amount in contract CCY
- Amount in local currency
- All the overrides that were given for an event will also be displayed

Click 'Exit' or 'Cancel' to go back to the screen from where you invoked the Accounting Entries screen.

6.4.2 <u>Viewing Advices Applicable to Contract</u>

Click 'Message' from the View Events screen to view the list of advices applicable to a particular event in the lifecycle of the Islamic LC.

The following details of a message are displayed:

- The message type
- The Name and ID of the recipient of the message and
- The status of the message

To view the text of a message, highlight the message and click on the 'Message' button. Click 'Exit' or 'Cancel' to exit the screen.

ORACLE

6.5 Capturing MIS Details

Click 'MIS' button to invoke the following screen.

Refer the MIS User Manual for further details on capturing MIS details.

6.6 Defining Commission

Besides the Islamic LC amount, the other components of an Islamic LC include the commissions that you collect and the charges that you levy on the parties involved in an Islamic LC.

While defining Accounting Roles for a product you must specify the internal accounts that should be picked up when commissions are collected and when charges are levied.

For an Islamic LC having the operation code 'Reimbursement', you will not be able to save commission related details. While saving the contract, the system will display an error message if you enter details in the 'ICCF screen'.

While creating or amending an authorized contract, you can modify the percentage of commission to be charged. Enter the rate and click 'Re-compute' button to recalculate the commission percentage to be charged.

The details of the commissions that can be collected and the procedure of making them applicable to the Islamic LC you are processing has been detailed in the chapter Processing Commissions in the Modularity User Manual.

6.7 Defining Charge Details

Click 'Charges' button to invoke the following screen.

Refer the Charges and Fees User Manual under Modularity for further details about this screen.

6.8 <u>Specifying Tax Details</u>

Click 'Tax' button to invoke the following screen.

Refer the Tax User Manual under Modularity for further details on tax processing.

6.9 <u>Maintaining Collateral Details</u>

Islamic LCs that are issued or confirmed is often processed with cash collateral. In cases like a in a Guarantee, you may even take a 100% cash collateral. This is when an applicant is not a customer of your bank and the credit worthiness of the applicant is not known. Details of such cash collateral can be maintained in the Islamic LC Contract - Collateral Details screen. To invoke this screen, click 'Collateral' in the Islamic LC Contract Details screen. The Islamic LC Collateral Details screen is displayed.

The cash collateral percentage is defined for the product under which an Islamic LC is processed. This percentage is picked up by default for the Islamic LC being processed.

6.9.1.1 Specifying Value of the Cash Collateral

The value of collateral can be expressed either as an amount or as a percentage of the Islamic LC amount.

Currency

Specify the currency of the collateral.

Percent

If you specify the cash that is to be collected as collateral as a percentage of the Islamic LC amount, the equivalent amount is displayed. This amount is taken to be in the currency, defined as the collateral currency.

Collateral Amount

You can specify the cash collateral as an amount. In this case you do not need to specify a percentage. However if you specified the collateral as a percentage of the Islamic LC amount, the actual amount is computed in the collateral currency by the system.

Exchange Rate

If the collateral currency and the currency in which the Islamic LC is issued are different, you should also specify an exchange rate to be used in the conversion. The value of the collateral is determined based on this exchange rate.

Description

Give a brief description of the collateral.

ORACLE

6.9.1.2 Specifying Adjustment Details for a Collateral

At any time during the lifecycle of an Islamic LC, you may want to increase or decrease the value of the cash, accepted as collateral on Islamic LC. This is done by way of an amendment to the Islamic LC. The cash collateral can be increased or decreased, without changing the Islamic LC amount. On the other hand, a change in the Islamic LC amount may necessitate a change to the collateral amount.

Type

If you wish to increase the collateral amount, indicate 'Increase' on this screen.

If you wish to decrease the collateral amount that you have collected while issuing an Islamic LC, indicate 'Decrease' on this screen.

Amount

Enter the amount by which you want to increase or decrease the cash accepted as collateral. The collateral deposit account will automatically increase or reduce based on the specifications you make.

🛑 If at the time of availment, you want to pay from the collateral account, you can include it in the accounting entries for the event, Availment.

6.10 Linking Contracts to Deposits and Accounts

You can link an Islamic LC contract to deposits and accounts.

Type of linkage	Description
Linking a deposit	The entire Islamic LC amount, or a portion of it, can be linked to a deposit. The outstanding amount in the deposit should always be greater than or equal to the Islamic LC amount. You can link several Islamic LCs to the same deposit, provided sufficient funds are available in the deposit.
Linking an account	You can link the entire contract amount or a portion of it, to a savings or current account that is maintained with you. The available balance in the account should always be equal to or greater than the contract amount that is outstanding. You can link any number of contracts to an account provided a balance greater than or equal to the total outstanding contract amount(s) is available in the account.

The entire contract amount or a portion of it can be linked to any number of deposits or account or to both. From the Islamic LC Contract Details screen, you can invoke the 'Contract Linkages' screen by clicking 'Linkages' button. In this screen, you can specify any account/deposit with you, and indicate the funds that you would like to block.

Specify the following details.

Type

In the Contract Details screen, you can specify the type of linkage. The Islamic LC can be linked to a:

- deposit
- account

Linked To Reference Number/Account

If the Islamic LC is linked to a deposit, you should enter the Reference Number of the deposit. The deposit should be a valid contract in Oracle FLEXCUBE, with a Value Date that is earlier than or the same as the Value Date of the Islamic LC contract. The Maturity Date should be the same as, or later than that of the contract.

If the linkage is with an account, enter the account number to which you are linking the Islamic LC. The account you specify has to be a customer account (a Current account or a Savings Bank account).

Currency

The currency of the deposit or account to which the Islamic LC is linked, is displayed once the linkage details are specified.

Available Amount

The system displays the amount available against the linked contract or account.

Exchange Rate

If the currency of the Islamic LC is different from the currency of the deposit or account to which it is being linked, the mid-rate for the day will be picked from the Exchange Rate table and displayed in the screen.

Coverted Linked Amount

The system displays the coverted linked amount.

Linked Amount

Indicate the contract amount that has to be linked to the deposit or account. This amount can be the entire amount of the Islamic LC or a portion of it. The amount available for linkage, in the specified deposit or account, is arrived at, by taking into account other linkages and the uncollected and unauthorised balance (in the case of an account).

Once the linked amount is specified, the system displays the following values.

Account/Deposit

The system displays the amount linked to each contract or account.

Uncovered Amount

The system displays the contract amount that has not been linked, in the case of a partial linkage.

6.11 <u>Viewing Amended Details of Contract</u>

You can view the changes made in a specific version of an Islamic LC contract. To do this, navigate to the version of the contract that you would like to view in the Contract Details screen. Click 'Change Log' in the vertical array of buttons on the Contract Details screen.

ORACLE

The fields that were modified in the version will be displayed along with the old (inherited) and the changed values.

ORACLE

6.12 <u>Specifying Transfer Details</u>

Click 'Transfer Details' button to invoke the following screen.

Specify the following details.

From Letter of Credit Reference

Specify the destination from which the goods transacted under the Islamic LC should be sent by selecting the appropriate option from the list of values.

To Letter Of Credit Reference

Specify the destination to which the goods transacted under the Islamic LC should be sent by selecting the appropriate option from the list of values.

Transfer Amount

Specify the amount that should be transferred from the original Islamic LC. You can only transfer an amount that is less than or equal to the amount available under the original Islamic LC.

Transfer Date

The system date is displayed as the date of the transfer. This cannot be modified.

Expiry Date

The expiry date is the date up to which the transferred Islamic LC is valid. The expiry date of the original Islamic LC is displayed here. You can modify this, provided that the expiry date is not earlier than the Islamic LC issue date or the system date.

ORACLE

Shipment Date

This is the latest date by which the shipment of the goods specified for the transferred Islamic LC can take place. The latest shipment date of the original Islamic LC is displayed here. You can modify this, provided that the date you enter is neither earlier than the Issue Date of the Islamic LC, nor later than the expiry date.

6.13 Capturing UDF Values

Click 'Fields' button to invoke the following screen.
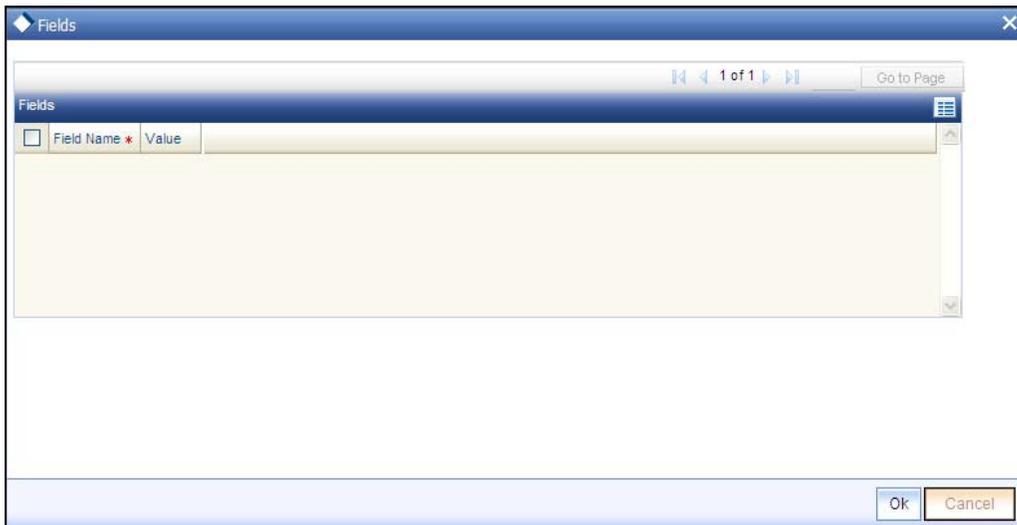
The User Defined Fields (UDFs) maintained for the linked product or function id are displayed here. You can specify values for them.

Refer the User Manual titled 'User Defined Field' for details about defining UDFs.

6.14 Capturing Split Settlement Values

You can capture split settlement details for the contract using the 'Split Details' screen by clicking 'Split Settlements' button in the 'Islamic LC Contract Input' screen.

6.14.1 Basis Details

Amount Tag

The bill amount tag defined for the current event in the contract is displayed here. It is picked up from those defined for the INIT event. You cannot change them.

Currency

The currencies associated with the amount tags (as picked up from the INIT event) are displayed here. You cannot change them.

Basis Amount

The amount for each amount tag (picked up from the INIT event) is displayed here. You cannot change them.

6.14.2 Split Details

Sequence Number

The system generates a running sequence number for each split record. You cannot modify it. The system automatically generates the sequence number on introducing a new split.

Amount Tag

The selected amount tag in the basis details section is displayed here in the split details section. If there are no settlement tags for the event being processed, the system will display an error.

Amount

Specify the split amount for the split amount tag. The sum of amount should not be greater than the basis amount. The system calculates the amount on the basis of the split percentage. You cannot leave this field blank.

Percentage of Proceeds

Specify the split percentage of the Bill Amount for each account. The sum of split amounts should be equal to the total amount specified for the corresponding basis amount tag. You cannot leave this field blank.

ORACLE

Customer

Specify the customer to whom the split amount should be assigned. The adjoining option list displays all the customers maintained in the system. You can select the appropriate one.

Branch

The system displays the branch where the settlement account for the split amount tag resides. The adjoining option list displays all the valid branches in the system. You can choose the appropriate one.

Account Currency

The settlement account currency for the split amount tag is defaulted based on the settlement account chosen. You cannot change it.

Account

Select a valid account for the specified settlement account branch, from the option list.

Finance Account

Check this box if you want the split amount to be booked as a finance. The split settlement amount entered as the Finance Amount is used to create the finance contract. You can select more than one Account as Finance account. This is enabled only for settlement tags BILL_LIQ_AMT or BILL_LIQ_AMTEQ.

Exchange Rate

If the basis amount currency is different from the settlement account currency, you need to specify the exchange rate that should be used for conversion

6.15 <u>Specifying Finance Preference</u>

From the 'Islamic LC Contract Input' screen, click 'Finance Preference' button. The 'Finance Preference' screen is displayed.

ORACLE

In this screen, you can maintain the details for the finance.

Contact Reference

The system displays the contract reference number.

Contract Currency

The system will display the local currency of the Branch in which the finance is initiated. You cannot change this value.

Tenor

Here you need to indicate the tenor for each finance being maintained. The tenor is expressed in days. The minimum/maximum tenor specified in the finance product underlying the contract has to be adhered to.

Line

This is the credit line against which the finance is issued to the customer. The adjoining option list displays a list of GL codes maintained in the GL Module. Highlight the line you want to assign to this finance and click 'Ok' button to select the line.

Rate

Select the rate to be applied for the conversion. The options available are Buy rate, Mid Rate or the Sell Rate.

ORACLE

Rate Code

The rate code will be used to pick up the exchange rate. The rate codes maintained through the 'Standard Rate Code Maintenance' screen will be available for selection in the option list provided. Select the appropriate rate code for the finance.

Middle Rate

Select the rate to be applied for conversion. The options available are Middle rate and Buy/Sell Rate.

Exchange Rate

The Exchange Rate will be picked from the exchange rate table and displayed, by default.

Rate Type

The Rate Type indicates whether the rate to be applied for the conversion is the Buy rate, Mid Rate or the Sell Rate. Select the appropriate rate type from the drop down list.

Finance Value Date

The system will display the debit value date. However, you can amend this field.

For tracking the receivable from the current date, the system will create the finance one day prior to the debit value date and liquidate on the debit value date. In such cases, you can specify the finance value date as 1 day prior to the debit value date, so that, the system will create the finance (having 1 day as tenor) as of that date and will mature on the debit value date.

Maturity Date

The system computes the maturity date based on loan tenor and displays it here. However, you can change it.

Credit Product Account

Specify the credit settlement account of the loan.

Debit Product Account

Specify the debit settlement account of the loan.

Debit Account Branch

Specify the branch where the debit settlement account used for the loan resides.

Credit Account Branch

Specify the branch where the credit settlement account used for the loan resides.

Maturity Account

You should specify the settlement account for the finance. You can choose a valid account number from the list of values that is available.

Event Sequence Number

The system displays the event sequence number.

Customer

The system displays the contract customer ID.

Customer Name

The system displays the contract customer name.

Currency Description

The system displays the description of the currency.

Units

Specify the units in which the tenor is specified.

6.15.1 Indicating Preferences for the Profit Components

Component

The component gets defaulted from the BC product level.

Description

The description for the component also gets defaulted from the product level.

Rate Type

You can indicate the profit rate type that is to be picked up and applied to the finance contracts involving the product. The options available for the rate type are:

- Fixed
- Floating
- Special

Choose the appropriate option from the drop down list.

Rate Code

Profit of the contract is computed on the basis of the Rate code associated with it. This field is enabled only if you have opted for 'Floating' rate type for the finance.

ORACLE

Basis

The profit basis indicates the method in which the tenor for profit has to be calculated, if their application is tenor based.

It could be one of the following:

- (Euro)/360
- (US)/360
- Actual/360
- (Euro)/365
- (US)/365
- Actual/365
- (Euro)/Actual
- (US)/Actual
- Actual/Actual

The Profit Basis defined for the product involved in the contract will be displayed. You can change it here to suit the bill you are processing.

The minimum/maximum rate specified in the finance product underlying the contract has to be adhered to.

Rate

In case you choose the rate type as Fixed, you can specify the rate that is to be used for computing the profit of the contract.

Usage

The usage indicates the time at which the rate change has to be applied to the finance contract in case the profit is floating rate type. The options available are:

- Auto - rate change is triggered automatically when the rate associated with a rate code changes.
- Periodic – rate change is triggered at pre-defined dates.

Spread

You have to indicate the spread that can be applied on the floating rate.

Amount

In the case of 'Special' rate type, the profit component is expressed as an amount and not as a rate. This amount should be specified when the finance is liquidated.

When a new finance contract is created the following accounting entries are passed:

ORACLE

Event Code	Dr/Cr Indicator	Accounting Role	Amount Tag
DSBR	DR	FINANCE ASSET GL	PRINCIPAL
DSBR	CR	BRIDGE GL	PRINCIPAL

If a bill contract is booked with 'Advance by Finance' option is not checked at the contract level, then the following accounting entries are passed:

Event Code	Dr/Cr Indicator	Accounting Role	Amount Tag
LIQD	DR	BC CUSTOMER	BILL_AMOUNT (or) BILL_AMT_EQUIV
LIQD	CR	NOSTRO	BILL_AMOUNT (or) BILL_AMT_EQUIV

If a bill contract is booked with 'Advance by Finance' option is checked at the contract level, then the following accounting entries are passed:

Event Code	Dr/Cr Indicator	Accounting Role	Amount Tag
LIQD	DR	BRIDGE GL	BILL_LIQ_AMT (or) BILL_LIQ_AMTEQ
LIQD	CR	NOSTRO	BILL_LIQ_AMT (or) BILL_LIQ_AMTEQ

When a finance is booked against a bill the event 'BLNK- Bill Linkage to Finance' is triggered. There will be no advice or accounting entries passed for this event. If the finance linked with the bill is reversed then the event 'BLRV- Bill Linkage reversal to Finance' is triggered. You cannot reverse a bill if there is a Finance linked to the bill that has not been reversed. Once the finance is reversed you will be allowed to reverse the bill.

ORACLE

6.16 <u>Viewing Deferred Profit Component Values</u>
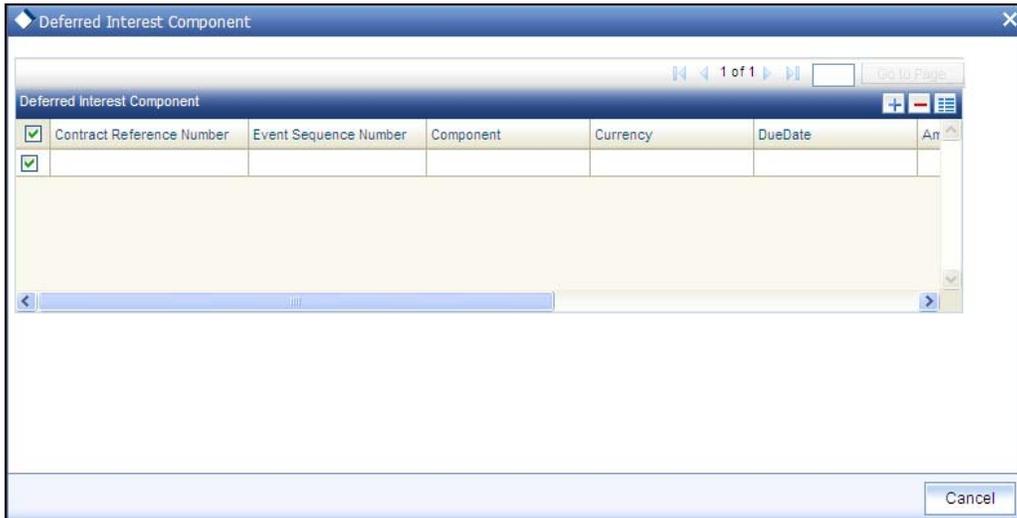
The system displays the following details:

- Contract Reference Number
- Event Sequence Number
- Component
- Currency
- Due Date
- Amount Due
- Amount Paid
- Status
- Liquidation Date

ORACLE

7. Making an Availment

7.1 Introduction

On receipt of the bills or on notification from the negotiating bank, you can record an availment under an Islamic Letter of Credit (Islamic LC). The availment on an Islamic LC Contract can be made only upto the Maximum Islamic LC amount, specified in the Contract screen.

Once an availment is recorded, the current availability under the Islamic LC will be reduced and the outstanding liability updated automatically. It will be reduced by the availment amount.

When an availment is recorded and there is cash collateral outstanding against the Islamic LC, invoke the cash collateral screen and specify the amount of cash collateral to be released.

7.1.1 Invoking the Islamic LC Contract Availment Screen

You can invoke 'Islamic LC Availment Input' screen by typing 'LIDAVMNT ' in the field at the top right corner of the Application tool bar and clicking the adjoining arrow button. Click on 'New' icon from the tollbar, from the Actions menu or 'New' icon in the toolbar.

At the Contract Reference field, you can fetch the Islamic LC Contract on which you want to do an availment by either executing a query or through the option list available for the field. If you pick it up through the option list then press <F8> after you get the Islamic LC Contract on which you want to make the availment.

Specify the following details:

ORACLE

Contract Reference

Specify or select the contract reference number from the option list provided. Click 'P' button.

The following contract details will be displayed:

- Event
- Event Description
- Issue Date
- Expiry Date
- Counter Party
- Amount
- Related Reference Number
- User Reference
- Source Reference
- Latest Version No
- Currency
- Liability

7.1.1.1 Specifying Availment Details for an Islamic LC

In this section specify the following details:

Value Date

An availment can be made either as of a date in the past or today. By default, the system displays the current date. You can change it to a date in the past.

Availment Type

You can specify the type of availment to be recorded under the Islamic LC. The availment can be of the following types:

- Payment
- Acceptance
- Negotiation

If the entry to this field does not adhere to the conditions specified above you will be prompted for an override.

ORACLE

Availment Amount

You can specify the amount being availed under the Islamic LC, in this screen. The availment amount that you specify cannot be greater than the Outstanding Islamic LC Amount displayed in this screen. Partial amounts can be availed against an Islamic LC. The availment thus need not always be the amount available under the Islamic LC.

After an availment is made on an Islamic LC, the Islamic LC amount is automatically reduced. The Islamic LC amount after the availment is displayed in the Outstanding Islamic LC Amount field of the Islamic LC Contract screen.

Liability Amount

The Liability Amount refers to the customer's liability to the bank. For an availment you can specify the amount that should be reduced, from the Outstanding Liability amount.

The Outstanding Liability amount can be reduced by an amount that is greater or less than the amount currently being availed. By default, the availment amount specified in the Availment Amount field will be defaulted here.

The liability amount that you specify should not result in the Outstanding Liability Amount being less than the Outstanding Islamic LC Amount. If the values entered as the Availment Amount and the Liability Amount result in the liability amount being less than the Islamic LC amount, an error message will be flashed. The message will prompt you to re-enter values to the relevant fields.

Internal Remarks

Click the adjoining icon and enter information about the availment in the window that pops up. This information is intended for the internal reference of your bank. These remarks will be displayed when the details of the availment are retrieved or printed. However, this information will not be printed on any correspondence with the customer

Event Sequence Number

The system displays the event sequence number. This indicates a number corresponding to the number of events forn which the operation has been performed.

The Islamic LC Contract Availment screen consists of a header, with details of the Islamic LC on which you are processing the availment, fields that capture details specific to the availment and footer.

Also displayed is a horizontal array of seven buttons. These buttons invoke the various functions necessary to make an availment on an Islamic LC.

The buttons have been briefly described below:

Advices	Click this button to define the advices that will be generated for the availment.
Commission	This button invokes the Commissions service.
Charges	This button invokes the Charges and fees service.

ORACLE

	The chapter titled Processing Charges on Islamic LCs details the procedure of maintaining charge rules. It also deals with the application of the scheme on an availment.
Tax	This button invokes the availment tax services. The tax details applicable for the availment will be shown and you can choose to waive it, if necessary. The chapter titled Processing Tax for Islamic LCs details the procedure of maintaining tax rules and schemes. It also deals with the linking and application of the scheme on an availment.
Settlement	Click on this button to invoke the Settlement screens. You can specify settlement details for the availment like: the accounts to be used for the availment message details party details Based on the details that you enter in the settlement screens, the availment will be settled. The details of these screens have been discussed under the head Maintaining Settlement Instructions in this chapter.
Collateral	In the screen corresponding to this button, you can specify the adjustments that you want to make, on the cash collected as collateral.
Event	Click on this button to view the details of the events and accounting entries that an availment entails. This icon also gives the details of other events on the Islamic LC.

Enter valid inputs into all the mandatory fields before you save the availment. Save the contract by either clicking on 'Save' icon in the toolbar or selecting Save from the Actions menu.

On saving the availment, your User Id will be displayed in the 'Entry By' field at the bottom of the screen. The date and time at which you saved the record will be displayed in the 'Date Time' field.

A user bearing a different User ID should authorize an availment that you have entered, before the EOD is run. The ID of the user who authorized the availment will be displayed in the 'Auth By' field. The date and time at which the availment has been authorized will be displayed in the 'Date Time' field.

The current status of the Islamic LC contract on which you are processing the availment, is also displayed in the field 'Contract Status'. The field will display one of the following:

- Active

- Closed

- Reversed

- Cancelled

- Hold

7.1.1.2 Islamic LC Liability Reversal

When an Islamic LC is availed using a Bill (or using the Availment function from the Browser), the Availment Amount and the Liability Percentage specified for the underlying Islamic LC contract, will be used in computing the default Liability Amount. The default value that is displayed can be changed.

The following example illustrates this.

Example

You have specified the following details for an Islamic LC instrument.

Islamic LC Amount	1,000,000
Positive Tolerance	10%
Liability Percentage	5%
Islamic LC Liability Amount	100,000 + 10% (100,000) + 5% (100,000) = 115,000

When you avail this Islamic LC to a tune of 200,000, the Liability Amount will default as follows:

Islamic LC Amount	200,000
Liability Amount	200,000 + 5% (200,000) = 210,000

Note that during availment, the Positive Tolerance Percentage specified for the Islamic LC is not taken into account to compute the default value of the Liability Amount.

7.1.2 Specifying Cash Collateral Details for an Availment

If the Islamic LC that you are processing has been backed by cash collateral, you can specify the cash collateral to be released as a result of the availment.

By default, the collateral amount proportional to the amount availed will be adjusted automatically. This default amount can be reduced or increased.

ORACLE

Click on 'Collateral' button from the Islamic LC Contract Availment screen to invoke the 'Collateral Details' screen.

The following are the features of the 'Collateral Details' screen.

Amount

You can increase the collateral amount that is calculated by default. Choose Increase option and enter the amount by which the cash collateral should be increased.

7.1.2.1 Decreasing the Cash Collateral Amount

You can decrease the collateral amount that is calculated by default. Choose the Decrease option and enter the amount by which the cash collateral should be decreased.

If you are adjusting the collateral against an availment, you should have defined the appropriate accounting entries for the event code AVAL.

Not invoking the Cash Collateral screen during the availment session will mean that you do not want to adjust the collateral. This would be so even if you have defined the accounting entries for availment reduction. An override to this effect will be displayed when you save the availment.

7.1.3 Maintaining Settlement Instructions for an Availment

So far, we have discussed basic information about an availment on an Islamic LC that is captured through the Islamic LC Contract Availment screen.

Apart from the details of the accounts involved in the availment, you may have to capture the following party details for messaging requirements.

ORACLE®

The default settlement instructions for the customer will be shown in the Settlement Accounts screen. You can modify them. The accounts involved could be the settlement account for the availment amount, charges and tax, if they are applicable.

7.1.4 Invoking the Settlement Screens

Settlement Instructions are captured through the 'Settlement Message Details' screen. To invoke this screen, click on 'Settlement' button in the 'Islamic LC Contract Availment' screen.

The following information can be captured:

- Account details - details about the accounts involved in the availment that have to be either debited or credited in your branch

- Message details - details about the output of the Islamic LC, instrument or message details

- Party details - details about the various parties involved in the transfer, to be a part of the message generated

ORACLE®

7.1.5 Capturing Account Details

Click on the tab titled Account Details to specify the details of the accounts involved in the availment. The accounts and amount involved in the Debit and Credit legs of the accounting entry, for the availment amount will be displayed in the 'Account Details' screen. These details cannot be changed here. If a change is necessary, the same would have to be specified in the Islamic LC Contract Availment screen.

The other details shown in this screen are the:

- Component and its currency
- Payment account and its currency
- Branch of your bank to which the account belongs
- Account Currency
- Description
- Original Exchange Rate
- Exchange rate (in case the component currency is different from the account currency)
- Spread Definition
- ERI Amount (Euro Related Information)
- ERI Currency
- Generate Message
- Netting Indicator
- IBAN Account Number
- Negotiated Cost Rate
- Negotiation Reference Number

Please note that when settling charges for an Islamic LC or a guarantee, you can use a Receivable Account instead of a Customer Account. In such a case, you can send a charge claim advice to the customer.

Furnishing the ERI Value in Messages

SWIFT messages (MT 100/MT 202) generated towards settlement, can furnish the value of the settlement amount in the settlement account currency and in the ERI currency.

If you choose to furnish the ERI value of the amount, you have to enter the ERI currency and the ERI Amount in the 'Settlement Message Details' screen:

The system defaults to the ERI currency specified for the customer and currency combination. The default ERI currency can be changed. The ERI amount will be validated against the Tolerance Limit, specified for the ERI currency.

ORACLE

STOP On 1 January 1999, eleven countries that are part of the European Union embarked on the first phase of economic integration, called the 'Economic and Monetary Union' (EMU). The EMU ushered in a new, single European currency: the Euro (EUR). The Euro, in Oracle FLEXCUBE, can be handled by capturing information such as the ERI details, in this screen.

Suppressing Messages

Settlement messages, defined for components that fall due, will be generated automatically when you the Settlement Generation function at the End of Day. To suppress the generation of the settlement message defined for a component, uncheck the Gen Message field of the 'Contract Settlement Message Details' screen.

The Debit/Credit Indicator

The default settlement instructions for the customer will be shown in the Settlement Accounts screen. The default can be modified.

The direction of settlement indicates whether the account being shown, will be debited or credited:

- P - Indicates Pay, meaning that the account should be credited

- R - Indicates Receive, meaning that the account should be debited

7.1.6 Capturing Message Details for the Availment

A Letter of Credit can be settled either in the form of an instrument or a Message (a SWIFT, TELEX or Mail message to be sent to the concerned party). The details regarding the instrument or message have to be specified in the 'Message Details' screen.

The message details that you specify in this screen are applicable only for SWIFT type of SWIFT message that is generated depends on the parties involved in the Islamic LC.

ORACLE®

Based on the method of settling the Islamic LC, you should input either Instrument or Message details.

7.1.6.1 Specifying Instrument Details

In this section specify the following details:

Type

If the payment is through an instrument, indicate the type of instrument. It could be Manager's Check, Check or a Demand Draft.

Number

Specify the number that will identify the instrument. This number will be printed on the instrument.

If the settlement is through an instrument, the party details cannot be specified for the transfer.

Typically, an Islamic LC availment entails the debiting or crediting of the customer account, for the settlement amount. If the customer is being credited (in the case of your customer being the beneficiary, of the availment,) you may want to generate an instrument.

7.1.6.2 Specifying Message Details

For a SWIFT message, you have to specify:

- Whether a Cover has to be sent to the Reimbursement Bank, along with the payment message to the receiver

- Bank to bank payment details (these can be in the form of instructions or additional information to any of the parties involved in the transfer)

- Sender to Receiver information. The 72 tag will be used to specify the sender to receiver information. This tag is applicable to MT740 message type

7.1.7 Capturing Party Details

To PROCESS an availment on an Islamic LC, the funds may have to pass through a series of banks, before it actually reaches the Ultimate Beneficiary.

ORACLE

Through the Parties screen you can capture details of all the parties that are involved in the transfer of funds.

The details you enter in these screens depend on the type of Islamic LC being processed.

7.1.7.1 Specifying Intermediary Reimbursement Institution Details

An Intermediary Reimbursement Institution is the financial institution between the Sender's Correspondent and the Receiver's Correspondence. The reimbursement of the funds will take place through this institution.

7.1.7.2 Specifying Intermediary Details

The Intermediary in an Islamic LC refers to the financial institution, between the Receiver and the Account With Institution through which the funds must pass.

The Intermediary may be a branch or affiliate of the Receiver or the account with Institution or an altogether different financial institution. This field corresponds to field 56a of SWIFT

Here you can enter either the:

- ISO Bank Identifier Code of the bank

- Name and address of the Bank

7.1.7.3 Specifying Receiver's Correspondent Details

The Receiver's Correspondent is the branch of the Receiver or another financial institution, at which the funds will be made available to the Receiver. This field corresponds to field 54a of SWIFT You can enter one of the following:

- ISO Bank Identifier Code of the bank

ORACLE®

- The branch of the Receiver's Correspondent

- Name and address of the Receiver's Correspondent

7.1.7.4 Specifying Account With Institution Details

An Account With Institution refers to the financial institution at which the ordering party requests the Beneficiary to be paid. The 'Account With Institution' may be a branch or affiliate of the Receiver, or of the Intermediary, or of the Beneficiary Institution, or an entirely different financial institution. This field corresponds to field 57a of SWIFT.

You can enter one of the following:

- ISO Bank Identifier Code of the bank

- The branch of the Receiver's Correspondent

- Name and address of the Receiver's Correspondent

- Other identification codes (for example, account number)

7.1.7.5 Specifying Ordering Institution Details

The Ordering Institution is the financial Institution that is acting on behalf of itself, or a customer, to initiate the transaction. This field corresponds to 52a of SWIFT.

In this field, you can enter one of the following:

- The ISO Bank Identifier Code of the Ordering Institution

- The branch or city of the Ordering Institution

- The Name and address of the Bank

ORACLE

7.1.7.6 Specifying Ordering Customer Details

The Ordering Customer refers to the customer ordering the transfer. Here you can enter the name and address or the account number of the Customer, ordering the transaction. This field corresponds to field 50 of SWIFT. You will be allowed to enter details in this field only if you have initiated a customer transfer (MT 100 and MT 102).

7.1.7.7 Specifying Beneficiary Institution Details

In this field you can enter details of the institution in favour of which the payment is made. It is in reality the bank that services the account of the Ultimate Beneficiary. This field corresponds to field 58a of SWIFT

Entries into this field are permitted only for Bank Transfers (when the remitter and beneficiary of the transfer are financial institutions - MT 100 or MT 202). Here you can enter either of the following:

- The ISO Bank Identifier Code of the Beneficiary Institution

- The Name and Address of the Beneficiary Institution

7.1.7.8 Specifying Ultimate Beneficiary Details

The Ultimate Beneficiary refers to the Customer to whom the availment amount is to be paid. This field refers to field 59 of SWIFT Entries into this field are permitted only for a customer transfer (MT 100 and MT 202).

The number of banks involved in the transfer would therefore depend on the following:

- Relationships and arrangements between the sending and receiving banks

- Customer instructions

- Location of parties

- The banking regulations of a country

ORACLE

7.1.8 Clearing Details Tab

Click 'Clearing Details' tab to invoke the following screen.

Specify the following details.

Bank Operation Code

Select the bank operation code that should be inserted in field 23B of an MT103 message, from the adjoining drop-down list. The list contains the following codes:

- SPRI
- SSTD
- SPAY
- CRED

This specification is defaulted from the settlement instructions maintained for the customer, currency, product, branch and module combination. However, you can change it.

Transaction Code

The transaction code maintained in the settlement instructions is defaulted here. However, you can change the code.

Regulatory Report 1 to 3

Select the Regulatory Reporting Details from the drop-down list displaying the following values:

- /BENEFRES/
- /ORDERRES/

ORACLE®

Time Indicator 1 to 3

Time Indication, specifies one or several time indication(s) related to the processing of the payment instruction. Select the time indication code from the following values available in the option list:

- /CLSTIME/ - Time by which funding payment must be credited, with confirmation, to the CLS Bank's account at the central bank, expressed in CET.

- /RNCTIME/ - Time at which a TARGET payment has been credited at the receiving central bank, expressed in CET

- /SNDTIME/ - Time at which a TARGET payment has been debited at the sending central bank, expressed in CET

Instruction Code 1 to 5

Select the instruction code that should be inserted in field 23E of an MT103 message involving the customer of the contract, from the adjoining drop-down list. This list contains the following codes:

- CHQB
- TELE
- PHON
- PHOI
- REPA
- INTC
- TELI
- SDVA
- PHOB
- TELB
- HOLD
- CORT
- BONL

This specification is defaulted from the settlement instructions maintained for the customer, currency, product, branch and module combination. However, you can change it.

Description

Specify additional information that should be inserted to qualify the Instruction Code in field 23E of an MT103 message involving the customer of the contract. For instance, if the Instruction Code is REPA and the description is "Repayment" then the text 'REPA/Repayment' will be inserted in Field 23E. You can give a description for the following instruction codes only:

- PHON

ORACLE

- PHOB

- PHOI

- TELE

- TELB

- TELI

- HOLD

- REPA

This specification is defaulted from the settlement instructions maintained for the customer, currency, product branch and module combination. However, you can change it.

Envelope Contents 1 to 5

Specify details of envelope contents, if required.

7.1.8.1 Local Clearing Tab

Click 'Local Clearing' tab to invoke the following screen.

Specify the following details.

Message Details

Specify the following details.

Ultimate Bank Code

Specify the bank code where the ultimate beneficiary account rests.

Sender Receiver Participant

Specify the sender receiver participant name.

Additional Identifier

Specify the additional identifier.

Sorbnet Specific Details

Specify the following details.

Payment Code

Specify the Sorbnet payment code.

Additional Information

Specify additional information if required.

ZUS Transaction

Specify the following details.

Nip Payer

Specify the Nip payer.

Payer Identifier

Specify the payer identifier.

Declaration

Give a declaration for the payment.

Supplement Identification

Select the supplement identification from the adjoining drop-down list.

Payment Type

Select the payment type from the drop-down list.

Number of Declaration

Specify the number of declaration.

ORACLE

Sender Receiver Information 1 to 6

Include any message that the sender wishes to pass on to the receiver as part of the funds transfer.

Free Text 1 to 3

Specify the free text for settlement messages.

Additional Information 1 to 4

Specify additional information for settlement messages.

Receiver Information

Specify the following details.

Receiver Name

Specify the name of the receiver.

Address 1 to 3

Specify the receiver's address.

Repair Reason 1 to 4

Specify the repair reason.

7.1.9 Viewing Advice Details

Click 'Advices' button and invoke the 'Contact Advices' screen.

You can view advices generated for the contract during availment.

ORACLE

7.1.10 Specifying Charge Details

Click 'Charges' button and invoke the 'Charge Detail' screen.

Refer the Charges and Fees User Manual under Modularity for further details about charge maintenance.

7.1.11 Specifying Commission Details

Click 'Commission' button and invoke the 'Commission Details' screen.

Refer the Commission User Manual under Modularity for further details about commissions processing.

7.1.12 Specifying Tax Details

Click 'Tax' button and invoke the 'Tax Details' screen.

ORACLE®

Refer the Tax User Manual under Modularity for further details about tax processing.

7.1.13 Reversal of an Availment

You can reverse the last availment made on an Islamic LC. All availment made on the Islamic LC will be displayed. You can select the last availment performed on the Islamic LC for reversal.

To reverse the details of an Islamic LC, select Reverse from the Actions Menu or click on 'Reverse' icon in the tool bar. On reversing an availment on an Islamic LC, the system passes reversal entries for the availment.

🛑 An availment can be reversed, only if it was the last event that took place on the Islamic LC contract.

Reversal of Islamic LC Liability

When an Islamic LC is availed using a Bill (or using the Availment function from the browser), the Availment Amount and the Liability Percentage specified for the underlying Islamic LC contract will be used in computing the default Liability Amount. This default value can be changed.

The following example illustrates this.

Example

You have specified the following details for an Islamic LC instrument.

Islamic LC Amount	**1,000,000**
Positive Tolerance	10%
Liability Percentage	5%
Islamic LC Liability Amount	100,000 + 10% (100,000) + 5% (100,000) = 115,000

When you avail this Islamic LC to a tune of 200,000, the Liability Amount will default as follows:

Islamic LC Amount	**200,000**
Liability Amount	200,000 + 5% (200,000) = 210,000

🛑 Note that during availment, the Positive Tolerance Percentage specified for the Islamic LC is not taken into account to compute the default value of the Liability Amount.

7.1.14 Viewing Event Details

Click on 'Event' button in the 'LC Availment' screen, to go to the 'LC View Events' screen.

The details of events that have taken place on the contract including the last availment, that you are have just entered will be displayed.

ORACLE®

The date on which the event took place will also be displayed.
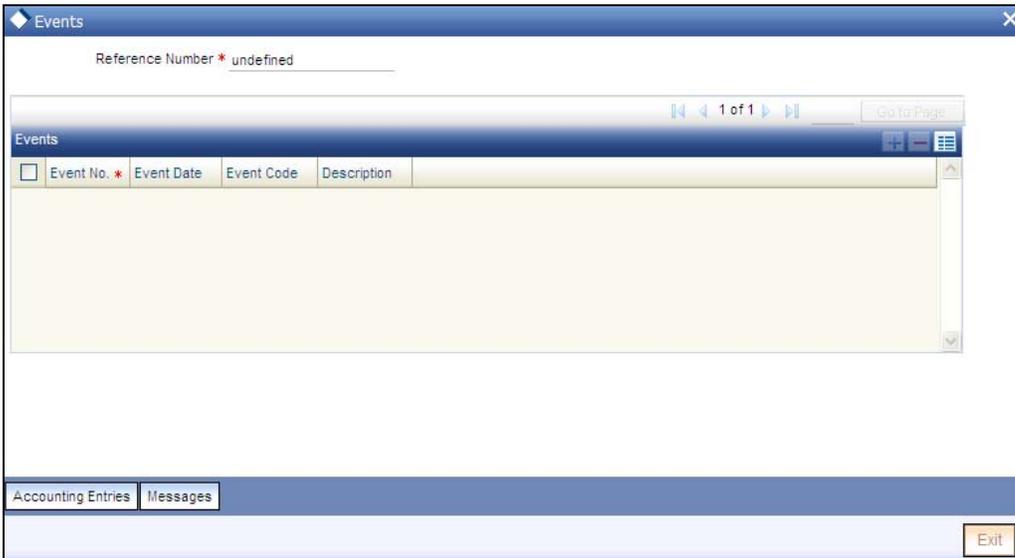
Click on 'Accounting Entries' button to view the accounting entries for the event. Click on 'Exit' to go back to the 'LC Contract Detailed View' screen.

7.1.15 Accounting Entries

In the 'Contract View Events' screen, you need to click 'Accounting Entries' button to view the Accounting Entries for the event. You can view the details of the accounting entries that were passed only for the event displayed in the availment - View Events screen.
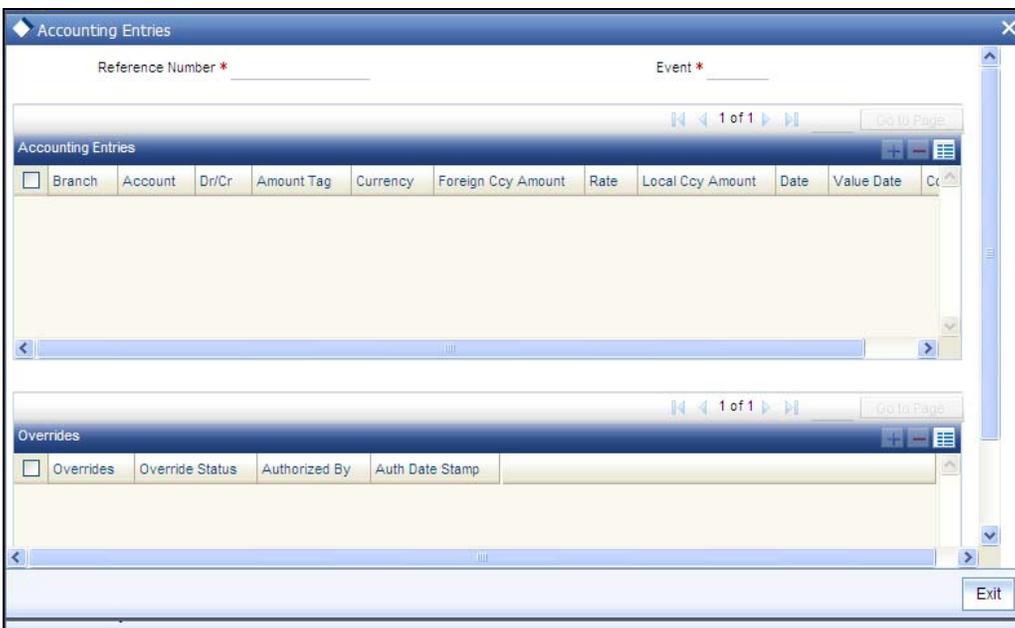
ORACLE®

The following information is provided for each event:

- Branch
- Account
- Transaction Code
- Booking Date
- Value Date
- Dr/Cr indicator
- Currency
- CCY (Currency)
- Amount in contract CCY
- Amount in local currency
- All the overrides that were allowed for an event will also be displayed

Click on 'Exit' button to go back to the screen from where you invoked the Accounting Entries screen.

ORACLE

8. Amending Details of an Islamic LC

8.1 Introduction

An amendment to an Islamic Letter of Credit (Islamic LC) signifies any change made to the terms of an Islamic LC after it has been authorised. An amendment can be made at anytime after an Islamic LC has been authorised and before its expiry date.

The following are some examples when you would amend the details of an Islamic LC:

- You, as the issuing bank, have received an application from your customer to change the terms of the Islamic LC

- You as the advising bank have received instructions from the issuing bank to amend an Islamic LC advised by you

8.2 Procedure for Amending an Islamic LC

While in the detailed view of the Islamic LC, select Unlock from the Actions menu or click 🔓 on the toolbar. All the details entered for the Islamic LC will be displayed. You can amend the details of the contract depending on whether:

- The Islamic LC has been authorized

- The Islamic LC has not been authorised even once after it was input

Depending on the authorisation status of an Islamic LC contract, you can amend its details as follows:

- When you have captured the details of a contract and it is not yet authorized, its attributes, financial as well as non-financial, can be changed, even if the details have been saved. If accounting entries are involved in the change, the old entries are deleted and new ones passed.

- Once a contract has been authorised, additional entries will be passed, depending on the nature of amendment.

For each amendment, a new version of the Islamic LC will be generated. Different versions of the Islamic LC will also be generated by events like reinstatement and reopening. In the 'Contract Detailed View screen, you can view the different versions by clicking on back button for the previous version and forward button on the screen for the next one.

When a customer requests for changes in the terms of the contract, the details of the Islamic LC are amended accordingly and an amendment instrument is generated. The amendment of the following details of an Islamic LC, result in the generation of an amendment instrument:

- An amendment in the Islamic LC amount

- An amendment in the expiry date

- A change in the latest shipment date

- Any change to the free format instructions for the Islamic LC

ORACLE

If there are changes in the terms of the Islamic LC other than IN the amount, the expiry date or latest shipment date, indicate the same in the form of a free format instruction, for the amendment instrument.

In case of amendment, you have the option to reissue the Guarantee. If you choose to do so, the REIS (Reissue of Guarantee) event will be triggered.

The system checks for any previous amendment. In case no amendment has been performed, the system displays the message:

<div align="center" style="color:red">Do you want to Reissue the Guarantee?</div>

Click on **OK** to reissue the Guarantee or click on **Cancel** to process the amendment of Guarantee.

The system checks if REIS event is maintained for the product. If the event is maintained, the system does not allow any further change in the Islamic LC contract details apart from FFT fields, which can be modified/added but you cannot delete the existing data.

The system creates a new version for the Reissue event and the event inherits all the contract information defined for the authorized BISS event. The version also inherits the information from the subsystem excluding Charges and Commission. No commission is associated with the Reissue event and charges can be maintained for the REIS event, which is processed along with the reissue event.

When the Reissue event is authorized, the advices maintained in the REIS event are processed.

8.2.1 <u>Indicating a Change of Value for a Field</u>

When the Islamic LC amount is being changed, the new amount of the Islamic LC should be indicated after the amendment.

Example

The original Islamic LC amount was USD 100,000 and you want to make it USD 150,000. In the Islamic LC amount field, during amendment, enter the amount as USD 150,000. The system will calculate the increase in amount and pass the appropriate entries. The Islamic LC amendment instrument will have both the old and new values.

The original Islamic LC amount was USD 100,000 and you want to change it to USD 75,000. In the Islamic LC amount field, during amendment, enter the amount as USD 75,000. The system will calculate the decrease in amount and pass the appropriate entries. The Islamic LC amendment instrument will have both the old and new values.

When you are changing the expiry date or the latest shipment date, you should enter the new date in their respective fields.

8.2.2 <u>Commission and Charges for the Amendment</u>

While amending the details of an Islamic LC, you can specify the commissions and charges that you want to levy for processing the amendment. These will be effective from the date of amendment. It will not affect the booking commission in any way.

Refer to the chapter Commission calculation for details on how commission is calculated, for an amendment.

8.2.3 Amendment of an Unauthorized Islamic LC

The amendment of an unauthorised Islamic LC is considered as a modification. When an Islamic LC that you have entered is not yet authorized, you can change all its details except the details in the header (contract reference number, the product and type of operation). To change any detail on an Islamic LC that has been stored and not authorised, delete the Islamic LC and input a new one.

After amending the details of the unauthorised Islamic LC, save the contract with the new information. On saving the amendment, all the accounting entries that were passed during the input of the contract and the earlier accounting entries specified for the Islamic LC, will be deleted. A fresh set of accounting entries will be passed for the amended Islamic LC contract.

As the advices to be generated for an Islamic LC, are generated only at the time of authorisation, no action needs to be taken regarding messages.

The system will not allow you to amend the following fields in the 'Islamic LC Contract' screen:

- Their Reference Number for Party Types ABK, BEN, COB and ISB (in the 'Parties' tab)
- Issue Date (in the 'Main' tab)
- Expiry Date (in the 'Main' tab)
- Islamic LC Amount (in the 'Main' tab)
- Positive and Negative Tolerance (in the 'Main' tab)
- Additional Amount Covered message (in the 'Others' tab)
- Shipment From (in the 'Ship/Docs' tab)
- Shipment To (in the 'Ship/Docs' tab)
- Port of Loading (in the 'Ship/Docs' tab)
- Port of Discharge (in the 'Ship/Docs' tab)
- Latest date of shipment (in the 'Ship/Docs' tab)
- Shipment period (in the 'Ship/Docs' tab)
- Sender to receiver information (in the 'Parties' tab)

However, you can amend the above fields in the 'Amendment Confirmation' screen. This screen is explained in the following section.

8.3 Confirming Islamic LC Amendment

The option to amend these fields is also available in the 'Islamic LC Amendment Confirmation Input' screen. However, the amendments will become effective only upon receiving the confirmation from the beneficiary.

ORACLE®

You can invoke this screen by typing 'LIDAMEND' in the field at the top right corner of the Application tool bar and clicking on the adjoining arrow button. The screen will be displayed without any details, as shown below:

Click new icon in the toolbar of the screen or select 'New' from the Actions menu in the Application toolbar.

Contract Reference Number

Select the reference number of the contract to be amended from the option list provided. This option list will display all contracts that are authorized.

Upon selection of the contract, the following details will be displayed in editable mode:

- Currency – The contract currency

- Version Number

- Contract Amount - The amount that is availed under the Islamic LC

- Issue Date - The date on which the Islamic LC is issued. You cannot specify a future date here

- Expiry Date - The date on which the Islamic LC is scheduled to expire

- Closure Date – This the date Islamic LC is scheduled to be closed. You can modify this particular value.

- Additional Amounts Covered - This indicates the value to be carried in field 39C of the SWIFT messages MT700 and MT740

- Increase Decrease of Islamic LC Amount - A display field which indicates the amount of Islamic LC increased or decreased, as the case may be

ORACLE®

- Latest Shipment Date - The last date by which the shipment of the goods has to take place. This date should not be earlier than the Issue Date of the Islamic LC or later than the expiry date

- Shipment Period - The extension of the shipping period. You can enter the Shipment Period only if you have not specified the Latest Shipment Date

- Port of Loading – The port from where the goods transacted under the Islamic LC will be loaded

- Port of Discharge – The destination port to which the goods transacted under Islamic LC should be sent

- From Place - The place from where goods are to be dispatched or transported

- To Place - The final destination to which goods are to be transported/delivered

- Positive Tolerance % - The percentage that is to be added to the Islamic LC amount to arrive at the Maximum Islamic LC amount

- Negative Tolerance % - The percentage that should be subtracted from the Islamic LC amount

- Party details in the 'Parties' tab of the screen – You can amend 'Their Reference Number' and the 'Dated' fields values only.

- Free Format Text details in the 'FFT' tab of the screen

Make the necessary amendments. Save the changes. To save, click save icon in the toolbar of the screen or select 'Save' from the Actions menu.

The system will update the following details in the audit trail of the screen:

- Input By – Your login id

- Date Stamp – The date and time at which you saved the contract

- Amendment Status – The status will always be 'Unconfirmed'

- Auth Status – The status will always be 'Unauthorized'

For details on the amendable fields, refer the chapter 'Processing an Islamic LC contract' in this User Manual.

8.3.1 Authorizing Amendment Details

While saving the amendment details, the amended amount is validated against the product transaction limit and the user input limit maintained in the system. If the amount exceeds the allowed input limit or the product transaction input limit, an appropriate override/error message is displayed.

The system will convert the contract amount using the standard mid rate to the transaction limit currency and check against the transaction limit amount maintained for the product if the contract currency is different from the transaction limit currency.

You have to get a contract authorized by your supervisor. Follow the steps given below to authorize:

1. Click authorise icon in the toolbar of the screen or select 'Authorise' from the Actions menu. The following screen will be displayed:

2. Click 'OK' button to proceed. The system will seek a confirmation for generating the messages. Click 'OK' to proceed.

3. Click 'Cancel' button to return to the 'Amendment Confirmation' screen. The system will display a message to confirm successful authorization of the record. The audit trail of the screen will now display the following details:

   - Checker ID – Login id of the authorizer
   - Checker Dt Stamp - The date and time at which you authorized the contract
   - Auth Status – The status will updated to 'Authorized'

8.3.2 Confirming Amended Details

Once authorized, you will not be allowed to modify these details. The system will provide option for confirming or rejecting the amendment details. To confirm the details, do the following:

1. Click confirm icon in the toolbar of the screen or select 'Confirm' from the Actions menu. The system will display the following override message to proceed:

   Do you want to confirm the record? OK to proceed.

2. Click 'OK' in the message window to proceed. The system will display the following message to confirm the confirmation:

   The Record is successfully confirmed.

3. Click 'OK' in the message window and this takes you the Islamic LC contract online screen. The charges can be waived using this screen. Note that the 'Amnd Status' is updated to 'Confirmed' and the 'Auth Status' is updated to 'Unauthorized' (in the audit trail of the screen).

8.3.3 Amending details using the Contract screen

You can unlock the Islamic LC contract screen after clicking 'OK' in the message window above. The Islamic LC contract online screen is used for modifying details after confirmation of the amendment action. The system creates an amendment on the Islamic LC once the proposed amendment is confirmed. When this amendment is created the confirmation and amendment events are both left in an unauthorized state. This allows unlocking of the Islamic LC contract to make the necessary amendments.

Once the confirmation is saved on the amendment screen, the Islamic LC contract online screen is launched with the data modified, and this can be unlocked and modified, or closed as chosen by the user. These changes are directly made by launching the Islamic LC contract screen. However the amendment can only be deleted by using the amendment screen as described above.

ORACLE

The following Islamic LC contract screen is launched when the amendment is confirmed in the Islamic LC amendment confirmation input screen.

The amendment cannot be deleted using the Islamic LC contract screen, and can only be deleted using the amendment screen as part of the confirmation. This is done by deleting the confirmation using the amendment screen.

Hence the process is carried out as follows:

The amendment is confirmed using the Islamic LC Credit Amendment confirmation screen. It is completed by clicking 'C' and saving the confirmation.

1. The Islamic LC contract screen is launched once the confirmation is saved. This screen contains the details of the amendments done in the confirmation input screen.

2. This screen is unlocked and the details are made available for modification. Subsystem details like charges and commission can be modified or waived as required.

During an auto authorization of Amendment Confirmation, the amendment created by this confirmation is also authorized

8.3.3.1 Authorizing Confirmation

Your supervisor now needs authorize the confirmation to view the changes made. The steps to authorize are given below:

After logging in, invoke the 'Amendment Confirmation' screen and navigate to the record that needs to be authorized.

ORACLE

1. Click authorise icon in the toolbar of the screen. The system will create a new version of the contract and display the details of the contract in the 'Islamic LC Contract' screen, as shown below.

2. After confirming the changes, click save icon in the toolbar of the screen to save the details.

You can delete the amendment if the 'Amnd Status' of the contract is 'Confirmed' but unauthorized.

8.3.4 Rejecting Amended Details

To reject the amendment details, do the following:

1. Click the close icon in the toolbar of the screen. The system will display the following message to confirm the rejection:

2. Are you sure you want to reject the current record?

3. Click 'OK' in the message window to return to the 'Amendment Confirmation' screen. The system will display a message to confirm successful rejection of the record.

4. The 'Amend Status' will be updated to 'Rejected'.

8.3.4.1 Authorizing Rejection

Your supervisor now needs authorize the rejection. The steps to authorize are given below:

1. After logging in, invoke the 'Amendment Confirmation' screen and navigate to the record that needs to be authorized.

2. Click authorize icon in the toolbar of the screen or select 'Authorise' from the Actions menu.

3. In the next screen, click 'OK' icon to proceed. You will return to the 'Amendment Confirmation' screen and the system will display a message to confirm successful authorization of the record.

4. The 'Amnd Status' of the record will be 'Rejected' while the 'Auth Status' will be updated to 'Authorized'.

Note the following:

- If a contract is amended and confirmed, you can amend it again by creating a new amendment record in 'Amendment Confirmation' screen for already amended Islamic LC contracts.

- The system will not allow you to perform any operations on an Islamic LC pending confirmation or rejection.

- The amended details will take effect only after confirmation from the beneficiary.

ORACLE

- If the amendment is rejected, the system will retain the original or the last amended confirmed Islamic LC.

You can amend the same contract several times in 'Amendment Confirmation' screen as long as the amendment is not authorized.

8.4 <u>Operations on Confirmation Record</u>

In addition to the operations discussed above (Save, Authorize, Confirm), you can perform the following operations in the 'Amendment Confirmation' screen:

- New
- Delete
- Close
- Unlock

8.5 <u>Uploading Islamic LC Amendment</u>

While uploading an amendment, the system checks the user reference number in the contract with the external reference number of the incoming message. If a contract exists with the reference number and its status is 'Authorized' and 'Active', then the system will amend it provided the upload action is 'AMND'.

If upload action is 'NEW' and the external reference number exists, the system will display an error message. In case of contract amendment through STP of MT707, the following fields are updated:

- Expiry date (31E field)
- Islamic LC amount (34B field)
- Tolerance details(Negative and positive tolerance) (39A field)
- Liability amount (39B field)
- Additional amounts covered (39C field)
- Shipment from (44A field)
- Shipment to (44B field)
- Latest date of shipment (44C field)
- Shipment period(44D field)
- Issuing bank amendment date(30 field)

Once an amendment is uploaded, the event 'AMND' will be triggered on the Islamic LC contract in the system.

ORACLE

9. Transferring an Islamic LC

9.1 Introduction

In Oracle FLEXCUBE, you can make transfers from an Islamic LC (Islamic LC). This can be done using the 'Islamic LC – Transfer Input' screen. You can invoke this screen by typing ' LIDTRANF' in the field at the top right corner of the Application tool bar and clicking the adjoining arrow button.

Transfer Conditions

While transferring funds from an Islamic LC, you need to note the following conditions:

- The transferred Islamic LC will always be of the same type as the old Islamic LC and will be created under the same product

- The charges applicable to the transfer should be associated with the event TRNF defined for the product

- You can only transfer an amount that is less than or equal to the amount available under the original Islamic LC

- An Import Islamic LC can be transferred only if the Applicant and Beneficiary are customers of your bank

9.1.1.1 Specifying Transfer Details

Indicate the Islamic LC from which you want to effect the transfer. Select a valid Islamic LC Reference from the option list. The manner in which Oracle FLEXCUBE handles a transfer is different for import and export Islamic LCs.

Refer to the title 'A note on transfers made from Import and Export Islamic LCs' for more details.

Transfer Amount

The transfer amount is the amount that should be transferred from the original Islamic LC. You can only transfer an amount that is less than or equal to the amount available under the original Islamic LC.

Expiry Date

The expiry date is the date upto which the transferred Islamic LC is valid. The expiry date of the original Islamic LC is defaulted. You can change the defaulted date. However, the expiry date cannot be earlier than the Islamic LC issue date or today's date.

🛑 In the case of an export Islamic LC, the expiry date can be earlier than today's date to cater to the late receipt of the Islamic LC. However in this case you will be prompted for an override.

Latest Shipment Date

The shipment date is the latest date by which the shipment of the goods specified for the transferred Islamic LC should take place. The latest shipment date of the original Islamic LC is defaulted. You can change the defaulted date. However, the date you enter should not be earlier than the Issue Date of the Islamic LC and later than the expiry date.

If the latest shipping date that you specify for an Islamic LC falls on a holiday in the Islamic LC currency, you will be prompted for an override.

🛑 It is mandatory for you to enter the 'Shipment Date' if you are processing an Import Islamic LC.

Period For Presentation

The period of presentation defined for the product - or calculated for the LC, as the case may be - will be displayed. You can change the default to suit the LC you are processing.

To Ref No

Specify the reference number to which the LC should be transferred.

To User Ref No

Specify the user reference number to which the LC should be transferred.

Transfer Date

Specify the date of transfer.

LC Available Amount

The amount available on the chosen LC is displayed here.

ORACLE

9.1.2 Specifying the Parties Involved in the Transfer

The 'Parties' screen can be used to record details related to the parties involved in the transfer. The documents, tracers and messages that are generated will be sent to all the parties concerned, based on the details you specify in this screen.

The Party Types that can be involved in the transfer of an Islamic LC are the advising Bank and the Beneficiary. You need to indicate the following details for a party type:

- The CIF ID assigned to the party, if the party is defined as a customer in Oracle FLEXCUBE

- The name of the party (It can be 150 characters in length. However, note that only 35 characters will be included in the SWIFT messages that you generate for the transfer)

- The country to which the party belongs

- The mailing address of the party

9.1.3 Specifying Goods, Shipping and Document details for an Islamic LC

Click on the tab titled 'Documents' and specify the following details for a transferred Islamic LC:

- Details of the merchandise traded

- Shipment Details

ORACLE

- The documents and clauses that should accompany the goods

9.1.3.1 Specifying Details of the Documents Applicable to the Transfer

There are some standard documents required under a documentary Islamic LC. In this screen you can specify the documents that are required under the Islamic LC being processed. These details will be a part of the Islamic LC instrument sent to the advising bank, the advice through bank or the beneficiary.

All the documents specified for the product to which the Islamic LC is linked will be defaulted to this screen. The details specified for these documents such as the document type, description, the number of copies required, the number of copies issued, the clauses specified for the document are also defaulted from the product. You can edit the description of the document that is defaulted to suit the Islamic LC you are processing.

You can add to or delete from the list of documents that are defaulted. To add a document for the Islamic LC, click add button. To delete a document that is not required for the Islamic LC, highlight the document code and click on the delete button.

9.1.3.2 Specifying Clauses for a Document

The Clauses associated with the documents that you specified for the transfer are defaulted. When you highlight a document code, all the clauses defined for the document are displayed in the Clauses window. You can add to or delete from the list of clauses that are defaulted.

To add a clause to a document for the Islamic LC, click on the add button. To delete a clause that is not required for the Islamic LC, highlight the Clause code and click on the delete button.

ORACLE®

9.1.3.3 Specifying Shipping Details for an Islamic LC

There are certain standard clauses and conditions, associated with the shipment of the merchandise traded under an Islamic LC.

From

Specify the location from whom the goods transacted under the Islamic LC should be shipped.

To

Specify the destination to which the goods transacted under the Islamic LC should be sent.

Port of Loading

Specify the name of the airport from where the goods transacted under the Islamic LC are loaded for shipping.

Port of Discharge

Specify the name of the destination port to which the goods transacted under Islamic LC should be sent.

You can amend the value of 'Port of Loading' and 'Port of Discharge' after authorization.

- Besides these details, you can also specify shipping preferences like:
  - Should Trans-shipment be allowed under the Islamic LC
  - Should partial shipment of the goods be allowed under the Islamic LC
  - Shipping marks

> ➢ Additional shipment details

9.1.3.4 Specifying Goods Details

Goods Code

You have maintained various codes that have been allotted, for commodities normally traded in your country. Select the applicable code for the Islamic LC you are processing.

Goods Description

Specify the description. The description of this code (which could be 6500 characters long), can be changed to suit the Islamic LC you are processing. You can also enter specifications such as the quality and quantity of the merchandise.

Description for Pre-advice

If pre-advice is one of the advices for the transfer, you should enter the details of the Islamic LC briefly, as a pre-advice description. This will be a part of the pre-advice that is generated.

Typically, a pre-advice is sent by SWIFT or cable and contains brief details of the Islamic LC. This is followed by the Islamic LC instrument will contain all the details of the Islamic LC.

9.1.4 Note on Transfers from Import and Export Islamic LCs

How Transfers from Import LCs are Processed

While transferring an import LC, the original LC is modified to include the additional details of the transferred LC. For instance, the new beneficiary and new advising are added to the existing list of parties.

ORACLE®

In Oracle FLEXCUBE, the transfer made from an LC will be taken as a new event 'TRNF'. Availment made by the new beneficiary against the transferred LC will be tracked against the original LC.

How Transfers from Export LCs are Processed

In the case of an Export LC, a new LC will be opened for each transfer that you make from the original LC. The transfer amount will be taken as the new LC amount.

On authorizing the transfer,

- an availment to the tune of the transferred amount is made against the original LC i.e. the outstanding amount of the Original LC will be reduced by the transfer amount

- a new LC is created based on the transfer details that you specified

The transferred LC will be separated from the original LC. Availment made from the new LC will not affect the outstanding of the Original LC.

9.1.4.1 Processing of Transfers from Import Islamic LCs

While transferring an import Islamic LC, the original Islamic LC is modified to include the additional details of the transferred Islamic LC. For instance, the new beneficiary and new advising are added to the existing list of parties.

In Oracle FLEXCUBE, the transfer made from an Islamic LC will be taken as a new event 'TRNF'. Availment made by the new beneficiary against the transferred Islamic LC will be tracked against the original Islamic LC.

9.1.4.2 Processing of Transfers from Export Islamic LCs

In the case of an Export Islamic LC, a new Islamic LC will be opened for each transfer that you make from the original Islamic LC. The transfer amount will be taken as the new Islamic LC amount.

On authorizing the transfer,

- An availment to the tune of the transferred amount is made against the original Islamic LC i.e. the outstanding amount of the Original Islamic LC will be reduced by the transfer amount and

- A new Islamic LC is created based on the transfer details that you specified

The transferred Islamic LC will be separated from the original Islamic LC. Availment made from the new Islamic LC will not affect the outstanding of the Original Islamic LC.

ORACLE

9.1.5 <u>Viewing Details of the Transfers made to the Islamic LC</u>

Click 'Transfer Details' button from the Islamic LC Contract screen to view details of the transfers that were made from the Islamic LC.
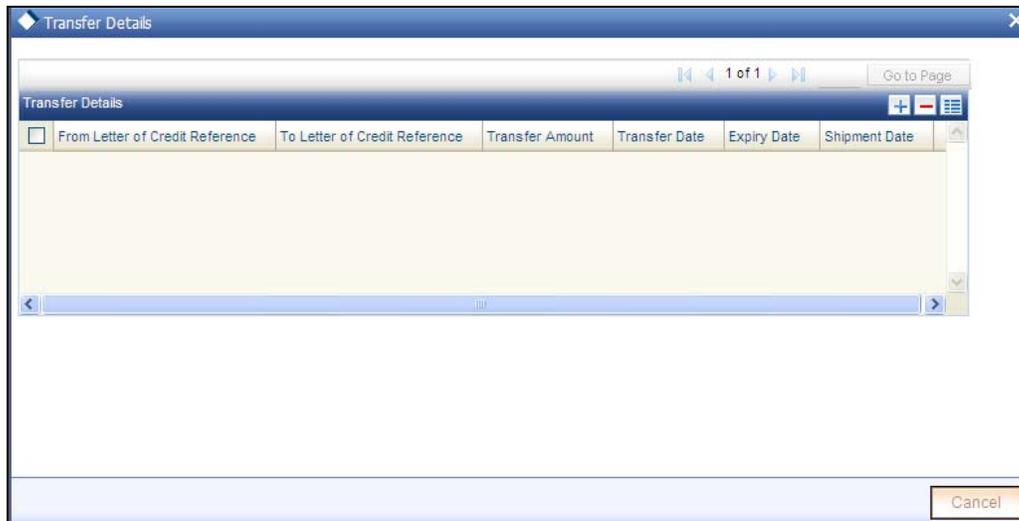
The following transfer details are displayed:

- The Islamic LC from which you are transferring funds
- The transfer amount
- The transfer date
- The expiry date
- The shipment date

Click 'Exit' button to exit the screen. You will return to the 'Islamic LC Contract' screen.

ORACLE®

10. Liquidation of Receivable Components

10.1 Introduction

Whenever you have to collect a component (typically for a commission or charge, or under certain circumstances the availment amount or the collateral amount), you debit it from the customer's account. On some occasions, you may have to debit it from an internal receivable GL, to be debited from the customer account at a later date.

The debiting of the receivable account happens at the event for which the commission or charge has to be collected (issue of an Islamic LC, amendment of an Islamic LC, availment against an Islamic LC, etc.). When the customer account has to be debited at a later date, you have to perform, what is termed as receivable liquidation.

There are two related functions associated with liquidation:

- A batch process that reverses the liquidated receivable components, for a contract that is reversed during the day (the LQ EOTI function)

- A batch process that generates the charge and commission claim advice to the party on behalf of whom a charge or commission was debited, from a receivable account during the day (the LQ EOD function)

10.1.1 Invoking the Receivable Liquidation Screen

You can invoke 'Receivable Liquidation Input' screen by typing 'LQDDLIQ' in the field at the top right corner of the Application tool bar and clicking the adjoining arrow button.

Through this screen you can:

- Liquidate the components of an Islamic LC that have been put in a receivable account

- Reverse the liquidation of a receivable component

ORACLE®

10.1.2 Liquidating the Receivable Components of an Islamic LC

Once you enter the reference number of the Islamic LC in the Receivable Liquidation screen, the system automatically assigns a unique liquidation reference number to the component you are liquidating. Besides this, the following details of the Islamic LC are picked up and displayed:

- The counterparty (customer) code

- The Value Date of the Islamic LC

- The account to which the liquidated amount should be credited

- The currency of the receivable account

- The branch to which the account belongs

- The total outstanding amount for the component as of the value date (the date on which the payment is being made)

- Details of the tracers that were generated thus far for the outstanding component

- The Status of the Islamic LC

You can specify the following details for the Liquidation:

- The account that should be debited for the liquidation amount

- The branch to which the account belongs

- The currency of the account

- If the component currency and the currency of the account to be debited for the liquidated amount are different, you can indicate the exchange rate to be used in the conversion. By default, the exchange rate specified for the product under which the Islamic LC is processed, will be displayed. You can change this and the changed rate should be within the variance limit specified for the product.

The outstanding components of an Islamic LC are displayed for each event. To liquidate an outstanding component, choose **Liquidate** from the 'Processing' submenu of the Actions menu or click 'Processing' on the tool bar.

After the liquidation of an outstanding component, if there are other outstanding components for the event, the system will inform you of them and prompt you to liquidate them as well.

10.1.3 Manual Liquidation of Receivable Components for the Islamic LC

In order to perform manual liquidation of transferable charge and/or commission components to an Islamic LC, invoke the 'Islamic LC Deferred Liquidation' screen.

You can invoke this screen by typing 'LIDEPMNT' in the field at the top right corner of the Application tool bar and clicking the adjoining arrow button.

The outstanding commission and charge components can be liquidated using this manual liquidation screen.

During manual liquidation, you can opt to waive the receivable charge / commission amounts. No backdated value dates are allowed during manual liquidation of these components.

Reference Number

This displays the reference number of the Islamic LC being liquidated.

Contract Amount

This displays the total contract amount.

Contract Currency

This displays the currency of the contract.

Customer

This displays the customer information.

Value Date

The value date is defaulted to the application date and the same cannot be modified.

Total Paid

This displays the total amount to be paid against liquidation of the Islamic LC.

10.1.3.1 Specifying Payment Breakup Details

The total amount due for the commission and charge components till date is displayed by the system during payment as the payment breakup, inclusive of the details of each component.

Upon complete liquidation of the component, the system updates the status of the component from Receivable to Liquidated. The amount liquidated is also updated in the receivable component details.

The accounting entries maintained in 'MLIQ' event are passed for the amount paid.

10.1.3.2 Waiver of Components during Manual Liquidation of Islamic LC Charges

During manual liquidation of charges the system allows waiver of certain components. When the waiver option is selected, the system defaults the amount paid as the amount due and does not allow modification of the same for the component.

Upon waiver, the system marks the component in the Islamic LC as liquidated, internally. Waivers are processed in the system as a new event initiated along with the MLIQ event.

10.1.4 Specifying Details of the Advices for the Liquidation

The advices that can be generated for the events that occur during the life cycle of an Islamic LC are defined for the product involved in the Islamic LC. In this screen, you can specify the advices that should be generated to the parties concerned, indicating that you have liquidated a receivable component of the Islamic LC.

The details of two advices are shown in this screen:

- Charge Claim Advice

- Debit Advice

The Charge Claim Advice will, be generated at EOD; on the day the receivable account is debited. This is the event for which a charge is attached or a commission liquidation event (Event Code CLIQ). Its details whether it was suppressed during the event, the medium through which it was transmitted and the date on which it was generated will be displayed. This is for information purposes only.

The Debit Advice is generated when the receivable components of the Islamic LC are liquidated. You can suppress the generation of the advice or change the media and priority when you are processing the liquidation.

Suppress

By default, all the advices defined for the product involved in the Islamic LC will be generated. If you do not want to generate a specific advice, you can suppress its generation by indicating so.

Priority

Priority applies to the advices that need to be sent, through media like S.W.I.F.T. or TELEX. By default, the priority of all advices is marked as normal. Advices can be prioritized to one of the following options:

- Normal

- Medium

- High

Medium

It is mandatory to also specify the medium through which an advice is to be transmitted. An advice can be transmitted through Telex, Mail, S.W.I.F.T or any other media that you have defined in your branch. You can select the appropriate medium code from the option list.

In addition, the details for the Charge Commission Tracer are also displayed. This tracer is generated after the event has taken place till the component is liquidated. These details are for information only. They are defaulted from the product under which an Islamic LC is processed.

10.1.4.1 Accounting Entries Passed During Account Receivable Liquidation

Example

Your customer, Mr. Sam Brown has requested you to issue an Islamic LC on 01, Jan'98. You have debited a receivable account since Mr. Brown's account does not have the necessary balance to pay the commission.

On 30, Jan'98 Mr. Brown pays the commission that was due on 01, Jan'98. When you liquidate the commission component of the Islamic LC you will have to debit Mr. Brown's account and credit your debited receivable account.

The accounting entries passed on 01, Jan'98 (the date commission was due)

Dr	Commission Receivable Account
Cr	Income Account

On Liquidation the following entries are passed:

Dr	Mr. Sam Brown's account
Cr	Commission Income account

10.1.5 Reversing Liquidation Entries

You can reverse the authorised accounting entries that were passed, when you liquidated a receivable outstanding component of an Islamic LC.

ORACLE

You can reverse the accounting entries, passed for the liquidation of an outstanding component of an Islamic LC, through the Receivable Liquidation screen. Specify the Contract Reference Number of the Islamic LC. All the outstanding components of an Islamic LC that were paid from a receivable account will be displayed. Query the component whose liquidation entries you want to reverse. Choose Reverse from the Processing sub-menu of the Actions Menu or click on the tool bar.

The system will prompt you to indicate whether you want to reverse the liquidation entries passed for the outstanding component or make the component outstanding again.

If you indicate that the entries should be reversed, the accounting entries that were passed earlier will be reversed. However, you will not be able to liquidate the component at a future date.

If you indicate that the component should be made outstanding, the accounting entries that were passed earlier will be reversed and the component will become outstanding again. The component can be liquidated later on.

10.1.6 End of Day Processing for Receivable Components

The following End of Day processing is done for receivable components:

- A batch process that reverses, the liquidated receivable components, for a contract that is reversed during the day (the LQ EOTI function). This function should be defined as a mandatory program in the pre-EOC stage.

- A batch process that generates the charge and commission claim advice to the party on behalf of whom a charge or commission was debited, from a receivable account during the day (the LQ EOD function). This function should be defined as a mandatory program in the EOC stage.

10.1.7 LQ EOTI Function

There are some occasions when you have to reverse a contract on which a receivable component has been liquidated. The following is an example:

Example

You issue an Islamic LC for Gem Granites on 01 January 1998, for which the charges and commission was debited from a receivable account. On 05 January 1998, you liquidate the commission from the customer's account.

Thereafter, say on 07 January 1998, you reverse the Islamic LC. All the entries for the Islamic LC that were passed when the Islamic LC was stored (including the entries passed into the receivable account) will be reversed. However, the entries that were passed to liquidate the commission from the customer's account (which was subsequently done through the liquidation function) will not be reversed. This entry will be reversed by the LQ EOTI of 07 January 1998.

ORACLE®

10.1.8 LQ EOD Function

A charge claim advice informs the concerned party, about a component that is outstanding against them. This advice will be generated on the day an Islamic LC is booked or when any subsequent amendment for the Islamic LC is stored and authorized. The generation of this advice is done by the LQ EOD function.

The advices are put in the Outgoing Messaging Browser by this function. You should generate them from the browser.

10.1.9 Report on Outstanding Items

This report lists all the outstanding items (including both commissions and charges), which have been debited to a GL account, which is normally the accounts receivable ledger and are marked as outstanding.

10.1.10 Invoking this Report

This report is available in the Application Browser under LQ (indicating liquidation).

10.1.11 Contents of the Report

The report is sorted on the basis of currency and listed in the serial order of the receivable account, under the currency.

As the sequence of this report is by the receivable account, an Islamic LC may be reported in more than one place. i.e., different charges and commission items for the same Islamic LC were booked to different general ledgers.

This report highlights the details for the collection or the payment of the outstanding amount, so that the required action may be taken.

The report contains the following information:

Fields	Description
Party CIF ID	This is the ID assigned to the customer in the Customer Information File (CIF) of the Core Services module of Oracle FLEXCUBE.
Party Name	The short name of the Customer maintained in Islamic LC will be printed. For all credits opened at your branch, the name of the applicant is printed here. For those credits which have been advised or confirmed (i.e., the original operation was advise, advise and confirm, or confirm) the name of the beneficiary bank is printed at this field.
Party Type	This is the party type assigned to the customer, in the Parties screen.

ORACLE®

Fields	Description
Ac CCY	This is the currency of the outstanding component.
Module	The outstanding component belongs to this module. It could be Islamic LC for Letters of Credit or IBC for Bills and Collections.
Contract Ref No	This is the reference number of the contract whose outstanding components are due.
Event Code	This is the event for which the outstanding component should have been paid.
Booking Date	This is the date on which the event took place, when the component was booked to a receivable account.
Receivable Ac Code	This is the receivable GL that has been debited for the component.
Ac Branch	This is the account to which the receivable account belongs.
Amount	This is the amount of the outstanding component that is to be received from the customer.
Value Date	The Value Date of the transaction that involved the component being put in the receivable account.
Amount Tag	The Amount Tag of the component that was involved in the transaction.
Description	This is the name given to the component. It could be Issue Commission, Amendment SWIFT charge, etc.

ORACLE

11. Credit Limit Tracking for an Islamic LC

11.1 Introduction

When you issue an import Islamic Letter of Credit (Islamic LC) or advise and confirm an export Islamic LC, you would track your liability against the party on behalf of whom you are undertaking a liability. For an import Islamic LC, you would track the exposure against the applicant while for an export Islamic LC that you confirm; you would do so for the issuing bank.

In Oracle FLEXCUBE, credit limit tracking is done using credit lines allotted to a customer. The credit line allotted to the party against whom you want to track your liability, should be indicated while you capture the details of an Islamic LC. In the case of an amendment, from advice of an export Islamic LC to advice and confirm, you can indicate the credit line during the amendment also.

You can specify Central Liability details for an Islamic LC, in the 'Islamic LC Contract Party details' screen. To invoke this screen, you have to click on the 'Parties' tab from the Contract screen.

The amount that is tracked will be the Islamic LC Liability Amount. It is arrived at as follows:

Liability Amount = Maximum Islamic LC Amount + Liability % of the Islamic LC amount

In the case of an Islamic LC revolving in time, the liability amount will be calculated taking into account all the scheduled reinstatements.

11.1.1 Specifying whether Limit Tracking is Required

Every credit-seeking customer of your bank is assigned a credit limit under a Credit Line.

Check against the credit limit tracking option, to indicate that the Islamic LC liability amount should be tracked against the credit limit assigned to the customer. Leave it unchecked to indicate you do not wish to track the Islamic LC liability amount against the credit limit assigned to any of the parties involved in the Islamic LC.

11.1.2 Indicating the Customer against Whom the Islamic LC Liability Amount is Tracked

Party Type

You would have already captured the details about the different parties involved in the Islamic LC. For each party type (APP, ABK, ISB, etc.), you would have specified the details of the party.

While specifying credit limit tracking details, you have to just indicate the party type against whom you want to track the credit limit. The party details are picked up by default.

ORACLE

The CIF ID of the Party

When you specify a party type against whose credit limits you wish to track the Islamic LC amount the CIF ID assigned to the party is automatically picked up and displayed.

11.1.3 <u>Specifying the Limit Tracking Tenor</u>

While maintaining the preferences for the contract, you can specify whether you want to track the limits based on Islamic LC tenor or the Max Draft tenor (Usance period). For this you need to indicate your preference by selecting the appropriate checkbox.

🛑 The credit lines are displayed depending upon the preferences specified at the time of creating the line. E.g. Products allowed, branch allowed etc.

For all the contracts, you can change your preference for limits tracking before or after authorization. However every time you change the tenor type you need to select a credit line again. Subsequently, tracking will be done for the new tenor and credit line.

11.1.4 <u>Indicating the Credit Line for Liability Amount Tracking</u>

You have to specify the credit line of the party against which the Islamic LC liability amount has to be tracked.

If more than one credit line has been defined for the party, only those credit lines whose restrictions are in line with that of the Islamic LC will be displayed. The restrictions could be one of the following:

- Tenor
- Product
- Branch
- Currency

In addition, the expiry date of the line should be before the Issue Date of the Islamic LC.

🛑 When you enter an Islamic LC for a customer, and choose a line, the cash collateral percentage defined for the customer and line will default. If you have not defined the cash collateral percentage for a customer and a line, the cash collateral percent defined for the product will default to the Islamic LC Contract. You can change this default value to suit the Islamic LC you are processing.

ORACLE®

12. Automatic Processes

12.1 Introduction

The following processes relating to Islamic Letters of Credit (Islamic LC) can be made automatic:

- Automatic closure

- Automatic calculation of periodic commission

- Automatic liquidation of periodic commission

- Automatic reinstatement of the Islamic LC amount

- Automatic accrual of commissions

- Generation of tracers

The events that are to take place automatically are triggered off during the Batch Process. The batch process is an automatic function, run as a mandatory Beginning of Day (BOD) and End of Day (EOD) process. During EOD, the batch process should be run after End of Transaction Input (EOTI) has been marked for the day, but before End of Financial Input (EOFI) has been marked for the day. The tracer generation function should be run after end-of-financial-input (EOFI) has been marked for the day.

You should maintain the Islamic LC EOD function as a mandatory batch process, once as a BOD and the next as a Pre-EOC program. It is maintained in the EOC mandatory programs table of the Core Services module. The tracer generation function should also be defined as a mandatory EOD function.

The contracts that will be processed by the batch processes depend on the definition in the 'Branch Parameters' screen.

12.2 Maintaining Branch Parameters

The set of rules that govern the Islamic LCs processed through the Islamic LC module, in a particular branch of your bank, is defined in the 'Branch Parameters' screen.

You can invoke 'Letters of Credit Branch Parameters Maintenance screen by typing 'LCDBRPRM' in the field at the top right corner of the Application tool bar and clicking the adjoining arrow button.

ORACLE

12.2.1.1 Specifying the Branch Details

In this section specify the following details:

Branch Code

Select the branch code from the option list provided. You can maintain branch parameters only from the respective branches. When you select branch code from the option list, the description of the same is defaulted in the field below.

🛑 At the head office level you can alter branch parameters of other branches also.

12.2.1.2 Specifying Batch Processing Details

The events, for which you had indicated automatic processing, are triggered off during the Batch Process. You can specify preferences for the automatic events that fall on a holiday, in the Branch Parameters screen. In addition, you can also specify the level at which accrual entries should be passed, for Islamic LCs in your branch.

You can capture the following preferences here:

Accrual Entries Level

At the time of creating a product, you have specified

- Whether accrual of Commission is allowed for the product

- The frequency with which the accrual entries should be passed

- The accounting entries that should be passed for the accrual event

ORACLE®

An Islamic LC will inherit the accrual frequency defined for the product under which it is processed.

In the Branch Parameters screen, you indicate the level at which the accrual entries have to be passed. The level can be:

- Product
- Contract

If you indicate that automatic accrual should be done at the product level, a single entry for all the Islamic LCs, for which commission was accrued automatically, will be passed. This helps reduce the time taken to pass individual entries.

If you indicate that the automatic commission accrual process should pass accrual entries at the contract level, accrual entries will be passed for each Islamic LC for which commission was accrued automatically.

Example

You have created a product - INL1 to cater to incoming Islamic LCs. The product has the following characteristics:

- Commission is collected in advance.
- Commission has to be accrued every month.

The accounting entries during commission accrual (defined for the event ACCR) are as follows:

Accounting Role	Accounting Head	Amount Item	Dr/Cr
COMMISSION_RIA	COMLI01	Commission	Dr
COMMISSION_INC	COMINC01	Commission	Cr

You have entered the following contracts using the product INL1:

Contract	Tenor	Commission	1st accrual amount
Contract 1	3 months	US $300	$100.00
Contract 2	6 months	US $500	$83.33
Contract3	12 months	US $1000	$83.33

The accounts into which the accrual entries should be passed for each of these contracts are the same as they are linked to the same product.

Accrual Entries Level - Product

If you indicate that the automatic commission accrual process should pass accrual entries at the product level, a single accrual entry of US 266.66, for all the Islamic LCs will be passed.

ORACLE®

Accrual Entries Level - Contract

If you indicate that the automatic commission accrual process should pass accrual entries at the contract level, three accounting entries will be passed.

The Accrual Control List will give you the details of the accruals done for every contract, even if the entries were passed at the product level. Thus, you will have the information about the amount accrued for each contract.

Process Till Next Working Day – 1

If you indicate that the processing has to be done up to the Next Working Day - 1, all the automatic events falling due on the holiday will be processed by the batch process, as part of the EOD on the last working day, before the holiday.

You have the option to specify, that the Batch process should process automatic events falling due on a holiday.

The same can be processed on either of the following ways:

- Next Working Day - 1

- Upto System Date

If you indicate that processing has to be done only upto the System Date, then only the events scheduled for today (the last working day before the holiday) will be processed. The events falling due on the holiday are processed by the batch process, as part of the BOD process, the first working day after the holiday.

Example

The current branch date is 20 March 1998. On 21 March 1998, which is a holiday, the following automatic events fall due:

- The automatic closure of an Islamic LC

- Automatic reinstatement of the Islamic LC amount

- Automatic accrual of commission and charges

Next working day - 1

If you specify that the processing should be done on the last working day - 1, the above events will be processed on March 20, as part of the batch process run at End of Day.

System date

If you specify that the processing should be done only upto the system date, then the events scheduled for 21 March 1998, will be processed as part of the Batch Process run as part of Beginning of Day on 22 March 1998.

User Reference Number in Messages

If you wish to display the user reference number in the advices that are generated for a contract, select the 'User Reference Number in Messages' option. All the advices generated at your branch will display the appropriate user reference number.

ORACLE®

⬤ You can specify a format for the generation of the User Reference Number in the 'Sequence Generation' screen available in the Application Browser. Refer to the Core Services User Manual for details on maintaining a sequence format.

Validate Claiming Bank

Check this box to indicate that the claiming bank needs to be validated.

Discrepancy Notice Period

Discrepancies are likely to be found while processing Incoming or Outgoing bills under Islamic LCs. You can specify a period within which the discrepancy details should be added to the bills. This period will be calculated from the date of presentation of the bills (which is typically the booking date of the bill) to the issuing bank/confirming bank.

The system will display an override if the discrepancies are added to the bills (in the 'Bills – Contract Details' screen) after the discrepancy notice period.

For details on processing a bills contract, refer the 'Processing Bills' chapter of the BC (Bills and Collections) User Manual.

12.3 <u>Invoking the Batch Process</u>

Batches are run automatically. In the mandatory programs, all batches whichever are required will be maintained in sequence and that is triggered automatically as based on the maintenance in the 'Mandatory Batch Program Maintenance' screen. You can invoke this screen by typing 'EIDMANPR' in the field at the top right corner of the Application tool bar and clicking the adjoining arrow button.

ORACLE®

Module

Choose the module code from the adjoining option list.

Function Identification

Choose the function ID of batch that you wish to run. The adjoining option list displays all batch processes available for the module.

Select the appropriate one.

You can configure the batch to be run at various stages of day like EOD, EOTI etc.

For further details about this screen, refer the chapter 'Setting- up Mandatory Programs for EOD' in the AEOD User Manual.

12.3.1 Automatic Events Executed During Beginning of Day (BOD)

The Batch program when run as part of BOD processes the following events:

- Automatic liquidation of periodic commissions
- Automatic Reinstatement of an Islamic LC
- Calculation of periodic commission

12.3.2 Automatic Liquidation of Periodic Commission

The periodic commission components of an Islamic LC will be automatically liquidated, if the commission components fall due on or before the current system date.

ORACLE

As a part of BOD, this function liquidates the commission components of the Islamic LC contracts, whose commission liquidation date is between the last working date and the current processing date.

The commission components that are liquidated by this function are posted to the accounts specified, in the settlements screen of the Islamic LC. This may be a customer's account or a receivable account.

On liquidation of the commission components of an Islamic LC by the function:

- The necessary tax related entries associated with the liquidation will be passed

- The necessary debit advices will be generated

- The relevant accounting entries will be passed. Typically they would be

If collected in arrears:

Role	Role Description	Amount Tag	Dr/ Cr
COMM_CUST_ACC	Customer account	Commission	Dr
CENC	Commission Earned Not Collected	Commission	Cr

If collected in advance:

Role	Role Description	Amount Tag	Dr/ Cr
COMM_CUST_ACC	Customer account	Accrual amount	Dr
COMM_RIA	Commission Received in Advance	Accrual amount	Cr

As a part of EOD, this function liquidates the commission components of all the Islamic LC contracts, for which commission liquidation date falls between the current processing date and the next working date.

If the next working day happens to fall in the next month, this function will pick up only those contracts whose commission liquidation date, falls within the current processing month.

The following reports will be generated when the commission components of the Islamic LC, are automatically liquidated:

- An activity report, which lists the contracts whose commission components were liquidated

- A report on the exceptions that were encountered during the liquidation of the commission components like account closed, no funds in the account, etc.

12.3.3 Automatic Reinstatement of an Islamic LC

All Islamic LC contracts, for which you had specified automatic reinstatement, will be reinstated when the batch process for the day, is run as part of BOD.

ORACLE®

The revolving details specified for the Islamic LC, in the Contract Main screen, are used to reinstate the contracts. The reinstatement is done subject to the Maximum Liability and the Maximum Islamic LC Amount allowed for the contract. The unutilized credit is removed from the contingent entries for non-cumulative Islamic LCs.

For Islamic LCs that revolve in time, the Islamic LC Amount and the Maximum Liability Amount is reset based on the frequency of reinstatement (the value of frequency can be either Days or Months depending on the 'Units' you specify for the contract). In the case of an Islamic LC, which revolves in value, the Islamic LC amount is reset when the current availability under the Islamic LC is reduced to zero. Thus, the reinstatement for Islamic LCs which revolve in value is done during beginning of day on the next day. It is done after the availment that makes the current availability to zero is made.

When Islamic LCs are automatically reinstated, the necessary accounting entries and advices specified for the event code REIN (reinstatement), will be passed automatically.

As a part of the BOD process, this function reinstates all the revolving Islamic LCs (specified with automatic reinstatement), which needs to be reinstated. This is determined by two factors:

- Whether the Islamic LC revolves in time and the next revolving date is less than or equal to the current date or

- The Islamic LC revolves in value and the unavailed amount under the Islamic LC, is reduced to zero by the availments that were made.

During EOD, the auto reinstatements scheduled for the next day will be done under the following conditions:

- The next day is a holiday

- You have specified in the Branch Parameters table, that events scheduled for a holiday should be processed, on the working day before the holiday. If the next working day happens to fall in the next month, this function will pick up only Islamic LCs that have their next revolving date within the same month. The processing for such Islamic LCs will be done during BOD on the next working day.

All contracts that were automatically reinstated on a day will appear in the Activity Report for the day. The exceptions encountered during the reinstatement i.e. the contracts, which should have got reinstated, but were not, will figure in the Exception Report.

12.3.4 Processes Run during End of Day (EOD)

The Batch program when run as part of EOD processes the following events:

- Automatic closure of contracts

- Automatic accrual of commissions

12.3.5 Automatic Closure of an Islamic LC

All Islamic LC contracts for which you had specified automatic closure and which are due for closure as of today, will be automatically closed when the batch processes for the day is run. The accounting entries specified for the closure will be passed.

ORACLE®

12.3.6 Automatic Accrual of Commission

When the batch process is run as part of EOD, the commission components of the active (authorized and not yet liquidated) Islamic LC contracts will be accrued. Accrual is usually performed from the last liquidation date to the current date. Since commission is calculated for rounded periods, the final accrual on the expiry date will be for the full rounded period.

When the accrual is done, the relevant accounting entries for the accrued components will be passed. The internal accounts will be updated with the accrual related details.

Typical accounting entries that are passed include:

If collected in arrears

Role	Role description	Role Type	Amount Tag	Debit/ Credit
CENC	Commission earned not collected.	Asset	Accrual amount	Dr
COMM_INC	Commission earned.	P&L	Accrual amount	Cr

If collected in advance

Role	Role description	Role Type	Amount Tag	Debit/ Credit
COMM_RIA	Commission received in advance.	Asset	Accrual amount	Dr
COMM_INC	Commission earned	P&L	Accrual amount	Cr

The level at which accrual entries are passed depends on your definition of branch parameters. To recall, the accrual entries can be configured to be passed either at the contract level or the product level.

Either way, the details of accruals for each contract will be available in the Accrual Control List.

The details of this report, the procedure for generation and the contents are discussed in the chapter on Reports.

12.3.7 Memo Accrual of Commission

The memo accrual function does not generate any accounting entries nor does it mark the contracts as accrued. It only computes the accrual amount as it would be computed for a regular accrual and reports the accrued figures, without updating the accrual and P&L accounts.

The commission accrued by the function, is reported in the Memo Accrual Control report. The content of this report is the same as that of the Accrual Control report.

ORACLE®

12.3.8 <u>Accrual Control Report</u>

The accrual control report lists the Islamic LCs for which accrual entries were passed as of the current date.

12.3.9 <u>Selection Options</u>

You can configure this report to be triggered automatically, as part of the batch processes run at EOD. The report can also be generated at any time in the day from the Reports menu. If the report is generated as part of EOD, the report will by default list the details of the accruals that were made, as of the last accrual date.

You can indicate the date for which, you want details of Islamic LCs for which commission was accrued. You can also indicate the type of accrual for which you want details. The options available are:

Actual

The actual accrual report will contain details of the actual accrual entries that were passed as of the date you have indicated.

Memo

The memo accrual report just gives the details of the accruals due to an Islamic LC, as of a particular date. This will be a projected figure, without the actual accounting entries for accruals being passed. The memo accrual control report can be generated only after you run the memo accrual function.

12.3.10 <u>Contents of the Report</u>

The report options that you select while generating the report are printed at the beginning of the report.

The contents of the report are discussed under the following heads:

Header

The Header carries the title of the Report, information on the user who generated the report, the branch code, the date and time and the page number of the report.

Body of the Report

The report contains the following details:

Contract Ref No	This is the reference number of the Islamic LC to which the accrual details are related.
Component	This is the commission component that has been accrued.
CCY	This is the currency of the commission component.
Current accrued amount	This is the amount that was accrued for the component, on the last accrual date.

ORACLE®

Amount accrued to date accrued amount	This is the total amount that has been accrued, for the component, till date.

12.3.11 Generating Tracers

For an Islamic LC, the following types of tracers can be generated:

- The acknowledgment tracer (sent to the advising bank when an import Islamic LC is issued and an acknowledgment is sought)

- The charge-commission tracer (sent to the party who has to bear the commission or charges for an Islamic LC that has been processed, pending the payment of the charge or commission)

- The confirmation tracer (sent to the confirming bank, seeking a letter of confirmation)

These tracers are generated at a frequency, specified for the Islamic LC. On the day they have to be generated, the EOD processing: Tracer generation function will generate them. This function should be run after the End of Financial Input (EOFI) has been marked for the day.

12.3.12 Intra Day Accruals

The Intra Day Accruals is a batch process that computes accruals for different kinds of investments made by funds. This batch includes processing of fixed asset depreciation. The intraday accruals / depreciation are performed only for those products for which accruals / depreciation cycle is due for the day. In case of inter-fund subscriptions, the system does not calculate the profit for the investing fund. This is an intra day process that is applicable only to fund branches.

Intra Day Accruals work in line with the normal end of day accruals. Intra day accrual will process in the same manner as an End of Day (EOD) batch. In LC module, it is processed based on the branch level accrual parameters.

ORACLE

13. Annexure A - Accounting Entries

13.1 Introduction

This Annexure contains details of the suggested accounting entries that can be set up, for the Islamic Letters of Credit (Islamic LC) module of Oracle FLEXCUBE. The annexure lists details of the suggested accounting entries, event-wise.

13.1.1 Islamic LC Events

The following is an exhaustive list of events that can take place during the lifecycle of an Islamic LC. In the subsequent paragraphs we shall examine the accounting entries for each of the events listed below.

Event Code	Event Description	Remarks
ACCR	Accrual (Of Commission)	All Types
AMND	Amendment	All Types
AOCF	Amendment from open to open and confirm	Import only
AATC	Amendment from Advice to Confirm	Export Only
APAC	Amend - Pre-advice to Adv & confirm	Export Only
APAD	Amendment from Pre-advice to advice	Export Only
AVAL	Availment	Only For Islamic LCs
BADV	Booking Of An Islamic LC With Operation Advise	Export Islamic LC Only
BANC	Booking Of An Islamic LC With Operation Advise And Confirm	Export Islamic LC Only
BCFM	Booking Of An Islamic LC With Operation Confirm	Export Islamic LC Only
BISS	Booking Of An Islamic LC Or Guarantee Issue (Open or Open & Confirm)	Only For Import Islamic LC, Standby Islamic LC, Clean Islamic LC, Shipping Guarantee And Guarantee
BPRE	Booking Of An Islamic LC With Operation Pre-Advise	Export Islamic LC Only
CALC	Periodic commission calculation	All types
CANC	Cancellation of an Islamic LC	All Types

ORACLE

Event Code	Event Description	Remarks
CLIQ	Commission Liquidation	All Types
CLOS	Closure Of An Islamic LC Or Guarantee	All Types
RASN	Re-assign an Islamic LC contract	All types
RAVL	Reversal of Availment	All types
REIN	Reinstating An Islamic LC	Revolving Islamic LCs
ROPN	Reopening Of An Islamic LC	All Types
REVR	Reversal of contract	All types
ROPN	Reopening of an Islamic LC	All types
REIS	Reissue of Guarantee	Guarantee only
MLIQ	Manual Liquidation of Islamic LC commission	
WAIV	Waiver of components during manual liquidation	

Whenever a conversion of currency is involved, the conversion rate used is as follows:

- If the contracts currency is different from the takedown or maturity accounts and neither of them is in the local currency of your branch, the cross rate entered in the contract screen is picked up.

- If the contract currency is different from the contract account and one of them is in the local currency of your branch, the exchange rate is picked up from the currency table maintained in the Core services module of Oracle FLEXCUBE. The FX spread is applied in a way that is favorable to your bank.

13.1.2 Amount Tags

Amount Tag	Description
AVAIL_SET_AMT	Availment amount paid
AVAIL_SET_AMTEQ	Availment amount received
COLL_AMNDAMT	Collateral amend amount Dr.
COLL_AMNDAMT_EQ	Collateral amend amount Cr.
COLLAMT_OS	Outstanding Collateral amount
COLLAMT_OS_EQ	Outstanding Collateral amount

ORACLE

Amount Tag	Description
LC_AMND_AMT	Islamic LC Amendment Amount
LC_OS_AMT	Outstanding Islamic LC amount
LC_REIN_AMT	Outstanding Reinstatement Amount
LIAB_AMND_AMT	Liability Amendment Amount
ADV_LIAB_AMND_AMT	Liability Amendment Amount for advised Islamic LCs
CNF_LIAB_AMND_AMT	Liability Amendment Amount for confirmed Islamic LCs
LIAB_AMT	Liability Amount
LIAB_AVAIL_AMT	Availment Liability Amount
ADV_LIAB_AVAIL_AMT	Availment Liability Amount for advised Islamic LCs
CNF_LIAB_AVAIL_AMT	Availment Liability Amount for confirmed Islamic LCs
LIAB_OS_AMT	Outstanding liability amount
ADV_LIAB_OS_AMT	Outstanding liability amount for advised Islamic LCs
CNF_LIAB_OS_AMT	Outstanding liability amount for confirmed Islamic LCs
LIAB_REIN_AMT	Reinstatement Amount
ADV_LIAB_REIN_AMT	Reinstatement Amount for advised Islamic LCs
CNF_LIAB_REIN_AMT	Reinstatement Amount for confirmed Islamic LCs
R	Receivable Charge
E	Receivable Commission

13.1.3 Accounting Roles

The following is an exhaustive list that contains details of the Accounting Roles that are applicable to the Islamic LCs you can process at your bank.

Accounting Role	Description	Role Type
IL_OCU	Outstanding Credit Unutilized	Contingent Liability

ORACLE

Accounting Role	Description	Role Type
IL_OCU_OFFSET	Unutilized Credit Offset	Contingent Asset
IL_CNF	Confirmation of Islamic LC	Real GL
IL_CNF_OFF	Confirmation of Islamic LC Offset	Real GL
IL_COLL_ACCT	Islamic LC Collateral account	Liability
AVL_DEBIT_ACCT	Availment Debit account	Real / Type 'X'
AVL_CREDIT_ACCT	Availment Credit account	Real / Type 'X'
CHG_CUST_ACC	Customer Accounts	Real/Type 'X'
COMM_CUST_ACC	Customer Accounts	Real/Type 'X'
COLL_CUST_ACC	Customer Accounts	Real/Type 'X'
TAX_CUST_ACC	Customer Accounts	Real/Type 'X'
COMM_INC	Commission Income	Income
COMM_REC	Commission earned not collected	Asset
COMM_PAY	Commission collected in advance	Liability
CHG_INC	Charge Income	Income
CHG_REC	Charge receivable	Asset
CHG_EXP	Charge expense	Expense
CHG_PAY	Charge payable	Liability
TAX_PAY	Tax payable	Liability
TAX_EXP	Tax expense	Expense

13.1.4 Event-Accounting Entries

In this section, we will discuss the suggested accounting entries that should be generated for each event in the life cycle of an Islamic LC.

13.1.5 BISS: Booking of an import Islamic LC

13.1.5.1 Liability

Role	Amount Tag	Debit / Credit
IL_OCU	LIAB_AMT	Dr

Role	Amount Tag	Debit / Credit
IL_OCU_OFFSET	LIAB_AMT	Cr

13.1.5.2 <u>Collateral (If Any)</u>

Role	Amount Tag	Debit / Credit
COLL_CUST_ACC	COLL_AMT_OS	Dr
LC_COLL_ACC	COLL_AMT_OSEQ	Cr
COL_DEPOSIT_ACC	COLL_AVLAMTEQ	Dr
LCCOLL_INT_ACCT	COLL_AVLAMT	Cr

Here, the transfer of the collateral from the customer onto the collateral deposit account/GL is assumed to be done before the booking of the Islamic LC.

13.1.5.3 <u>Charges</u>

Booking (From Customer Account)

Role	Amount Tag	Debit / Credit
CHG_CUST_ACC	CHARGES	Dr
CHG_INC	CHARGES	Cr

Booking (From Receivable Account)

Role	Amount Tag	Debit / Credit
CHG_REC	CHARGES	Dr
CHG_INC	CHARGES	Cr

On Receipt (For booking Under Receivable Account)

Role	Amount Tag	Debit / Credit
CHG_CUST_ACC	CHARGES	Dr
CHG_REC	CHARGES	Cr

13.1.5.4 <u>Commission</u>

In Advance (Non - Accrual - On Booking)

Role	Amount Tag	Debit / Credit
COMM_CUST_ACC	COMMSN	Dr

Role	Amount Tag	Debit / Credit
COMM_INC	COMMSN	Cr

In Advance (Accrual - On Booking)

Role	Amount Tag	Debit / Credit
COMM_CUST_ACC	COMMSN	Dr
COMM_PAY	COMMSN	Cr

In Advance (Month-End Accrual)

Role	Amount Tag	Debit / Credit
COMM_PAY	COMMSN	Dr
COMM_INC	COMMSN	Cr

In Arrears (Non - Accrual - On Booking)

No Entries For Booking

In Arrears (Non - Accrual - On Receipt)

Role	Amount Tag	Debit / Credit
COMM_CUST_ACC	COMMSN	Dr
COMM_INC	COMMSN	Cr

In Arrears (Accrual - On Booking)

No Entries For Booking

In Arrears (Month - End Accrual)

Role	Amount Tag	Debit / Credit
COMM_REC	ACCR_COMMSN	Dr
COMM_INC	ACCR_COMMSN	Cr

In Arrears (On Receipt of Commission)

Role	Amount Tag	Debit / Credit
COMM_CUST_ACC	COMMSN	Dr
COMM_REC	COMMSN	Cr

13.1.6 Accounting Roles for Transfer of Charge & Commission Components from Islamic LC to BC

Here, Islamic LC_COMM component and Islamic LC_CHG component are defined in the Islamic LC product where the Collect Islamic LC Commission in Bills option is checked.

Accounting Role	Description
LC_CHG_RECV	Islamic LC Charges Receivable
LC_COMM_RECV	Islamic LC Commission Receivable

ORACLE

13.1.7 Accounting Entries for Transfer of Charge & Commission Components from Islamic LC to BC

Dr/Cr	Accounting role	Amount tag propagated from Islamic LC
Dr	LC_COMM_RECV	LC_COMM_LIQD
Cr	LC_COMM_INC	LC_COMM_LIQD
Dr	LC_CHG_RECV	LC_CHG_LIQD
Cr	LC_CHG_INC	LC_CHG_LIQD

In case of Islamic LC products you have to set up accounting to liquidate commission and charges onto the income GL from receivable GL.

If the accounting role for the DR leg of the accounting entries is setup as customer role, the same is recovered from the customer and gets tracked for transfer to Bills. If realization of income is not expected to happen on CLIQ, you need not setup any accounting entries in the CLIQ event and the income entries can be setup from Bills. The system allows Islamic LC products to be saved without any accounting entries defined in the CLIQ event if the options 'Collect Islamic LC commission in Bills' and 'Collect Islamic LC charges in Bills' for all the associated Charge and commission components are checked.

13.1.8 Collateral Bridge Accounting Role

Accounting role	Description
LC_BC_COLL_BRIDGE	Collateral bridge between Islamic LC and Bills

This accounting role is used to transfer the collaterals from the Islamic LC onto the Bill. This role maps onto the GL/Account maintained as a part of the Islamic LC product preference.

13.1.9 AVAL: Availment under Islamic LC

Liability

Role	Amount Tag	Dr/ Cr
IL_OCU	AVAIL_SET_AMT	Cr
IL_OCU_OFFSET	AVAIL_SET_AMTEQ	Dr
IL_OCU	ADV_LIAB_AVAIL_AMT	Cr
IL_OCU_OFFSET	ADV_LIAB_AVAIL_AMT	Dr
IL_CNF_OFF	CNF_LIAB_AVAIL_AMT	Dr
IL_CNF	CNF_LIAB_AVAIL_AMT	Cr

ORACLE®

Collateral (If Any)

Role	Amount Tag	Debit / Credit
COLL_CUST_ACC	COLL_AMNDAMT	Cr
LC_COLL_ACCT	COLL_AMNDAMTEQ	Dr
LCCOLL_INT_ACCT	COLL_AVLAMT	Dr
LC_BC_COLL_BRIDGE	COLL_AVLAMTEQ	Cr

13.1.10 CLOS: Closure of an Islamic LC / Guarantee

Liability

Role	Amount Tag	Debit / Credit
IL_OCU	LIAB_OS_AMT	Cr
IL_OCU_OFFSET	LIAB_OS_AMT	Dr
IL_OCU	ADV_LIAB_OS_AMT	Cr
IL_OCU_OFFSET	ADV_LIAB_OS_AMT	Dr
IL_CNF	CNF_LIAB_OS_AMT	Cr
IL_CNF_OFFSET	CNF_LIAB_OS_AMT	Dr

Collateral (If Any)

Role	Amount Tag	Debit / Credit
COLL_CUST_ACC	COLLAMT_OS	Cr
LC_COLL_ACCT	COLLAMT_OSEQ	Dr
LCCOLL_INT_ACCT	COLLAMT_OS	Dr
COL_DEPOSIT_ACC	COLLAMT_OSEQ	Cr

13.1.11 REIN: Reinstatement of an Islamic LC / Guarantee

Role	Amount Tag	Debit / Credit
IL_OCU	LIAB_REIN_AMT	Dr
IL_OCU_OFFSET	LIAB_REIN_AMT	Cr
IL_OCU	ADV_LIAB_REIN_AMT	Dr
IL_OCU_OFFSET	ADV_LIAB_REIN_AMT	Cr

ORACLE

Role	Amount Tag	Debit / Credit
IL_CNF	CNF_ LIAB_REIN_AMT	Dr
IL_CNF_OFF	CNF_ LIAB_REIN_AMT	Cr

13.1.12 BADV: Advising an Islamic LC

Booking Islamic LC Advice

Role	Amount Tag	Debit / Credit
IL_OCU	ADV_LIAB_OS_AMT	Dr
IL_OCU_OFFSET	ADV_LIAB_OS_AMT	Cr

Charges

As given in event BISS.

Commission

As given in event BISS.

13.1.13 BCFM: Confirming an Islamic LC

Liability

Role	Amount Tag	Debit / Credit
IL_OCU	LIAB_AMT	Dr
IL_OCU_OFFSET	LIAB_AMT	Cr

Collateral (If Any)

Role	Amount Tag	Debit / Credit
COLL_CUST_ACC	COLL_AMT_OS	Cr
LC_COLL_ACCT	COLL_AMT_OSEQ	Dr

Charges

As given in event BISS.

Commission

As given in event BISS.

ORACLE

13.1.14   BPRE: Pre-advising an Islamic LC

None

13.1.15   BANC: Advising and Confirming an Islamic LC

Role	Amount Tag	Debit / Credit
IL_CNF	CNF_LIAB_OS_AMT	Dr
IL_CNF_OFFSET	CNF_LIAB_OS_AMT	Cr

13.1.16   AMND: Amendment

Liability

Reverse all the previous entries for booking. Re-book entries based on BISS or BADV or BPRE or BANC.

Role	Amount Tag	Debit / Credit
IL_OCU	ADV_LIAB_OS_AMT	Dr
IL_OCU_OFFSET	ADV_LIAB_OS_AMT	Cr
IL_CNF	CNF_LIAB_OS_AMT	Dr
IL_CNF_OFFSET	CNF_LIAB_OS_AMT	Cr

Collateral (If Any)

Role	Amount Tag	Debit / Credit
COL_DEPOSIT_ACC	COLL_AMNDAMTEQ	Dr
LCCOLL_INT_ACCT	COLL_AMNDAMT	Cr

In case of decrease of collateral amount upon amendment, the system attributes the amount tags with negative amounts.

13.1.17   AOCF: Amendment from Open to Open and Confirm

None

13.1.18   APAD: Amendment from Pre-advice to Advice

None

13.1.19   APAC: Amendment from Pre-advice to Advice and Confirm

Same as For BISS

ORACLE®

13.1.20   REVR: Reversal

Reverse out all the accounting entries booked for the contract till date.

13.1.21   ACCR: Accrual of Commission

See Commissions under event BISS.

13.1.22   CALC: Periodic Commission Calculation Date

No entries due to commission calculation.

13.1.23   CLIQ: Liquidation of Commission

See Commissions under event BISS.

13.1.24   ROPN: Reopening of an Islamic LC

Liability

Role	Amount Tag	Debit / Credit
IL_OCU	LIAB_OS_AMT	Dr
IL_OCU_OFFSET	LIAB_OS_AMT	Cr
IL_OCU	ADV_LIAB_OS_AMT	Dr
IL_OCU_OFFSET	ADV_LIAB_OS_AMT	Cr
IL_CNF	CNF_LIAB_OS_AMT	Dr
IL_CNF_OFFSET	CNF_LIAB_OS_AMT	Cr

Collateral (If Any)

Role	Amount Tag	Debit / Credit
COLL_CUST_ACC	COLLAMT_OS	Dr
LC_COLL_ACCT	COLLAMT_OS_EQ	Cr

13.1.25   CANC: Cancellation of an Islamic LC

Role	Amount Tag	Debit / Credit
IL_OCU	LIAB_OS_AMT	Cr
IL_OCU_OFFSET	LIAB_OS_AMT	Dr
IL_OCU	ADV_LIAB_OS_AMT	Cr

ORACLE®

Role	Amount Tag	Debit / Credit
IL_OCU_OFFSET	ADV_LIAB_OS_AMT	Dr
IL_CNF	CNF_LIAB_OS_AMT	Cr
IL_CNF_OFFSET	CNF_LIAB_OS_AMT	Dr

Collateral (If Any)

Role	Amount Tag	Debit / Credit
LCCOLL_INT_ACCT	COLLAMT_OS	Dr
COL_DEPOSIT_ACC	COLLAMT_OSEQ	Cr

13.1.26 TRGN: Generation of Tracers

None

13.1.27 AATC: Amendment from Advice to Confirm

Role	Amount Tag	Debit / Credit
IL_OCU	LIAB_OS_AMT	Cr
IL_OCU_OFFSET	LIAB_OS_AMT	Dr
IL_OCU	ADV_LIAB_OS_AMT	Cr
IL_OCU_OFFSET	ADV_LIAB_OS_AMT	Dr
IL_CNF	CNF_LIAB_OS_AMT	Dr
IL_CNF_OFFSET	CNF_LIAB_OS_AMT	Cr

13.1.28 RASN: Reassign an Islamic LC

None

13.1.29 RAVL: Reversal of Availment

Fetch entries for last availment event and reverse them.

13.1.30 MLIQ: Manual Liquidation of Islamic LC commission

Role	Amount Tag propagated from Islamic LC	Dr / Cr
COMM_CUST_ACC	LC_COMM_LIQD	Dr
LC_COMM_RECV	LC_COMM_LIQD	Cr

ORACLE

Role	Amount Tag propagated from Islamic LC	Dr / Cr
CHG_CUST_ACC	LC_CHG_LIQD	Dr
LC_CHG_RECV	LC_CHG_LIQD	Cr

These Accounting entries are maintained when there is an Accounting entry maintained in CLIQ for transferring into Receivable. If the accounting entry is not maintained in CLIQ then the Cr Leg will be Income GL.

13.1.31   WAIV: Waiver of Components during Manual Liquidation

The amount tags for the WAI event are created upon creation of the charge and commission components. Consider Islamic LC_CHG and Islamic LC_COMM as charge and commission components defined in the system. The corresponding amount tags will be as follows:

Amount Tag	Description
LC_CHG_WAIV	LC Charge being waived
LC_COMM_WAIV	LC Commission being waived

Accounting Entries for the Waiver event

Dr/Cr	Accounting role	Amount tag propagated from Islamic LC
Dr	LC_COMM_RECV	LC_COMM_WAIV
Cr	LC_COMM_INC	LC_COMM_WAIV
Dr	LC_CHG_RECV	LC_CHG_WAIV
Cr	LC_CHG_INC	LC_CHG_WAIV

These accounting entries are maintained if receivable accounting entries have been maintained on the CLIQ event of the Islamic LC. The amounts for waiver will be displayed as negative amounts. Partial waivers are not allowed.

ORACLE®

14. Annexure B - Events and Advices

14.1 Introduction

This Annexure contains details of the suggested messages that can be generated for the Islamic Letters of Credit (Islamic LC) module. The annexure lists details of the suggested messages event-wise.

14.1.1 Islamic LC Events

The following is an exhaustive list of events that can take place during the lifecycle of an Islamic LC. In the subsequent paragraphs we shall examine the messages for each of the events listed below.

Event Code	Event Description	Remarks
ACCR	Accrual (Of Commission)	All Types
AMND	Amendment	All Types
AOCF	Amendment from open to open and confirm	Import only
APAC	Amend - Pre-advice to Adv & confirm	Export Only
APAD	Amendment from Pre-advice to advice	Export Only
AVAL	Availment	Only For Islamic LC's
BADV	Booking Of An Islamic LC With Operation Advise	Export Islamic LC Only
BANC	Booking Of An Islamic LC With Operation Advise And Confirm	Export Islamic LC Only
BCFM	Booking Of An Islamic LC With Operation Confirm	Export Islamic LC Only
BISS	Booking Of An Islamic LC Or Guarantee Issue (Open or Open & Confirm)	Only For Import Islamic LC, Standby Islamic LC, Clean Islamic LC, Shipping Guarantee And Guarantee
BPRE	Booking Of An Islamic LC With Operation Pre-Advise	Export Islamic LC Only
CALC	Periodic commission calculation	All types
CANC	Cancellation of an Islamic LC	All Types

ORACLE

Event Code	Event Description	Remarks
CLIQ	Commission Liquidation	All Types
CLOS	Closure Of An Islamic LC Or Guarantee	All Types
RASN	Re-assign an Islamic LC contract	All types
RAVL	Reversal of Availment	All types
REIN	Reinstating An Islamic LC	Revolving Islamic LC's
ROPN	Reopening Of An Islamic LC	All Types
REVR	Reversal of contract	All types
ROPN	Reopening of an Islamic LC	All types
TRGN	Generation of tracers	All types
REIS	Reissue of Guarantee	Guarantee Only

14.1.2 <u>Islamic LC Messages</u>

The exhaustive list of messages that can be generated during the lifecycle of an Islamic LC is listed below:

Message	Mail	Telex	SWIFT	From	To
L/C Instrument	Y	Y	Y	ISB	ABK/BEN
Amendment Instrument	Y	Y	Y	ISB	ABK/BEN
Guarantee Instrument	Y	Y	Y	ISB	ABK
Guarantee Amendment	Y	Y	Y	ISB	ABK
Debit Advice	Y	Y	Y	ISB /ABK	APP/BEN
Credit Advice (Generated automatically on Reversal)	Y	Y	Y	ISB /ABK	APP/BEN
Charge Claim Advice	Y	Y	Y	ISB /ABK	APP/BEN
Cash Collateral Advices	Y	Y	Y	ISB /ABK	APP/ISB
Reimbursement Advice	Y	Y	Y	ISB	RIB
Cancellation Advice	Y	N	N	ISB/ABK	ABK/APP/BEN/ RIB/ATB

Message	Mail	Telex	SWIFT	From	To
Pre Advice Telex: MT-705	Y	Y	Y	ISB	ABK/BEN
Reimbursement Advice Telex: MT-756	Y	Y	Y	ISB	ABK/BEN
ACK of an Import LC: MT-730	Y	Y	Y	ABK	ISB
ACK of Receipt Of Amendment To LC	Y	N	N	ABK	ISB
Authorization to Reimburse: MT-740	Y	Y	Y	ISB	REB
Amendment to Authorization to Reimburse: MT-740	Y	Y	Y	ISB	REB
When No ABK	Y	N	N	ISB	BEN
Pre-Advise To BEN	Y	N	N	ABK	BEN
Change From Pre-Advice To Advice	Y	N	N	ABK	ATB/ BEN
Change From Pre-Advice To Advice And Confirm	Y	N	N	ABK	ATB/BEN
Change From Advice To Advice And Confirm	Y	N	N	ABK	ATB/ BEN
Amending An Import Credit, No ABK	Y	N	N	ISB/ABK	BEN
Amending An Export Credit Previously Advised Or Confirmed, Via ATB	Y	N	N	ABK	ATB
Acknowledgment Tracer	Y	N	N	ISB	ABK
Confirmation Tracer	Y	N	N	ISB	ABK
Charges And Commission Tracer	Y	N	N	Issuing/ABK	APP/BEN/ABK/ ATB/ISB
Insurance Advice	Y	N	N	ISB	Insurance Company
Fax 700/707/LC confirmation Mail Message to counterparty	Y	N	N	ISB	Counterparty

ORACLE

14.1.3 Generating Multiple Copies of the Islamic LC Instrument

You can generate multiple copies of the Islamic LC instrument with the same data and specify different headers for each of the copy that you generate. To generate multiple copies, you need to maintain specific details in the following screens:

1) Format File Maintenance Screen

To generate multiple copies, you need to maintain a file format that will be used for the message and advices. For the LC_Instrument advice, you must associate the 'NUMCOPIESX' advice tag, where X denotes the number of the copy that is generated. Here you can specify different headers for each copy.

Refer to the Maintaining Advice Formats chapter of Messaging System user manual for the procedure to define file formats.

2) Customer Address Maintenance Screen

In this screen, you need to specify the number of copies allowed for the message type LC_Instrument. The system generates the number of copies specified for the instrument at the time of authorization for the customer address maintained in the screen.

Refer to the Maintaining Addresses for a Customer chapter of Messaging System user manual for maintaining addresses for the customer.

3) Outgoing Message Browser

When you are generating multiple copies of the original message, the system classifies the outgoing message as original or a copy in the Outgoing Message Browser.

The 'Copy' box indicates whether the outgoing message is a copy and in the 'No of Copy' field the number of that message is also displayed. This will help you keep count of the number of copies that is generated for the same message.

Refer to the Processing Outgoing Messages chapter in Messaging System user manual for further details on the Outgoing Message Browser.

14.1.4 Generating Fax 700/707 LC Confirmation Mail Message Copy to Counterparty

You can generate Fax 700/707 LC confirmation Mail Message copy to counterparty.

To do this, you need to maintain specific details in the following screens:

ORACLE®

1) Format File Maintenance Screen

To generate Fax 700/707 LC confirmation Mail Message copy, you need to maintain a file format that will be used for the message and advices. For the LC_Instrument advice, you must associate the 'FAX_DUPIslamic LCATE' advice tag, which carries the address of the receiver and a copy of the original message.

The advice format vs. message type mapping for the new message types should be as follows.

Module	Message type	Media
Islamic LC	LC_INSTRUMENT_FAX	FAX
Islamic LC	LC_AMND_INSTR_FAX	FAX

Refer to the Maintaining Advice Formats chapter of Messaging System user manual for the procedure to define file formats.

2) Customer Address Maintenance Screen

In this screen, you need to specify the format for the message type LC_INSTR_COPY and LC_AM_INST_COPY. The system generates the fax message for Islamic LC confirmation for the customer address maintained in the screen.

The customer address maintenance for media FAX should be as follows

Module	Message Type	Format
Islamic LC	LC_INSTR_COPY	FAX_DUPIslamic LCATE
Islamic LC	LC_AM_INST_COPY	FAX_DUPIslamic LCATE

Refer to the Maintaining Addresses for a Customer chapter of Messaging System user manual for maintaining addresses for the customer.

Party Type Abbreviations:

The list of the parties that can be involved in an Islamic LC is as under:

Code	Party Type
APP	Applicant
ACC	Accountee
ISB	Issuing Bank
ABK	Advising Bank
BEN	Beneficiary

ORACLE

Code	Party Type
ATB	Advise through bank
RIB	Reimbursing Bank
REIS	Reissue of Guarantee

14.1.5 Islamic LC event - Messages

14.1.6 BISS: Booking of an Import Islamic LC

Event	Message/Advice	From	To
BISS	LC_REIMB_ADV	ISB	RIB
BISS	ISB_BEN_CL	ISB	BEN
BISS	LC_AMND_INSTR	ISB	ABK/BEN
BISS	LC_CHC_MSG	ISB	ABK
BISS	LC_CASH_COL_ADV	ISB/ABK	APP/ISB
BISS	LC_DR_MSG	ISB	APP/ABK
BISS	LC_INSTRUMENT	ISB	ABK/BEN
BISS	GUARANTEE	ISB	ABK/BEN
BISS	LC_REIMB_ADV	ISB	ABK
BISS	LC_RIM_MSG	ISB	RIB
BISS	LC_INSTR_COPY	ISB	BEN

14.1.7 AVAL: Availment under Islamic LC

Event	Message/Advice	From	To
AVAL	LC_CHC_MSG	ABK	ISB
AVAL	LC_DR_MSG	ABK	BEN

14.1.8 CLOS: Closure of an Islamic LC/Guarantee

None

ORACLE

14.1.9 REIN: Reinstatement of an Islamic LC/Guarantee

Event	Message/Advice	From	To
REIN	LC_AMND_INSTR	ISB	ABK/BEN
REIN	LC_CHC_MSG	ISB/ABK	APP/BEN
REIN	LC_DR_MSG	ISB/ABK	APP/BEN
REIN	LC_INSTRUMENT	ISB	ABK/BEN

14.1.10 BADV: Advising an Islamic LC

Event	Message/Advice	From	To
BADV	LC_ACK_ADVICE	ABK	ISB
BADV	LC_CHC_MSG	ABK	ISB
BADV	LC_DR_MSG	ABK	BEN
BADV	LC_ACK_ADVICE	ABK	ISB

14.1.11 BCFM: Confirming an Islamic LC

Event	Message/Advice	From	To
BCFM	LC_ACK_ADVICE	ABK	ISB
BCFM	LC_CHC_MSG	ABK	ISB
BCFM	LC_CASH_COL_ADV	ABK	ISB
BCFM	LC_DR_MSG	ABK	BEN
BCFM	LC_ACK_ADVICE	ABK	ISB

14.1.12 BPRE: Pre-advising an Islamic LC

Event	Message/Advice	From	To
BPRE	LC_ACK_ADVICE	ABK	ISB
BPRE	LC_ATB_MSG	ABK	ATB
BPRE	LC_CHC_MSG	ISB/ABK	ABK/ISB
BPRE	LC_ACK_ADVICE	ABK	ISB
BPRE	LC_PA_MSG	ISB	ABK

ORACLE

Event	Message/Advice	From	To
BPRE	PADV_CL	ABK	ATB
BPRE	PADV_CL	ABK	BEN

14.1.13 BANC: Advising and Confirming an Islamic LC

Event	Message/Advice	From	To
BANC	LC_ACK_ADVICE	ABK	ISB
BANC	LC_CHC_MSG	ABK	ISB
BANC	LC_CASH_COL_ADV	ABK	ISB
BANC	LC_DR_MSG	ABK	BEN
BANC	LC_ACK_ADVICE	ABK	ISB

14.1.14 REIS: Reissue of Guarantee

Event	Message/Advice	From	To
REIS	LC_INSTRUMENT	ISB	ABK/BEN
REIS	GUARANTEE	ISB	ABK/BEN
REIS	LC_PRE_ADVICE	ABK	ISB

14.1.15 AMND: Islamic LC Amendments

Event	Message/Advice	From	To
AMND	LC_AMD_MSG	ISB	ABK
AMND	AMD_EXP_CR	ABK	ATB
AMND	AMD_EXP_CR	ABK	BEN
AMND	LC_ACK_AMND	ABK	ISB
AMND	LC_CASH_COL_ADV	ABK	ISB
AMND	LC_DR_MSG	ABK	BEN
AMND	LC_AMD_AUTH_REB	ISB	RIB
AMND	AMD_IMP_CR	ISB	BEN

ORACLE

Event	Message/Advice	From	To
AMND	GUA_AMD_INSTR	ISB	ABK
AMND	LC_AMND_INSTR	ISB	ABK/BEN
AMND	LC_CHC_MSG	ISB/ABK	ISB/ABK
AMND	LC_DR_MSG	ISB/ABK	APP/BEN
AMND	LC_INSTRUMENT	ISB	ABK/BEN
AMND	GUA_AMD_INSTR	ISB	ABK/BEN
AMND	LC_REIMB_ADV	ISB	ABK
AMND	LC_REIMB_ADV	ISB	RIB
AMND	LC_AM_INST_COPY	ISB	BEN

14.1.16 REVR: Reversal

Event	Message/Advice	From	To
REVR	LC_CNC_MADV	ISB	APP/ABK
REVR	LC_CR_MSG	ISB/ABK	APP/BEN

14.1.17 ACCR: Accrual of Commission

None

14.1.18 CALC: Periodic Commission Calculation Date

None

14.1.19 CLIQ: Liquidation of Commission

Event	Message/Advice	From	To
CLIQ	LC_DR_MSG	ISB/ABK	APP/BEN

14.1.20 ROPN: Reopening of an Islamic LC

Event	Message/Advice	From	To
ROPN	LC_CHC_MSG	ISB/ABK	ISB/ABK
ROPN	LC_DR_MSG	ISB/ABK	APP/BEN
ROPN	LC_INSTRUMENT	ISB	ABK/BEN

ORACLE

Event	Message/Advice	From	To
ROPN	GUARANTEE	ISB	ABK/BEN

14.1.21 TRGN: End of Day Check for Tracers

Event	Message/Advice	From	To
CHTR	ACK_TRACER	ISB	ABK
CHTR	CHG_COM_TRACER	ISB/ABK	APP/BEN/ABK/ATB/ISB
CHTR	CON_TRACER	ISB	ABK

14.1.22 CANC: Cancellation of an Islamic LC

Event	Message/Advice	From	To
CANC	LC_CANCEL_ADV	ISB	ABK/APP/BEN/RIB
CANC	LC_CANCEL_ADV	ABK	BEN/ABK/ATB/RIB

14.1.23 APAC: Amendment from Pre-Advice to Advice and Confirm

Event	Message/Advice	From	To
APAC	PADV_TO_ADVCON	ABK	ATB
APAC	PADV_TO_ADVCON	ABK	BEN
APAC	PADV_TO_ADVCON	ABK	ATB
APAC	PADV_TO_ADVCON	ABK	BEN
APAC	AMD_EXP_CR	ABK	ATB
APAC	AMD_EXP_CR	ABK	BEN
APAC	LC_ACK_AMND	ABK	ISB
APAC	LC_CASH_COL_ADV	ABK	ISB
APAC	LC_DR_MSG	ABK	BEN

14.1.24 APAD: Amendment from Pre-advice to Advice

Event	Message/Advice	From	To
APAD	LC_AMD_MSG	ISB	ABK
APAD	AMD_EXP_CR	ABK	ATB

ORACLE

Event	Message/Advice	From	To
APAD	AMD_EXP_CR	ABK	BEN
APAD	LC_ACK_AMND	ABK	ISB
APAD	LC_DR_MSG	ABK	BEN
AATC	LC_AMD_MSG	ISB	ABK
AATC	ADV_TO_ADVCON	ABK	ATB
AATC	AMD_EXP_CR	ABK	ATB
AATC	AMD_EXP_CR	ABK	BEN
AATC	LC_ACK_AMND	ABK	ISB
AATC	LC_DR_MSG	ABK	BEN

14.1.25 RASN: Reassign an Islamic LC

None

14.1.26 RAVL: Reversal of Availment

None

14.1.27 CALC: Periodic Commission Calculation

None

14.1.28 Advice Generated for the Insurance Company

The **LC_INSURANCEADV** message is generated by the bank and sent to the Insurance Company at the time of Opening (BISS) and Amendment (AMND) of Islamic LC contract.

An insurance company advice gives details of the deal.

INSURANCE ADVICE

To,

INSURANCECO

_INSURANCECO_ADDR1_

_INSURANCECO_ADDR2_

ORACLE®

_INSURANCECO_ADDR3_

_INSURANCECO_ADDR4_

Dear Sirs,

SUB: Open Policy/Cover No   : _INSURANCECO_POIslamic LCYNO_

        Our Letter Of Credit No. : _USERREFNO_   DATED : _ISSUE_DATE_

This is to advise you that we have today established the subject

Letter of Credit the details of which are as under. Kindly provide

us with Insurance Policy/Certificate/Declaration/Cover Note, which

ever is applicable, at your earliest

L/C No.   :   _CONTREFNO_

                           IRREVOCABLE

Amount   :   ABOUT _LC_CCY_   _LC_AMOUNT_   CFR

Expiring On   :   _EXPIRY_DATE_

Opener of L/C: _APP_NAME_

                           _APP_ADDR1_

                           _APP_ADDR2_

                           _APP_ADDR3_

                           _APP_ADDR4_

Merchandise   :   _GOODS_DESCR_

Shipment From :   _FROM_PLACE_

        To   :   _TO_PLACE_

        By   :   _SHIPMENT_DET_

ORACLE

Not Later Than: _LATEST_SHP_DATE_

Partial Shipment   :   _PARTIAL_SHP_

Transshipment :   _TRANS_SHP_

Yours faithfully For Investbank PSC

[FILE COPY]

14.1.29   <u>Advice Generated for the Counterparty</u>

The **LC_INSTR_COPY and LC_AM_INST_COPY** message types will be processed and an advice will be generated by the bank and sent to the counterparty at the time of Islamic LC confirmation.

The advice format maintenance will be as follows:

FAX_DUPIslamic LCATE
ADDRESS
ORIGINALMESSAGE

Islamic LC Contract processing will specify the receiver of the new message types as the applicant. The message processing function will process confirmation/duplicate messages based on the following:

- If the original message is not processed, then the original message will be processed first before generation of confirmation/duplicate message

- If the status of original message is Repair then the duplicate message will also be in the same status

- If the original message is generated, then the same message is copied to the duplicate message

- The _ORIGINALMESSAGE_ advice tag will be populated with the actual message body of original message

- The additional tags which will be updated for duplicate messages are Receiver address and sender address

- The advice generation process will fetch the above tags and forms the message for duplicate messages

ORACLE

ORACLE

Islamic Letters of Credit
[August] [2010]
Version 11.1

Oracle Corporation
World Headquarters
500 Oracle Parkway
Redwood Shores, CA 94065
U.S.A.

Worldwide Inquiries:
Phone: +1.650.506.7000
Fax: +1.650.506.7200
www.oracle.com/ financial_services/